http://www.oblible.com

U.S.$500,000,000

Banco de Bogotá S.A.

(Incorporated in the Republic of Colombia)

5.375% Subordinated Notes due 2023

We are offering U.S.$500,000,000 aggregate principal amount of our 5.375% subordinated notes due 2023. The notes will mature on February 19, 2023. The notes will accrue interest at a rate of 5.375% per year, payable semi-annually in arrears on February 19 and August 19 of each year, commencing on August 19, 2013.

The notes will be our subordinated unsecured obligations, and will rank pari passu in right of payment with all of our existing and future subordinated unsecured indebtedness (other than certain liabilities preferred by statute or by operation of law). The notes will not be guaranteed by our subsidiaries and will not be entitled to any sinking fund.

Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF market. Currently, there is no market for the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 29 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Issue price: 100.0% plus accrued interest, if any, from February 19, 2013.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, or the "Securities Act," or the securities laws of any other jurisdiction. The notes are being offered or sold only to (1) qualified institutional buyers, as defined in Rule 144A under the Securities Act and (2) outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

The notes have been automatically registered with the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*). Registration does not constitute an opinion of the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) as to approval of the quality of the notes or our solvency. The notes may not be publicly offered or sold in the Republic of Colombia, or "Colombia."

The delivery of the notes is expected to be made to investors in book-entry form through the facilities of The Depository Trust Company, for the accounts of its direct and indirect participants, including Euroclear Bank S.A./N.V., or "Euroclear," and Clearstream Banking, *société anonyme*, Luxembourg, or "Clearstream," on or about February 19, 2013.

Joint Book-Running Managers

Citi **HSBC** **J.P. Morgan**

The date of this offering memorandum is February 11, 2013.

http://www.oblible.com

TABLE OF CONTENTS

Page

Presentation of Financial and Other Information v
Forward-Looking Statements viii
Enforcement of Judgments x
Summary 1
Risk Factors 29
Exchange Rates and Foreign Exchange Controls 50
Use of Proceeds 53
Capitalization 54
Selected Financial and Operating Data 56
Selected Statistical Data 60
Management's Discussion and Analysis of Financial Condition and Results of Operations 105
Industry 184
Business 195
Supervision and Regulation 240
Management 261
Principal Shareholder 267
Related Party Transactions 268
Description of the Notes 272
Tax Considerations 289
Plan of Distribution 292
Transfer Restrictions 296
Listing and General Information 298
Validity of the Notes 299
Independent Auditors 299
Index to Financial Statements F-1
Appendix A – Summary of Certain Differences Between Colombian Banking GAAP and U.S. GAAP A-1

We have not, and Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and J.P. Morgan Securities LLC (together, the "initial purchasers") have not, authorized any other person to provide you with information other than this offering memorandum. Neither Banco de Bogotá (as defined below) nor the initial purchasers are making an offer to sell or soliciting an offer to buy the notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, results of operations or financial condition may have changed since that date. Neither the delivery of this offering memorandum nor any sale made hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire notes. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing.

By its acceptance hereof, each recipient agrees that neither it nor its agents, representatives, directors or employees will copy, reproduce or distribute to others this offering memorandum, in whole or in part, at any time without the prior written consent of Banco de Bogotá, and that it will keep permanently confidential all information contained herein or otherwise obtained from Banco de Bogotá, and will use this offering memorandum for the sole purpose of evaluating a possible acquisition of the notes and no other purpose.

None of the U.S. Securities and Exchange Commission, or the "SEC," any U.S. state securities commission or any other regulatory authority has approved or disapproved the notes or passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions."

Prospective investors are not to construe the contents of this offering memorandum, or any prior or subsequent communications from Banco de Bogotá or other professionals associated with the offering, as legal, tax or business advice. Each prospective investor should consult its own attorney and business advisor as to the legal, business, tax and related matters concerning this investment. The initial purchasers are not acting as your advisors or agents. Prior to entering into any transaction, you should determine, without reliance upon the initial purchasers or their affiliates, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences of the transaction, and independently determine that you are able to assume these risks. In this regard, by acceptance of these materials, you acknowledge that you have been advised that (1) the initial purchasers are not in the business of providing legal, tax or accounting advice, (2) you understand that there may be legal, tax or accounting risks associated with the transaction, (3) you should receive legal, tax and accounting advice from advisors with appropriate expertise to assess relevant risks, and (4) you should apprise senior management in your organization as to the legal, tax and accounting advice (and, if applicable, risks) associated with this transaction and the initial purchasers' disclaimers as to these matters.

This offering memorandum contains summaries of the notes and of certain documents, agreements and opinions relating to this offering. Reference is hereby made to the actual documents for complete information concerning the rights and obligations of the parties thereto.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, ("RSA 421-B"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

Available information

Banco de Bogotá is a corporation (*sociedad anónima*) organized under the laws of Colombia. Our principal executive offices are located at Calle 36 No. 7-47, Bogotá, Colombia, and our telephone number at that address is +57 1 332 0032. Our website is http://www.bancodebogota.com.

Banco de Bogotá is a Colombian issuer of securities registered with the National Registry of Shares and Issuers (*Registro Nacional de Valores y Emisores*) and is subject to oversight by the Superintendency of Finance (as defined below). Our common shares are traded on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*) under the symbol "BBO." Accordingly, we are currently required to file quarterly and annual reports in Spanish and issue notices of material events (*información relevante*) to the Superintendency of Finance and the Colombian Stock Exchange. All such reports and notices are available at http://www.superfinanciera.gov.co and http://www.bvc.com.co.

Our parent, Grupo Aval (as defined below), is subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, or the "Exchange Act," applicable to foreign private issuers, and accordingly, files or furnishes reports, including annual reports on Form 20-F, reports on Form 6-K, and other information with the SEC, which may include information pertaining to us. You may read and copy any documents filed by Grupo Aval at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Grupo Aval's filings with the SEC are also available to the public through the SEC's website at http://www.sec.gov.

These reports and notices and any information contained in, or accessible through, our website or any other website referred to in this offering memorandum are not incorporated by reference in, and do not constitute a part of, this offering memorandum.

For as long as any notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, we will, during any period in which we are neither subject to Section 13 or Section 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser or subscriber of such restricted securities designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser or subscriber, the information required to be delivered to such persons pursuant to Rule 144(d)(4) under the Securities Act (or any successor provision thereto).

Definitions

In this offering memorandum, unless otherwise indicated or the context otherwise requires, the terms:

- "Banco de Bogotá," the "bank," "we," "us," "our" and "our company" mean Banco de Bogotá S.A. and its consolidated subsidiaries;
- "Grupo Aval" means Grupo Aval Acciones y Valores S.A. and its consolidated subsidiaries;
- "BAC Credomatic" or "BAC" means BAC Credomatic Inc. and its consolidated subsidiary;
- "Corficolombiana" means Corporación Financiera Colombiana S.A. and its consolidated subsidiaries;
- "BBVA Horizonte" means BBVA Horizonte Sociedad Administradora de Fondos de Pensiones y de Cesantías S.A. and its consolidated subsidiaries;
- "Porvenir" means Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. and its consolidated subsidiary; and
- "Superintendency of Finance" means the Colombian Superintendency of Finance, a supervisory authority ascribed to the Colombian Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*), or the "Ministry of Finance," holding the inspection, supervision and control authority over the persons involved in financial activities, securities markets, insurance and any other operations related to the management, use or investment of resources collected from the public.

In this offering memorandum, references to beneficial ownership are calculated pursuant to the SEC's definition of beneficial ownership contained in Form 20-F for foreign private issuers. Form 20-F defines the term "beneficial owner" of securities means any person who, even if not the record owner of the securities, has or shares the underlying benefits of ownership, including the power to direct the voting or the disposition of the securities or to receive the economic benefit of ownership of the securities. A person also is considered to be the "beneficial owner" of securities that the person has the right to acquire within 60 days pursuant to an option or other agreement. Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives or other intermediaries, or through companies in which they have a "controlling interest," which means the direct or indirect power to direct the management and policies of the entity.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to "peso," "pesos" or "Ps" refer to the lawful currency of Colombia. All references to "U.S. dollars," "dollars" or " U.S.$" are to United States dollars. See "Exchange Rates and Foreign Exchange Controls" for information regarding exchange rates for the Colombian currency since 2007. This offering memorandum translates certain Colombian peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The conversion of amounts expressed in Colombian pesos as of a specified date at the then prevailing exchange rate may result in presentation of U.S. dollar amounts that differ from U.S. dollar amounts that would have been obtained by converting Colombian pesos as of another specified date. Unless otherwise noted in this offering memorandum, all such peso amounts have been translated at the rate of Ps 1,800.52 per U.S.$1.00, which corresponds to the representative market rate calculated on September 30, 2012. The representative market rate is computed and certified by the Superintendency of Finance on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions. Such conversion should not be construed as a representation that the peso amounts correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On February 11, 2013, the representative market rate was Ps 1,790.61 per U.S.$1.00.

Financial statements

Banco de Bogotá and its Colombian financial subsidiaries, including Porvenir and Corficolombiana are entities under the comprehensive supervision of, and subject to inspection and surveillance as financial institutions by, the Superintendency of Finance. Banco de Bogotá is required to comply with capital adequacy regulations, and each of its financial subsidiaries is separately required to comply with capital adequacy regulations applicable to banks and other financial institutions. In addition, Banco de Bogotá is an issuer in Colombia of securities registered with the National Registry of Shares and Issuers, and in this capacity, it is subject to oversight by the Superintendency of Finance. Banco de Bogotá is required to comply with corporate governance and periodic reporting requirements to which all issuers are subject.

Our consolidated financial statements at December 31, 2011 and 2010 and for each of the years in the three-year period ended December 31, 2011, 2010 and 2009, or "our audited annual consolidated financial statements," and our consolidated financial statements at June 30, 2012 and for the six-month periods ended June 30, 2012 and 2011, or "our audited six-month consolidated financial statements" have each been audited by KPMG Ltda., independent auditors, as stated in their report appearing elsewhere herein. Our historical results are not necessarily indicative of results to be expected for future periods. Our unaudited consolidated financial statements at September 30, 2012 and for the nine-month periods ended September 30, 2012 and 2011 are also included in this offering memorandum, or "our unaudited consolidated financial statements."

We have prepared these financial statements in accordance with the regulations of the Superintendency of Finance for financial institutions (including Resolution 3600 of 1988 and External Circular 100 of 1995) and, on issues not addressed by these regulations, generally accepted accounting principles prescribed by the Superintendency of Finance for banks licensed to operate in Colombia on the issue date, consistently applied, together with such regulations, "Colombian Banking GAAP." The audited annual consolidated financial statements, audited six-month consolidated financial statements, and our unaudited consolidated financial statements the included in this offering memorandum have not been reviewed or approved by the Superintendency of Finance; however, the audited six-month consolidated financial statements and the audited annual consolidated financial statements, prepared on the basis of Colombian Banking GAAP, are remitted to the Superintendency of Finance for their review.

Colombian Banking GAAP differs in certain significant respects from generally accepted accounting principles in the United States, or "U.S. GAAP." See "Appendix A—Summary of Certain Differences Between Colombian Banking GAAP and U.S. GAAP" for a description of the principal differences between Colombian Banking GAAP and U.S. GAAP, and how those differences might affect the financial information contained herein.

BAC Credomatic acquisition

On July 15, 2010, we entered into a stock purchase agreement with GE Consumer Finance Central Holdings Corp. and General Electric Capital Corporation (collectively, "GE Capital"), to acquire all of the outstanding shares of BAC Credomatic GECF Inc. (now known as BAC Credomatic Inc.), a company incorporated under the laws of the British Virgin Islands, for U.S.$1.92 billion, subject to certain adjustments. BAC Credomatic is a Central American banking group. We completed the acquisition on December 9, 2010. See "Business—BAC Credomatic."

As a consequence of our acquisition of BAC Credomatic, our results of operations for the years ended December 31, 2011, 2010 and 2009 may not be comparable with each other and with prior periods. As permitted by the Superintendency of Finance, we have included a one-month period ended December 31, 2010 of BAC Credomatic financial data in our consolidated results of operations for the year ended December 31, 2010.

We present certain financial information for BAC Credomatic on a stand-alone basis in accordance with U.S. GAAP (see "Business—BAC Credomatic"). When comparing financial information of BAC Credomatic to other Grupo Aval subsidiaries, we present LB Panamá results, prepared under Colombian Banking GAAP, to disclose financial information pertaining to BAC Credomatic in this offering memorandum. LB Panamá acquired BAC Credomatic and consolidates its operations under Colombian Banking GAAP; however, LB Panamá's stand-alone operations are immaterial. At June 30, 2012, LB Panamá had Ps 1,828.0 billion of goodwill associated with the BAC Credomatic acquisition and Ps 481.8 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the six-month period ended June 30, 2012 were Ps 27.0 billion and Ps 10.6 billion, respectively.

BBVA Horizonte acquisition

On December 24, 2012, our subsidiary Porvenir announced that it had entered into a stock purchase agreement with Banco Bilbao Vizcaya Argentaria S.A. of Spain ("BBVA") and Compañía Chilena de Inversiones S.L., an affiliate of BBVA, for the acquisition of 99.99% of the outstanding shares of BBVA Horizonte for U.S.$530 million, subject to certain adjustments. Porvenir expects to close the pending BBVA Horizonte acquisition on or before the end of the first six months of 2013. Grupo Aval also entered into the stock purchase agreement as guarantor of the obligations of Porvenir, including payment of the purchase price. The stock purchase agreement permits the assignment of Porvenir's obligations under the stock purchase agreement to any subsidiaries of Grupo Aval incorporated in Colombia. The obligations of Porvenir under the stock purchase agreement, including payment of the purchase price, are expected to be consummated by Porvenir together with other subsidiaries of Grupo Aval. Banco de Bogotá's Board of Directors authorized us on January 17, 2013 to enter into the transaction as an assignee, subject to regulatory approval. See "Summary—Other developments—BBVA Horizonte acquisition," and "Risk Factors—Risks relating to our pending acquisition of BBVA Horizonte."

Market share and other information

We obtained the market and competitive position data, including market forecasts, used throughout this offering memorandum from market research, publicly available information and industry publications. We have presented this data on the basis of information from third-party sources that we believe are reliable, including, among others, the International Monetary Fund, or "IMF," the Superintendency of Finance, the Colombian Stock Exchange, the Colombian National Bureau of Statistics (*Departamento Administrativo Nacional de Estadística*), or "DANE," the 2010 and 2011 World Bank Development Indicators, the Economist Intelligence Unit and Euromonitor International. Industry and government publications, including those referenced herein, generally state that the information presented has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Unless otherwise indicated, gross domestic product, or "GDP," figures with respect to Colombia in this offering memorandum are based on the 2005 base year data series published by DANE. Although we have no reason to believe that any of this information or these reports is inaccurate in any material respect, we have not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. We, the initial purchasers do not make any representation or warranty as to the accuracy of such information.

Except where otherwise indicated, our balance sheet and statement of income data included in this offering memorandum reflects consolidated Colombian Banking GAAP information, while comparative disclosures of our financial and operating performance against that of our competitors are based on unconsolidated information prepared on the basis of Colombian Banking GAAP reported to the Superintendency of Finance. Except where otherwise indicated, financial and market share data pertaining to BAC Credomatic has been prepared on the basis of U.S. GAAP.

Banks, financing companies and finance corporations are deemed credit institutions by the Superintendency of Finance and are the principal institutions authorized to accept deposits and make loans in Colombia. Banks undertake traditional deposit-taking and lending activities. Financing companies place funds in circulation by means of active credit operations, with the purpose of fostering the sale of goods and services, including the development of leasing operations. Finance corporations invest directly in the economy and thus are the only credit institutions that may invest in non-financial sectors. Banks are permitted to invest in finance corporations. We are a bank, and we operate one finance corporation (Corficolombiana), and our market share is determined by comparing the bank to banks reporting their results to the Superintendency of Finance; however, if market share data including financing companies and finance corporations is considered, our market shares would generally be lower than in a bank-only comparison, and the gaps between our market shares and those of our competitors would be smaller, but our market leadership in most market categories would be unaffected. We consider our principal competitors in Colombia to be Bancolombia S.A., or "Bancolombia," Banco Davivienda S.A., or "Davivienda," and Banco Bilbao Vizcaya Argentaria Colombia S.A., or "BBVA Colombia," which are the three leading banking groups in Colombia after Grupo Aval. We also compete to a lesser extent with Grupo Aval's other banks, Banco de Occidente S.A. or "Banco de Occidente," Banco Popular S.A. or "Banco Popular," and Banco Comercial AV Villas S.A. or "Banco AV Villas." Porvenir's, our pension and severance fund administrator, principal competitors are Administradora de Fondos de Pensiones y Cesantía Protección S.A., or "Protección," BBVA Horizonte (in the process of being acquired by Porvenir and Grupo Aval) Colfondos S.A. Pensiones y Cesantías, or "Colfondos," (in the process of being acquired by Scotiabank) ING Administradora de Fondos de Pensiones y Cesantía S.A., or "ING," (in the process of being acquired by Protección) and Skandia Administradora de Fondos de Pensiones y Cesantías S.A., or "Skandia." Corficolombiana, our merchant bank is a financial corporation, and our principal competitors are Banca de Inversión, Bancolombia S.A., J.P. Morgan Corporación Financiera S.A. and BNP Paribas Colombia Corporación Financiera S.A. We consider the following banking groups with operations in El Salvador, Guatemala, Costa Rica, Nicaragua, Honduras and Guatemala to be our principal competitors in those countries: Banco Industrial, Scotiabank, G&T Continental, Citibank and Bancolombia.

Annualized ratios

We present net interest margin, return on average assets, return on average shareholders' equity, charge-offs to average outstanding loans and other financial ratios for the six-month periods ended June 30, 2012 and 2011 on an annualized basis by multiplying earnings for the six-month period by two. Annualized ratios are not necessarily indicative of the ratios that will be achieved in full-year 2012.

Other conventions

Certain amounts included in this offering memorandum have been subject to rounding adjustments. Accordingly, amounts shown as totals in certain tables may not be an arithmetic summation of the figures that precede them.

References to "billions" in this offering memorandum are to 1,000,000,000s and to "trillions" are to 1,000,000,000,000s.

"Minority interest" and "non-controlling interest" refer to the participation of minority shareholders in Banco de Bogotá and our subsidiaries, as applicable.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains estimates and forward-looking statements, principally in "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Some of the matters discussed concerning our operations and financial performance include estimates and forward-looking statements within the meaning of the Securities Act and the Exchange Act.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and trends, which affect or may affect our businesses and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- changes in Colombian, Central American, regional and international business and economic, political or other conditions;
- developments affecting Colombian and international capital and financial markets;
- government regulation and tax matters and developments affecting our company and industry;
- increases in defaults by our customers;
- increases in goodwill impairment losses;
- decreases in deposits, customer loss or revenue loss;
- increases in provisions for contingent liabilities;
- our ability to sustain or improve our financial performance;
- increases in inflation rates;
- changes in interest rates which may, among other effects, adversely affect margins and the valuation of our treasury portfolio;
- decreases in the spread between investment yields and implied interest rates in annuities;
- movements in exchange rates;
- competition in the banking and financial services, credit card services, insurance, asset management, pension fund administration and related industries;
- adequacy of risk management procedures and credit, market and other risks of lending and investment activities;
- decreases in our level of capitalization;
- changes in market values of Colombian and Central American securities, particularly Colombian government securities;
- adverse legal or regulatory disputes or proceedings;
- internal security issues affecting countries where we will operate and natural disasters;
- loss of key members of our senior management;
- business or asset acquisitions including our pending acquisition of BBVA Horizonte; and
- other risk factors as set forth under "Risk Factors."

The words “believe,” “may,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “expect” and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only at the date they were made, and we undertake no obligation to update or to review any estimate and/or forward-looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering memorandum might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to, inclusive, but not limited to, the factors mentioned above. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future.

ENFORCEMENT OF JUDGMENTS

Banco de Bogotá S.A. is incorporated under the laws of Colombia. All of our directors and officers reside outside the United States. Substantially all of our assets are located outside the United States, primarily in Colombia. As a result, it may not be possible, or it may be difficult, for you to effect service of process upon us or these other persons within the United States or to enforce judgments obtained in U.S. courts against us or them, including those predicated upon the civil liability provisions of the U.S. federal securities laws.

The Colombian Supreme Court will determine whether to enforce a U.S. judgment predicated on the U.S. securities laws through a procedural system known under Colombian law as "exequatur." The Colombian Supreme Court will recognize a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of Articles 693 and 694 of Colombia's Code of Civil Procedure (and following the entry into force on January 1, 2014 of Law 1,564 of 2012 (*Código General del Proceso)*, of Articles 605, 606 and 607 of such law), which provide that the foreign judgment will be enforced if:

- a treaty or convention exists between Colombia and the country where the judgment was granted or there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

- the foreign judgment does not relate to "in rem" rights vested in assets that were located in Colombia at the time the suit was filed and does not contravene or conflict with Colombian laws relating to public order other than those governing judicial procedures;

- the foreign judgment, in accordance with the laws of the country in which it was obtained, is final and not subject to appeal, and a duly certified and authenticated copy of the judgment has been presented to a competent court in Colombia;

- the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;

- no proceeding is pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties; and

- in the proceeding commenced in the foreign court that issued the judgment, the defendant was served in accordance with the law of such jurisdiction and in a manner reasonably designed to give the defendant an opportunity to defend itself against the action.

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court, which is the only Colombian court that can recognize foreign judgments, has generally accepted that reciprocity exists when it has been proven that either a U.S. court has enforced a Colombian judgment or that a U.S. court would enforce a foreign judgment, including a judgment issued by a Colombian court. However, the Colombian legal system is not based on precedents and *exequatur* decisions are made on a case-by-case basis.

Notwithstanding the foregoing, we cannot assure you that a Colombian court would enforce a U.S. based judgment with respect to the notes based on U.S. securities laws. We have been advised by our Colombian counsel that there is no legal basis for original actions to be brought against us or our directors and executive officers in a Colombian court predicated solely upon the provisions of the U.S. securities laws. In addition, certain remedies available under provisions of the U.S. securities laws may not be admitted or enforced by Colombian courts.

SUMMARY

This summary highlights selected information about us and the notes that we are offering. It may not contain all of the information that may be important to you. Before investing in our notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including our audited annual consolidated financial statements and the related notes, our audited six-month consolidated financial statements and the related notes, and the information under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum.

Our company

Banco de Bogotá is Colombia's oldest financial institution, having conducted operations for more than 140 years. We are also the second largest bank in the country based on total consolidated assets of U.S.$40.96 billion at June 30, 2012 and net income for the six months ended June 30, 2012 of U.S.$369.2 million and the most profitable in terms of ROAA of 2.5% at June 30, 2012. Banco de Bogotá has U.S.$25.83 billion and U.S.$22.57 billion in deposits, and gross loans and financial leases, respectively, representing market shares of 15.3% and 13.5%, respectively, as of June 30, 2012. Our pension and severance fund administrator, Porvenir, is a leading pension and severance fund management business in Colombia, based on assets under management, at June 30, 2012, and our merchant bank, Corficolombiana, is the largest merchant bank in Colombia, based on total assets at June 30, 2012. Through our BAC Credomatic operations, we are one of the leading banking groups in the Central American market with total assets of U.S.$9.8 billion, loans at book value of U.S.$6.4 billion and deposits of U.S.$6.8 billion at June 30, 2012.

Banco de Bogotá is a subsidiary of Grupo Aval, which is Colombia's largest and most profitable banking group, based on available data for total assets and return on average assets at June 30, 2012. Banco de Bogotá is the largest financial institution within Grupo Aval's portfolio by assets and the largest contributor of net income before taxes and non-controlling interest. Grupo Aval employs a multi-brand strategy, allowing each of its four banks, Banco de Occidente, Banco Popular, Banco AV Villas and us, to focus on particular types of customers, geographic regions and products. Grupo Aval's banks are encouraged to compete among themselves and with other market participants, while remaining subject to group-level oversight and direction.

Banco de Bogotá is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products, distributed through a network of 630 branches and 1,088 automated teller machines, or "ATMs," at June 30, 2012 in Colombia. While Banco de Bogotá serves all market segments, it had a leading presence in commercial loans, with a particular focus on large corporations and a market share of 18.6% for commercial loans at June 30, 2012. Following its 2006 acquisition of Banco de Crédito y Desarrollo Social Megabanco S.A., or "Megabanco," Banco de Bogotá expanded its consumer banking business and has a market share of 9.0% of consumer loans at June 30, 2012. Based on consolidated figures, Banco de Bogotá's return on average equity, or "ROAE," of 18.8% and 21.3% and efficiency ratios of 47.3% and 50.9% for the six-month period ended June 30, 2012 and the year ended December 31, 2011, respectively, make it one of the most profitable and efficient banks in Colombia.

The following table shows market share and other metrics of Banco de Bogotá and its key competitors at the dates indicated.

	Banco de Bogotá	Other Grupo Aval banks(1)	Grupo Aval Consolidated (5)	Bancolombia	Davivienda	BBVA Colombia (6)
	At June 30, 2012					
	(in percentages)					
ROAA (2)	**2.5**	2.2	**2.1**	1.9	2.0	–
ROAE (3)	**18.8**	16.4	**17.3**	16.2	15.1	–
Efficiency ratio (4)	**47.3**	48.9	**50.0**	51.8	43.4	–

	Banco de Bogotá	Other Grupo Aval banks(1)	Grupo Aval Consolidated (5)	Bancolombia	Davivienda	BBVA Colombia (6)
Deposits	**15.3**	14.6	**29.9**	19.4	10.8	10.0
Gross loans and financial leases	**13.5**	15.1	**28.7**	21.6	12.4	9.6
Assets	**14.9**	14.5	**29.4**	20.6	11.6	8.9
Branches	**13.6**	12.1	**25.7**	15.5	11.3	7.1
ATMs	**9.6**	14.5	**24.1**	26.9	13.1	8.6
	At December 31, 2011					
	(in percentages)					
ROAA (2)	**2.6**	2.4	**2.3**	2.2	1.9	2.0
ROAE (3)	**21.3**	17.7	**20.3**	19.6	15.1	20.2
Efficiency ratio (4)	**50.9**	50.3	**52.7**	53.2	47.2	49.9
Colombian market share:						
Deposits	**14.8**	14.7	**29.5**	19.6	11.5	9.8
Gross loans and financial leases	**13.4**	14.9	**28.3**	21.9	12.8	9.4
Assets	**14.6**	14.4	**29.0**	21.0	11.9	8.8
Branches	**13.7**	11.9	**25.7**	15.4	11.4	6.9
ATMs	**9.4**	14.6	**24.3**	26.5	13.3	8.8

Source: Market share calculations based on Superintendency of Finance data, except for branches and ATMs which was derived from company-data.

(1) ROAA, ROAE and efficiency ratio data reflect aggregated consolidated data of Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas. Market share data reflects aggregated unconsolidated amounts relative to Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas.

(2) For methodology used to calculate return on average assets, or "ROAA," see note 2 to the table under "—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(3) For methodology used to calculate ROAE, see note 3 to the table under "—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(4) For methodology used to calculate efficiency ratio, see note 4 to the table under "—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(5) Return on average assets, or "ROAA," ROAE and efficiency ratio reflect consolidated ratios of Grupo Aval. Colombian market share figures reflect aggregated unconsolidated amounts of Grupo Aval's Colombian banking subsidiaries.

(6) As of the date of this offering memorandum, consolidated data for BBVA Colombia at June 30, 2012 is unavailable.

Central American operations

Through our BAC Credomatic operations, we are one of the leading banking groups in Central America based on consolidated assets. BAC Credomatic has operations in each of the six Central American countries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. BAC Credomatic is one of the leading credit card issuance and merchant-acquiring franchises in Central America. BAC Credomatic's credit card accounts represented 25.7% of total credit card accounts in Central America (calculated based on BAC Credomatic data and information provided by Euromonitor International) at December 31, 2010. BAC Credomatic has the only network that processes all major credit card brands in the region.

Through a network of 487 points of contact (including 227 full-service branches, 40 in-store branches, 192 on-site branches and 28 auto/drive-thru branches) and 1,227 ATMs at June 30, 2012, BAC Credomatic provides us with more than 2.2 million additional customers and access to a region with a population of approximately 43.9 million, providing significant opportunity for growth in financial services.

BAC Credomatic represented the equivalent of 28.8% of our assets at December 31, 2011 and 26.2% of our assets at June 30, 2012.

The following table shows market share of our Central American operations, excluding Panama, at June 30, 2012.

	At June 30, 2012					
	BAC Credomatic	Banco Industrial	Scotiabank	G&T Continental	Citibank	Banco Agrícola
	(in percentages)					
Central American market share:						
Deposits	11.5	13.3	5.6	9.2	6.8	5.5
Net loans and financial leases	13.3	11.4	7.7	7.5	6.2	6.2
Shareholders' equity	12.9	9.5	6.3	6.9	11.5	7.5
Net income	17.6	15.2	3.9	6.1	6.7	7.6
ROAA (1)	2.6	2.1	1.1	1.3	1.7	2.5
ROAE (2)	23.1	26.8	10.4	15.2	9.8	15.9

Source: Reflects data aggregated from the local superintendencies of Costa Rica, Honduras, El Salvador, Guatemala and Nicaragua. Market share is determined based on the sum of each bank's operations (excluding state-owned banks) in the above mentioned countries. For comparison purposes, this calculation excludes Panama due to the difficulty of separating international from local businesses of Panamanian banks.

(1) For methodology used to calculate return on average assets, or ROAA, see note 2 to the table under "—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(2) For methodology used to calculate ROAE, see note 3 to the table under "—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

Financial and operating data

The following table presents our key consolidated financial and operating data for the periods and at the dates presented.

	At and for the six-month period ended June 30,			At and for the year ended December 31,		
	2012	2012	2011	2011	2010	2009
	(in U.S.$ millions, except where otherwise indicated) (1)	(in Ps billions, except operating data or where otherwise indicated)				
Financial data:						
Total assets	40,958.8	73,747.1	63,734.3	68,809.6	59,346.6	36,475.2
Gross loans and financial leases	23,185.2	41,745.4	35,691.9	40,035.0	33,548.5	19,676.0
Deposits	25,830.8	46,508.8	39,175.8	43,366.5	37,992.3	24,382.0
Non-controlling interest	1,470.5	2,647.6	2,583.5	2,457.0	2,302.1	2,125.9
Total shareholders' equity	4,039.1	7,272.5	6,453.8	6,845.9	3,918.3	3,440.4
Net interest income	952.6	1,715.3	1,507.6	2,936.7	2,443.4	2,317.0
Total provisions, net	(115.0)	(207.1)	(72.5)	(139.0)	(610.6)	(347.8)
Total fees and other services income, net	501.0	902.0	861.8	1,756.8	1,155.1	1,075.6
Total other operating income	200.4	360.9	335.3	757.9	582.4	492.0
Total operating income	**1,539.0**	**2,771.0**	**2,632.2**	**5,312.3**	**3,570.3**	**3,536.8**
Total operating expenses	(834.8)	(1,503.2)	(1,438.9)	(2,967.7)	(1,757.9)	(1,585.3)
Total non-operating income (expense), net	40.6	73.1	34.1	68.5	96.0	78.0
Income tax expense	(248.1)	(446.7)	(335.0)	(737.2)	(510.0)	(522.7)
Income before non-controlling interest	**496.7**	**894.3**	**892.4**	**1,675.9**	**1,398.3**	**1,506.9**
Non-controlling interest	(127.5)	(229.5)	(311.9)	530.2	(483.4)	(551.1)
Income attributable to shareholders	**369.2**	**664.8**	**580.4**	**1,145.7**	**914.9**	**955.8**
ROAA (2)	–	2.5%	2.9%	2.6%	2.9%	4.4%
ROAE (3)	–	18.8%	22.4%	21.3%	24.9%	31.1%
Efficiency ratio (4)	–	47.3%	49.6%	50.9%	40.1%	39.0%

	At and for the six-month period ended June 30,			At and for the year ended December 31,		
	2012	2012	2011	2011	2010	2009
	(in U.S.$ millions, except where otherwise indicated) (1)	(in Ps billions, except operating data or where otherwise indicated)				
Operational data (in units):						
Number of customers (millions) (5)	–	10.3	9.4	9.7	8.9	–
Number of employees (6)	–	33,554	32,449	32,763	32,870	–
Number of branches (7)	–	1,232	1,188	1,205	1,179	–
Number of ATMs (8)	–	2,315	2,132	2,205	2,091	–
Ratios						
Loans to deposits	-	89.8%	91.1%	92.3%	88.3%	80.5%
Non-performing loans as a percentage of total loans (9)	–	1.4%	1.8%	1.6%	1.8%	2.3%
Allowance for loans as a percentage of non-performing loans	–	185.3%	159.1%	174.2%	170.1%	167.3%
Solvency ratio (technical capital divided by risk-weighted assets)	–	13.3%	14.5%	13.3%	15.1%	16.4%
Net interest margin (10)	–	6.3%	6.2%	6.0%	7.4%	8.4%

(1) Translated for convenience only using the representative market rates as computed and certified by the Superintendency of Finance of Ps 1,800.52 at September 30, 2012.

(2) For the years ended December 31, ROAA is calculated as income before non-controlling interest divided by average assets (the average of total assets at December 31 of the fiscal year and total assets at December 31 of the previous fiscal year). For the year ended December 31, 2010, BAC Credomatic's results are included in 1/12 of our 2010 income but in 1/2 of our average assets due to the consolidation of BAC Credomatic financial data in our financial statements from December 1, 2010. Excluding BAC Credomatic's assets from the calculation, results in an adjusted Banco de Bogotá ROAA of 3.4% at December 31, 2010. For the six-month periods ended June 30, ROAA is calculated as income before non-controlling interest for the six-month period multiplied by two, divided by average assets (the sum of total assets at the end of the six-month period and total assets at the end of the previous fiscal year, divided by two). For a reconciliation of ROAA, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP measures reconciliation."

If average assets were calculated using monthly consolidated information, rather than the average at the beginning and end of an annual period, our ROAA would be as follows: 2.7%, 3.4% and 4.4% for the periods ended December 31, 2011, 2010 and 2009. If average assets were calculated using monthly consolidated information, rather than the average at the beginning and end of a six-month period, our ROAA would be as follows: 2.6% and 2.9% for the six-month periods ended June 30, 2012 and 2011. Annualized ratios are not necessarily indicative of the ratios that would result for the full-year 2012, which may be materially different.

(3) For the years ended December 31, ROAE is calculated as net income divided by average shareholders' equity (shareholders' equity at the end of the period plus shareholders' equity at the end of the prior period, divided by two). For the six-month periods ended June 30, ROAE is calculated as net income multiplied by two, divided by average shareholders' equity (shareholders' equity at the end of the six-month period plus shareholders' equity at the end of the prior fiscal year, divided by two). Annualized ratios are not necessarily indicative of the ratios that would result for the full-year 2012, which may be materially different.

If average shareholders' equity were calculated using monthly consolidated information, rather than the average at the beginning and end of such period, our ROAE would be as follows: 19.7%, 25.1% and 27.3% for the periods ended December 31, 2011, 2010 and 2009, and 19.0% and 22.1% for the periods ending June 30, 2012 and 2011, respectively. There is no significant effect to shareholders' equity at December 31, 2011 resulting from the BAC Credomatic transaction. Annualized ratios are not necessarily indicative of the ratios that would result for the full-year 2012, which may be materially different.

(4) Efficiency ratio is calculated as operating expenses before depreciation and goodwill amortization, divided by total operating income before net provisions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP measures reconciliation."

(5) Reflects aggregated customers of each of Banco de Bogotá, Porvenir, Corficolombiana and BAC Credomatic. Customers of more than one of these entities are counted separately for each subsidiary. Customer data for the year ended December 31, 2009 is not available.

(6) Reflects aggregated employees of Banco de Bogotá, Corficolombiana, Porvenir and BAC Credomatic. Employee data for the year ended December 31, 2009 is not available.

(7) Reflects aggregated branches of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almacenes Generales de Depósito Almaviva S.A., or "Almaviva," Fiduciaria Bogotá S.A., or "Fidubogotá," Casa de Bolsa S.A. Sociedad Comisionista de Bolsa, or "Casa de Bolsa," and BAC Credomatic. Branch data for the year ended December 31, 2009 is not available.

(8) Reflects aggregated ATMs of Banco de Bogotá and BAC Credomatic, except for June 30, 2010 which predates the acquisition of BAC Credomatic and reflects Banco de Bogotá only. ATM data for the year ended December 31, 2009 is not available.

(9) Non-performing loans include microcredit loans that are 31 days or more past due, mortgage and consumer loans that are 61 days or more past due and commercial loans that are 91 days or more past due. Each category includes financial leases. See "Selected Statistical Data—Loan portfolio—Risk categories."

(10) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

Our markets

At and for the six months ended June 30, 2012, the majority of our operations were in Colombia, representing 68.4% and 72.6% of our net income and gross loan portfolio respectively, and in the six countries in Central America, representing 31.6% and 27.4% of our net income and gross loan portfolio in each case at and for the six months ended June 30, 2012.

We believe that Colombia's financial system presents significant growth potential given its favorable economic conditions and one of the lowest penetration rates for banking and financial services in Latin America. According to International Monetary Fund data, at December 31, 2012, Colombia's population and economy were the third and fourth largest in Latin America, respectively. According to DANE, in 2011 Colombia's population was approximately 46.0 million people and its nominal GDP was Ps 615.7 trillion (U.S.$333.2 billion). Colombia's nominal GDP per capita increased from Ps 7.93 million in 2005 (U.S.$3,416 using the average exchange rate for that year) to Ps 13.4 million in 2011 (U.S.$7,236 using the average exchange rate for that year).

During the ten-year period ended December 31, 2011, Colombia outperformed the average GDP growth rate for Latin America by 1.1 percentage points, while reducing the country's dependency on foreign financing as reflected in an external debt to GDP ratio of 22.8% at December 31, 2011. According to IMF data, Colombia has achieved GDP growth every year during the last half century (other than 1999). Unlike other emerging Latin American countries, Colombia has regularly met all principal and interest payments on external debt and has avoided hyperinflation, maintaining a single-digit inflation rate for the ten years ended December 31, 2011. According to the Central Bank of Colombia, or the "Colombian Central Bank," Colombia's annual inflation rate for 2011 was 3.7%, close to the 50-year low of 2.0% in 2009 and was 3.2% for the twelve-month period ended June 30, 2012. These economic fundamentals, together with Colombia's record as a stable democracy, account for Colombia's relative strength during the recent global economic and financial crisis.

During the ten-year period ended December 31, 2011, according to the Superintendency of Finance, Colombia's financial system grew at a compounded annual growth rate, or "CAGR," of 11.5% in terms of loans and 8.9% in terms of deposits, on an inflation-adjusted basis, compared to 4.5% for the country's GDP during the same period. Despite this recent growth, Colombia's bank-loans-to-GDP ratio remains relatively low, with an approximate 33.0% ratio at June 30, 2012, according to the Superintendency of Finance. Using the ratio of domestic credit to the private sector to GDP, provided by the World Bank, Colombia stands at 45.3% compared 89.3% for Chile, 61.4% for Brazil, 26.4% for Peru and 26.1% for Mexico at December 31, 2011. As the second largest bank in Colombia, we believe that Banco de Bogotá is well-positioned to take advantage of Colombia's potential for growth in financial products and services. The capitalization of Colombia's banking sector consists mostly of primary capital (Tier I) with a primary capital (Tier I) to risk-adjusted assets ratio of 11.4%, compared to 13.3% for Banco de Bogotá's, each at June 30, 2012, according to the Superintendency of Finance.

We view Central America as a strategic region that meets our expansion criteria. At December 31, 2012, Central America had a total population of approximately 43.5 million, making it the fourth-largest market in Latin America by population. At the same date, Central America posted an estimated combined GDP of U.S.$180.0 billion, ranking the region as the eighth-largest economy in Latin America. According to estimates prepared by the IMF, Central America's GDP is expected to grow at an annual average rate of 3.7% between 2013 and 2015, compared to Colombia's expected average growth rate of 4.5% during the same period. In terms of banking penetration, Central America had a ratio of private credit to GDP of 47.2% as of December 31, 2011, mainly driven by Panama's 91.8% ratio. This indicator for the other countries in the region ranges from 23.4% to 49.2%, leading us to believe that growth in the financial sector could outperform GDP growth. We also see the additional penetration of credit cards in the population as an important growth opportunity in Central America.

Our history

Founded in 1870, Banco de Bogotá is the oldest and second-largest financial institution in Colombia. In 1922, it opened its first branch outside of Bogotá. Throughout the 1920s, Banco de Bogotá's network outside Bogotá expanded, due in part to a series of acquisitions. In 1967, Banco de Bogotá opened its first office in Panama; in 1974, it opened a branch office in New York City; and in 1977, it founded Banco de Bogotá Trust Company (subsequently sold). In 1980, Banco de Bogotá Trust Company established Banco de Bogotá International Corporation, an affiliate in Miami, Florida. The New York City branch office and the Miami affiliate were subsequently converted into agencies. Banco de Bogotá was reorganized in 1988 following the acquisition of a majority ownership interest by Mr. Sarmiento Angulo, Grupo Aval's chairman and majority shareholder, earlier that year. Porvenir was formed in 1991 and began its operations as a severance fund manager. In 1992, Banco de Bogotá completed a merger with Banco del Comercio S.A., or "Bancomercio." In 1998, Mr. Sarmiento Angulo contributed a majority of his Banco de Bogotá ownership interest to Grupo Aval. In 2006, Banco de Bogotá acquired and merged with Megabanco, which expanded its services for lower income consumers. In May 2010, Banco de Bogotá completed the merger of our wholly-owned subsidiary, Leasing Bogotá, which, allows us to perform leasing operations. In December 2010, we acquired BAC Credomatic and in December 2011 we successfully completed our inaugural international bond offering of U.S.$600 million of 5.00% Senior Notes due 2017.

Corficolombiana was founded in 1959 as an affiliate of Banco de Bogotá. Since 1997, it has acquired and merged with seven financial institutions in Colombia. In 2005, Corficolombiana completed its most recent merger, with Corporación Financiera de Valle S.A. or "Corfivalle," which resulted in Corficolombiana becoming the largest financial corporation in the country based on total assets. Following this merger, Corficolombiana transferred its loan portfolio to Banco de Bogotá to focus on its investment business.

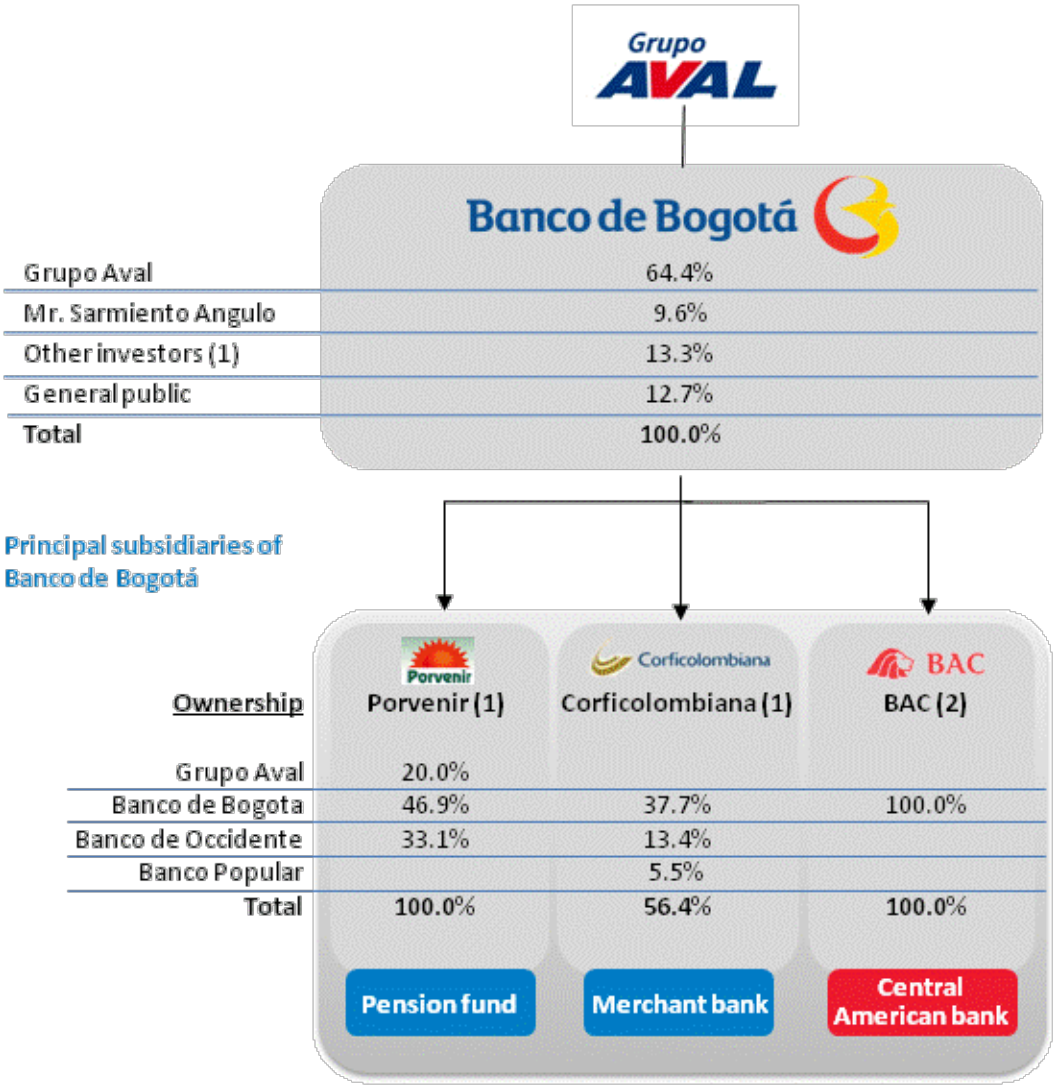
On December 24, 2012, Porvenir, and Grupo Aval as guarantor, entered into an agreement to acquire BBVA Horizonte.

While our primary focus will continue to be the Colombian market, our BAC Credomatic acquisition extends our franchise to an important contiguous economic region. BAC Credomatic represented the equivalent of 28.8% of our assets at December 31, 2011 and 26.2% of our assets at June 30, 2012.

As with our approach in our acquisitions in Colombia to date, we have retained a vast majority of BAC Credomatic's senior management. These executives have an average of 15 years' experience at BAC Credomatic and for the most part pre-date GE Capital's 2005 investment in BAC Credomatic. By implementing our best practices, we believe we can improve BAC Credomatic's efficiency ratio of 55.3% compared to our 47.3% on an unconsolidated basis, each at June 30, 2012.

Our operations

We conduct our banking operations directly, our pension and severance fund operations through Porvenir, our merchant banking operations through Corficolombiana and our Central American banking operations through BAC Credomatic, which is indirectly controlled by us through LB Panamá, one of our wholly-owned subsidiaries. We and Corficolombiana are publicly-traded on the Colombian Stock Exchange. The following chart presents our ownership structure.



Source: Company data at June 30, 2012.

(1) Based on publicly available information, we have identified a group of investors who have maintained ownership of record of at least 1.0% in Banco de Bogotá over a significant period of time.

(2) Porvenir and Corficolombiana are subsidiaries of Banco de Bogotá, whose financial data is consolidated into Banco de Bogotá's results. Banco de Bogotá controls Porvenir and Corficolombiana through shareholders agreements with Grupo Aval and Banco de Occidente and with Banco de Occidente and Banco Popular.

(3) This acquisition was completed on December 9, 2010. BAC Credomatic's results of operations prior to December 1, 2010 are not included in Banco de Bogotá's results that are presented in this offering memorandum.

Porvenir is a leading pension and severance fund management business in Colombia, with a 27.5% market share of assets under management at June 30, 2012. Pension funds provide individual savings for retirement, while severance funds provide temporary income to employees who lose their jobs. Porvenir is the most profitable and efficient pension and severance fund manager in the market, with an ROAE that averaged 34.1% between 2009 and 2011 and was 27.1% for the year ended December 31, 2011 and 32.2% for the six-month period ended June 30, 2012.

Corficolombiana is a merchant bank that primarily invests in strategic sectors of the Colombian economy, including infrastructure, energy and finance, and also provides treasury, investment banking and private banking services. Corficolombiana provides Banco de Bogotá with a consistent dividend stream, having declared dividends totaling more than Ps 202 billion (approximately U.S.$112 million) payable to Banco de Bogotá for the year ended December 31, 2011 and more than Ps 94 billion (approximately U.S.$52 million) for the six-month period ended June 30, 2012. Corficolombiana's ROAE averaged 24.0% between 2009 and 2011 and was 21.3% for the year ended December 31, 2011 and 13.9% for the six-month period ended June 30, 2012.

BAC Credomatic is a leading Central American banking group with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. BAC Credomatic is a full-service financial institution, with one of the leading credit card issuance and merchant-acquiring franchises in Central America. Its credit card accounts represented 25.7% of total credit card accounts in Central America (calculated based on data and information provided by Euromonitor International) at December 31, 2010. It has achieved processing volumes of U.S.$9,550 million for the year ended December 31, 2011 and U.S.$5,175 million for the six-month period ended June 30, 2012 in the merchant acquiring business, which compares favorably to processing volumes of other leading Latin American issuers. BAC Credomatic's ROAE (calculated under US GAAP) averaged 22.9% between 2007 and 2011 (excluding extraordinary gains in 2007 and 2008) and was 21.8% for the year ended December 31, 2011 and 22.4% for the six-month period ended June 30, 2012. In December 2010, we acquired BAC Credomatic through Leasing Bogotá Panamá, a wholly-owned subsidiary.

The following tables present key information regarding our results and those of our operating subsidiaries at the dates and for the periods indicated.

	At and for the six-month period ended June 30, 2012			
	Banco de Bogotá (Consolidated)	Porvenir(1)	Corficolombiana(1)	LB Panamá(1)
	(in U.S. millions)(5)			
Loans and financial leases, net	22,567	–	412	6,256
Assets	40,959	518	6,821	10,739
Deposits	25,831	–	1,873	6,840
Shareholders' equity	4,039	384	1,716	1,803
Net income	369	59	116	117
ROAE(2)	18.8%	32.2%	13.9%	12.5%
Delinquency ratio past due more than 30 days	1.9%	–	1.4%	2.5%
Allowance for loans as a percentage of past due loans	136.7%	–	200.5%	64.0% (3)
Solvency ratio(4)	13.3%	–	29.8%	12.7%

	At and for the year ended December 31, 2011			
	Banco de Bogotá (Consolidated)	Porvenir(1)	Corficolombiana(1)	LB Panamá(1)
	(in U.S. millions)(5)			
Loans and financial leases, net	21,625	–	361	6,358
Assets	38,217	445	5,710	11,014
Deposits	24,086	–	1,235	6,865
Shareholders' equity	3,802	345	1,628	1,918
Net income	636	86	338	184
ROAE(2)	21.3%	27.1%	21.3%	9.9%
Delinquency ratio past due more than 30 days	1.9%	–	1.3%	2.8%
Allowance for loans as a percentage of past due loans	140.9%	–	238.2%	64.3% (2)
Solvency ratio(4)	13.3%	–	31.8%	13.2%

Source: Company data and calculations based on consolidated financial statements of our principal operating subsidiaries.

(1) Porvenir, Corficolombiana and LB Panamá (through which we hold our ownership of BAC Credomatic) are our subsidiaries.

(2) For methodology used to calculate ROAE, see note 3 to the tables under "—Our company—Financial and operating data."

(3) Allowance for loans as a percentage of past due loans for Leasing Bogotá Panamá is less than 100% because the majority of past due loans are classified as "C" which only requires a 20% provision.

(4) Solvency ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Supervision and Regulation—Capital adequacy requirements—Current capital adequacy requirements."

(5) Translated for convenience only using the representative market rate as computed and certified by the Superintendency of Finance at September 30, 2012 of 1,800.52 pesos per U.S.$1.00.

Our business strengths

We believe that we have achieved our leading positions in the Colombian and Central American banking industry through the following competitive strengths.

Strong track record of financial performance

We believe that our strong position in the Colombian market, low-cost funding and operating efficiencies have assisted us in achieving higher and more stable profits compared to our competitors. Our average ROAE of 25.8% and average ROAA of 3.3% for the 2009 to 2011 period, and our ROAE of 18.8% and ROAA of 2.5% for the six-month period ended June 30, 2012, have been the highest among our competitors in the Colombian market, and our consolidated net interest margin (net interest income divided by total average interest-earning assets) has been in the range of 6.0% to 8.4% for the 2009 to 2011 period and at June 30, 2012 our consolidated net interest margin was 6.3%. We believe that our ROAA and ROAE outperform those of our competitors mainly due to better yields on loans, significant yields from our investment portfolio, lower net provisions (due to a lower ratio of charge-offs to total loans) and better efficiency ratios based on available data at June 30, 2012. Our total assets have grown at a CAGR of 17.3% from December 31, 2009 to June 30, 2012 (excluding BAC). Our consolidated delinquency ratio past due more than 30 days improved from 2.3% at June 30, 2011 to 1.9% at June 30, 2012 and is among the lowest among our direct competitors in the Colombian market. During the same period, our total deposits have grown at a CAGR of 14.5% (excluding BAC). Following the acquisition of BAC Credomatic, Banco de Bogotá's efficiency ratio worsened from 39.0% in 2009 to 50.9% for the year ended December 31, 2011 but improved to 47.3% for the six-month period ended June 30, 2012.

Major participant in most banking sectors in Colombia

We are one of the largest participants in most sectors of the Colombian banking market, with 18.6% of commercial loans and 9.0% of consumer loans, at June 30, 2012. We also have the second largest market share of deposits at 15.3% at June 30, 2012. We are part of *Red de Grupo Aval*, which is the largest ATM and banking network in the country and has been a key element of our competitive positioning in the Colombian market. At June 30, 2012, our ATM and banking network, independent of the *Red de Grupo Aval* networks, had market shares of 9.6% and 13.6% of ATMs and branches, respectively. At June 30, 2012, the *Red de Grupo Aval* banking networks had market shares of 24.1% and 25.7% of ATMs and branches, respectively.

Diversified sources of funding

We have diverse sources of funding, including deposits and debt securities placed in the Colombian market, which result in a low cost of funding. At June 30, 2012, in Colombia, our market share of deposits was 15.3%, supported by a 22.0% market share in checking accounts and 13.4% in savings deposits. Deposits represented 77.1% of our total funding at that date, compared to 83.8% at December 31, 2009, which provides us with a stable, and low-cost funding base. As a result of our efforts to broaden our funding base, we increased our funding from Ps 29.1 trillion at December 31, 2009 (U.S.$16.1 billion) to Ps 55.8 trillion at December 31, 2011 (U.S.$31.0 billion) and to Ps 60.3 trillion at June 30, 2012 (U.S.$33.5 billion). On December 19, 2011, we successfully completed our inaugural international bond offering of U.S.$600 million of 5.00% Senior Notes due 2017 and we also entered into a U.S.$500.0 million three-year term loan. We believe that our funding base supports our initiatives to expand our businesses.

Sound risk management

We have a comprehensive risk management system, which we view as fundamental to our long-term stability and viability, and enables us to identify risks and resolve potential problems on a timely basis. In addition, we have established upward loan reporting processes, and our risk management staff meets on a weekly basis to discuss the loan portfolio, developments in the industry, risks and opportunities. We believe that we have asset quality that is better than the market average. We have maintained our relative asset quality, as evidenced by our ratio of non-performing loans to total loans of 1.4% and 1.6% at June 30, 2012 and December 31, 2011, respectively, and a ratio of charge-offs to average outstanding loans (annualized) of 0.86% and 1.06% at June 30, 2012 and December 31, 2011, respectively. Our delinquency ratio past due more than 30 days has remained stable at 1.9% both at June 30, 2012 and December 31, 2011. In addition, we believe that our reputation as a conservative banking group with sound risk management has allowed us to consistently retain and attract new customers.

Our unconsolidated capital adequacy ratio was 15.4% and 15.7% at June 30, 2012 and December 31, 2011, respectively, compared to an average capital adequacy ratio of 15.2% and 14.3% for our principal competitors at the same dates and to 9%, which is Colombia's minimum regulatory requirements. Our consolidated capital adequacy ratio was 13.3%, both at June 30, 2012 and December 31, 2011.

Leading banking operations in Central America

BAC Credomatic is one of the leading financial institutions in Central America with a record of strong financial performance. It has achieved an average of 22.9% in annual ROAE for the period from 2007 to 2011 (excluding extraordinary gains in 2007 and 2008) and 22.4% at June 30, 2012. BAC Credomatic is a full-service financial institution with one of the leading card-issuing and acquiring businesses in the region. Its Credomatic brand has key alliances with major credit card networks, such as Visa, MasterCard, American Express and Diners Club, and has the only network that processes all major credit card brands in the region. BAC Credomatic customer base and distribution network are sizable when compared to our Colombian banks. At June 30, 2012, it served more than 2.2 million customers through 487 points of contact including 227 full-service branches, 40 in-store branches offering teller services in retail stores, 192 on-site branches offering full banking services for corporate employees, and 28 auto/drive-thru branches throughout Central America, connected through a single technological platform that allows online transactions between countries in the region. BAC Credomatic's market share in terms of gross loans varies in the different countries as follows, as of June 30, 2012: Costa Rica 10.8%, El Salvador 9.8%, Guatemala 4.7%, Honduras 13.0%, Nicaragua 26.8% and Panama 3.0%.

Experienced management teams

Our qualified and experienced management teams, both at the group and operating subsidiary levels, have played a key role in guiding our growth. Our president has a tenure of over 25 years, and the president of BAC Credomatic has a tenure of 35 years. We believe that the strength of management at all levels has enabled us to become one of Colombia's largest and most profitable banks. Our management team and each of our operating subsidiaries' management teams are dedicated to formulating and executing business strategies through a culture of excellence, innovation and cooperation, which has served as our guiding vision throughout the various acquisitions and initiatives we have undertaken. Our approach in our acquisitions has been to retain a majority of senior management and talent.

Benefits from Grupo Aval network

We are part of the Grupo Aval group and benefit from applying the best practices from all of its operating subsidiaries to our business. Grupo Aval operates its banking subsidiaries on a multi-brand business model, encouraging its four independent banks to compete among themselves and with other market participants, while operating within central guidelines established by Grupo Aval in the areas of internal control, credit risk management, brand management, strategic planning, general procurement and information technology. These guidelines, together with group support services, are designed to allow each bank to achieve economies of scale and benefit from cross-bank synergies and groupwide best practices without affecting individual competition and the decision-making abilities of each bank's management. These practices are designed to encourage a consistent

approach with respect to effective risk management, efficient use of capital, cost control, brand management, general procurement, and integration of information technology. We believe that these practices have helped us to reduce operating and administrative costs. At June 30, 2012, Grupo Aval had a consolidated efficiency ratio of 50%.

Our strategy

Our overall objectives are to build upon our competitive strengths to pursue opportunities for growth and to enhance our long-term financial performance. To achieve these objectives, we intend to pursue a strategy with the following principal elements:

Further penetrate the Colombian market

We believe that Colombia offers significant opportunities to expand our business because of the country's strong economic fundamentals and low penetration rates for banking and other financial services and products, as compared to other countries in the region. For example, according to the 2011 World Bank Development Indicators, domestic credit to the private sector accounted for 45.3% of GDP in Colombia as compared to 89.3% for Chile, 61.4% for Brazil, 26.4% for Peru and 26.1% for Mexico at December 31, 2011. See "Industry—Colombia—Credit volumes." We anticipate that demand for such services and products will increase across all customer sectors. As one of Colombia's leading banks, we believe that we are well-positioned to take advantage of this significant growth potential.

Continue capitalizing on synergies and improving efficiencies

We are pursuing opportunities to create synergies among Grupo Aval affiliates and at BAC Credomatic and leverage their combined strength. We intend to work with Grupo Aval on groupwide projects, mainly in information technology, and to achieve economies of scale by participating in the procurement of goods and services for our subsidiaries and within Grupo Aval. We believe that these efforts have contributed to improvements in our efficiency ratios.

Expand our services and products offerings and diversify our sources of income

We believe that we offer the most comprehensive range of banking services and products in Colombia, and we continually seek to expand these offerings to meet evolving customer needs, maximize cross-selling and enhance our profitability. For example, we are currently implementing initiatives to increase our non-interest income, which consists primarily of net fee income. Net fee income accounted for 30.3% and 32.2% of our consolidated total operating income before net provisions for the sixth-month period ended June 30, 2012 and the year ended December 31, 2011, respectively. We believe that we can expand the contribution of non-interest income to our profitability in future periods by, for example, expanding bancassurance (i.e., bank-offered third-party insurance products) through our distribution network and credit card fee income through an increase in credit card loan volume. In addition, we intend to position ourselves to provide additional income by increasing our market share in payroll loans and mortgages.

Integrate BAC Credomatic and further penetrate the Central American market

We plan to continue executing our multi-brand business model by maintaining the BAC Credomatic brand and integrating it into our operations. We intend to capitalize on the expansion of the Central American market as we believe the BAC Credomatic acquisition will offer us significant opportunities for organic and acquisition growth in financial services in this region. In order to improve operational efficiency and increase market share in key sectors, we intend to share our groupwide commercial and operational standards and best practices with BAC Credomatic, while capitalizing on its regional expertise, brand recognition, customer base, and services and products, such as credit card issuance and merchant-acquiring businesses. We believe that we can substantially improve BAC Credomatic's efficiency ratio which at June 30, 2012 was 55.3%, compared to Banco de Bogotá's (unconsolidated) 47.3% by implementing our best practices at BAC Credomatic.

Pursue other selected acquisitions

We have a proven track record of identifying, acquiring and integrating interests in companies that we believe have strategic value to us. We are interested in expanding our businesses in Colombia and Central America and to other regions, and we regularly evaluate acquisition candidates that may permit us to expand the services and products we offer and markets we can access, such as BAC Credomatic and BBVA Horizonte. We regularly consider potential strategic investments, alliances and acquisitions, principally in Colombia, Central America and other selected Latin American countries and anticipate that we will enter into such transactions, which may be material, if we believe that they will be both strategic and accretive.

Risk factors

We face risks and uncertainties that may affect our future financial and operating performance, including, among others, the following: economic and political conditions in Colombia and other countries in which we operate; internal security issues affecting the countries in which we operate; governmental and regulatory actions and developments affecting our operating subsidiaries and our industry; natural disasters; declines in the quality of our loan portfolio and other assets; adequacy of risk management procedures and systems; counterparty risks; exposures in derivatives transactions; increases in funding costs; changes in interest and exchange rates and other market risks; losses from trading operations; completion and integration of acquisitions, including our recent BAC Credomatic acquisition; failures of information technology and other systems; competition; loss of key members of senior management; and litigation and other legal proceedings. One or more of these matters could negatively affect our business or financial performance as well as our ability to successfully implement our strategy. See "Risk Factors" beginning on page 29 for a discussion of certain risk factors you should consider before investing in the notes.

Recent developments

The following financial data for the nine-month periods ended September 30, 2012 and 2011 are derived from our unaudited consolidated financial statements at September 30, 2012 and for the nine-month periods ended September 30, 2012 and 2011 prepared in accordance with Colombian Banking GAAP. Our historical results are not necessarily indicative of results to be expected for future periods. Results for the nine-month period ended September 30, 2012 are not necessarily indicative of results expected for the full year 2012.

This section should be read in conjunction with our audited and unaudited financial statements included in this offering memorandum, "Presentation of Financial and Other Information," and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Results of operations for the nine-month period ended September 30, 2012 compared to the nine-month period ended September 30, 2011

Our net income attributable to shareholders in the nine-month period ended September 30, 2012 was Ps 916.5 billion, an increase of 18.1%, or Ps 140.7 billion, compared to the nine-month period ended September 30, 2011. This increase reflects an increase of Ps 347.6 billion in net interest income, an increase of Ps 57.4 billion in total net fees and other service income, an increase of Ps 30.5 billion in total other operating income, an increase of Ps 21.6 billion in total non-operating income and a decrease of Ps 177.9 billion in non-controlling interest, offset in part by an increase of Ps 252.3 billion in total net provisions (mainly related to equity investments), a Ps 111.8 billion increase in total operating expenses, and a Ps 130.2 billion increase in income tax expense.

The following table presents our consolidated balance sheet and results of operations at and for the nine-month period ended September 30, 2012 as compared to the nine-month period ended September 30, 2011.

	Banco de Bogotá consolidated			
	Nine-month period ended September 30,		Change, September 2012 vs. September 2011	
	2012	2011	#	%
	(in Ps billions)			
Income statement data				
Total interest income	4,086.4	3,180.9	905.4	28.5
Total interest expense	(1,595.7)	(1,037.9)	557.8	53.7
Net interest income	2,490.6	2,143.0	347.6	16.2
Total (provisions) /reversals, net	(346.4)	(94.1)	252.3	268.2
Total fees and other services income, net	1,361.1	1,303.7	57.4	4.4
Total other operating income	498.5	468.0	30.5	6.5
Total operating income	4,003.8	3,820.6	183.2	4.8
Total operating expenses	(2,293.2)	(2,181.4)	111.8	5.1
Net operating income	1,710.6	1,639.2	71.4	4.4
Total non-operating income (expense), net	92.6	71.0	21.6	30.4
Income before income tax expense and non-controlling interest	1,803.2	1,710.1	93.0	5.4
Income tax expense	649.3	519.1	130.2	25.1
Income before non-controlling interest	1,153.9	1,191.1	(37.2)	(3.1)
Non-controlling interest	(237.4)	(415.3)	(177.9)	(42.8)
Net income attributable to shareholders	916.5	775.8	140.7	18.1
Selected Balance Sheet data				
Total gross loans and financial leases	43,550.2	37,624.2	5,926.0	15.8
Total assets	78,772.8	64,675.2	14,097.6	21.8
Total deposits	49,217.8	39,337.0	9,880.8	25.1
Total liabilities (including total deposits)	71,392.1	58,228.9	13,163.2	22.6

Our net interest income increased by 16.2% from Ps 2,143 billion in the nine-month period ended September 30, 2011 to Ps 2,490.6 billion in the nine-month period ended September 30, 2012, primarily due to the increase in interest income from loans and financial leases which increased by Ps 758.3 billion to Ps 3,450.6 billion. 65.3% (Ps 495.2 billion) of the increase in interest income from loans and financial leases was a result of an increase of Ps 5,815.7 billion, or 16.7%, in the average balance of interest earning loans and financial leases from Ps 34,801.4 billion to Ps 40,617.1 billion. The remaining 34.7% (Ps 263.1 billion) was a result of a higher average yield on loans and financial leases, which increased from 10.3% for the nine-month period ended September 30, 2011 to 11.3% for the nine-month period ended September 30, 2012. The increase in the yield on loans and financial leases reflects a rising interest rate environment in 2012. Excluding LB Panamá's operations, Banco de Bogotá's average yield on loans and financial leases increased from 9.2% for the nine-month period ended September 30, 2011 to 10.8% for the nine-month period ended September 30, 2012 and the average balance of interest earning loans and financial leases increased from Ps 24,900.3 billion to Ps 29,440.5 billion, or 18.2%. Interest income from loans and financial leases at LB Panamá, which primarily reflect BAC Credomatic's operating results, increased by 10.3% primarily due to an increase in the average balance of interest earning loans and financial leases from Ps 9,901.1 billion to Ps 11,176.6 billion, or 12.9%, which offset the decrease in the average yield of LB Panamá's operations from 13.1% for the nine-month period ended September 30, 2011 to 12.8% for the nine-month period ended September 30, 2012.

Also contributing to the increase in our net interest income was an increase in the average volume of investment securities from Ps 11,697.1 billion for the nine-month period ended September 30, 2011 to Ps 13,467.3 billion for the nine-month period ended September 30, 2012. Income from investment securities increased by Ps 119.2 billion to Ps 537.9 billion. Ps 55.7 billion of the increase in interest income from investment securities comes from investments in our fixed income securities, and the remaining Ps 63.5 billion are related to the equity investment portfolio. The increase in income from the equity investment portfolio mainly resulted from a lower mark-to-market gain of Ps 3.4 billion from our subsidiary Corficolombiana realized during the nine-month period ended

September 30, 2011, mainly associated with its investments in Promigas, Banco de Occidente and Sociedad de Inversiones en Energía S.A., or "SIE," in comparison to a mark-to-market gain of Ps 31.8 billion in the nine month period ended September 30, 2012. The primary reason for the increase in interest income from equity securities was that, while in February 2011 Corficolombiana had to record an unrealized loss of Ps 122.1 billion from its investment in Promigas due to a reclassification from "medium" to "low" liquidity, this investment did not experience a change in its liquidity during the first nine months of 2012 and thus did not impact the income statement through the interest income line item. Additionally, a Ps.36.7 billion increase in interest income in the equity investment portfolio is due to Porvenir's investments in its stabilization reserve and its direct investment portfolio. Interest income from our fixed income portfolio operations increased by 13.5 %, or Ps 55.7 billion, driven by an increase in the average balance of our fixed income investment portfolio.

The increase in net interest income was partially offset by an increase of 53.7%, or Ps 557.8 billion, from Ps 1,037.9 billion in the nine-month period ended September 30, 2011 to Ps 1,595.7 billion in the nine-month period ended September 30, 2012 in total interest expense due to a Ps 279.6 billion increase in interest paid for time deposits, a Ps 104.6 billion increase in interest paid for savings deposits and a Ps 129.4 billion increase in interest paid for other funding, which includes borrowings from banks and other, interbank and overnight funds and long term debt. Ps 247.7 billion of such increase is explained by a Ps 7,303.5 billion increase in the average balance of total interest bearing liabilities, and Ps 310.1 billion is a result of an increase of 100 basis points in the average cost of funding, associated with an increasing interest rate environment.

The spread between the average yield on loans and financial leases and the average cost of total deposits increased from 7.7% for the nine-month period ended September 30, 2011 to 7.9% for the nine-month period ended September 30, 2012. This increase is due to the fact that the average loans and financial leases yield was higher than the average cost of total deposits, reflecting a rising interest rate environment in 2012.

Provisions

Our total net provisions increased by 268.2%, or Ps 252.3 billion, to Ps 346.4 billion for the nine-month period ended September 30, 2012. This increase was mainly attributable to higher net provisions for foreclosed assets and other assets which increased from a net recovery of Ps 183.8 billion for the nine-month period ended September 30, 2011 to a net provision expense of Ps 7.5 billion for the nine-month period ended September 30, 2012, mainly due to the fact that during the nine-month period ended September 30, 2011, Ps 122 billion of the cautionary Ps 245 billion market risk provision established by Corficolombiana in December 2010 was reversed in the prior corresponding period due to the sale of the underlying investment in October 2011.

Additionally, net provisions for loans and financial lease losses increased Ps 61.0 billion from Ps 277.8 billion for the nine-month period ended September 30, 2011 to Ps 338.9 billion for the nine-month period ended September 30, 2012 driven by higher loan provisions associated with an increase in the average balance of loans and financial leases. The past due loan portfolio grew at a slower rate than the gross loan portfolio; at September 30, 2012 the past due loan portfolio increased by 0.7%, totaling Ps. 904.2 billion, while the gross loan portfolio grew at a rate of 15.8%. The delinquency ratio (past due more than 30 days) improved from 2.4% as of September 30, 2011 to 2.1% as of September 30, 2012 and charge-offs decreased by Ps 31.7 billion from Ps 287.9 billion for the nine-month period ended September 30, 2011 to Ps 256.2 billion for the nine-month period ended September 30, 2012.

Our allowance for loans and financial leases increased by Ps 141.8 billion to Ps 1,172.9 billion at September 30, 2012, increasing Banco de Bogotá's coverage ratio from 114.8% at September 30, 2011 to 129.7% at September 30, 2012.

Total fees and other services income

Total net fees and other services income increased by 4.4% to 1,361.1 billion for the nine-month period ended September 30, 2012. This increase was mainly attributable to increases in the fees generated by our trust subsidiaries (Fiduciaria Bogotá and Fiduciaria Corficolombiana), fees from pension plan administration (Porvenir) which increased from Ps 339.3 billion to Ps 359.3 billion, and by our Central American credit card merchant fees and commissions.

Other operating income

Total other operating income increased by 6.5% to Ps 498.5 billion for the nine-month period ended September 30, 2012. This increase was mainly attributable to a net income growth in our non-financial subsidiaries consolidated by Corficolombiana (such as Epiandes and Episol) and by an increase in dividends received by the investments made by Corficolombiana in the non-financial sector and by net foreign exchange gains on our non-Peso denominated assets and our derivative operations.

Partially offsetting the increase in other operating income was a decrease in "Other" of Ps 18.2 billion and a Ps 11.3 billion decrease in gains of sale of investments for the nine-month period ended September 30, 2012. This decrease in gains of sale of investments was mainly attributable to a one-time gain generated in the nine months ended September 30, 2011 as a result of the sale by Corficolombiana of its stake in Proenergia, which was not replicated in the nine-month period ended September 30, 2012.

Operating expenses

Total operating expenses for the nine-month period ended September 30, 2012 increased by 5.1%, or Ps 111.8 billion, to Ps 2,293.2. This increase was mainly attributable to an increase in employee salary and benefits, resulting from our organic growth.

Our efficiency ratio improved at September 30, 2012 as compared to September 30, 2011, from 52.0% to 49.4%, while the ratio of annualized operating expenses before depreciation and amortization as a percentage of average interest-earning assets improved from 6.4% for the nine-month period ended September 30, 2011 to 5.8% for the nine-month period ended September 30, 2012.

Income tax expense

Income before income tax expense and non-controlling interest, increased 5.4% from Ps 1,710.1 billion for the nine-month period ended September 30, 2011 to Ps 1,803.2 billion for the nine-month period ended September 30, 2012. Our income tax expense increased by 25.1% to Ps 649.3 billion for the nine-month period ended September 30, 2012. Accordingly, our effective tax rate increased from 30.4% for the nine-month period ended September 30, 2011 to 36.0% for the nine-month period ended September 30, 2012 mainly attributable to the deferred tax calculation for Banco de Bogotá in its Colombian operations resulting from the valuation of derivative operations.

Non-controlling interest

Income before non-controlling interest decreased by 3.1% from Ps 1,191.1 billion for the nine-month period ended September 30, 2011 to Ps 1,153.9 billion for the same period in 2012. This decrease was mainly driven by a lower net income generated by Corficolombiana during the period (from Ps 447.7 billion to Ps 210.1 billion, mainly as a result of the non-recurring reversal of the provision in the nine-month period ended September 30, 2011, described above).

Other developments

BBVA Horizonte acquisition

On December 24, 2012, Porvenir entered into a stock purchase agreement with BBVA and Compañía Chilena de Inversiones S.L., an affiliate of BBVA, to acquire 99.99% of the outstanding shares of BBVA Horizonte for U.S.$530 million (subject to certain adjustments). As of June 30, 2012, BBVA Horizonte is the third largest pension fund administrator in Colombia, based on assets under management, with a 15.0% market share and 17.6% share of all net income generated by pension funds in Colombia. According to market share data published by the Superintendency of Finance, the acquisition will consolidate Porvenir's position as the leading pension fund administrator with the largest market share of net income in Colombia. See "Business—Competition—Pension and severance fund management—Porvenir."

Grupo Aval entered into the stock purchase agreement as guarantor of the obligations of Porvenir, including payment of the purchase price. The stock purchase agreement permits the assignment of Porvenir's obligations under the stock purchase agreement to any subsidiaries of Grupo Aval incorporated in Colombia. The obligations of Porvenir under the stock purchase agreement, including payment of the purchase price, are expected to be consummated by Porvenir together with other subsidiaries of Grupo Aval.

On January 16, 2013, Grupo Aval's Board of Directors authorized Grupo Aval to participate in the transaction as assignee of Porvenir, subject to regulatory approval. From the total amount of BBVA Horizonte's shares that Porvenir decides to assign, Grupo Aval and certain of its subsidiaries would each acquire a percentage substantially similar to their respective current participation in Porvenir's equity.

On January 17 and 18, 2013, Banco de Bogotá's and Banco de Occidente's respective Boards of Directors authorized each such entity to enter into the transaction as assignees, subject to regulatory approval, each in a percentage substantially similar to the actual ownership of Banco de Bogotá and its subsidiary Fiduciaria Bogotá, and Banco de Occidente and its subsidiary Fiduciaria de Occidente, each have in Porvenir. The assignment of the contractual position was approved by the Board of Directors of Porvenir on February 5, 2013.

The Board of Directors of Grupo Aval also authorized it to grant a loan to Porvenir in an amount up to Ps 350 billion (approximately U.S.$195 million), conferring to the company's legal representative all applicable authorizations to agree to the conditions of such loan.

The stock purchase agreement includes customary representations and warranties and covenants of each party. Subject to certain limitations, Porvenir and BBVA have agreed to use their respective reasonable best efforts to take all actions reasonably necessary, proper or advisable to consummate the agreement. Until the closing of the transaction, BBVA Horizonte must use its reasonable best efforts to conduct its business in the ordinary course of business, subject to exceptions set forth in the stock purchase agreement or the prior consent of Porvenir. Certain material transactions outside of the ordinary course of business, such as amending or terminating any material contract in any material respect or entering into contracts obligating BBVA Horizonte or its funds to make expenditures in excess of U.S.$500,000 in any annual period, and certain other transactions, are prohibited without the prior consent of Porvenir. In addition, Porvenir and BBVA have agreed to indemnify each other for certain losses arising out of breaches of their respective representations and warranties and covenants in the stock purchase agreement, subject to certain limitations and exceptions. Subject to limitations and except for certain existing businesses and activities, BBVA has agreed not to compete with BBVA Horizonte in respect of activities that require licensing as an *Administradora de Fondos de Pensiones* in Colombia for a period of two (2) years following the closing. The stock purchase agreement also contemplates arrangements concerning a range of matters including certain tax matters, transitional services and employment matters.

The obligations to consummate the transaction are subject to the satisfaction or waiver at or before the closing date of certain customary conditions, including, among others, (1) certain regulatory approvals shall have been obtained and not revoked and all required notices shall have been made; (2) absence of any government order prohibiting or materially restraining the sale of the shares or any legal proceeding pending seeking such an order; (3) representations and warranties made by each other party shall be true and correct, except for breaches or inaccuracies individually or in the aggregate that have not had or are not reasonably expected to have a material adverse effect (as defined in the stock purchase agreement); (4) performance in all material respects by each other party of the covenants and other obligations required to be performed by it at or prior to closing; (5) the execution and delivery of the transition services agreement by the parties thereto; (6) no non-appealable governmental order imposes a condition that would reasonably be expected to have a material adverse effect on BBVA Horizonte and Porvenir; and (7) no material adverse effect (as defined in the stock purchase agreement) shall have occurred.

Porvenir expects to close the pending BBVA Horizonte acquisition on or before the end of the first six months of 2013; however, the stock purchase agreement may be terminated by either party if the consummation of the transactions has not occurred by December 24, 2013, upon a material uncured breach by the other party that would cause a closing condition not to be satisfied, in the event that a non-appealable governmental order permanently restrains or prohibits the sale, or in the event a non-appealable governmental order imposes a condition that would reasonably be expected to have a material adverse effect on BBVA Horizonte and Porvenir.

If certain regulatory approvals have not been obtained six months after signing the stock purchase agreement, Porvenir will be required to pay a non-refundable monthly ticking fee until such approvals are obtained. The monthly ticking fee is one-month LIBOR plus a spread of 350 bps, in respect of the base purchase price. Under certain circumstances, Porvenir may be required to pay a termination fee. See "Risk Factors—Risks relating to our pending acquisition of BBVA Horizonte."

BBVA Horizonte had Ps 23.8 trillion and Ps 21.6 trillion in total assets under management at June 30, 2012 and December 31, 2011, respectively. At June 30, 2012, BBVA Horizonte managed Ps 17.8 trillion under the mandatory pension fund, Ps 0.4 trillion under the voluntary pension fund, Ps 1.1 trillion managed under severance funds and Ps 4.5 trillion under third-party sponsored pension liability fund. At December 31, 2011 BBVA Horizonte managed Ps 16.5 trillion under the mandatory pension fund, Ps 0.4 trillion under the voluntary pension funds, Ps 1.0 trillion managed under the severance fund and Ps 3.8 trillion as third-party sponsored pension liability fund.

BBVA Horizonte had net income of Ps 39.4 billion and Ps 58.5 billion for the six-month period ended June 30, 2012 and for the year-ended December 31, 2011, respectively. BBVA Horizonte had shareholders' equity of Ps 377.1 billion and Ps 363.4 billion at June 30, 2012 and December 31, 2011, respectively. BBVA Horizonte's ROAA at June 30, 2012 and December 31, 2011 was 17.1% and 13.9%, respectively.

New capital adequacy rules

On August 23, 2012, the Colombian government enacted Decree 1771 of 2012, or "Decree 1771," which amended certain capital adequacy requirements for Colombian credit institutions set forth in Decree 2555 of 2010. Decree 1771 maintains the requirement for a credit institution's technical capital to be at least 9.0% of that institution's total risk-weighted assets.

From August 1, 2013, Technical capital will continue to consist of the sum of basic capital (*patrimonio básico*), or primary capital (Tier I), and secondary capital (*patrimonio adicional*), or secondary capital (Tier II); however, primary capital (Tier I) will also consist of the sum of ordinary basic capital (*patrimonio básico ordinario*), or Common Equity Tier I, and a new category of additional basic capital (*patrimonio básico adicional*), or Additional Tier I.

In addition, Decree 1771 introduces a new measure of "core solvency" for Common Equity Tier 1, which requires higher quality capital and is set at a minimum of 4.5% of risk-weighted assets.

Colombian credit institutions, including the bank, must comply with the new capital adequacy requirements set forth in Decree 1771 by August 1, 2013, and must provide an implementation plan to the Superintendency of Finance by January 31, 2013. We are currently studying which measures, if any, it may be required to take in response to the regulations; however, we do not currently anticipate a material adverse effect on us or our banking subsidiaries as a result of the new capital adequacy requirements. For more information see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources—Capitalization ratios" and "Supervision and Regulation—Capital adequacy requirements."

Pension fund solvency measures

On July 19, 2012, Decree 1548 of 2012, or "Decree 1548," which amended decree 2555 of 2010, introduces a new measure of solvency for pension fund administrators, which sets technical capital (*patrimonio técnico*) at a total of 9% of exposure to operational risk. "Exposure to operational risk" is defined as the product of multiplying 100/9 by the sum of:

- 16% of fee income from mandatory pension funds;
- 16% of fee income from severance funds;
- 0% of fee income from voluntary pension funds; and
- 1/48 of all other funds managed by pension fund administrators.

Furthermore, Decree 1895 of September 11, 2012 or "Decree 1895," includes 13% of the fee income from the administration of funds belonging to FONPET (*Fondo Nacional de Pensiones de las Entidades Territoriales)* to the sum that must be multiplied by 100/9 to determine a pension fund administrator's "Exposure to operational risk."

We expect the changes introduced by Decree 1548 and Decree 1895 to permit the release of approximately Ps 100 billion of capital of Porvenir, which pursuant to Decree 1548 must be offset by Porvenir's stabilization reserves (the stabilization reserve is equivalent to 1.00% of the funds it manages).

New Insolvency Law

On July 12, 2012, the Colombian Congress enacted Law 1564 of 2012, or "Law 1564," which provides insolvency protection for non-merchant individuals. Under the new insolvency regulation, which came into effect on October 1, 2012, once a non-merchant individual has ceased paying his or her debts, that individual can initiate a voluntary insolvency proceeding before a notary public or mediator to reach an agreement with his or her creditors. The terms of any agreement reached with two or more creditors that represent more than 50% of the total amount of the claims against such individual will be mandatorily applicable to all relevant creditors. The law also provides for increased debtor protections, including an automatic stay for a maximum of 90 days.

Prepayment of credit operations without penalty

On July 9, 2012, the Colombian Congress enacted Law 1555 of 2012 or "Law 1555," allowing consumers of financial services to prepay obligations denominated in Colombian Pesos owed to financial institutions, without incurring any penalty. Law 1555 also requires that financial institutions disclose the possibility of such prepayment to borrowers prior to the extension of any loan.

Law 1555 does not apply to loans having a balance that exceeds 880 times the legal monthly minimum wages, nor to financial obligations acquired prior to its effective date (July 9, 2012), for which prepayment will continue to be governed by the relevant contractual provisions, or absent an agreement by the parties, by the laws in force at the time when the relevant agreement was executed.

New data protection law

On October 17, 2012, Law 1581 of 2012 or "Law 1581" introduced a new data protection regime in Colombia. Although it does not apply in its entirety to financial institutions, it provides a set of principles (legality, freedom, truth or quality, transparency, access, confidentiality, etc.) that apply to us in the administration of our data bases. Additionally, there is a general prohibition of transferring personal data to other countries that do not provide adequate levels of data protection according to the standards set by the Superintendency of Industry and Trade (*Superintendencia de Industria y Comercio).* This prohibition does not apply to transfers of data that are inherent to banking and securities activities under the applicable law.

Promigas shareholding restructuring

In February 2011, Corficolombiana acquired a 14.39% direct interest and a 10.58% indirect economic interest in Promigas S.A. E.S.P., or "Promigas," Corficolombiana's principal investment in the energy and gas sector. In addition, Corficolombiana and Porvenir together hold a further 24.9% economic exposure to Promigas as a result of their respective holdings in a private investment fund. Corficolombiana has taken the following steps to restructure its ownership in, and acquire up to 100% ownership of, the outstanding share capital of Promigas.

On June 5, 2012, the 10.58% indirect economic interest held by Corficolombiana in Promigas was transferred to CFC Limited, a wholly-owned subsidiary of Corficolombiana through *escisión*, a process under which, pursuant to Colombian law, a company segregates a portion of its assets to transfer it to another company. Following that step, CFC Limited merged into CFC Gas Holdings SAS, a Colombian wholly-owned subsidiary of Corficolombiana.

On July 24, 2012, Corficolombiana launched a tender offer (*oferta pública de adquisición*) for the purchase of up to the remaining 75.03%, or 99,726,875, of outstanding common shares in Promigas at a purchase price of Ps 25,000 per share. The tender offer started on July 31, 2012 and it closed on September 12, 2012 with the purchase of 1,281,993 shares, representing 0.96% of the outstanding shares of Promigas, for a total consideration of Ps 32.0 billion.

Between November 9, 2012 and November 23, 2012, Corficolombiana launched additional tender offers for up to 20% of the outstanding common shares of Promigas. The tender offer launched on October 31, 2012 resulted in the purchase by Corficolombiana of 24,886,569 common shares, representing 18.72% of the outstanding shares of Promigas for the aggregate consideration of Ps 634.6 billion (U.S.$355.6 million). As a result of these new tender offers, as of November 30, 2012, Corficolombiana's direct and indirect economic interest in Promigas was 34.08% and 10.58%, respectively.

2012 Tax Reform

On December 26, 2012, the Colombian Congress enacted Law 1607 of 2012 or "Law 1607," introducing a series of reforms to the Colombian tax system, coming into effect in 2013. Law 1607 creates a new income tax, denominated "the fairness tax," which will be levied on the fiscal year's gross revenues (excluding windfall amounts) less returns, rebates, and discounts; certain types of income; costs; certain deductions; and income exempt under the Andean Pact. The "fairness tax" rate will be 9% for the years 2013, 2014 and 2015; subsequently, the rate will fall to 8%. The "fairness tax" will be levied on Colombian corporations and legal entities that have the obligation to file an income tax return in Colombia, such as Banco de Bogotá and its subsidiaries, as well as on foreign entities, for the domestic source income earned by their branches and permanent establishments in Colombia.

Additionally, Law 1607 reduces the general income tax rate from 33% to 25% for companies incorporated in Colombia and permanent establishments or branches of foreign companies. Law 1607 also generally establishes tax-free treatment of corporate reorganizations providing for cash and in-kind capital contributions when they are made in exchange for shares or interests in Colombian corporations provided that they comply with the requirements set forth in the applicable regulations and that the shareholders and the company receiving the contribution state their intention that no tax be levied on the transaction on the terms and conditions set forth in Law 1607, in the relevant contribution documentation. Law 1607 also establishes tax rules for the transfer of assets located in Colombia, as a result of a merger or a spin-off process involving foreign entities, providing that this type of transaction is considered a disposition for tax purposes, subject to income tax or to capital gains tax, as the case may be. However, this rule may not apply when the value of the assets located in Colombia do not represent more than 20% of the total value of the assets held by the group to which the foreign entities belong, in accordance with the consolidated financial statements of the parent company.

Law 1607 contains rules concerning the tax basis of the assets and capital stock and amends prior rules to determine when dividends or share participations are not subject to tax, as well as providing for a transition to International Financial Reporting Standards. It also introduces a series of changes on the VAT rates, which will positively affect the business of Banco de Bogotá and its subsidiaries, by lowering the VAT rate from 16% to 0% on the purchase and sale of foreign exchange as well as on financial derivatives. However, the establishment of a 16% VAT rate for leasing agreements, compared to the 10% rate in force before the reform, may also have a minor effect on the bank and its subsidiaries, by generating higher costs for their operation.

Other reforms concerning financial institutions include the introduction of a new tax on foreign capital investment portfolio income. Law 1607 also provides that indebtedness obtained abroad by financial cooperatives, commercial finance companies, as well as certain government owned finance agencies such as Bancoldex, Finagro and Findeter, does not generate income for Colombian tax purposes and is not deemed to be held in Colombia, as was already the case for banks and financial corporations. Furthermore, this new law sets forth that the returns generated by the stabilization reserve maintained by pension fund managers will be exempted from income tax, which will have a positive impact for Porvenir, taking into account that the stabilization reserve is equivalent to 1.00% of the funds it manages.

Finally, some rules designed for individual taxpayers, for example, the imposition of more burdensome conditions for obtaining tax deductions for contributions made to the voluntary pension funds and to the savings accounts for the promotion of construction, may also have a significant effect on the business of financial institutions. See "Risk Factors—Risks relating to Colombia and other countries where we operate—New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia could adversely affect our results of operations and financial condition."

The offering

The following summary highlights selected information regarding the terms of the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, you should read the entire offering memorandum carefully, including "Description of the Notes."

Issuer	Banco de Bogotá S.A.
Securities Offered	U.S.$500.0 million aggregate principal amount of 5.375% notes due 2023.
Issue Price	100.0% plus accrued interest, if any, from February 19, 2013.
Issue Date	February 11, 2013.
Currency	U.S. dollars.
Maturity Date	The notes will mature on February 19, 2023.
Interest	The notes will accrue interest at a rate of 5.375% per year. Interest will accrue from the issue date of the notes.
Interest Payment Dates	Interest on the notes will be payable semi-annually in arrears on February 19 and August 19 of each year, beginning on August 19, 2013.
Ranking	The notes will be our unsecured, subordinated obligations and will rank at all times: • junior in right of payment to all our Senior External Liabilities (as defined in "Description of the Notes") with or without legal preference, including, without limitation, senior indebtedness; • structurally subordinated to all indebtedness and other liabilities (including trade payables) of our subsidiaries; At September 30, 2012, Banco de Bogotá had total Senior External Liabilities of U.S.$39,416.9 million. Banco de Bogotá does not have any secured indebtedness.
Optional Redemption	The notes will not be subject to redemption prior to maturity.
Additional Amounts	All payments in respect of the notes will be made without any withholding or deduction for any Colombian taxes unless such withholding or deduction is required by law. In that event, we will pay such additional amounts as will result in receipt by the holders of notes of such amounts as would have been received by them had no such withholding

	or deduction for Colombian taxes been required, subject to certain exceptions set forth under "Description of the Notes—Additional amounts."
Covenants	The indenture governing the notes will limit our ability, among other things, to merge or consolidate with another entity or sell, lease or transfer substantially all of our properties or assets to another entity, unless we comply with certain requirements. The indenture does not otherwise contain covenants restricting us or our subsidiaries. See "Description of the Notes—Covenants."
No Acceleration of Notes	If we fail to make payment of principal, interest or the additional amounts, if any, on the notes (and, in the case of payment of principal, such failure to pay continues for seven days or, in the case of payment of interest or additional amounts, such failure to pay continues for 30 days), each holder of the notes has the right to demand and collect under the indenture, and we will pay to the holders of the notes the applicable amount of such due and payable principal, accrued interest and any additional amounts on the notes; provided, however, that to the extent that the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) has taken possession of us in order to administer or liquidate us, under the Colombian bankruptcy laws, the holders of the notes would not be able to commence independent collection proceedings to recover amounts owed. There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of our other obligations under the indenture or the notes. Notwithstanding the immediately preceding sentence, the holders of the notes shall have the right to accelerate the payments due under the notes during the occurrence of an Event of a Default (as defined herein), provided that there shall have been a change, amendment or modification to the Colombian banking laws that would permit such right without disqualifying the notes from Tier II Capital status and the holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture. See "Supervision and Regulation—Intervention powers of the Superintendency of Finance — Bankruptcy considerations."

Events of Default	The indenture will set forth the events of default applicable to the notes. See "Description of the Notes—Events of default."
Further Issues	We may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as, and forming a single series with, the notes initially issued in this offering; *provided that* if the additional notes are not fungible with the notes for U.S. federal income tax purposes, the additional notes will have separate CUSIP and ISIN numbers.
Use of Proceeds	We expect to receive total estimated gross proceeds of this offering of approximately U.S.$ 500.0 million, before deducting the fees, commissions and offering expenses payable by us. We intend to use the net proceeds from this offering (together with cash on hand as needed) to repay all obligations under the Term Loan. Affiliates of the initial purchasers are lenders under the Term Loan. For a description of the terms of the Term Loan, see "Business—BAC Credomatic."
Form and Denomination	The notes will be issued in book-entry form, in denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof, and will be represented by global notes deposited with, or on the behalf of, The Depository Trust Company, or "DTC," and registered in the name of a nominee of DTC. Beneficial interest in the global notes will be shown on, and transfers will be effected only through, records maintained by DTC for the accounts of its direct and indirect participants, including Euroclear and Clearstream. The global notes will be exchangeable or transferable for certificated notes only in limited circumstances. See "Description of the Notes—Form of the notes."
CUSIP/ISIN	Rule 144A note. CUSIP:059514AB5 ISIN:US059514AB51 Regulation S note. CUSIP: P09252AC4 ISIN: USP09252AC47

Transfer Restrictions	The notes have not been, and will not be, registered under the Securities Act or the laws of any other jurisdiction. The notes may not be publicly offered or sold in Colombia without the prior authorization of the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) and registration with the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*). The notes will be subject to limitations on transferability and resale. See "Transfer Restrictions."
Listing and Trading	We will apply to have the notes listed on the Official List of the Luxembourg Stock Exchange for trading on the Euro MTF market. However, the notes are a new issue of securities, and there is no established trading market for the notes. Accordingly, we cannot assure you that a trading market for the notes will develop or, if a market develops, that it will be maintained.
Governing Law	The indenture and the notes will be governed by, and construed in accordance with, the law of the State of New York.
Trustee, Registrar, Transfer Agent and Paying Agent	Deutsche Bank Trust Company Americas
Luxembourg Transfer Agent and Paying Agent	Deutsche Bank Luxembourg S.A.
Risk Factors	You should carefully consider all of the information in this offering memorandum. See "Risk Factors" in this offering memorandum for a description of the principal risks involved in making an investment in the notes.

7

Summary financial and operating data

The following financial data at December 31, 2011 and 2010 and for the years in the three-year period ended December 2011, 2010 and 2009 and at June 30, 2012 and for the six-month periods ended June 30, 2012 and 2011 have been derived from our audited consolidated financial statements, all prepared in accordance with Colombian Banking GAAP and included in this offering memorandum. Our historical results are not necessarily indicative of results to be expected for future periods. Results for the six-month period ended June 30, 2012 are not necessarily indicative of results expected for the full year.

This financial data should be read in conjunction with our audited annual consolidated financial statements and the related notes, and our audited six-month consolidated financial statements and the related notes, "Presentation of Financial and Other Information," "Selected Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum; for information at and for the nine-month period ended September 30, 2012, see our unaudited nine-month period consolidated financial statements and the related notes and "Summary—Recent developments—Results of operations for the nine-month period ended September 30, 2012 compared to the nine-month period ended September 30, 2011."

Statement of income data

	Banco de Bogotá						
	For the six-months period ended June 30,			For the year ended December 31,			
	2012	2012	2011	2011	2011	2010	2009
Colombian Banking GAAP	(in U.S.$ millions) (1)	(In Ps billions)		(in U.S.$ millions) (1)	(In Ps billions)		
Operating income:							
Net interest income	952.6	1,715.3	1,507.6	1,631.0	2,936.7	2,443.4	2,317.0
Total provisions, net	(115.0)	(207.1)	(72.5)	(77.2)	(139.0)	(610.6)	(347.8)
Total fees and other services income, net	501.0	902.0	861.8	975.7	1,756.8	1,155.1	1,075.6
Total other operating income	200.4	360.9	335.3	420.9	757.9	582.4	492.0
Total operating income	**1,539.0**	**2,771.0**	**2,632.2**	**2,950.4**	**5,312.3**	**3,570.3**	**3,536.8**
Total operating expenses	(834.8)	(1,503.2)	(1,438.9)	(1,648.2)	(2,967.7)	(1,757.9)	(1,585.3)
Net operating income	**704.2**	**1,267.9**	**1,193.3**	**1,302.2**	**2,344.6**	**1,812.4**	**1,951.5**
Non-operating income (expense):							
Other income	71.3	128.4	82.5	92.6	166.7	185.6	233.5
Other expense	(30.7)	(55.3)	(48.3)	(54.5)	(98.2)	(89.7)	(155.5)
Total non-operating income (expense), net	**41.0**	**73.1**	**34.1**	**38.0**	**68.5**	**96.0**	**78.0**
Income before income tax expense and non-controlling interest	**744.8**	**1,341.0**	**1,227.4**	**1,340.2**	**2,413.1**	**1,908.3**	**2,029.5**
Income tax expense	(248.1)	(446.7)	(335.0)	(409.4)	(737.2)	(510.0)	(522.7)
Income before non-controlling interest	**496.7**	**894.3**	**892.4**	**930.8**	**1,675.9**	**1,398.3**	**1,506.8**
Non-controlling interest	(127.5)	(229.5)	(311.9)	(294.5)	(530.2)	(483.4)	(551.0)
Net income attributable to shareholders	**369.2**	**664.8**	**580.4**	**636.3**	**1,145.7**	**914.9**	**955.8**

(1) Translated for convenience only using the representative market rates as computed and certified by the Superintendency of Finance of Ps 1,800.52 at September 30, 2012.

Balance sheet data

	Banco de Bogotá					
	At June 30,			At December 31,		
	2012	2012	2011	2011	2010	2009
Colombian Banking GAAP	(in U.S.$ millions) (1)	(In Ps billions)		(in U.S.$ millions) (1)	(In Ps billions)	
Assets:						
Total cash and cash equivalents	5,217.1	9,393.4	4,527.4	8,151.7	7,231.9	4,244.3
Total investment securities, net	7,708.2	13,878.8	6,749.6	12,152.7	11,479.5	8,956.1
Total loans and financial leases, net	22,567.2	40,632.6	21,624.7	38,935.7	32,517.8	18,910.5
Total interest accrued on loans and financial leases, net	205.1	369.2	182.4	328.4	256.3	169.4
Bankers' acceptances, spot transactions and derivatives	173.5	312.3	190.5	343.1	249.4	68.1
Accounts receivable, net	627.5	1,129.7	663.2	1,194.0	936.6	441.2
Property, plant and equipment, net	687.6	1,238.0	633.7	1,140.9	1,131.7	690.3
Operating leases, net	3.2	5.7	2.2	3.9	2.2	1.2
Foreclosed assets, net	29.8	53.6	32.6	58.7	60.9	25.8
Prepaid expenses and deferred charges	827.0	1,489.0	853.6	1,537.0	783.0	487.9
Goodwill, net	1,365.4	2,458.5	1,477.4	2,660.1	2,569.5	551.4
Other assets, net	637.4	1,147.6	432.3	778.3	773.0	623.9
Reappraisal of assets	910.0	1,638.5	847.1	1,525.1	1,354.9	1,305.2
Total assets	**40,958.8**	**73,747.1**	**38,216.5**	**68,809.6**	**59,346.6**	**36,475.2**
Liabilities:						
Deposits	25,830.8	46,508.8	24,085.6	43,366.5	37,992.3	24,382.0
Bankers' acceptances	140.6	253.2	218.4	393.3	245.5	28.3
Interbank borrowings and overnight funds	2,898.0	5,218.0	1,392.5	2,507.2	1,789.1	2,224.0
Borrowings from banks and others	3,593.0	6,469.2	4,265.9	7,680.8	7,094.2	1,850.0
Accounts payable	933.1	1,680.1	1,024.6	1,844.9	1,234.2	895.3
Accrued interest payable	123.2	221.7	101.4	182.5	163.8	128.3
Other liabilities	488.9	880.3	470.5	847.1	848.7	464.7
Long-term debt (bonds)	1,139.2	2,051.2	1,207.9	2,174.8	3,460.7	616.5
Estimated liabilities	302.4	544.4	283.0	509.6	297.6	319.9
Non-controlling interest	1,470.5	2,647.6	1,364.6	2,457.0	2,302.1	2,125.9
Total liabilities	**36,919.7**	**66,474.6**	**34,414.3**	**61,963.7**	**55,428.3**	**33,034.9**
Shareholders' equity:						
Subscribed and paid-in capital:	1,624.5	2,924.9	1,624.5	2,924.9	620.5	617.4
Common shares	1.6	2.9	1.6	2.9	2.4	2.4
Additional paid-in capital	1,622.9	2,922.1	1,622.9	2,922.1	618.1	615.0
Retained earnings:	2,041.9	3,676.5	1,818.7	3,274.6	2,710.2	2,170.0
Appropriated (2)	1,672.7	3,011.7	1,504.7	2,709.3	2,184.5	1,628.8
Unappropriated	369.2	664.8	314.0	565.3	525.7	541.2
Equity surplus:	372.7	671.1	359.0	646.4	587.6	652.9
Revaluation of Equity	0.9	1.6	1.6	2.9	-	-
Unrealized gains (losses) on investment securities available for sale	(69.2)	(124.6)	3.6	6.5	24.1	87.1
Reappraisal of assets	441.0	794.1	353.8	637.0	563.5	565.8
Total shareholders' equity	**4,039.1**	**7,272.5**	**3,802.2**	**6,845.9**	**3,918.3**	**3,440.3**
Total liabilities and shareholders' equity	**40,958.8**	**73,747.1**	**38,216.5**	**68,809.6**	**59,346.6**	**36,475.2**

(1) Translated for convenience only using the representative market rates as computed and certified by the Superintendency of Finance of Ps 1,800.52 at September 30, 2012.

(2) Appropriated earnings refer to legal reserves and statutory and voluntary reserves. Legal reserves corresponds to 10% of net income for each accounting period until the reserve reaches 50% of subscribed capital. Statutory and voluntary reserves are determined by the shareholders at their semi-annual meetings.

Other financial and operating data

	Banco de Bogotá				
	At and for six-month period ended June 30,		At and for year ended December 31,		
Colombian Banking GAAP	**2012**	**2011**	**2011**	**2010**	**2009**
	(in percentages, unless otherwise indicated)				
Profitability ratios:					
Net interest margin (1)	6.3%	6.2%	6.0%	7.4%	8.4%
ROAA (2)	2.5%	2.9%	2.6%	2.9%	4.4%
ROAE (3)	18.8%	22.4%	21.3%	24.9%	31.1%
Efficiency ratio:					
Operating expenses before depreciation and amortization / total operating income before net provisions (4)	47.3%	49.6%	50.9%	40.1%	39.0%
Capital ratios:					
Solvency ratio (technical capital divided by risk-weighted assets)	13.3%	14.5%	13.3%	15.1%	16.4%
Credit quality data:					
Non-performing loans as a percentage of total loans (5)	1.4%	1.8%	1.6%	1.8%	2.3%
Delinquency ratio past due more than 30 days	1.9%	2.3%	1.9%	2.5%	2.9%
"C," "D" and "E" loans as a percentage of total loans (6)	2.9%	3.3%	2.8%	3.7%	4.6%
Allowance for loans as a percentage of non-performing loans	185.3%	159.1%	174.2%	170.1%	167.3%
Allowance for loans as a percentage of past due loans	136.7%	128.4%	140.9%	124.6%	132.5%
Allowance for loans as a percentage of "C," "D" and "E" loans	90.8%	87.1%	96.9%	83.9%	85.2%
Allowance for loans as a percentage of total loans	2.7%	2.9%	2.7%	3.1%	3.9%
Operational data (in units):					
Number of customers (in millions) (7)	10.3	9.4	9.7	8.9	–
Number of employees (8)	33,554	32,449	32,763	32,870	–
Number of branches (9)	1,232	1,188	1,205	1,179	–
Number of ATMs (10)	2,315	2,132	2,205	2,091	–

(1) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

(2) For methodology used to calculate ROAA, see note 2 to the table under "—Financial and operating data."

(3) For methodology used to calculate ROAE, see note 3 to the table under "—Financial and operating data."

(4) For methodology used to calculate efficiency ratio, see note 4 to the table under "—Financial and operating data."

(5) Non-performing loans include microcredit loans that are 31 days or more past due, mortgage and consumer loans that are 61 days or more past due and commercial loans that are 91 days or more past due. Each category includes financial leases. See "Selected Statistical Data—Loan portfolio—Risk categories."

(6) See "Selected Statistical Data—Loan portfolio—Risk categories."

(7) Reflects aggregated customers of each of Banco de Bogotá, Corficolombiana and BAC Credomatic. Customers of more than one of these entities are counted separately for each subsidiary. Customer data for the year ended December 31, 2009 is not available.

(8) Reflects aggregated employees of Banco de Bogotá, Corficolombiana, Porvenir and BAC Credomatic. Employee data for the year ended December 31, 2009 is not available.

(9) Reflects aggregated branches of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almaviva, Fidubogotá, Casa de Bolsa and BAC Credomatic. Branch data for the year ended December 31, 2009 is not available.

(10) Reflects aggregated ATMs of Banco de Bogotá and BAC Credomatic, except for June 30, 2010 which predates the acquisition of BAC Credomatic and reflects Banco de Bogotá only. ATM data for the year ended December 31, 2009 is not available.

Capitalization ratios

Banco de Bogotá (Consolidated)	At June 30, 2012			
	Reported		As-adjusted (2)	
	Amount	Ratio	Amount	Ratio
	(in Ps billions, except percentages)			
Primary capital (Tier I)	7,781.0	12.1%	7,997.4	12.4%
Secondary capital (Tier II)	750.2	1.2%	753.2	1.2%
Primary and secondary capital (Tiers I and II)	8,531.2	13.3%	8,750.7	13.6%
Risk-weighted assets including regulatory value at risk (1)	64,098.9	–	64,318.4	–

Banco de Bogotá (Consolidated)	At December 31, 2011				At December 31, 2010			
	Reported		As-adjusted (2)		Reported		As-adjusted (2)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in Ps billions, except percentages)				(in Ps billions, except percentages)			
Primary capital (Tier I)	7,174.7	12.0%	7,401.4	12.3%	4,497.1	8.9%	4,769.4	9.4%
Secondary capital (Tier II)	823.2	1.4%	825.6	1.4%	3,137.5	6.2%	3,140.6	6.2%
Primary and secondary capital (Tiers I and II)	7,997.9	13.3%	8,227.0	13.7%	7,634.5	15.1%	7,910.0	15.5%
Risk-weighted assets including regulatory value at risk (1)	59,961.1	—	60,190.1	—	50,663.7	—	50,939.2	—

Source: Company calculations based on each bank's respective consolidated financial statements for the period indicated.

(1) Regulatory value at risk is calculated in accordance with the Superintendency of Finance guidelines. See "Supervision and Regulation—Capital adequacy requirements."

(2) As adjusted to reflect non-consolidated interests in Leasing de Occidente S.A., or "Leasing de Occidente," risk-weighted assets (including regulatory value at risk) would have been Ps 64,318.4 billion at June 30, 2012. In June 2010, Banco de Occidente and Leasing de Occidente merged.

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information presented in this offering memorandum, before buying the notes. Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. In that event, the market price of the notes could decline, and you could lose all or part of your investment. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business.

Risks relating to Colombia and other countries where we operate

Adverse economic and political conditions in Colombia and other countries in which we operate, including the Central American region, may have an adverse effect on our results of operations and financial condition.

We are a Colombian bank and our principal subsidiaries in Colombia are financial institutions (a pension and severance fund administrator and a merchant bank) and a substantial majority of our operations, properties and customers are located in Colombia. As a consequence, our results of operations and financial condition are materially affected by economic and political conditions in the country.

Colombia is subject to economic, political and other uncertainties, including changes in monetary, exchange control and trade policies that could affect the overall business environment in Colombia, which would, in turn, affect our results of operations and financial condition. For example, the Central Bank of Colombia, or the "Colombian Central Bank," could sharply raise or lower interest rates, which could negatively affect our net interest income and asset quality and also restrict our growth. Extreme variations in exchange rates could also negatively affect the foreign currency position of our borrowers. Any of these events could have an adverse effect on our results of operations and financial condition.

Decreases in the growth rate of the Colombian economy, periods of negative growth, or material increases in inflation or interest rates could result in lower demand for, or affect the pricing of, our services and products. Because a large percentage of our costs and expenses are fixed, we may not be able to reduce costs and expenses upon the occurrence of any of these events, in which case our profitability could be affected.

In the case of our pension and severance fund business, economic conditions may affect the businesses and financial capacity of employers, which might result in a drop in employee-contributor head counts or decrease the ability of employers to create new jobs or increase employee incomes.

BAC Credomatic's results of operations and financial condition depend on economic, political and social conditions in the countries where BAC Credomatic operates, mainly in Central America. The political, economic and social environments in such countries are affected by many different factors, including significant governmental influence over local economies, substantial fluctuations in economic growth, high levels of inflation, exchange rate movements, exchange controls or restrictions on expatriation of earnings, high domestic interest rates, drug trafficking and other forms of organized crime, wage and price controls, changes in tax policies, imposition of trade barriers, and unexpected changes in regulation. BAC Credomatic's results of operations and financial condition could be affected by changes in economic and other policies of each country's government, which have exercised and continue to exercise substantial influence over many aspects of the private sector, and by other social and political developments in each such country. During the past several decades, El Salvador, Guatemala, Honduras, Nicaragua and Panama have experienced civil strife and political instability that has included a succession of regimes with differing economic policies and programs. Previous governments have imposed, among other measures, controls on prices, exchange rates, local and foreign investment and international trade, restricted the ability of companies to dismiss employees, expropriated private sector assets and prohibited the remittance of profits to foreign investors.

Adverse economic, political and social developments in Central America may adversely affect demand for banking services and create uncertainty regarding our operating environment, which could have a material adverse effect on BAC Credomatic and, consequently, our company. In addition, changes in political administrations may result in changes in governmental policy, which could affect BAC Credomatic or our business.

The Colombian and Central American economies remain vulnerable to external shocks.

A significant decline in economic growth of any of Colombia's or Central America's major trading partners—in particular, the United States, China, Ecuador and Venezuela—could have a material adverse effect on each country's balance of trade and economic growth. In addition, a "contagion" effect, under which an entire region or class of investments becomes less attractive to, or subject to outflows of funds by international investors, could negatively affect Colombia or Central American countries. Lower economic growth may result in asset quality deterioration and could negatively affect our business.

Pension funds, such as those managed by Porvenir, are global investors and thus are affected by regional and global economic factors. Lower economic growth of Colombia's major trading partners or a contagion effect in the region or globally may lead to lower pension fund returns, which may, in turn, result in decreases in assets under management and impair our businesses or financial condition. In recent years, pension fund returns have been subject to increased volatility in international financial markets. Foreign investments represented 13.9% and 12.9%, respectively, of Porvenir's total assets under management at June 30, 2012 and December 31, 2011.

The recent global economic and financial crisis, which began in the U.S. financial system and spread to different economic sectors and countries around the world, has had negative effects on the Colombian economy and the economies of Central American countries. During 2009, the economies of the United States and some European countries contracted, which, in turn, affected the Colombian and Central American economies. Although there have recently been signs of recovery in the global economy, this recovery may be fragile and also may reflect temporary benefits from government stimulus programs that may not be sustained. Moreover, in recent months, several European Union members have been obliged to reduce their public expenditures due to their high indebtedness rates, which has negatively affected the Eurozone's economy. The ability of certain countries, such as Greece, Italy, Portugal and Spain, and companies in those countries and in the Eurozone to repay debt obligations remains uncertain. In addition, certain events, such as the outbreak of civil and political unrest in several countries in Africa and the Middle East, including Egypt, Libya, Tunisia, Bahrain, Syria and the Ivory Coast might further strain and affect the global economy and the global financial system.

Even though exports from Colombia have grown at an accelerated rate in recent years, commodity prices fluctuations pose a significant challenge to their sustainability. Unemployment continues to be high in Colombia compared to other economies in Latin America. Furthermore, recent political and economic actions in the Latin American region, including by the Argentine government, may negatively affect the perception of the region. We cannot assure you that growth achieved over the past decade by the Colombian economy will continue in future periods.

The long-term effects of the global economic and financial crisis on the international financial system remain uncertain. In addition, the effect on consumer confidence of any actual or perceived deterioration in the Colombian or Central American economies may have a material adverse effect on our results of operations and financial condition.

Colombia has experienced internal security issues that have had or could have a negative effect on the Colombian economy.

Colombia has experienced internal security issues, primarily due to the activities of guerrilla groups such as the Revolutionary Armed Forces of Colombia (*Fuerzas Armadas Revolucionarias de Colombia*), or "FARC," paramilitary groups and drug cartels. In remote regions of the country with minimal governmental presence, these groups have exerted influence over the local population and funded their activities by protecting, and rendering services to drug traffickers. Even though the Colombian government's "democratic security" program has reduced guerilla and criminal activity, particularly in the form of terrorism attacks, homicides, kidnappings and extortion, such activity persists in Colombia, and possible escalation of such activity and the effects associated with them have had and may have in the future a negative effect on the Colombian economy and on us, including our customers, employees, results of operations and financial condition. The Colombian government commenced peace talks with the FARC in August 2012. Current peace negotiations between the Colombian government and the FARC may result in agreements that are adverse to our interests or that result in an increase of our tax burden.

Tensions with neighboring countries may affect the Colombian economy and, consequently, our results of operations and financial condition.

Diplomatic relations with Venezuela and Ecuador, two of Colombia's main trading partners, have from time to time been tense and affected by events surrounding the Colombian armed forces combat of the FARC throughout Colombia, particularly on Colombia's borders with Venezuela, Ecuador or Nicaragua.

On November 19, 2012, the International Court of Justice (the "ICJ") published its decision on the territorial and maritime dispute between Colombia and Nicaragua relating to the islands of San Andrés, Providencia and adjacent islets and keys, as well as the exclusive economic zone surrounding them. In its decision, the ICJ placed a sizeable area of the Caribbean Sea within Nicaragua's exclusive economic zone, that until then had been deemed by Colombia as part of its own exclusive economic zone. The Colombian government has strongly criticized this decision. This situation could result in an escalation of diplomatic tensions with Nicaragua. A worsening of relations could result in the Nicaraguan government taking measures, or a reaction among the Nicaraguan public, which is detrimental to Colombian-owned interests in that country, including those owned by us through our BAC Credomatic subsidiaries.

Any future deterioration in relations with Venezuela, Ecuador and Nicaragua may result in the closing of borders, the imposition of trade barriers or a breakdown of diplomatic ties, any of which could have a negative effect on Colombia's trade balance, economy and general security situation, which may adversely affect our results of operations and financial condition.

Government policies and actions, and judicial decisions, in Colombia could significantly affect the local economy and, as a result, our results of operations and financial condition.

Our results of operations and financial condition may be adversely affected by changes in Colombian governmental policies and actions, and judicial decisions, involving a broad range of matters, including interest rates, exchange rates, exchange controls, inflation rates, taxation, banking and pension fund regulations and other political or economic developments affecting Colombia. The Colombian government has historically exercised substantial influence over the economy, and its policies are likely to continue to have a significant effect on Colombian companies, including us. The president of Colombia has considerable power to determine governmental policies and actions relating to the economy, and may adopt policies that negatively affect us. Future governmental policies and actions, or judicial decisions, could adversely affect our results of operations or financial condition.

New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia could adversely affect our results of operations and financial condition.

New tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to us. In recent years, Colombian tax authorities have imposed additional taxes in a variety of areas, such as taxes on financial transactions and taxes to fund Colombia's war against terrorism. Changes in tax-related laws and regulations, and interpretations thereof, can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities or courts may interpret tax regulations differently than we do, which could result in tax litigation and associated costs and penalties. In order to avoid double taxation, our Colombian subsidiaries usually distribute dividends from profits that have already been subject to income tax. These dividends are usually not taxable for Banco de Bogotá in Colombia, and dividends paid by Banco de Bogotá to its shareholders in Colombia from these sources of income also are usually not taxable, in each case provided that such profits have been taxed at the subsidiary level. This tax treatment may not be maintained in the future, and any change could have a material adverse effect on our results of operations and financial condition.

On December 26, 2012, the Colombian Congress approved a number of tax reforms. These changes include, among others, VAT rate consolidation, a reduction in corporate income tax, changes to transfer pricing rules, the creation of a new corporate income tax to pay for health, education and family care issues, modifications in individual income tax, new "thin capitalization" rules and a reduction of social contributions paid by certain employees. The implementation of such tax reforms requires further administrative regulation. Although as of the date of this offering memorandum we cannot estimate the full impact of these recent tax reforms on our Colombian operations, they are expected to have a negative impact on the business of our pension fund manager subsidiary, as they impose more burdensome conditions for obtaining tax deductions for contributions made to the voluntary

pension funds. Considering our banking operations, there can be no assurance that the implementation of the tax reforms will not have an adverse impact on our revenues in Colombia.

Natural disasters in Colombia could disrupt our businesses and affect our results of operations and financial condition.

We are exposed to natural disasters in Colombia, such as earthquakes, volcanic eruptions, tornadoes, tropical storms and hurricanes. Recently, heavy rains in Colombia, attributable in part to the La Niña weather pattern, have resulted in severe flooding and mudslides. La Niña is a recurring weather phenomenon, and it may contribute to flooding, mudslides or other natural disasters on an equal or greater scale in the future. In the event of a natural disaster, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. In addition, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our businesses could be compromised. Natural disasters or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year.

Risks relating to our businesses and industry

Risks relating to our banking business

A decline in asset quality, including our loan portfolio, may have an adverse effect on our results of operations and financial condition.

Changes in the financial condition or credit profiles of our customers, and those of our subsidiaries, and increases in inflation or interest rates could have a negative effect on the quality of our loan portfolio, causing us to increase loan loss provisions and resulting in reduced profitability. In particular, the level of non-performing loans may increase in the future as a result of factors beyond our control, such as economic conditions and political events affecting Colombia generally or specific sectors of the economy.

A substantial number of our customers consist of individuals and small- and medium-sized enterprises, or "SMEs," and these customers are more likely to be adversely affected by downturns in the Colombian economy than large corporations and high-income individuals. For example, unemployment directly affects the ability of individuals to obtain and repay consumer and residential mortgage loans. Consequently, we may experience higher levels of non-performing loans, which could result in increased loan loss provisions due to defaults by, or deterioration in the credit profiles of, individual borrowers. Non-performing loans and resulting loan losses may increase materially in the future and adversely affect our results of operations and financial condition.

Existing loan loss allowances may not be adequate to cover any increases in non-performing loans or deterioration in the credit quality of loan portfolios. As a result, we may be required to increase loan loss provisions, which may adversely affect our results of operations and financial condition.

In addition, there is no precise method for predicting loan and credit losses, such that loan loss allowances may not be sufficient to cover actual losses. If we are unable to manage the level of non-performing or other poor credit quality loans, our results of operations and financial condition would be materially and adversely affected.

Our loan portfolios have grown substantially in recent years. See "Selected Statistical Data." As default rates generally increase with the age of loans, the level of non-performing loans may lag behind the rate of growth in loans but may increase when growth slows or the loan portfolios become more mature. As a result, historic loan loss experience may not necessarily be indicative of future loan loss experience.

We may be unable to realize on collateral or guarantees securing loans, which may adversely affect our results of operations and financial condition.

We make loans that are secured by collateral, including real estate and other assets that are generally located in Colombia. The value of collateral may significantly fluctuate or decline due to factors beyond our control, including, for example, economic and political conditions in the country. At June 30, 2012 and December 31, 2011, 32.1% and 32.6%, respectively, of our total past due loans (including our foreign operations) were secured. An economic slowdown may lead to a downturn in the Colombian real estate market, which may, in turn, result in declines in the

value of real estate securing loans to levels below the principal balances of these loans. Any decline in the value of the collateral securing loans may result in reduced recoveries from collateral realization, and have an adverse effect on our results of operations and financial condition.

We also make loans on the basis of guarantees from relatives, affiliates or associated persons of borrowers. To the extent that guarantors encounter financial difficulties due to economic conditions, personal or business circumstances, or otherwise, our ability to enforce such guarantees may be impaired.

In addition, we may face difficulties in enforcing our rights as secured creditors against borrowers, collateral or guarantees. In particular, timing delays and procedural problems in realizing against collateral, as well as debtor-protective judicial interpretations of the law, may make it difficult to foreclose on collateral, realize against guarantees or enforce judgments in our favor, which could materially and adversely affect our results of operations and financial condition.

A new insolvency law in Colombia may limit our ability to collect monetary obligations and enforce rights against collateral or under guarantees.

Colombian insolvency laws provide that creditors of an insolvent debtor in default are prohibited from initiating collection proceedings outside the bankruptcy or reorganization process of such debtor. In addition, all collection proceedings outstanding at the beginning of the bankruptcy or reorganization process must be suspended and any creditors are prevented from enforcing their rights against the collateral and other assets of the debtor.

On July 12, 2012, the Colombian Congress enacted Law 1564, which provides insolvency protection for non-merchant individuals. Under the new insolvency regulation, which came into effect on October 1, 2012, once a non-merchant individual has ceased paying his or her debts, that individual can initiate a voluntary insolvency proceeding before a notary public or mediator to reach an agreement with its creditors. The terms of any agreement reached with a group (two or more) of creditors that represent more than 50% of the total amount of the claims will be mandatorily applicable to all relevant creditors. The law also provides for increased debtor protections, including an automatic stay for a maximum of 90 days. A perception that loans to individuals may be difficult or impossible to recover could cause us to enhance credit requirements and result in decreased lending to individuals by making it more expensive. In addition, increased difficulties in enforcing debt and other monetary obligations due to this new insolvency law could have an adverse effect on our results of operations and financial condition.

Any failure of risk management processes, including credit and market risk, could materially and adversely affect our banking businesses, results of operations and financial condition.

Credit risk is a principal risk inherent in our banking business. Our policies and procedures, which are designed to identify, monitor and manage risk, may prove to be insufficient. Furthermore, we may not be able to upgrade, on a timely basis, risk management systems. For example, the risk management systems utilize an internal credit rating system to assess the risk profile of each customer. As this process involves detailed analyses of the customer's credit risk, taking into account quantitative and qualitative factors, it is necessarily subject to human error. Our personnel may fail to detect risks before they occur, or may not effectively implement their risk management systems, which may increase exposure to credit risk. As a result, any failure to effectively implement or consistently follow or refine risk management systems may result in higher risk exposures, which could materially and adversely affect our results of operations and financial condition.

Declines in the value of our sovereign debt securities portfolios could have an adverse effect on our results of operations.

Our debt securities portfolio primarily consists of sovereign debt securities, mainly securities issued or guaranteed by the Colombian government. BAC Credomatic's debt securities portfolio primarily consists of sovereign debt securities issued or guaranteed by various Central American governments. We are exposed to significant credit, market and liquidity risks associated with sovereign debt. At June 30, 2012 and December 31, 2011, debt securities represented 15.0% and 13.6%, respectively, of our consolidated total assets, and approximately 62.9% and 57.9%, respectively, of these securities were issued or backed by the Colombian government. A significant decline in the value of these government securities could materially and adversely affect our debt securities portfolio and, consequently, our financial condition and results of operations. See "Supervision and Regulation—Mandatory investments."

Our banking business is subject to market risk.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that the value of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

Our banking business is subject to counterparty risk.

Our banking business, and to a lesser extent, Porvenir and Corficolombiana are exposed to counterparty risks in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us, or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. These risks could materially and adversely affect our results of operations and financial condition.

Our banking business is subject to market and operational risks associated with derivative transactions.

Our banking business, and, to a lesser extent, Porvenir and Corficolombiana, enter into derivative transactions primarily for hedging purposes and, on a limited basis, on behalf of customers. We are subject to market and operational risks, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and credit or default risk (the risk of insolvency or other inability of a counterparty to perform its obligations to us).

Market practices and documentation for derivative transactions in Colombia may differ from those in other countries. For example, documentation may not incorporate terms and conditions of derivatives transactions as commonly understood in other countries. In addition, the execution and performance of these transactions depend on our ability to develop adequate control and administration systems, and to hire and retain qualified personnel. Moreover, our ability to monitor and analyze these transactions depends on our information technology systems. These factors may further increase risks associated with derivative transactions and could materially and adversely affect our results of operations and financial condition.

We are subject to liquidity risk, which may result in increases to funding costs.

Our principal sources of funding for our banking business are savings deposits, time deposits and checking accounts, that together represented approximately 76.3% and 76.6% of consolidated total liabilities at June 30, 2012 and December 31, 2011, respectively. Because we rely primarily on short-term deposits for funding, a sudden or unexpected shortage of funds in the banking systems in which we operate and money markets may prevent us from meeting their obligations or obtaining necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values in our banking business, which could materially and adversely affect our results of operations and financial condition.

Default by one or more of our largest borrowers could adversely affect our results of operations and financial condition.

The aggregate outstanding loans to our ten-largest borrowers represented 10.3% and 10.6% of our consolidated total loan portfolio at June 30, 2012 and December 31, 2011, respectively. Default on loans by one or more of these borrowers may adversely affect our results of operations and financial condition.

Downgrades in our credit ratings would increase the cost of, or impair access to, funding.

Our credit ratings are an important component of our ability to obtain funding. Our ability to compete successfully in the marketplace for deposits depends on various factors, including our financial stability as reflected by our credit ratings. A downgrade in credit ratings may adversely affect perception of our financial stability and ability to raise deposits. Adverse changes in credit ratings would also increase the cost of raising funds in the capital markets or borrowing funds. In addition, lenders and counterparties in derivative transactions are sensitive to the risk

of a rating downgrade. Any downgrade in any of our credit ratings could materially and adversely affect our results of operations and financial condition.

Our loan portfolios are subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.

Our loan portfolios are subject to prepayment risk, which results from the ability of a borrower to pay a loan prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases with the effect of reducing weighted average lives of interest earning assets and adversely affecting results. Prepayment risk also has an adverse effect on credit card and collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields.

Changes in banking laws and regulations in Colombia and the other countries in which we operate could adversely affect our consolidated results.

Banking and financial services laws and regulations are subject to ongoing review and revision, including changes in response to global regulatory trends and, more recently, the global economic and financial crisis. In the wake of this crisis, governments have been actively considering new banking laws and regulations, and reviewing and revising existing laws and regulations, particularly in relation to capital adequacy and accounting standards, including Basel III. The adoption of new laws or regulations, or changes in the interpretations or enforcement of existing laws or regulations, may have an adverse effect on our results of operations and financial condition.

Regulatory actions may result in fines, penalties and restrictions that could materially and adversely affect our businesses and financial performance.

We and our Colombian subsidiaries are subject to regulation and supervision by Colombian authorities. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our organization and operations, including, for example, the imposition of anti-money laundering measures and the authority to regulate the terms and conditions of credit that can be applied by Colombian banks. Failure to comply with applicable regulations could subject us to fines or sanctions or even revocation of licenses or permits to operate our business. In the event we or our Colombian subsidiaries encounter significant financial problems, are in danger of insolvency or become insolvent, or are otherwise not deemed to be viable, the banking authorities would have broad powers to intervene in our or their management and operations, including by suspending or removing management and, in extreme circumstances, putting us or them into conservatorship or receivership or taking control of us or them.

We may face legal and other challenges to maximizing revenue from credit card fees and other fees from customers.

As part of our credit card business, we face risks relating to the pricing of fees and commissions charged to merchants (merchant discounts) and the pricing of bank interchange fees charged by issuer banks to acquiring banks. Banks and card processors in Colombia, including us, have been subject to administrative investigations regarding the fees and commissions that are charged to the merchants by the acquiring banks and in respect to the banking interchange fees.

In the past, the Superintendency of Industry and Commerce (*Superintendencia de Industria y Comercio*) has conducted investigations on the practices of *Asociación Gremial de Instituciones Financieras Credibanco* (Visa franchisee in Colombia) and *Redeban Multicolor S.A*. (MasterCard franchisee in Colombia), the entities chosen by most Colombian banks to manage the credit card system in Colombia, relating to alleged price fixing agreements among Colombian banks relating to fees and commissions charged to merchants. The Superintendency of Industry and Commerce has also conducted investigations into certain Colombian banks in the past, including us, for alleged price fixing of bank interchange fees charged during the period from May 2007 to October 2008.

Although we have not been subject to any fines or penalties as a result of these investigations, it is possible that similar investigations be carried out by the relevant authorities in the future resulting in a decrease of the fees charged to merchants and bank interchange fees, which could also lead to changes in commercial strategies that could affect our results of operations and financial condition. We may also be subject to financial penalties in

connection with such future investigations. In addition, fees charged for other banking services may be reduced in the future as a result of regulatory measures and/or pressure from retailers and interest groups.

Failure to protect personal information could adversely affect our reputation and our business.

We manage and hold confidential personal information of customers in the conduct of their banking operations. Although we have procedures and controls to safeguard personal information in our possession, unauthorized disclosures or unauthorized access to privileged information, fraud or interfering with regular banking and other services could subject us to legal actions and administrative sanctions as well as damages. Any failure to protect personal information could result in reputational damage and have an adverse effect on our results of operations and financial condition.

Risks relating to our merchant banking business

Difficult market conditions can adversely affect Corficolombiana's business.

Corficolombiana may be affected by lower than expected returns on investments, reduced opportunities to realize value from investments, and failure to find suitable investments so as to deploy capital effectively. During periods of difficult market conditions (which may span across one or more industries, sectors or geographies), portfolio companies may experience adverse operating performance, decreased revenues, financial losses, difficulty in obtaining access to financing or increased funding costs. Negative financial performance of portfolio companies may materially and adversely affect Corficolombiana's results of operations and cash flow. To the extent the operating performance of those portfolio companies (as well as valuation multiples) does not improve or other portfolio companies experience adverse operating performance, it may sell those assets at values that are less than projected or even at a loss. Portfolio companies may also have difficulties in expanding their businesses and operations or meeting debt service and other obligations as they become due. Furthermore, negative market conditions could potentially result in a portfolio company entering bankruptcy proceedings, thereby potentially resulting in a complete loss of the investment. Although market conditions have recently shown some signs of improvement, economic and market conditions may not continue to improve. Even if such conditions do improve broadly and significantly over the long term, adverse conditions and/or other events in particular sectors may cause our performance to suffer further.

Corficolombiana's due diligence process for evaluating prospective investments may not identify all risks or ensure investment returns.

Before making investments, Corficolombiana conducts due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence, it may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process to varying degrees depending on the type of investment, but we may be unable to engage these third parties in a timely manner, or at all. Nevertheless, the due diligence investigation carried out by Corficolombiana with respect to any investment opportunity may not reveal or highlight all relevant risks of such investment opportunity. Moreover, such an investigation will not necessarily result in the investment being successful.

A significant part of Corficolombiana's investments are primarily in relatively illiquid assets, and it may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amount of these investments.

At June 30, 2012, approximately 53.0% of Corficolombiana's investments was in securities of privately held companies, for which there often are no readily ascertainable market prices (on an unconsolidated basis). As a result, there may be limited or no marketability for these investments, and these investments may decline in value while Corficolombiana is seeking to dispose of them. Because there is significant uncertainty as to the valuation of illiquid investments, the stated values of such investments may not necessarily reflect the values that could actually be realized by Corficolombiana. In addition, in some cases, Corficolombiana may be prevented by contract from selling such securities for a period of time. Corficolombiana's ability to dispose of investments may also be dependent on factors beyond its control. Thus, investments may only be disposed of over a substantial length of time, exposing the investment returns to risks of declines in market prices during the intended disposition period. Accordingly, under certain conditions, Corficolombiana may be forced to either sell securities at lower prices than it had expected to realize or defer—potentially for a considerable period of time—sales that it had planned to make.

Corficolombiana makes minority investments in companies that it does not control.

Corficolombiana's investments include non-controlling equity interests, and it may also dispose of a portion of its majority equity investments in portfolio companies over time in a manner that results in Corficolombiana retaining minority investments. Those investments will be subject to the risk that the company in which the investment is made may make business, financial or management decisions with which we do not agree. Similarly, the majority stakeholders or the management of the company may take risks or otherwise act in a manner contrary to our interests. If any of the foregoing were to occur, the values of these investments could decrease or we may not be able to dispose of them, which would adversely affect our results of operations and financial condition.

Most of Corficolombiana's investments are concentrated in three industries.

At June 30, 2012 and December 31, 2011, approximately 95.4% and 78.8%, respectively, of Corficolombiana's investment portfolio were concentrated in the infrastructure, energy and gas, and financial sectors (on an unconsolidated basis). During periods of difficult market conditions or slowdowns in these sectors, Corficolombiana may experience decreased revenues, difficulty in obtaining access to financing and increased funding costs.

Risks relating to our pension and severance fund management business

Porvenir operates in a highly regulated market, which limits its flexibility to manage its businesses.

Porvenir's operations are regulated by Law 100 of 1993, the Organic Statute of Financial System (*Estatuto Orgánico del Sistema Financiero*), or "EOSF," issued by the Ministry of Finance, Decree 2555 of 2010 and regulations issued by the Superintendency of Finance and, to the extent applicable, Colombian Corporation Law. These regulations limit the range of assets in which pension fund administrators, or "AFPs," can invest and also set investment limits. In addition, each AFP is legally required to provide a minimum return on investment for each of its pension and severance funds. This minimum return is determined pursuant to specified formulas established in Decree 2555 which vary according to the type of fund. If a fund's return for any month is lower than the minimum return, the AFP must cover the difference within a period of five days. To do so, the AFP must first apply funds from a stabilization reserve (a portion of the AFP's capital invested in the fund equal to 1% of the value of each pension fund under management). If the stabilization reserve is insufficient to cover the difference, the AFP must provide resources from its own capital. If the AFP does not have enough resources to cover the difference, the Superintendency of Finance may order the capitalization of the AFP. If, notwithstanding the above, an AFP fails to observe either the minimum return or the stabilization reserve requirements or the order of capitalization, the Superintendency of Finance may take possession (*tomar posesión*) of the AFP, in which case the Colombian Deposit Insurance Fund (*Fondo de Garantías de Instituciones Financieras*), or "FOGAFIN," must supply funds to cover the shortfall. Although Porvenir has never failed to meet the minimum requirement, failure to do so could require us or our parent to increase its investment in Porvenir, seek capital from alternative sources or forfeit its investment, or lead to dissolution of the AFP and transfer of the fund to another AFP. If Porvenir is unable to fulfill the minimum return or the stabilization reserve requirements, or if new laws or decrees impose more onerous requirements, Porvenir's business may be materially adversely affected.

In addition, there are regulatory limitations on the amount of commissions that Porvenir may charge for its services. For example, we may only retain 300 basis points of the 16.0% (up to 17.0% for employees meeting a certain salary threshold) of the base contribution to a mandatory pension fund, a portion of which (currently 145 basis points) we are required to pay to an insurer for life and disability coverage . The percentage that we pay for this insurance may increase or decrease depending on market conditions and other factors. Life and mortality rate tables have been adopted in Colombia and became effective on October 1, 2010. These tables account for longer life expectancy trends, which may result in an increase in the amount we pay for insurance and may affect our results of operations.

In 2009, the regulatory system began to shift from an obligatory pension system to a multifunds system, allowing pension funds to be more specifically tailored to the individual needs of customers according to their risk profiles. Regulations related to the establishment of the multifunds system are continuing to be developed. These regulations or their interpretation by the Ministry of Finance or the Superintendency of Finance may not provide a favorable business environment for Porvenir.

A significant amount of debt securities in pension and severance funds managed by Porvenir is issued or guaranteed by the Colombian government.

Porvenir, like us and other participants in the banking industry, is subject to the risk of loss in value of sovereign debt securities. At June 30, 2012 and December 31, 2011, total debt securities of Porvenir represented 21.8% and 32.6%, respectively, of its total assets, and 10.8% and 16.2%, respectively, of total debt securities were issued or backed by the Colombian government. A significant decline in the value of the securities issued or guaranteed by the Colombian government could adversely affect the debt securities portfolio of Porvenir and, consequently, our results of operations and financial condition.

Other risks relating to our business

We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our results of operations and financial condition.

Market risk refers to the probability of variations in income or in the market value of assets and liabilities due to changes in markets, including variations in market rates of interest and foreign currency exchange rates. Changes in interest rates affect the following areas, among others, of our businesses: net interest income; the volume of loans originated; market value of securities holdings; asset quality; and gains from sales of loans and securities.

Changes in short-term interest rates may affect interest margins quickly and, therefore, net interest income, which comprises the majority of our revenue. Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates may discourage customers from borrowing and may result in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of our assets, including our financial assets, the assets managed by Porvenir and the investments of Corficolombiana. We hold a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. In addition, we may incur costs (which, in turn, will affect our results of operations) if we implement strategies to reduce future interest rate exposure. Increases in interest rates may reduce gains or require us to record losses on sales of our loans or securities.

High interest rates have historically been common in many countries in Latin America. Following our acquisition of BAC Credomatic, we have even greater regional exposure to fluctuations in interest rates. To the extent there are significant increases of such rates in any of the countries in which BAC Credomatic operates, our operating margins may be adversely affected and our results of operations may experience significant adverse consequences.

We face exposure to fluctuations in foreign currency exchange, particularly in light of the fact that the currencies in countries where we and BAC Credomatic operate have historically experienced significant devaluations. The types of instruments exposed to foreign exchange rate risk include, for example, investments in foreign subsidiaries, foreign currency-denominated loans and securities, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates.

We may be adversely affected by fluctuations between the value of the Colombian peso or other local currencies in which we operate and the U.S. dollar as a result of substantial U.S. dollar-denominated debt incurred to finance the BAC Credomatic acquisition.

We financed our recent acquisition of BAC Credomatic, in part, through the incurrence of approximately U.S.$1.3 billion of U.S. dollar-denominated debt. While we expect to hedge this indebtedness as described in "Business—BAC Credomatic—Foreign exchange rate risk related to BAC Credomatic acquisition," because the substantial majority of our revenue is in Colombian pesos, we will be exposed to fluctuations in the exchange rate between the Colombian peso and the U.S. dollar and the uncertainty of the amount of Colombian pesos that will be required to service the interest payments on this debt. Fluctuations in the peso/dollar exchange rate may affect the value of this debt on our balance sheet and cause us to recognize gains or losses on our income statement, as well as our results of operations and our ability to meet our future payment obligations on this debt.

A substantial portion of BAC Credomatic's earnings, assets and liabilities are in Costa Rican colones, Guatemalan quetzals, Honduran lempiras, Nicaraguan cordobas, Panamanian balboas and U.S. dollars. As a result we are subject to risks relating to foreign currency exchange rate fluctuations between these currencies and

Colombian pesos. Nevertheless, as described in "Business—BAC Credomatic—Foreign exchange rate risk related to BAC Credomatic acquisition," BAC Credomatic maintains a U.S. dollar net asset position which is intended to hedge at least 60% of its shareholders' equity against the possible devaluations of each of these local currencies.

We are subject to trading risks with respect to our trading activities.

Our banking operations, Corficolombiana and Porvenir engage in proprietary trading, and we derive a portion of our profits from such trading activities. As a result, any reduction in trading income could adversely affect our results of operations and financial condition. Our trading income is volatile and dependent on numerous factors beyond our control, including, among others, market trading activity, interest rates, exchange rates and general market volatility. A significant decline in our trading income, or large trading losses, could adversely affect our results of operations and financial condition.

Declines in the market price for securities could result in us recording impairment losses as well as increased unrealized losses on other securities. Losses in the Colombian equity markets could result in further losses from impairment or sale of these securities. Any significant increases in exposure to any of these non-traditional risks, or a significant increase in credit risk or bankruptcy of any of the counterparties, could materially and adversely affect our results of operations and financial condition.

Colombian law imposes limitations on interest rates, and future additional restrictions on interest rates or banking fees could negatively affect our profitability.

The Colombian Commercial Code limits the amount of interest that may be charged in commercial transactions, including transactions of Colombian banking operations. In the future, regulations in Colombia could impose increased limitations regarding interest rates or fees. Law 1430 of December 2010 authorizes the Colombian National Government to impose or place limits on tariffs and fees charged by banks and other financial institutions where the government has determined that there is insufficient competition in a relevant market. Additionally, the law requires the Superintendency of Finance to implement a monitoring scheme of the tariffs and fees charged by the financial institutions in their relevant markets and to report the results of this evaluation semiannually to the Colombian National Government. The Colombian Government issued Decree 4809 of 2011, which (1) requires banks to provide each of their clients with statements of the fees charged to such clients on an annual basis, (2) sets a limit on the fees that banks may charge to their clients for withdrawals on automated teller machines or "ATMs" of other banks, and (3) establishes that transactions made through the internet may not cost more than those made through other channels. A significant portion of our revenues and operating cash flow is generated by credit services and any such increased limitations would materially and adversely affect our results of operations and financial condition.

The Colombian Central Bank may impose requirements on the ability of Colombian residents, including us, to obtain loans in foreign currency.

Under Colombian exchange control operations, the Colombian Central Bank may impose certain mandatory deposit requirements in connection with foreign currency-denominated loans obtained by Colombian residents, including us. Most recently, when the peso appreciated against foreign currencies in 2008, such mandatory deposit requirement was set at 40% of the amounts to be disbursed under any credit facility denominated in a foreign currency. Future measures or requirements imposed by the Colombian Central Bank, such as mandatory deposit requirements, may adversely affect our and our clients' ability to obtain loans in foreign currency.

We face uncertainty regarding new consumer protection laws.

Law 1328 of 2009, also referred to as the "financial reform law," created a new customer protection regime with respect to financial institutions. The financial reform law provides a bill of rights for consumers of financial services and products, including the right to receive clear, complete and reliable information about the services and products offered by financial institutions. The law also contains specific new obligations for financial institutions, including a duty to maintain a financial ombudsman in charge of consumer protection and procedures regulating the responsibilities and functions of the ombudsman, a duty to create a financial consumer attention center pursuant to terms set by the Superintendency of Finance, an obligation to provide services and products under the same conditions offered to the general public, and a prohibition on the inclusion of predatory or abusive clauses in contracts with consumers. Because the financial reform law has only recently been enacted, there is limited guidance

on how it will be interpreted. Any violation by us of this law and its implementing regulations could result in monetary or administrative sanctions or restrictions on our operations.

Decree 4809 of 2011 regulates certain fees charged by Colombian financial institutions. The most salient of these regulations include a cap of 20 *Unidades de Valor Real* or "UVR" (an inflation indexed unit) for ATM fees charged to clients for transactions conducted through ATMs owned by a third party, the requirement that ATM fees be disclosed to clients with the possibility to opt-out of the transaction before it takes place, and the prohibition of charging higher fees for internet transactions than for non-internet transactions as well as charging fees for failed internet transactions. These restrictions could affect the profitability of our business by decreasing our fee income.

Additionally, Law 1555 of 2012, allows consumers of financial services to prepay obligations denominated in Colombian Pesos owed to financial institutions, without incurring any penalty. The law also requires that financial institutions disclose the possibility of such prepayment to borrowers prior to the extension of any loan. Although this law does not apply to loans having a balance that exceeds 880 times the legal monthly minimum wages, nor to financial obligations acquired prior to its effective date (July 9, 2012), its implementation may substantially affect our banking business profits.

Our businesses may face constitutional actions, class actions and other legal actions involving claims for significant monetary awards against financial institutions, which may affect our businesses.

Under the Colombian Constitution, individuals may initiate constitutional actions (*acciones populares*), or class actions (*acciones de grupo*), to protect their collective or class rights, respectively. Colombian financial institutions, including us and our subsidiaries, have been, and continue to be, subject to these actions with regard to fees, financial services, mortgage lending and interest rates, the outcomes of which are uncertain. In addition, the number of such actions could increase in the future and could significantly affect our businesses.

Acquisitions and strategic partnerships may not perform in accordance with expectations, may fail to receive required regulatory approvals or may disrupt our operations and adversely affect our credit rating and profitability.

A component of our strategy is to identify and pursue growth-enhancing strategic opportunities. As part of that strategy, we have acquired interests in various financial institutions in recent years. We regularly evaluate strategic acquisitions and alliances, in and outside of Colombia, in addition to our acquisition of BAC Credomatic. Strategic acquisitions and alliances could expose us to risks with which we have limited or no experience, such as in the case of any significant acquisition outside of Colombia. In addition, potential acquisitions in Colombia and elsewhere may be subject to regulatory approval. We may be unsuccessful in obtaining any such approval or we may obtain approvals on terms that are optimal for us—particularly in view of our parent's and our combined significant market share in the Colombian banking industry. In addition, any significant acquisitions and related financing could negatively affect credit ratings on our debt securities, including the notes.

We must necessarily base any assessment of potential acquisitions and alliances on assumptions with respect to operations, profitability and other matters that may subsequently prove to be incorrect. Future acquisitions and alliances, as well as other investments, may not produce anticipated synergies or perform in accordance with our expectations and could adversely affect our operations and profitability. In addition, new demands on our existing organization and personnel resulting from the integration of new acquisitions, including our pending acquisition of BBVA Horizonte, could disrupt our operations and adversely affect our operations and profitability.

We may not be able to manage our growth successfully.

We have been expanding the scope of our operations over the past few years, and we expect that this expansion will continue. As we continue to grow, we must improve our operational, technical and managerial knowledge and compliance systems in order to effectively manage our operations across the expanded group. Failure to integrate, monitor and manage expanded operations could have a material and adverse effect on our reputation and financial results. Our future growth will also depend on our access to internal and external financing sources. We may be unable to access such financing on commercially acceptable terms or at all.

We are subject to operational risks.

Our business depends on our ability to process large numbers of transactions efficiently and accurately. Operational risks and losses can result from fraud, employee error, failure to properly document transactions or to obtain proper internal authorization, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters or the failure of external systems, among others. Our and our parent's currently adopted procedures may not be effective in controlling each of the operational risks we face.

Failure of our information systems could materially and adversely affect the effectiveness of our risk management and internal control processes as well as our results of operations and financial condition.

We are highly dependent on the ability to collect and process, on a timely basis, a large amount of financial and other information, and services and products, at a time when transaction processes have become more complex with increasing volumes. A partial or complete failure of any of these systems could materially and adversely affect our decision-making process, risk management and internal control systems as well as our ability to respond on a timely basis to changing market conditions.

In addition, our ability to remain competitive will depend in part on our ability to upgrade information technology infrastructure on a timely and cost-effective basis. We must continually make significant investments and improvements in their information technology infrastructure in order to ensure the proper functioning of financial control, accounting and other data collection and processing systems and to remain competitive. In particular, as we continue to open new branches, we need to improve our information technology infrastructure, including maintaining and upgrading our software and hardware systems and our back-office operations.

Any failure to effectively improve or upgrade our information technology infrastructure and management information systems in a timely manner could damage our reputation and materially and adversely affect our results of operations and financial condition.

We also rely on information systems to operate our websites, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our customers with delays or errors, which could reduce demand for their services and products and could materially and adversely affect our results of operations and financial condition.

Our policies and procedures may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to fines and other liabilities.

We are required to comply with applicable anti-money laundering, anti-terrorism financing laws and other regulations. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious or large transactions to the applicable regulatory authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of banking networks for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where they may be used by other parties to engage in money laundering and other illegal or improper activities. To the extent that we fail to fully comply with applicable laws and regulations, the relevant government authorities to which we report have the power and authority to impose fines and other penalties. In addition, our businesses and reputation could suffer if customers use us for money laundering or illegal or improper purposes.

Banking regulations, accounting standards and corporate disclosure applicable to us and our subsidiaries differ from those in the United States and other countries.

While many of the policies underlying Colombian and Central American banking regulations are similar to those underlying regulations applicable to banks in other countries, including those in the United States, Colombian and Central American regulations can differ in a number of material respects from those other regulations. Accounting principles in these jurisdictions also differ, see "Appendix A—Summary of Certain Differences Between Colombian Banking GAAP and U.S. GAAP." For example, capital adequacy requirements for banks under Colombian regulations differ from those under U.S. regulations and may differ from those in effect in other countries. Banco de Bogotá prepares its annual audited financial statements in accordance with Colombian Banking

GAAP, which differs in significant respects from U.S. GAAP. Thus, Colombian financial statements and reported earnings may differ from those of companies in other countries in these and other respects. Some of the differences affecting earnings and stockholders' equity include, but are not limited to, the accounting treatment for restructuring, loan origination fees and costs, deferred income taxes and the accounting treatment for business combinations. Moreover, under Colombian Banking GAAP, allowances for non-performing loans are computed by establishing each non-performing loan's individual inherent risk using criteria established by the Superintendency of Finance that differ from those used under U.S. GAAP.

Although the Colombian government is currently undertaking a review of regulations relating to accounting, audit, and information disclosure, with the intention of seeking convergence with international standards, current regulations continue to differ in certain respects from those in other countries. In addition, there may be less publicly available information about Banco de Bogotá than is regularly published by or about U.S. issuers or issuers in other countries.

Competition and consolidation in the Colombian banking and financial industry could adversely affect our market position.

We operate in a competitive market. Since the 1990s, when the Colombian financial system was deregulated, there has been an ongoing process of consolidation that has included foreign bank participants entering the market. We expect that consolidation to lead to the creation of larger local financial institutions, including additional foreign banks, presenting the risk that we could lose a portion of our market share in the industry, affecting our results of operations.

Various banking institutions, which have recently been incorporated in Colombia, target the microcredit and small and medium enterprises segments. These institutions include Banco de las Microfinanzas-Bancamía S.A., Banco WWB S.A. and Banco Coomeva S.A. In addition, two newly incorporated financial corporations, JP Morgan Corporación Financiera S.A. and BNP Paribas Colombia Corporación Financiera S.A., which are local subsidiaries of international financial institutions, have entered the market targeting corporate clients. Recently, Banco Santander filed a petition with the Superintendency of Finance to obtain a bank license in order to incorporate a new bank aimed primarily to corporate clients. The business of these new credit institutions may affect our market position in the individual, small and medium enterprises and merchant banking segments.

In addition, the pace of consolidation in the Colombian financial services industry has increased, which may also increase competition in the markets where we operate. In the pension and severance fund management market, Grupo de Inversiones Suramericana agreed to acquire ING's pension fund operations in Colombia and Scotiabank agreed to buy Colfondos. On December 24, 2012, Porvenir and Grupo Aval entered into an agreement to acquire BBVA Horizonte. Also, in the wholesale banking market in 2011, Scotiabank agreed to acquire a controlling stake in Banco Colpatria and Banco Santander S.A. agreed to sell Banco Santander Colombia S.A. to Corpbanca S.A., a Chilean financial services company, which subsequently agreed to buy Helm Bank S.A. In 2012, HSBC agreed to sell HSBC Colombia S.A. to Banco GNB Sudameris S.A.

Our ability to maintain our competitive position depends mainly on our ability to anticipate and fulfill the needs of new and current customers through the development of innovative services and products, and our ability to offer adequate services and strengthen our customer base through cross-selling. Our businesses will be adversely affected if we are unable to retain current customers and attract new ones. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of these opportunities is undermined by competitive pressures.

We depend on Grupo Aval's chairman and senior management, our president and our senior management, and the loss of their services would have a material adverse effect on our business.

We are highly dependent on Grupo Aval's founder and chairman, Mr. Sarmiento Angulo (79 years old) and president, Mr. Sarmiento Gutiérrez (51 years old), and members of Grupo Aval's, our and our subsidiary's senior management teams, all of whom possess considerable experience and expertise and have strong relationships with customers and participants of Colombian and overseas businesses.

Mr. Luis Carlos Sarmiento Gutiérrez has been responsible for our day-to-day management over the last 12 years of Grupo Aval and has acted as president of companies controlled by Mr. Sarmiento Angulo for the past 20 years.

Mr. Sarmiento Gutiérrez, who became president of Grupo Aval in 2000, and our chairman, Mr. Sarmiento Angulo, are responsible for the overall strategic direction of Grupo Aval, including us.

In addition, our senior management is (or team members are) responsible for implementing strategies and for the day-to-day management of our operations.

The loss of the services of any of these members of our senior management, Grupo Aval's chairman , president and senior management, or our president and senior management, could have an adverse effect on our business. Accordingly, our success is dependent on appropriately managing the risks related to executing a succession plan for Grupo Aval's chairman, senior management, our president and our senior management on a timely basis.

We are subject to reputational risk and our reputation is closely tied to that of Grupo Aval's founder and chairman, Mr. Sarmiento Angulo, and Grupo Aval's President, Mr. Sarmiento Gutiérrez.

Damage to our reputation may limit our ability to attract customers, employees and investors. Harm to our reputation can arise from employee misconduct, legal and regulatory requirements, ethical issues, money laundering, and failing to deliver minimum standards of service and quality, among others. In particular, our success has been attributable, in part, to the high esteem in which Mr. Sarmiento Angulo and Mr. Sarmiento Gutiérrez are held in Colombia. Reputation plays an integral role in our business operations, which are based on customer confidence and trust. If the public image or reputation of Mr. Sarmiento Angulo, Mr. Sarmiento Gutiérrez, Grupo Aval or any of our subsidiaries is damaged as a result of adverse publicity or otherwise, business relationships with customers of the entire group may deteriorate, which would adversely affect our results of operations and financial condition. Any perceived or real difficulties experienced by any one of our subsidiaries, or Grupo Aval's subsidiaries, could harm our reputation and the reputation of Grupo Aval as a whole, which could have an adverse effect on our results of operations and financial condition.

We are controlled by Grupo Aval, which is controlled by Mr. Sarmiento Angulo, and their interests could differ from the interests of those of holders of the notes.

At June 30, 2012, Mr. Sarmiento Angulo beneficially owned 94.3% of the common shares and 62.2% of the preferred shares of Grupo Aval, our parent, which, in turn, owned 64.4% of our shares. Mr. Sarmiento Angulo also beneficially owned 9.6% of our common shares in addition to his interest in Grupo Aval. Grupo Aval and Mr. Sarmiento Angulo accordingly control us. See "Principal Shareholder."

Circumstances may occur in which our controlling shareholder, or Mr. Sarmiento Angulo may have an interest in pursuing transactions that, in his judgment, enhance the value of his several investments in the banking sector. Such transactions may not necessarily be in Banco de Bogotá's interest or that of its noteholders. Due to his control, Grupo Aval and Mr. Sarmiento Angulo has, and will have, the power to:

- elect a majority of our directors and appoint our executive officers, set our management policies and exercise overall control over our company and subsidiaries;
- agree to sell or otherwise transfer his controlling stake in our company; and
- determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends.

We plan to engage in additional transactions with our controlling shareholder, including repaying debt due to our controlling shareholder.

We engage in business and financial transactions with our controlling shareholder and other shareholders that may create conflicts of interest between our company and these shareholders. While we believe that these transactions will be carried out on an arm's-length basis, commercial and financial transactions between us and our controlling shareholder or Mr. Sarmiento Angulo could create the potential for, or could result in, conflicts of interests between us, our controlling shareholder or Mr. Sarmiento Angulo. To the extent that the price we may pay for any assets acquired from our controlling shareholder or Mr. Sarmiento Angulo exceeds the market value of such assets or is not as productive a use of our cash as other uses, our results of operations and financial condition could be adversely affected.

Risks relating to our BAC Credomatic operations

We may be unsuccessful in addressing the challenges and risks presented by our operations in countries outside Colombia.

As a result of our acquisition of BAC Credomatic on December 9, 2010, we now conduct banking businesses outside our historical home market of Colombia. BAC Credomatic's operations may involve risks to which we have not previously been exposed. Some of BAC Credomatic's operations are in countries that may present different or greater risks, including from competition, than Colombia. BAC Credomatic has, in particular, a significant consumer finance business, including credit card operations, in the Central American countries in which it operates. At December 31, 2011, BAC Credomatic's consumer loan portfolio totaled U.S.$2.5 billion (including mortgages, vehicles and other personal loans), which represented 42.1% of BAC Credomatic's total loan portfolio, and U.S.$1.4 billion in credit card loans, which represented 23.3% of BAC Credomatic's total loan portfolio. At June 30, 2012, BAC Credomatic's consumer loan portfolio totaled U.S.$2.3 billion (including mortgages, vehicles and other personal loans), which represented 41.8% of BAC Credomatic's total loan portfolio, and U.S.$1.5 billion in credit card loans, which represented 23.1% of BAC Credomatic's total loan portfolio.

We have limited experience conducting credit card and consumer finance businesses in countries outside Colombia. Accordingly, we may not be successful in managing credit card and consumer finance operations outside of our traditional domestic market. We may face delays in payments by customers and higher delinquency rates in these countries, which could necessitate higher provisions for loan losses and, consequently, have a negative effect on our financial performance.

In addition, we may not be able to realize all of the anticipated benefits from our recent acquisition of BAC Credomatic. Achieving such benefits will depend, to a large extent, on our ability to run a business outside Colombia. Any failure to do so could adversely affect our margins and adversely affect our results of operations and financial condition.

We depend on BAC Credomatic's current senior management, and the loss of their services would have a material adverse effect on BAC Credomatic's business.

We intend to retain the current senior management of BAC Credomatic, who have worked an average of 15 years at BAC Credomatic, and most of whom pre-date GE Capital's 2005 investment in BAC Credomatic. The loss of services of any of these senior officers could have an adverse effect on BAC Credomatic's business.

Changes in credit card regulations may adversely affect BAC Credomatic's business.

BAC Credomatic's credit card accounts represented 25.7% of total credit card accounts in Central America at December 31, 2010 (calculated based on data and information published by Euromonitor International). Because the credit card business is an important business segment for BAC Credomatic, representing 23.1% and 23.3% of its total loan portfolio at June 30, 2012 and December 31, 2011, respectively, the adoption of new laws and regulations or the revision of the current regulatory regime for credit cards in any of the jurisdictions in which BAC Credomatic operates may have an adverse effect on BAC Credomatic's results of operations and financial condition.

BAC Credomatic is subject to significant compliance risks in connection with a multi-jurisdictional regulatory regime.

BAC Credomatic's businesses are subject to regulation under Bahamian, Costa Rican, Guatemalan, Grand Cayman, Honduran, Mexican, Nicaraguan, Panamanian, Salvadoran and U.S. federal, state and other foreign laws, regulations and policies. BAC Credomatic thus is subject to a multi-jurisdictional regulatory regime, with which we have had little or no experience, and, accordingly, following the recent acquisition of BAC Credomatic, we are subject to increased compliance risks. In addition, any changes to the regulatory regime of one of the Central American countries may lead to corresponding changes to the regulatory regime of other countries in the region. BAC Credomatic's businesses are regularly reviewed or investigated by regulators, which could lead to enforcement actions, fines and penalties or the assertion of private litigation claims and damages.

Consequences of consolidated supervision due to regulatory asymmetries.

Regulation of financial institutions varies across the different jurisdictions in which BAC Credomatic operates. These differences are particularly pronounced in the assessment of credit risk and investments. These asymmetries may affect the expected results of operations of BAC Credomatic in each jurisdiction, and as a consequence could adversely affect BAC Credomatic's consolidated results of operations.

Risks relating to our pending acquisition of BBVA Horizonte

Porvenir's pending acquisition of BBVA Horizonte is subject to regulatory approvals. A failure to obtain regulatory approvals or complete the BBVA Horizonte acquisition, could subject us to termination costs under the stock purchase agreement.

On December 24, 2012, Porvenir entered into a stock purchase agreement with BBVA to acquire 99.99% of the outstanding shares of BBVA Horizonte. As a result, Porvenir is required to submit the terms and conditions of the acquisition and other information for review and approval by the Superintendency of Finance. Applicable banking laws in Colombia may prevent parties from closing a transaction until the appropriate regulatory approvals are obtained, which are required to consummate the transaction.

The stock purchase agreement permits the assignment of Porvenir's obligations under the stock purchase agreement to any subsidiaries of Grupo Aval incorporated in Colombia. The obligations of Porvenir under the stock purchase agreement, including payment of the purchase price, are expected to be consummated by Porvenir together with other subsidiaries of Grupo Aval, including Banco de Bogotá. See "Summary—Other developments—BBVA Horizonte acquisition."

If certain regulatory approvals have not been obtained six months after signing the stock purchase agreement, Porvenir will be required to pay a non-refundable monthly ticking fee until such approvals are obtained. The monthly ticking fee is one-month LIBOR plus a spread of 350 bps, in respect of the base purchase price.

If the pending acquisition of BBVA Horizonte is not completed, and the stock purchase agreement is terminated for certain specified reasons by either Porvenir or BBVA, including in the event that a non-appealable governmental order permanently restrains or prohibits the sale, or, if the closing does not occur prior to December 24, 2013, upon termination Porvenir would be obligated to pay BBVA a fee of approximately U.S.$25.2 million. In addition, under certain circumstances, we may be required to pay certain enforcement costs of BBVA relating to the termination.

Risks relating to the offering and the notes

The notes constitute a new issue of securities for which there is no existing market, and an active market for the notes may not develop.

The notes constitute a new issue of securities for which there is no existing market, and we cannot assure you that in the future a market for the notes will develop or that you will be able to sell any notes you have purchased or that any such notes may be sold for any particular price. Although we intend to apply to list the notes on the Luxembourg Stock Exchange for trading on the Euro MTF market, we cannot assure you that a trading market for the notes will develop, or if a trading market does develop, that it will be maintained.

The initial purchasers have advised us that they intend to make a market in the notes, but they are not obligated to do so and may, in their sole discretion, discontinue any market making in the notes at any time. If the initial purchasers do not facilitate trading in the notes for any reason, we cannot assure you that another firm or person will do so. In addition, trading or resale of the notes may be negatively affected by other factors described in this offering memorandum. As a result, we cannot assure you as to the liquidity of any trading market for the notes and, accordingly, you may be required to bear the financial risk of your investment in the notes indefinitely. The notes may also trade at a discount from their initial issue price. If a trading market were to develop, future trading prices of the notes may be volatile and will depend on many factors, including:

- our financial condition and results of operations;
- prevailing interest rates;

- the interest of securities dealers in making a market for them;
- the market for the notes and similar securities; and
- economic, financial, geopolitical, regulatory or judicial events that affect us or the financial markets generally.

We may invest or spend our net proceeds from this offering in ways that may not yield an acceptable return to you.

We intend to use the net proceeds of this offering for general corporate purposes, which may include enhancing our strategic interests in the financial services sector, through acquisitions or other corporate transactions, strengthening the capital base of our subsidiaries and prepaying outstanding indebtedness, including to related parties. You will have no opportunity to evaluate our decisions and may not agree with the manner in which we spend such proceeds. We may invest or spend our net proceeds from this offering in ways that may not yield an acceptable return to you.

Payment of judgments against us in Colombia may be made in Colombian pesos, which may expose you to exchange rate risks.

Article 79 of Regulation 8 of the Colombian Central Bank (2000) provides that, in case of legal proceedings in Colombia, the conversion of foreign currency-denominated obligations of Colombian residents, such as ourselves, would be made by using the foreign exchange rate prevailing on the payment date. Accordingly, in the event that proceedings are brought and a judgment entered against us in Colombia, we may be required to discharge these obligations in Colombian pesos. As a result, investors may be exposed to exchange rate risks.

Holders of notes will not have the right to accelerate the notes.

The holders will have no right to accelerate any payment due under the notes during an Event of Default unless there has been a change, amendment or modification to the Colombian banking laws that would allow such right without disqualifying the notes from Tier II Capital status. If any Event of Default occurs and is continuing, the Trustee may only pursue other available remedies, if any, excluding acceleration, to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture.

The notes will be subject to transfer restrictions.

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. These exemptions include offers and sales that occur outside the United States in compliance with Regulation S under the Securities Act in accordance with any applicable securities laws of any other jurisdiction and sales to qualified institutional buyers as defined under Rule 144A under the Securities Act. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of restrictions on resale and transfer of the notes, see "Transfer Restrictions."

Our obligations under the notes will be subordinated to statutory preferences and possibly all of our future borrowings.

Under Colombian law, our obligations under the notes and the indenture are subordinated to specified statutory preferences, including claims for salaries, wages, social security, taxes and court fees and expenses. In the event of our liquidation, these statutory preferences will have preference over any other claims, including claims by any holder in respect of any notes, and as a result, holders of notes may be unable to recover amounts due under the notes, in whole or in part.

In addition, the notes rank behind all of our existing and future Senior External Liabilities (as defined in "Description of the Notes"). The notes will be structurally subordinated to all indebtedness of our subsidiaries. In addition, the indenture for the notes will permit us to incur additional indebtedness, including Senior External Liabilities, in the future.

As a result of this subordination, upon any distribution to our creditors in a bankruptcy, liquidation or reorganization or similar proceeding relating to us or our property, the holders of our Senior External Liabilities and any debt of our subsidiaries will be entitled to be paid in full and in cash before any payment may be made with respect to the notes.

In the event of a bankruptcy or similar proceeding relating to us, holders of the notes will participate with all holders of our subordinated indebtedness in the assets remaining after we have paid all of our Senior External Liabilities. However, because the indenture requires that amounts otherwise payable to holders of the notes in a bankruptcy or similar proceeding be paid to holders of Senior External Liabilities instead, holders of the notes may receive less, ratably, than unsecured, unsubordinated creditors in any such proceedings. In any of these cases, we may not have sufficient funds to pay all of our creditors, and holders of the notes may receive less, ratably, than the holders of Senior External Liabilities.

At September 30, 2012, we had U.S.$39,416.9 million of Senior External Liabilities.

It may be difficult to enforce your rights if the Superintendency of Finance intervenes or if we enter into a bankruptcy, liquidation or similar proceeding in Colombia.

The insolvency laws of Colombia, particularly as they relate to the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings, may be less favorable to your interests than the bankruptcy laws of the United States. Your ability to recover payments due on the notes may be more limited than would be the case under U.S. bankruptcy laws. The following is a brief description of certain aspects of insolvency laws in Colombia.

Your ability to enforce your rights under the notes may be limited if we become subject to the proceedings set forth in Decree 663 of 1993 and Decree 2555 of 2010, each as amended from time to time, which proceedings establish the events under which the Superintendency of Finance may initiate a "taking of possession" (*toma de posesión*) proceeding either to administer Banco de Bogotá or to liquidate it.

Under Colombian banking laws, financial institutions are subject to a special administrative takeover by the Superintendency of Finance in the event that the financial institution becomes insolvent.

The Superintendency of Finance can take control of financial institutions under certain circumstances. The following grounds for takeover are considered to be "automatic" in the sense that, if the Superintendency of Finance discovers their existence the Superintendency of Finance is obligated to intervene and take over the administration of the financial institution if: (i) the financial institution's technical capital (*patrimonio adecuado*) falls below 40% of the legal minimum; or (ii) the term of any recovery plan expires or the goals set forth in such plans are not fulfilled. Additionally, the Superintendency of Finance periodically visits financial institutions and, as a consequence of such visits, the Superintendency of Finance can impose additional capital or solvency obligations without taking control of the financial institution.

The Superintendency of Finance may, at its discretion, intervene and take over the administration of a financial institution subject to its supervision, with the previous authorization of its advisory council, in the following circumstances: (i) suspension of payments; (ii) refusal to submit files, accounts and supporting documentation to the Superintendency of Finance for inspection; (iii) refusal to be questioned under oath, in relation to their business; (iv) repeated failure to comply with the Superintendency of Finance's orders and instructions; (v) repeated violations of applicable laws and regulations or of the financial institution's by-laws; (vi) unauthorized or fraudulent management of the bank's business; (vii) reduction of the financial institution's technical capital below 50% of its subscribed capital; (viii) failure to comply with the minimum capital requirements set forth in Decree 663 of 1993; (ix) failure to comply with the recovery plans that were adopted by the financial institution; (x) failure to comply with the order of exclusion of certain assets and liabilities as instructed by the Superintendency of Finance to another institution designated by the Superintendency of Finance; (xi) failure to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank applicable to financial institutions; and (xii) when there are serious inconsistencies in the information provided to the Superintendency of Finance that does not allow it to adequately assess the actual situation of the entity.

A takeover by the Superintendency of Finance may have one of two different purposes: (i) to manage the financial institution, in which case the financial institution will be allowed to continue its activities subject to the administration of the Superintendency of Finance or (ii) to liquidate the financial institution. The Superintendency of

Finance must decide if it will either manage or liquidate the financial institution within two months following a takeover in the event of a bankruptcy, liquidation or similar proceeding. In view of the broad discretionary powers of the Superintendency of Finance, it is impossible to predict how long payments under the notes could be delayed and whether or to what extent you would be compensated for any delay if any of the actions described above were to be taken with respect to us.

Developments in other emerging markets may adversely affect the market value of the notes.

Emerging markets, such as those in Colombia and Central America, are subject to greater risks than more developed markets, and financial turmoil in any emerging market could disrupt business in Colombia and adversely affect the price of the notes. Moreover, financial turmoil in any emerging market country may adversely affect prices in stock markets and prices for debt securities of issuers in other emerging market countries as investors move their money to more stable, developed markets. An increase in the perceived risks associated with investing in emerging markets could dampen capital flows to Colombia and adversely affect the Colombian economy in general, and the interest of investors in the notes in particular. We cannot assure you that the value of the notes will not be negatively affected by events in other emerging markets or the global economy in general.

Trading prices for the notes may be highly volatile.

The prices at which the notes may trade will depend on many factors, including, among others, prevailing interest rates, general economic conditions, our performance and financial results and markets for similar securities. Historically, the markets for debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the notes may be subject to similar disruptions, which may have an adverse effect on the holders of the notes.

The indenture governing the notes will not include any covenants limiting or restricting our ability to incur future indebtedness or complete other transactions.

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payment of dividends, the incurrence of indebtedness, change of control, transactions with affiliates, incurrence of liens or the issuance or repurchase of securities by us or any of our subsidiaries. We therefore may incur additional indebtedness, and engage in other transactions that may not be in the interests of the noteholders.

Banco de Bogotá is a debtor under a three-year U.S.$500.0 million unsecured term loan facility, entered into on December 19, 2011, which contains customary representations and warranties and customary affirmative and negative covenants. In particular, this term loan limits our ability to create certain types of liens, certain mergers, consolidations and dissolutions and to incur certain types of indebtedness and requires that our technical capital to risk weighted assets ratio remain above 9.0%, our non-performing loans ratio must remain below 3.5% and our loan loss reserve must not fall below 100%, each as of the last day of any given fiscal quarter. For a description of the terms of the term loan referred to in this section, see "Business—BAC Credomatic." We expect to use the proceeds from this offering to repay this loan. See "Use of Proceeds" and "Capitalization."

The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agency's assessments of our financial strength, parental support and Colombian sovereign and bank systemic risk.

One or more independent credit rating agencies, including Fitch Inc. and Moody's Investor Service, Inc., or "Moody's" may assign credit ratings to the notes. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for a particular investor. On February 5, 2013, Moody's, following their Consolidated Global Bank Rating Methodology published in June 2012, downgraded the long-term foreign currency subordinated debt ratings of Bancolombia, Davivienda and Banco GNB Sudameris, placing them one notch below their respective adjusted baseline credit assessments. In utilizing adjusted baseline credit assessments, which incorporates Moody's assessment of the probability of parental support but excludes any systemic support, Moody's noted that Colombian banking regulators have the legal ability to impose losses on any and all liabilities of an intervened financial entity pursuant to the *Estatuto Orgánico del Sistema Financiero*. Utilizing this same methodology, on February 7, 2013, Moody's announced that it expects to rate the debt offered hereby as Baa3 stable, one notch below Banco de Bogotá's adjusted baseline credit assessment which in turn is one notch above our baseline credit assessment. Moody's considers that Bancolombia's, Davivienda's and Banco GNB Sudameris' respective adjusted baseline credit assessments are equal to their baseline credit

assessments (which excludes assessments of both systemic or parental support) because they do not benefit from parental support. Ratings are an assessment of our ability to meet our obligations, including the notes, but are not a recommendation to buy, sell or hold the notes. Ratings are limited in scope, and do not address all material risks relating to an investment in the notes, but rather reflect only the views of the rating agencies at the time the ratings are issued. The ratings of the notes are subject to change and may be lowered or withdrawn. We cannot assure you that ratings will remain in effect for any given period of time or that ratings will not be lowered, suspended or withdrawn entirely by the rating agencies if, in the judgment of rating agencies, circumstances, including our financial strength, parental support and Colombian sovereign and bank systemic risk so warrant. Ratings issued with respect to the notes, and any actual or anticipated changes in our ratings or in the methodology underlying the ratings, may affect the market value of the notes. A downgrade in or withdrawal of the ratings of the notes will not be an event of default under the indenture governing the notes. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength, as well as its assessment of Colombian sovereign risk generally. Any lowering, suspension or withdrawal of ratings may have an adverse effect of the market price and marketability of the notes.

We cannot assure you that a judgment of a court for liabilities under the securities laws of a jurisdiction outside Colombia would be enforceable in Colombia, or that an original action can be brought in Colombia against us for liabilities under applicable securities laws.

We are incorporated under the laws of Colombia, and substantially all of our assets are located in Colombia. Substantially all of our directors, executive officers and certain advisors named herein reside in Colombia. As a result, it may not be possible for investors to effect service of process within the United States upon us or our respective directors, executive officers and advisors or to enforce against us in U.S. courts any judgments predicated upon the civil liability provisions of the applicable securities laws. See "Enforcement of Judgments."

EXCHANGE RATES AND FOREIGN EXCHANGE CONTROLS

Exchange rates

The Colombian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of pesos by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

The Superintendency of Finance calculates the representative market rate based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including us, for the purchase and sale of U.S. dollars. On June 30, 2012, the representative market rate was Ps 1,784.60 per U.S.$1.00, and on December 31, 2011, the representative market rate was Ps 1,942.70 per U.S.$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for pesos/ U.S. dollars.

The following table presents the monthly high and low representative market rate during the months indicated.

Recent exchange rates of peso per U.S. dollar	Low	High
Month:		
August 2012	1,785.29	1,833.14
September 2012	1,789.54	1,825.21
October 2012	1,795.40	1,830.45
November 2012	1,814.21	1,831.25
December 2012	1,771.49	1,813.73
January 2013	1,758.45	1,779.84
February 2013 (through February 8, 2013)	1,775.65	1,795.21

Source: Superintendency of Finance.

The following table presents the average peso/ U.S. dollar representative market rate for each of the five most recent years, calculated by using the average of the exchange rates on the last day of each month during the period, and the representative year-end market rate for each of the five most recent years.

Peso/ U.S.$1.00 representative market rate	Average	Year-end
Period:		
2008	1,989.35	2,243.59
2009	2,180.19	2,044.23
2010	1,902.50	1,913.98
2011	1,854.02	1,942.70
2012	1,798.72	1,768.23

Source: Superintendency of Finance.

Foreign exchange controls

In 1990, the Colombian government initiated a policy of gradual currency liberalization. Foreign currency holdings abroad were permitted and, in a series of decrees, control of the exchange rate was shifted from the Colombian Central Bank to the spot foreign exchange market conducted by certain authorized financial institutions.

The general legal principles of Colombia's foreign exchange and international investments regulations, or "Foreign Regulations," were established by Law 9 of 1991. Pursuant to this law, the Board of Directors of the Colombian Central Bank enacted Resolution 8 of 2000 as amended, or "Resolution 8," which is considered the main legal framework governing Colombia's FX Regulations.

Resolution 8 establishes two types of markets for foreign currency exchange: (i) the free market, which consists of all foreign currencies originated in sales of services, donations, remittances and all other inflows or outflows that do not have to be channeled through the FX Market (as defined in (ii) below), or the "Free Market." The Free Market also includes assets and investments abroad, including its profits, owned by Colombian residents prior to September 1, 1990; and (ii) the controlled market, or the "FX Market," which consists of: (a) all foreign currencies originated in operations considered to be controlled operations and, therefore, which may only be transacted through foreign exchange intermediaries, or through registered compensation accounts, or (b) foreign currencies originated

in operations which although not required to be transacted through the FX Market, are voluntarily channeled through such market. This market is made up of the following foreign exchange operations, which must be channeled through the FX market: (1) import and export of goods, (2) foreign investments in Colombia, (3) foreign indebtedness agreements entered into by Colombian residents, as well as the financial costs associated with such indebtedness, (4) direct investments abroad by Colombian residents, (5) derivatives transactions, (6) guaranties granted in foreign currency and (7) financial investments in foreign securities or assets abroad and their yield, unless such investments are made in foreign currency originated in operations in the Free Market.

Under Colombian FX Regulations, foreign exchange intermediaries, or "FX Intermediaries," are authorized to enter into foreign exchange transactions, or "FX Transactions," to convert Colombian Pesos into foreign currencies or foreign currencies into Colombian Pesos. According to Article 58 of Resolution 8, the following institutions are considered FX Intermediaries: commercial banks, mortgage banks, financial corporations, commercial finance companies, *Financiera Energética Nacional*, or "FEN," *Banco de Comercio Exterior - BANCOLDEX*, financial cooperatives and local stock brokerage firms. These institutions are considered authorized intermediaries and, therefore, are allowed to buy and sell foreign currency originated in foreign exchange transactions, according to the parameters and limits set forth by Article 59 of Resolution 8. Exchange intermediation companies are also considered authorized intermediaries; however, these companies have a limited regime and are not authorized to buy and sell foreign currency for controlled operations.

Compensation accounts are accounts opened abroad by Colombian residents (individuals and legal entities), which are registered with the Colombian Central Bank to channel foreign currency originated in either controlled operations on the FX Market or the Free Market. Colombian law allows the Colombian Government and the Colombian Central Bank to intervene in the foreign exchange market if the value of the Colombian peso is subject to significant volatility. The Colombian Government and the Colombian Central Bank may also limit the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports. See "Risk Factors—Risks relating to Colombia and other countries where we operate—Government policies and actions, and judicial decisions, in Colombia could significantly affect the local economy and, as a result, our results of operations and financial condition."

In addition to its past interventions in the FX Market, the Colombian Central Bank regulations establish a deposit requirement on all foreign loans granted to Colombian residents, as an instrument to control the fluctuation of the peso against the U.S. dollar. To this end, the Colombian Central Bank has on some occasions required that a certain percentage of the debt incurred (depending on the maturity of the debt) to be deposited in Colombian pesos or foreign currency with the Colombian Central Bank in a non-interest-bearing account for a fixed period of time (*depósito por operaciones de endeudamiento externo*). A debtor of foreign loans can early prepay or redeem the certificate given by the Colombian Central Bank evidencing the deposit, but said prepayment or early redemption will imply a discount. The discount is reduced as the term for maturity is reduced. Even though the deposit requirement is currently equal to zero of the disbursements made under the loan, which means that there is currently no deposit that has to be made with the Colombian Central Bank by the debtor of foreign loans, the same may be modified by the Colombian Central Bank at any time. In addition to the deposit requirements, the Colombian Central Bank has allowed Colombian financial institutions to obtain loans in foreign currency, either directly or by issuing securities, and to lend in foreign currency so long as the term of payment of the loans provided by the Colombian financial entity is equal or shorter than the term of the loan received by the Colombian financial entity. The Colombian Central Bank has also set limits on a financial intermediary's net foreign currency position, which is defined as foreign currency denominated assets (including any off-balance sheet items, made or contingent, including those that may be sold in Colombian legal currency) minus foreign currency denominated liabilities.

Fluctuation of Colombian peso against U.S. dollar and measures adopted by the Colombian government

During 2007, the peso appreciated against the U.S. dollar by 10.0%. As the peso appreciated against the U.S. dollar, the Colombian Central Bank intervened in the foreign exchange markets to control currency fluctuation. During 2008 the peso depreciated by 11.4% and closed at an exchange rate of Ps 2,243.59 per U.S.$1.00. During 2009 and 2010 the peso appreciated against the U.S. dollar by 8.9% and 6.4%, respectively. During 2011 the peso depreciated against the U.S. dollar by 1.5% and in the six-month period ended June 30, 2012 the peso appreciated against the U.S. dollar by 0.2%.

The Colombian Central Bank and the Ministry of Finance have, in recent years, adopted a set of measures intended to tighten monetary policy and control the fluctuation of the peso against the U.S. dollar. Pursuant to

Resolution 5 of 2008 and Resolution 11 of 2008 of the Colombian Central Bank, such measures include, among others: reserve requirements on private demand deposits, savings deposits and other deposits on liabilities currently set at 11.0%, reserves of 4.5% for term deposits, or "CDTs," with maturities for less than 540 days and 0.0% for term deposits with maturities for more than 540 days; and the deposit requirements with respect to indebtedness in a foreign currency, currently set at 0.0%. During 2007 and 2008, both the Ministry of Finance and the Colombian Central Bank adopted several measures aimed at controlling the fluctuation of the Colombian peso against the U.S. dollar. These measures include, among others, the following:

- 50.0% non-interest-bearing deposit requirement at the Colombian Central Bank, currently applicable to short-term portfolio investments in assets other than shares or convertible bonds or collective investment funds that only invest in shares or convertible bonds, for a period of six months, which was rescinded in 2008;

- a six-month 40.0% non-interest-bearing deposit at the Colombian Central Bank applicable to corporate reorganization transactions, including mergers, acquisitions and spin-offs if the successor thereof is a Colombian resident required to repay foreign indebtedness that would have otherwise been subject to the deposit requirement of Resolution No. 2 of May 6, 2007;

- exemptions to the 40.0% non-interest-bearing deposit requirement applicable to foreign investment in local private equity funds and ADR and GDR programs of Colombian issuers;

- restrictions on the repatriation of foreign direct investments;

- increases to the reference rate (repo rate); and

- interest-free deposits with the Colombian Central Bank applicable to the proceeds resulting from imports financings.

On October 8, 2008 and October 9, 2008, through Decree 3913 and Resolution 10, issued by the Colombian government and the Colombian Central Bank, respectively, the deposit requirement was set at 0.0% in connection with foreign portfolio investment and foreign indebtedness operations, including foreign loans, import financing and export financing. Additionally, on September 1, 2008 by means of Decree 3264, the Colombian government eliminated restrictions on the repatriation of foreign direct investments.

On March 3, 2010, the Colombian Central Bank resumed intervention in the foreign exchange market, accumulating international reserves through daily purchases of U.S.$20.0 million in competitive auctions during the first half of 2010 in response to indications of an exchange rate misalignment. From March 2010 to June 2011, the Colombian Central Bank accumulated U.S.$5.5 billion. The Colombian Central Bank made public its decision to extend its intervention in the Colombian foreign exchange spot market until September 2011. On October 28, 2011, the Colombian Central Bank replaced the intervention in the spot market and announced the intervention by means of volatility options, which was in place until February 2012. Since then, the previous mechanism of daily purchases was reinstated and has been extended until November 2012. Furthermore, on August 24, 2012, the Colombian Central Bank announced that it would increase the pace of daily purchases during the five-week period ending on September 28, 2012 to an average of U.S.$28 million per day. On November 5, 2010, the Colombian government issued Decree 4145, pursuant to which, among other things, interest payments on foreign indebtedness by Colombian companies became subject to a 33.0% withholding tax rate. On December 29, 2010, the Colombian government enacted Law 1430 of 2010, which among other things reduced the withholding tax rate on interest payments on foreign indebtedness of Colombian companies having a term of one year or more, to 14.0%.

The Colombian government has considerable power to determine governmental policies and actions that relate to the Colombian economy and, consequently, to affect the operations and financial performance of businesses. The Colombian government and the Colombian Central Bank may seek to implement and are currently implementing additional measures aimed at controlling further fluctuation of the Colombian peso and fostering domestic price stability. A prediction cannot be made on the policies that may be adopted by the Colombian government and whether those policies may negatively affect the Colombian economy or our business or financial performance. Furthermore, we cannot assure you that the Colombian peso will not depreciate or appreciate relative to other currencies in the future.

USE OF PROCEEDS

We expect to receive total estimated gross proceeds of this offering of approximately U.S.$500.0 million, before deducting the fees, commissions and offering expenses payable by us.

We intend to use the net proceeds from this offering (together with cash on hand as needed) to repay all obligations under the Term Loan. Affiliates of the initial purchasers are lenders under the Term Loan. For a description of the terms of the Term Loan; see "Business—BAC Credomatic."

CAPITALIZATION

The following table presents our consolidated capitalization at June 30, 2012:

- on an actual basis derived from our audited six-month consolidated financial statements prepared in accordance with Colombian Banking GAAP; and
- as adjusted to give effect to this offering and the use of proceeds described in "Use of Proceeds."

You should read this table in conjunction with our financial statements and the related notes and with the sections entitled "Selected Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum. For a summary of our technical capital, see "Supervision and Regulation—Capital adequacy requirements."

	At June 30, 2012					
	Actual			As adjusted (unaudited)		
	(in U.S. millions) (1)		(in Ps billions)	(in U.S. millions) (1)		(in Ps billions)
Short-term debt:						
Interbank borrowing and overnight funds	U.S.$ 2,898.0	Ps	5,218.0	U.S.$ 2,898.0	Ps	5,218.0
Borrowing from banks and other	878.1		1,581.1	878.1		1,581.1
Total short-term debt	**U.S.$ 3,776.2**	**Ps**	**6,799.1**	**U.S.$ 3,776.2**	**Ps**	**6,799.1**
Long-term debt:						
Long-term debt (bonds) (2):						
Ordinary bonds	U.S.$ 313.4	Ps	564.4	U.S.$ 313.4	Ps	564.4
5.00% Senior Notes due 2017	592.0		1,066.0	592.0		1,066.0
Subordinated bonds	233.7		420.8	233.7		420.8
Subordinated Notes offered hereby	–		–	500.0		900.3
Total long-term debt (bonds)	**U.S.$ 1,139.2**	**Ps**	**2,051.2**	**U.S.$ 1,639.2**	**Ps**	**2,951.4**
Borrowings from banks and others (3)	U.S.$ 2,714.8	Ps	4,888.1	U.S.$ 2,214.8	Ps	3,987.8
Total long-term debt	**U.S.$ 3,854.0**	**Ps**	**6,939.3**	**U.S.$ 3,854.0**	**Ps**	**6,939.3**
Total shareholders' equity	**U.S.$ 4,039.1**	**Ps**	**7,272.5**	**U.S.$ 4,039.1**	**Ps**	**7,272.5**
Technical capital (4):						
Primary capital (Tier I)	U.S.$ 4,321.5	Ps	7,781.0	U.S.$ 4,321.5	Ps	7,781.0
Secondary capital (Tier II)	416.7		750.2	916.7		1,650.5
Total technical capital	**U.S.$ 4,738.2**	**Ps**	**8,531.2**	**U.S.$ 5,238.2**	**Ps**	**9,431.4**

(1) Translated for convenience only using the representative market rate as computed and certified by the Superintendency of Finance for pesos into U.S. dollars of Ps 1,800.52 at September 30, 2012.

(2) The maturity schedule for our bonds is: Ps 139.4 billion mature in less than one year, Ps 439.5 billion between one and three years, Ps 1,205.4 billion between three and five years, and Ps 266.9 billion in five years or more.

The balance of borrowing from banks and other (short-term and long-term) held at the Banco de Bogotá level was Ps 6,469.2 billion, with the following maturity schedule: Ps 1,581.1 billion maturing in less than one year, Ps 2,463.9 billion between one and three years, Ps 744.7 billion between three and five years, and Ps 1,679.5 billion in five years or more.

(3) Reflects loans made by other financial institutions including development banks and international correspondent banks. Actual column includes our US$500.0 million Term Loan which we intend to repay with the proceeds of this offering.

(4) For a definition of Technical Capital, see "Supervision and Regulation—Capital adequacy requirements—Current capital adequacy requirements."

Our capitalization ratios are presented below on an actual basis and as adjusted to give effect to this offering.

Banco de Bogotá (Consolidated)	At June 30, 2012			
	Actual - Reported		As adjusted to give effect to this offering	
	Amount	Ratio	Amount	Ratio
	(in Ps billions, except percentages)			
Primary capital (Tier I)	7,781.0	12.1%	7,781.0	12.1%
Secondary capital (Tier II)	750.2	1.2%	1,650.5	2.6%
Primary and secondary capital (Tiers I and II)	8,531.2	13.3%	9,431.4	14.7%
Risk-weighted assets including regulatory value at risk (1)	64,098.9	–	64,098.9	–

Source: Company calculations based on each bank's respective consolidated financial statements for the period indicated.

(1) Regulatory value at risk is calculated in accordance with the Superintendency of Finance guidelines. See "Supervision and Regulation—Capital adequacy requirements."

SELECTED FINANCIAL AND OPERATING DATA

The following financial data at December 31, 2011 and 2010 and for the years in the three-year period ended December 2011, 2010 and 2009 and at June 30, 2012 and for the six-month periods ended June 30, 2012 and 2011 have been derived from our audited consolidated financial statements, all prepared in accordance with Colombian Banking GAAP and included in this offering memorandum. Our historical results are not necessarily indicative of results to be expected for future periods. Results for the six-month period ended June 30, 2012 are not necessarily indicative of results expected for the for the full year.

This financial data should be read in conjunction with our audited annual consolidated financial statements and the related notes, our audited six-month consolidated financial statements and the related notes, "Presentation of Financial and Other Information," "Summary Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum; for information at and for the nine-month period ended September 30, 2012 see our unaudited nine-month period consolidated financial statements and the related notes and "Summary—Recent developments—Results of operations for the nine-month period ended September 30, 2012 compared to the nine-month period ended September 30, 2011."

Statement of income data

	Banco de Bogotá						
	For the six-months period ended June 30,			For the year ended December 31,			
	2012	2012	2011	2011	2011	2010	2009
Colombian Banking GAAP	(in U.S.$ millions) (1)	(In Ps billions)		(in U.S.$ millions) (1)	(In Ps billions)		
Operating income:							
Net interest income	952.6	1,715.3	1,507.6	1,631.0	2,936.7	2,443.4	2,317.0
Total provisions, net	(115.0)	(207.1)	(72.5)	(77.2)	(139.0)	(610.6)	(347.8)
Total fees and other services income, net	501.0	902.0	861.8	975.7	1,756.8	1,155.1	1,075.6
Total other operating income	200.4	360.9	335.3	420.9	757.9	582.4	492.0
Total operating income	**1,539.0**	**2,771.0**	**2,632.2**	**2,950.4**	**5,312.3**	**3,570.3**	**3,536.8**
Total operating expenses	(834.8)	(1,503.2)	(1,438.9)	(1,648.2)	(2,967.7)	(1,757.9)	(1,585.3)
Net operating income	**704.2**	**1,267.9**	**1,193.3**	**1,302.2**	**2,344.6**	**1,812.4**	**1,951.5**
Non-operating income (expense):							
Other income	71.3	128.4	82.5	92.6	166.7	185.6	233.5
Other expense	(30.7)	(55.3)	(48.3)	(54.5)	(98.2)	(89.7)	(155.5)
Total non-operating income (expense), net	**41.0**	**73.1**	**34.1**	**38.0**	**68.5**	**96.0**	**78.0**
Income before income tax expense and non-controlling interest	**744.8**	**1,341.0**	**1,227.4**	**1,340.2**	**2,413.1**	**1,908.3**	**2,029.5**
Income tax expense	(248.1)	(446.7)	(335.0)	(409.4)	(737.2)	(510.0)	(522.7)
Income before non-controlling interest	**496.7**	**894.3**	**892.4**	**930.8**	**1,675.9**	**1,398.3**	**1,506.8**
Non-controlling interest	(127.5)	(229.5)	(311.9)	(294.5)	(530.2)	(483.4)	(551.0)
Net income attributable to shareholders	**369.2**	**664.8**	**580.4**	**636.3**	**1,145.7**	**914.9**	**955.8**

(1) Translated for convenience only using the representative market rates as computed and certified by the Superintendency of Finance of Ps 1,800.52 at September 30, 2012.

Balance sheet data

	Banco de Bogotá					
	At June 30,			At December 31,		
	2012	2012	2011	2011	2010	2009
Colombian Banking GAAP	(in U.S.$ millions) (1)	(In Ps billions)		(in U.S.$ millions) (1)	(In Ps billions)	
Assets:						
Total cash and cash equivalents	5,217.1	9,393.4	4,527.4	8,151.7	7,231.9	4,244.3
Total investment securities, net	7,708.2	13,878.8	6,749.6	12,152.7	11,479.5	8,956.1
Total loans and financial leases, net	22,567.2	40,632.6	21,624.7	38,935.7	32,517.8	18,910.5
Total interest accrued on loans and financial leases, net	205.1	369.2	182.4	328.4	256.3	169.4
Bankers' acceptances, spot transactions and derivatives	173.5	312.3	190.5	343.1	249.4	68.1
Accounts receivable, net	627.5	1,129.7	663.2	1,194.0	936.6	441.2
Property, plant and equipment, net	687.6	1,238.0	633.7	1,140.9	1,131.7	690.3
Operating leases, net	3.2	5.7	2.2	3.9	2.2	1.2
Foreclosed assets, net	29.8	53.6	32.6	58.7	60.9	25.8
Prepaid expenses and deferred charges	827.0	1,489.0	853.6	1,537.0	783.0	487.9
Goodwill, net	1,365.4	2,458.5	1,477.4	2,660.1	2,569.5	551.4
Other assets, net	637.4	1,147.6	432.3	778.3	773.0	623.9
Reappraisal of assets	910.0	1,638.5	847.1	1,525.1	1,354.9	1,305.2
Total assets	**40,958.8**	**73,747.1**	**38,216.5**	**68,809.6**	**59,346.6**	**36,475.2**
Liabilities:						
Deposits	25,830.8	46,508.8	24,085.6	43,366.5	37,992.3	24,382.0
Bankers' acceptances	140.6	253.2	218.4	393.3	245.5	28.3
Interbank borrowings and overnight funds	2,898.0	5,218.0	1,392.5	2,507.2	1,789.1	2,224.0
Borrowings from banks and others	3,593.0	6,469.2	4,265.9	7,680.8	7,094.2	1,850.0
Accounts payable	933.1	1,680.1	1,024.6	1,844.9	1,234.2	895.3
Accrued interest payable	123.2	221.7	101.4	182.5	163.8	128.3
Other liabilities	488.9	880.3	470.5	847.1	848.7	464.7
Long-term debt (bonds)	1,139.2	2,051.2	1,207.9	2,174.8	3,460.7	616.5
Estimated liabilities	302.4	544.4	283.0	509.6	297.6	319.9
Non-controlling interest	1,470.5	2,647.6	1,364.6	2,457.0	2,302.1	2,125.9
Total liabilities	**36,919.7**	**66,474.6**	**34,414.3**	**61,963.7**	**55,428.3**	**33,034.9**
Shareholders' equity:						
Subscribed and paid-in capital:	1,624.5	2,924.9	1,624.5	2,924.9	620.5	617.4
Common shares	1.6	2.9	1.6	2.9	2.4	2.4
Additional paid-in capital	1,622.9	2,922.1	1,622.9	2,922.1	618.1	615.0
Retained earnings:	2,041.9	3,676.5	1,818.7	3,274.6	2,710.2	2,170.0
Appropriated (2)	1,672.7	3,011.7	1,504.7	2,709.3	2,184.5	1,628.8
Unappropriated	369.2	664.8	314.0	565.3	525.7	541.2
Equity surplus:	372.7	671.1	359.0	646.4	587.6	652.9
Revaluation of Equity	0.9	1.6	1.6	2.9	-	-
Unrealized gains (losses) on investment securities available for sale	(69.2)	(124.6)	3.6	6.5	24.1	87.1
Reappraisal of assets	441.0	794.1	353.8	637.0	563.5	565.8
Total shareholders' equity	**4,039.1**	**7,272.5**	**3,802.2**	**6,845.9**	**3,918.3**	**3,440.3**
Total liabilities and shareholders' equity	**40,958.8**	**73,747.1**	**38,216.5**	**68,809.6**	**59,346.6**	**36,475.2**

(1) Translated for convenience only using the representative market rates as computed and certified by the Superintendency of Finance of Ps 1,800.52 at September 30, 2012.

(2) Appropriated earnings refer to legal reserves and statutory and voluntary reserves. Legal reserves corresponds to 10% of net income for each accounting period until the reserve reaches 50% of subscribed capital. Statutory and voluntary reserves are determined by the shareholders at their semi-annual meetings.

Other financial and operating data

Colombian Banking GAAP	Banco de Bogotá				
	At and for six-month period ended June 30,		At and for year ended December 31,		
	2012	2011	2011	2010	2009
	(in percentages, unless otherwise indicated)				
Profitability ratios:					
Net interest margin (1)	6.3%	6.2%	6.0%	7.4%	8.4%
ROAA (2)	2.5%	2.9%	2.6%	2.9%	4.4%
ROAE (3)	18.8%	22.4%	21.3%	24.9%	31.1%
Efficiency ratio:					
Operating expenses before depreciation and amortization / total operating income before net provisions (4)	47.3%	49.6%	50.9%	40.1%	39.0%
Capital ratios:					
Solvency ratio (technical capital divided by risk-weighted assets)	13.3%	14.5%	13.3%	15.1%	16.4%
Credit quality data:					
Non-performing loans as a percentage of total loans (5)	1.4%	1.8%	1.6%	1.8%	2.3%
Delinquency ratio past due more than 30 days	1.9%	2.3%	1.9%	2.5%	2.9%
"C," "D" and "E" loans as a percentage of total loans (6)	2.9%	3.3%	2.8%	3.7%	4.6%
Allowance for loans as a percentage of non-performing loans	185.3%	159.1%	174.2%	170.1%	167.3%
Allowance for loans as a percentage of past due loans	136.7%	128.4%	140.9%	124.6%	132.5%
Allowance for loans as a percentage of "C," "D" and "E" loans	90.8%	87.1%	96.9%	83.9%	85.2%
Allowance for loans as a percentage of total loans	2.7%	2.9%	2.7%	3.1%	3.9%
Operational data (in units):					
Number of customers (in millions) (7)	10.3	9.4	9.7	8.9	–
Number of employees (8)	33,554	32,449	32,763	32,870	–
Number of branches (9)	1,232	1,188	1,205	1,179	–
Number of ATMs (10)	2,315	2,132	2,205	2,091	–

(1) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

(2) For methodology used to calculate ROAA, see note 2 to the table under "Summary—Our company—Financial and operating data."

(3) For methodology used to calculate ROAE, see note 3 to the table under "Summary—Our company—Financial and operating data."

(4) For methodology used to calculate efficiency ratio, see note 4 to the table under "Summary—Our company—Financial and operating data."

(5) Non-performing loans include microcredit loans that are 31 days or more past due, mortgage and consumer loans that are 61 days or more past due and commercial loans that are 91 days or more past due. Each category includes financial leases. See "Selected Statistical Data—Loan portfolio—Risk categories."

(6) See "Selected Statistical Data—Loan portfolio—Risk categories."

(7) Reflects aggregated customers of each of Banco de Bogotá, Corficolombiana and BAC Credomatic. Customers of more than one of these entities are counted separately for each subsidiary. Customer data for the year ended December 31, 2009 and is not available.

(8) Reflects aggregated employees of Banco de Bogotá, Corficolombiana, Porvenir and BAC Credomatic. Employee data for the year ended December 31, 2009 is not available.

(9) Reflects aggregated branches of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almaviva, Fidubogotá, Casa de Bolsa and BAC Credomatic. Branch data for the year ended December 31, 2009 is not available.

(10) Reflects aggregated ATMs of Banco de Bogotá and BAC Credomatic, except for June 30, 2010 which predates the acquisition of BAC Credomatic and reflects Banco de Bogotá only. ATM data for the year ended December 31, 2009 is not available.

SELECTED STATISTICAL DATA

The following information is included for analytical purposes and should be read in conjunction with our consolidated financial statements included in this offering memorandum as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." This information has been derived from our financial records, which are prepared in accordance with Colombian Banking GAAP. This information includes our audited consolidated financial information at June 30, 2012 and for the six-month periods ended June 30, 2012 and 2011 and at December 31, 2011 and 2010 and for the fiscal years ended December 31, 2011, 2010 and 2009, as applicable. As permitted by the Superintendency of Finance, we began consolidating BAC Credomatic's results from December 1, 2010 in our audited annual consolidated financial statements. Prior to our acquisition of BAC Credomatic, we had limited operations outside of Colombia. Accordingly, we are providing disclosure on our foreign operations commencing from the fiscal year ended December 31, 2010.

Distribution of assets, liabilities and shareholders' equity, interest rates and interest differential

Average balances have been calculated as follows: for each month, the actual month-end balances were established. The average balance for each period is the average of the period-end data for the preceding December 31 and each month in the relevant six-month period. We stop accruing interest on loans after they are past due by more than a certain number of days that depends on the type of loan. See "—Loan portfolio—Suspension of accruals." For purposes of the presentation in the following tables, non-performing loans have been treated as non-interest-earning assets.

Under Colombian Banking GAAP, interest on investment securities includes accrued interest on debt instruments, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions (repos), gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on our trading securities portfolio.

Average balance sheet

For the six-month periods ended June 30, 2012 and 2011, the following tables present:

- average balances calculated using actual month-end balances for our assets and liabilities (based on non-consolidated period-end data for the preceding December 31 and each month in the relevant six-month period, adjusted for consolidation by the addition or subtraction of, as applicable, average balances for the respective periods);
- interest income and expense amounts; and
- annualized average yield and annualized interest rate for our interest-earning assets and interest-bearing liabilities, respectively.

The interest rate subtotals are based on the weighted average of the average peso-denominated and foreign-denominated balances.

	Average balance sheet and income from interest-earning assets for the six-month periods ended June 30,					
	2012			2011		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)					
Assets						
Interest-earning assets						
Interbank and overnight funds						
Domestic						
Peso-denominated	637.3	44.1	13.8%	948.9	33.9	7.1%
Foreign-denominated	362.7	1.8	1.0%	293.2	1.3	0.9%
Total domestic	1,000.0	46.0	9.2%	1,242.1	35.2	5.7%
Foreign	928.6	14.8	3.2%	1,103.4	11.7	2.1%
Total	**1,928.6**	**60.8**	**6.3%**	**2,345.5**	**46.9**	**4.0%**
Investment securities(3)						
Domestic						
Peso-denominated	10,431.3	382.8	7.3%	9,561.3	319.6	6.7%
Foreign –denominated	978.7	15.3	3.1%	935.2	29.2	6.3%
Total domestic	11,410.0	398.1	7.0%	10,496.4	348.8	6.6%
Foreign	1,475.5	31.0	4.2%	1,321.6	25.7	3.9%
Total	**12,885.4**	**429.1**	**6.7%**	**11,818.1**	**374.5**	**6.3%**
Loans and financial leases(4)						
Domestic						
Peso-denominated	25,122.4	1,474.2	11.7%	21,416.8	1,057.1	9.9%
Foreign-denominated	3,757.1	63.9	3.4%	2,930.8	41.1	2.8%
Total domestic	28,879.5	1,538.1	10.7%	24,347.6	1,098.2	9.0%
Foreign	10,942.1	700.6	12.8%	9,680.6	648.0	13.4%
Total	**39,821.6**	**2,238.7**	**11.2%**	**34,028.1**	**1,746.2**	**10.3%**
Total interest-earnings assets						
Domestic						
Peso-denominated	36,190.9	1,901.1	10.5%	31,926.9	1,410.5	8.8%
Foreign-denominated	5,098.5	81.0	3.2%	4,159.2	71.7	3.4%
Total domestic	41,289.4	1,982.2	9.6%	36,086.1	1,482.2	8.2%
Foreign	13,346.2	746.4	11.2%	12,105.6	685.5	11.3%
Total interest-earnings assets	**54,635.6**	**2,728.5**	**10.0%**	**48,191.7**	**2,167.6**	**9.0%**
Non-interest-earnings assets						
Cash and due from banks						
Domestic						
Peso-denominated	2,206.3	–	–	2,441.3	–	–
Foreign-denominated	1,023.7	–	–	260.2	–	–
Total domestic	3,230.1	–	–	2,701.5	–	–
Foreign	2,830.3	–	–	2,394.8	–	–
Total	**6,060.4**	**–**	**–**	**5,096.3**	**–**	**–**
Allowance for loan and financial lease losses						
Domestic						
Peso-denominated	(899.9)	–	–	(819.6)	–	–
Foreign-denominated	(12.7)	–	–	(9.6)	–	–
Total domestic	(912.5)	–	–	(829.2)	–	–
Foreign	(193.0)	–	–	(201.5)	–	–
Total	**(1,105.6)**	**–**	**–**	**(1,030.7)**	**–**	**–**
Non-performing past due loans (5)						
Domestic						
Peso-denominated	372.9	–	–	413.5	–	–
Foreign-denominated	4.0	–	–	4.2	–	–
Total domestic	376.9	–	–	417.7	–	–
Foreign	239.8	–	–	63.4	–	–
Total	**616.7**	**–**	**–**	**481.1**	**–**	**–**

	Average balance sheet and income from interest-earning assets for the six-month periods ended June 30,					
	2012			2011		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)					
Bankers' acceptances, spot transactions and derivatives						
Domestic						
Peso-denominated	3,616.9	–	–	2,579.9	–	–
Foreign-denominated	(3,259.4)	–	–	(2,286.9)	–	–
Total domestic	357.5	–	–	293.0	–	–
Foreign	12.4	–	–	12.8	–	–
Total	**369.9**	**–**	**–**	**305.8**	**–**	**–**
Accounts receivable, net						
Domestic						
Peso-denominated	1,317.6	–	–	1,017.9	–	–
Foreign-denominated	49.7	–	–	34.7	–	–
Total domestic	1,367.3	–	–	1,052.6	–	–
Foreign	240.9	–	–	318.8	–	–
Total	**1,608.2**	**–**	**–**	**1,371.4**	**–**	**–**
Foreclosed assets, net						
Domestic						
Peso-denominated	26.0	–	–	26.0	–	–
Foreign-denominated	0.0	–	–	0.0	–	–
Total domestic	26.0	–	–	26.0	–	–
Foreign	27.9	–	–	40.3	–	–
Total	**53.9**	**–**	**–**	**66.4**	**–**	**–**
Property, plant and equipment And Operating Leases, net						
Domestic						
Peso-denominated	868.5	–	–	830.3	–	–
Foreign-denominated	33.8	–	–	45.6	–	–
Total domestic	902.3	–	–	875.9	–	–
Foreign	297.3	–	–	309.7	–	–
Total	**1,199.6**	**–**	**–**	**1,185.6**	**–**	**–**
Other assets, net						
Domestic						
Peso-denominated	4,181.7	–	–	3,475.7	–	–
Foreign-denominated	47.8	–	–	38.2	–	–
Total domestic	4,229.5	–	–	3,513.9	–	–
Foreign	2,243.3	–	–	2,227.4	–	–
Total	**6,472.8**	**–**	**–**	**5,741.3**	**–**	**–**
Total non-interest-earnings assets						
Domestic						
Peso-denominated	11,690.1	–	–	9,965.0	–	–
Foreign-denominated	(2,113.0)	–	–	(1,913.4)	–	–
Total domestic	9,577.1	–	–	8,051.6	–	–
Foreign	5,698.9	–	–	5,359.0	–	–
Total non-interest-earning assets	**15,276.0**	**–**	**–**	**13,410.6**	**–**	**–**
Total interest and non-interest-earning assets						
Domestic						
Peso-denominated	47,881.0	1,901.1	7.9%	41,891.9	1,410.5	6.7%
Foreign-denominated	2,985.5	81.0	5.4%	2,245.8	71.7	6.4%
Total domestic	50,866.5	1,982.2	7.8%	44,137.7	1,482.2	6.7%
Foreign	19,045.1	746.4	7.8%	17,464.7	685.5	7.8%
Total assets	**69,911.6**	**2,728.5**	**7.8%**	**61,602.4**	**2,167.6**	**7.0%**

	Average balance sheet and income from interest-bearing liabilities for the six-month periods ended June 30,					
	2012			2011		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)					
Liabilities and shareholders' equity						
Interest-bearing liabilities						
Checking accounts						
Domestic						
Peso-denominated	1,624.3	38.5	4.7%	988.3	13.5	2.7%
Foreign-denominated	1,004.1	4.1	0.8%	176.5	0.2	0.2%
Total domestic	2,628.4	42.5	3.2%	1,164.8	13.7	2.4%
Foreign	4,359.9	15.4	0.7%	4,173.0	15.3	0.7%
Total	**6,988.4**	**58.0**	**1.7%**	**5,337.7**	**29.0**	**1.1%**
Savings deposits						
Domestic						
Peso-denominated	12,321.6	245.8	4.0%	11,884.0	169.5	2.9%
Foreign-denominated	254.8	0.6	0.4%	212.3	0.4	0.4%
Total domestic	12,576.4	246.4	3.9%	12,096.3	170.0	2.8%
Foreign	2,379.1	14.6	1.2%	2,158.6	16.3	1.5%
Total	**14,955.5**	**261.0**	**3.5%**	**14,254.9**	**186.3**	**2.6%**
Time deposits						
Domestic						
Peso-denominated	10,301.7	319.7	6.2%	7,150.4	153.5	4.3%
Foreign-denominated	1,937.3	18.2	1.9%	1,683.5	14.9	1.8%
Total domestic	12,239.0	337.9	5.5%	8,833.9	168.4	3.8%
Foreign	4,295.3	90.4	4.2%	4,060.5	84.9	4.2%
Total	**16,534.3**	**428.3**	**5.2%**	**12,894.4**	**253.3**	**3.9%**
Interbank borrowings and overnight funds(1)						
Domestic						
Peso-denominated	3,127.3	72.3	4.6%	3,414.5	47.0	2.8%
Foreign-denominated	153.0	0.8	1.0%	139.0	0.6	0.9%
Total domestic	3,280.3	73.1	4.5%	3,553.5	47.6	2.7%
Foreign	93.0	3.0	6.4%	107.7	3.1	5.7%
Total	**3,373.4**	**76.1**	**4.5%**	**3,661.2**	**50.6**	**2.8%**
Borrowings from banks and others(2)						
Domestic						
Peso-denominated	1,816.9	51.4	5.7%	1,495.6	33.1	4.4%
Foreign-denominated	2,138.5	22.0	2.1%	3,198.7	19.6	1.2%
Total domestic	3,955.4	73.4	3.7%	4,694.3	52.7	2.2%
Foreign	2,834.3	53.0	3.7%	2,183.6	38.7	3.5%
Total	**6,789.7**	**126.4**	**3.7%**	**6,877.9**	**91.4**	**2.7%**
Bonds						
Domestic						
Peso-denominated	673.7	25.4	7.5%	1,738.4	40.2	4.6%
Foreign-denominated	1,084.6	28.0	5.2%	0.0	0.0	–
Total domestic	1,758.2	53.4	6.1%	1,738.4	40.2	4.6%
Foreign	316.6	10.1	6.4%	289.6	9.3	6.4%
Total	**2,074.9**	**63.5**	**6.1%**	**2,028.1**	**49.5**	**4.9%**
Total interest-bearing liabilities						
Domestic						
Peso-denominated	29,865.4	753.1	5.0%	26,671.2	456.7	3.4%
Foreign-denominated	6,572.3	73.6	2.2%	5,409.9	35.7	1.3%
Total domestic	36,437.7	826.7	4.5%	32,081.2	492.5	3.1%
Foreign	14,278.4	186.6	2.6%	12,973.1	167.6	2.6%
Total	**50,716.1**	**1,013.3**	**4.0%**	**45,054.2**	**660.0**	**2.9%**

	Average balance sheet and income from interest-bearing liabilities for the six-month periods ended June 30,					
	2012			2011		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)					
Total non-interest-bearing liabilities and shareholders' equity	**19,195.5**	**–**	**–**	**16,548.1**	**–**	**–**
Total interest and non-interest-bearing liabilities	**–**	**–**	**–**	**–**	**–**	**–**
Total liabilities and shareholders' equity	**69,911.6**	**1,013.3**	**2.9%**	**61,602.4**	**660.0**	**2.1%**

(1) Reflects operations involving common short-term interbank funds, repurchase transactions (repos), and simultaneous operations and transactions involving the temporary transfer of securities.

(2) Reflects loans made by other financial institutions including development banks and international correspondent banks.

(3) Includes available for sale securities, for which yields are based on historical cost balances.

(4) Includes an immaterial amount of interest earned on loans rated "C," "D" and "E."

(5) Loans past due more than 90 days for commercial loans, more than 60 days for consumer loans, more than 30 days for microcredit loans, more than 60 days for mortgages, more than 90 days for commercial finance leases and more than 60 days for consumer finance leases. See "—Loan portfolio—Risk categories."

For the years ended December 31, 2011, 2010 and 2009, the following table presents:

- average balances calculated using actual month-end balances for our assets and liabilities (based on non-consolidated monthly amounts for a 12-month period and the last day of the prior year, adjusted for consolidation by the addition or subtraction of, as applicable, average balances for the three respective semi-annual periods);
- interest income and expense amounts; and
- average yield and interest rate for our interest-earning assets and interest-bearing liabilities, respectively.

The interest rate subtotals are based on the weighted average of the average peso-denominated and Foreign-denominated balances.

	Average balance sheet and income from interest-earning assets for years ended December 31,								
	2011			2010			2009		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
Assets									
Interest-earning assets									
Interbank and overnight funds									
Domestic									
Peso-denominated	754.1	71.5	9.5%	1,365.3	61.6	4.5%	367.8	64.0	17.4%
Foreign-denominated	280.4	3.7	1.3%	379.6	4.3	1.1%	815.3	5.0	0.6%
Total domestic	1,034.5	75.2	7.3%	1,744.9	65.9	3.8%	1,183.1	69.0	5.8%
Foreign	1,033.8	23.0	2.2%	92.0	1.9	2.1%	0.0	0.0	–
Total	**2,068.3**	**98.2**	**4.7%**	**1,836.9**	**67.8**	**3.7%**	**1,183.1**	**69.0**	**5.8%**
Investment securities(3)									
Domestic									
Peso-denominated	9,447.0	464.7	4.9%	8,851.1	1,086.0	12.3%	6,317.8	927.5	14.7%
Foreign-denominated	923.7	34.6	3.7%	1,002.5	66.6	6.6%	956.1	75.4	7.9%
Total domestic	10,370.7	499.4	4.8%	9,853.6	1,152.6	11.7%	7,273.9	1,002.9	13.8%
Foreign	1,333.4	52.8	4.0%	104.3	4.1	3.9%	0.0	0.0	–
Total	**11,704.1**	**552.2**	**4.7%**	**9,957.9**	**1,156.7**	**11.6%**	**7,273.9**	**1,002.9**	**13.8%**

	Average balance sheet and income from interest-earning assets for years ended December 31,								
	2011			2010			2009		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
Loans and financial leases(4)									
Domestic									
Peso-denominated	22,292.8	2,310.4	10.4%	18,293.3	1,947.4	10.6%	17,155.5	2,458.5	14.3%
Foreign-denominated	3,229.0	96.0	3.0%	2,345.0	60.6	2.6%	2,046.5	83.7	4.1%
Total domestic	25,521.9	2,406.4	9.4%	20,638.2	2,008.0	9.7%	19,202.0	2,542.2	13.2%
Foreign	9,961.3	1,339.2	13.2%	769.6	113.0	14.7%	0.0	0.0	–
Total	**35,483.1**	**3,745.6**	**10.5%**	**21,407.8**	**2,121.0**	**9.9%**	**19,202.0**	**2,542.2**	**13.2%**
Total interest-earning assets									
Domestic									
Peso-denominated	32,493.9	2,846.7	8.8%	28,509.7	3,095.0	10.9%	23,841.1	3,450.0	14.5%
Foreign-denominated	4,433.2	134.3	3.0%	3,727.1	131.6	3.5%	3,817.9	164.0	4.3%
Total domestic	36,927.1	2,981.0	8.1%	32,236.8	3,226.6	10.0%	27,659.1	3,614.1	13.1%
Foreign	12,328.4	1,415.0	11.3%	965.9	119.0	12.3%	0.0	0.0	–
Total interest-earnings assets	**49,255.5**	**4,395.9**	**8.9%**	**33,202.6**	**3,345.6**	**10.1%**	**27,659.1**	**3,614.1**	**13.1%**
Non-interest-earning assets									
Cash and due from banks									
Domestic									
Peso-denominated	2,282.0	–	–	2,216.7	–	–	1,809.0	–	–
Foreign-denominated	376.1	–	–	442.4	–	–	419.7	–	–
Total domestic	2,658.0	–	–	2,659.1	–	–	2,228.7	–	–
Foreign	2,438.2	–	–	211.3	–	–	0.0	–	–
Total	**5,096.2**	**–**	**–**	**2,870.4**	–	–	**2,228.7**	–	–
Allowance for loan and financial lease losses									
Domestic									
Peso-denominated	(825.8)	–	–	(788.7)	–	–	(700.2)	–	–
Foreign-denominated	(10.4)	–	–	(8.7)	–	–	(8.7)	–	–
Total domestic	(836.2)	–	–	(797.4)	–	–	(708.9)	–	–
Foreign	(108.7)	–	–	(15.9)	–	–	0.0	–	–
Total	**(944.9)**	**–**	**–**	**(813.3)**	–	–	**(708.9)**	–	–
Non-performing past due loans (5)									
Domestic									
Peso-denominated	401.4	–	–	460.8	–	–	433.3	–	–
Foreign-denominated	5.5	–	–	2.3	–	–	1.1	–	–
Total domestic	406.9	–	–	463.1	–	–	434.4	–	–
Foreign	260.1	–	–	15.0	–	–	0.0	–	–
Total	**667.1**	**–**	**–**	**478.1**	–	–	**434.4**	–	–
Bankers' acceptance, spot transactions and derivatives									
Domestic									
Peso-denominated	817.9	–	–	1,271.3	–	–	509.0	–	–
Foreign-denominated	(478.7)	–	–	(1,033.6)	–	–	(429.1)	–	–
Total domestic	339.3	–	–	237.7	–	–	79.9	–	–
Foreign	16.5	–	–	0.7	–	–	0.0	–	–
Total	**355.8**	**–**	**–**	**238.4**	–	–	**79.9**	–	–
Accounts receivable, net									
Domestic									
Peso-denominated	1,088.7	–	–	878.6	–	–	681.7	–	–
Foreign-denominated	58.8	–	–	27.2	–	–	23.4	–	–
Total domestic	1,147.5	–	–	905.7	–	–	705.0	–	–
Foreign	335.4	–	–	18.8	–	–	0.0	–	–
Total	**1,482.9**	**–**	–	**924.5**	–	–	**705.0**	–	–
Foreclosed assets, net									
Domestic									
Peso-denominated	27.7	–	–	21.3	–	–	22.8	–	–
Foreign-denominated	0.0	–	–	0.1	–	–	0.2	–	–
Total domestic	27.7	–	–	21.5	–	–	23.0	–	–

	Average balance sheet and income from interest-earning assets for years ended December 31,								
	2011			2010			2009		
	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield	Average balance	Interest income earned	Average yield
	(in Ps billions, except percentages)								
Foreign	37.1	–	–	3.3	–	–	0.0	–	–
Total	**64.9**	**–**	**–**	**24.8**	–	–	**23.0**	–	–
Property, plant and equipment, net									
Domestic									
Peso-denominated	821.2	–	–	676.5	–	–	592.1	–	–
Foreign-denominated	42.9	–	–	26.2	–	–	9.9	–	–
Total domestic	864.0	–	–	702.7	–	–	602.1	–	–
Foreign	307.6	–	–	24.9	–	–	0.0	–	–
Total	**1,171.7**	**–**	**–**	**727.6**	–	–	**602.1**	–	–
Other assets, net									
Domestic					–	–		–	–
Peso-denominated	3,767.6	–	–	3,065.0	–	–	3,108.7	–	–
Foreign-denominated	34.1	–	–	22.4	–	–	38.7	–	–
Total domestic	3,801.7	–	–	3,087.4	–	–	3,147.4	–	–
Foreign	2,231.8	–	–	186.2	–	–	0.0	–	–
Total	**6,033.5**	**–**	**–**	**3,273.6**	–	–	**3,147.4**	–	–
Total non-interest-earnings assets									
Domestic									
Peso-denominated	8,380.7	–	–	7,801.3	–	–	6,456.4	–	–
Foreign-denominated	28.4	–	–	(521.6)	–	–	55.2	–	–
Total domestic	8,409.1	–	–	7,279.7	–	–	6,511.6	–	–
Foreign	5,518.0	–	–	444.4	–	–	0.0	–	–
Total noninterest-earnings assets	**13,927.1**	**–**	**–**	**7,724.1**	–	–	**6,511.6**	–	–
Total interest and non-interest-earnings assets									
Domestic									
Peso-denominated	40,874.6	2,846.7	7.0%	36,311.0	3,095.0	8.5%	30,297.5	3,450.0	11.4%
Foreign-denominated	4,461.6	134.3	3.0%	3,205.4	131.6	4.1%	3,873.2	164.0	4.2%
Total domestic	45,336.2	2,981.0	6.6%	39,516.4	3,226.6	8.2%	34,170.7	3,614.1	10.6%
Foreign	17,846.4	1,415.0	7.9%	1,410.3	119.0	8.4%	0.0	0.0	–
Total assets	**63,182.6**	**4,395.9**	**7.0%**	**40,926.7**	**3,345.6**	**8.2%**	**34,170.7**	**3,614.1**	**10.6%**

	Average balance sheet and income from interest-bearing liabilities for years ended December 31,								
	2011			2010			2009		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
Liabilities and shareholders' equity									
Interest-bearing liabilities									
Checking accounts									
Domestic									
Peso-denominated	987.4	36.0	3.6%	824.8	22.0	2.7%	759.3	31.8	4.2%
Foreign-denominated	163.1	0.4	0.3%	93.3	0.5	0.5%	110.2	0.2	0.2%
Total domestic	1,150.5	36.4	3.2%	918.1	22.4	2.4%	869.5	32.0	3.7%
Foreign	4,223.0	29.6	0.7%	353.6	0.0	0.0%	0.0	0.0	–
Total	**5,373.5**	**66.0**	**1.2%**	**1,271.8**	**22.4**	**1.8%**	**869.5**	**32.0**	**3.7%**
Savings deposits									
Domestic									
Peso-denominated	11,947.1	389.3	3.3%	10,262.7	284.0	2.8%	8,316.7	391.5	4.7%
Foreign-denominated	231.2	0.9	0.4%	210.8	1.1	0.5%	224.5	2.3	1.0%
Total domestic	12,178.3	390.2	3.2%	10,473.4	285.2	2.7%	8,541.2	393.7	4.6%
Foreign	2,212.6	31.5	1.4%	166.4	5.2	3.1%	0.0	0.0	–
Total	**14,390.9**	**421.7**	**2.9%**	**10,639.9**	**290.4**	**2.7%**	**8,541.2**	**393.7**	**4.6%**

	Average balance sheet and income from interest-bearing liabilities for years ended December 31,								
	2011			2010			2009		
	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate	Average balance	Interest expense paid	Average interest rate
	(in Ps billions, except percentages)								
Time deposits									
Domestic									
Peso-denominated	7,760.2	375.8	4.8%	7,318.6	326.2	4.5%	7,552.7	602.4	8.0%
Foreign-denominated	1,742.8	31.0	1.8%	1,844.1	32.7	1.8%	2,145.5	42.4	2.0%
Total domestic	9,503.0	406.8	4.3%	9,162.7	358.9	3.9%	9,698.2	644.7	6.6%
Foreign	4,079.5	164.9	4.0%	319.7	15.1	4.7%	0.0	0.0	–
Total	**13,582.4**	**571.7**	**4.2%**	**9,482.3**	**374.0**	**3.9%**	**9,698.2**	**644.7**	**6.6%**
Interbank borrowings and overnight funds(1)									
Domestic									
Peso-denominated	3,057.9	101.8	3.3%	3,117.0	85.7	2.8%	1,338.2	79.3	5.9%
Foreign-denominated	186.5	2.3	1.2%	77.4	0.4	0.5%	20.8	0.1	0.4%
Total domestic	3,244.4	104.1	3.2%	3,194.4	86.2	2.7%	1,359.0	79.4	5.8%
Foreign	117.8	7.0	6.0%	6.1	0.4	6.9%	0.0	0.0	–
Total	**3,362.2**	**111.1**	**3.3%**	**3,200.5**	**86.6**	**2.7%**	**1,359.0**	**79.4**	**5.8%**
Borrowings from banks and others(2)									
Domestic									
Peso-denominated	1,584.1	73.2	4.6%	1,203.1	45.9	3.8%	1,045.7	75.9	7.3%
Foreign-denominated	3,326.6	47.4	1.4%	918.4	9.8	1.1%	820.3	18.9	2.3%
Total domestic	4,910.7	120.7	2.5%	2,121.5	55.7	2.6%	1,865.9	94.8	5.1%
Foreign	2,358.2	83.4	3.5%	185.5	6.5	3.5%	0.0	0.0	–
Total	**7,268.9**	**204.0**	**2.8%**	**2,307.0**	**62.2**	**2.7%**	**1,865.9**	**94.8**	**5.1%**
Bonds									
Domestic									
Peso-denominated	1,258.1	63.9	5.1%	1,014.2	64.8	6.4%	619.0	52.4	8.5%
Foreign-denominated	89.7	2.0	2.2%	0.0	0.0	–	0.0	0.0	–
Total domestic	1,347.8	65.9	4.9%	1,014.2	64.8	6.4%	619.0	52.4	8.5%
Foreign	295.4	18.7	6.3%	23.3	1.8	7.5%	0.0	0.0	–
Total	**1,643.1**	**84.6**	**5.2%**	**1,037.5**	**66.6**	**6.4%**	**619.0**	**52.4**	**8.5%**
Total interest-bearing liabilities									
Domestic									
Peso-denominated	26,594.8	1,040.0	3.9%	23,740.4	828.7	3.5%	19,631.5	1,233.2	6.3%
Foreign-denominated	5,739.8	84.1	1.5%	3,143.9	44.5	1.4%	3,321.3	63.9	1.9%
Total domestic	32,334.6	1,124.1	3.5%	26,884.3	873.2	3.2%	22,952.8	1,297.1	5.7%
Foreign	13,286.5	335.1	2.5%	1,054.6	29.0	2.7%	0.0	0.0	–
Total	**45,621.1**	**1,459.2**	**3.2%**	**27,939.0**	**902.1**	**3.2%**	**22,952.8**	**1,297.1**	**5.7%**
Total non-interest-bearing liabilities and shareholders' equity	**17,561.5**			**12,987.8**			**11,217.9**		
Total interest and non-interest-bearing liabilities	–	–	–	–	–	–	–	–	–
Total liabilities and shareholders' equity	**63,182.6**	**1,459.2**	**2.3%**	**40,926.7**	**902.1**	**2.2%**	**34,170.7**	**1,297.1**	**3.8%**

(1) Reflects operations involving: common short-term interbank funds, repurchase transactions (repos), simultaneous operations and transactions involving the temporary transfer of securities.

(2) Reflects loans made by other financial institutions including development banks and international correspondent banks.

(3) Includes available for sale securities, in which yields are based on historical cost balances.

(4) Includes an immaterial amount of interest earned on loans rated "C," "D" and "E."

(5) See "—Loan portfolio—Risk categories."

Changes in net interest income and expenses — volume and rate analysis

The following tables allocate by currency of denomination, changes in our net interest income to changes in average volume, changes in nominal rates and the net variance caused by changes in both average volume and nominal rates for the six-month period ended June 30, 2012 compared to the six-month period ended June 30, 2011; the year ended December 31, 2011 compared to the year ended December 31, 2010; and the year ended December 31, 2010 compared to the year ended December 31, 2009. Volume and rate variances have been calculated based on variances in average balances over the period and changes in nominal interest rates on average interest-earning assets and average interest-bearing liabilities. Net changes attributable to changes in both volume and interest rate have been allocated to changes in volume.

	June 30, 2011 – June 30, 2012 Increase (decrease) due to changes in			December 2010 – December 2011 Increase (decrease) due to changes in			December 2009 – December 2010 Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change	Volume	Rate	Net change
	(in Ps billion)								
Interest-earnings assets									
Interbank and overnight funds									
Domestic									
Peso-denominated	(21.6)	31.8	10.3	(58.0)	67.8	9.9	45.0	(47.4)	(2.4)
Foreign-denominated	0.4	0.1	0.5	(1.3)	0.7	(0.6)	(5.0)	4.3	(0.7)
Total domestic	**(21.2)**	**32.0**	**10.8**	**(59.3)**	**68.5**	**9.3**	**40.1**	**(43.1)**	**(3.0)**
Foreign (2)	(2.8)	5.9	3.1	20.9	0.1	21.1	1.9	(0.0)	1.9
Total interbank and overnight funds	**(24.0)**	**37.8**	**13.8**	**(38.4)**	**68.7**	**30.3**	**42.0**	**(43.1)**	**(1.1)**
Investment securities (3)									
Domestic									
Peso-denominated	31.9	31.3	63.2	29.3	(650.6)	(621.3)	310.8	(152.4)	158.5
Foreign-denominated	0.7	(14.6)	(13.9)	(3.0)	(29.1)	(32.0)	3.1	(11.8)	(8.7)
Total domestic	**32.6**	**16.7**	**49.3**	**26.4**	**(679.6)**	**(653.3)**	**313.9**	**(164.2)**	**149.8**
Foreign (2)	3.2	2.0	5.3	48.7	0.0	48.7	4.1	0.0	4.1
Total investment securities	**35.8**	**18.7**	**54.6**	**75.1**	**(679.6)**	**(604.5)**	**318.0**	**(164.2)**	**153.9**
Loans and financial leases (1)									
Domestic									
Peso-denominated	217.5	199.7	417.2	414.5	(51.5)	363.0	121.1	(632.2)	(511.1)
Foreign-denominated	14.0	8.7	22.8	26.3	9.1	35.4	7.7	(30.8)	(23.1)
Total domestic	**231.5**	**208.4**	**439.9**	**440.8**	**(42.4)**	**398.4**	**128.8**	**(663.0)**	**(534.1)**
Foreign (2)	80.8	(28.2)	52.6	1,235.7	(9.5)	1,226.2	113.0	0.0	113.0
Total loans and financial leases	**312.3**	**180.2**	**492.5**	**1,676.5**	**(51.9)**	**1,624.5**	**241.8**	**(663.0)**	**(421.2)**
Total interest earning assets									
Domestic									
Peso-denominated	227.8	262.9	490.7	385.9	(634.3)	(248.4)	477.0	(831.9)	(355.0)
Foreign-denominated	15.1	(5.7)	9.4	22.0	(19.3)	2.7	5.8	(38.3)	(32.5)
Total domestic	**242.9**	**257.1**	**500.0**	**407.9**	**(653.5)**	**(245.7)**	**482.8**	**(870.3**	**(387.4)**
Foreign (2)	81.2	(20.3)	60.9	1,305.3	(9.3)	1,296.0	119.0	(0.0)	119.0
Total interest-earning assets	**324.1**	**236.8**	**560.9**	**1,713.2**	**(662.9)**	**1,050.3**	**601.8**	**(870.3)**	**(268.5)**

(1) Includes an immaterial amount of interest earned on loans rated "C," "D" and "E."

(2) Foreign activities primarily reflect data of BAC Credomatic, which was acquired on December 9, 2010.

(3) Under Colombian Banking GAAP, interest income from investment securities includes the following factors: accrued interest on debt instruments; valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale;" gains (losses) on repurchase transactions (i.e., repos); gains (losses) realized on the sale of debt securities; and mark-to-market gains (losses) on the trading securities portfolio.

	June 30, 2011 – June 30, 2012 Increase (decrease) due to changes in			December 2010 – December 2011 Increase (decrease) due to changes in			December 2009 – December 2010 Increase (decrease) due to changes in		
	Volume	Rate	Net change	Volume	Rate	Net change	Volume	Rate	Net change
					(in Ps billion)				
Interest-bearing liabilities									
Checking accounts									
Domestic									
Peso-denominated	15.1	9.9	24.9	5.9	8.1	14.0	1.7	(11.6)	(9.8)
Foreign-denominated	3.4	0.5	3.9	0.2	(0.2)	(0.0)	(0.1)	0.4	0.3
Total domestic	**18.4**	**10.4**	**28.8**	**6.1**	**7.9**	**14.0**	**1.7**	**(11.2)**	**(9.5)**
Foreign(1)	0.7	(0.5)	0.2	27.1	2.5	29.6	0.0	0.0	0.0
Total checking accounts	**19.1**	**9.9**	**29.0**	**33.2**	**10.4**	**43.6**	**1.7**	**(11.2)**	**(9.5)**
Savings deposits									
Domestic									
Peso-denominated	8.7	67.6	76.3	54.9	50.4	105.3	53.9	(161.3)	(107.4)
Foreign-denominated	0.1	0.0	0.1	0.1	(0.3)	(0.2)	(0.1)	(1.1)	(1.1)
Total domestic	**8.8**	**67.6**	**76.4**	**55.0**	**50.1**	**105.0**	**53.8**	**(162.3)**	**(108.6)**
Foreign(1)	1.4	(3.0)	(1.7)	29.1	(2.8)	26.3	5.2	0.0	5.2
Total savings deposits	**10.2**	**64.6**	**74.8**	**84.1**	**47.2**	**131.3**	**59.0**	**(162.3)**	**(103.4)**
Time deposits									
Domestic									
Peso-denominated	97.8	68.5	166.3	21.4	28.2	49.6	(10.4)	(265.7)	(276.1)
Foreign-denominated	2.4	0.9	3.3	(1.8)	0.2	(1.7)	(5.3)	(4.3)	(9.7)
Total domestic	**100.2**	**69.4**	**169.6**	**19.6**	**28.4**	**48.0**	**(15.8)**	**(270.1)**	**(285.8)**
Foreign(1)	4.9	0.5	5.5	152.0	(2.2)	149.8	15.1	0.0	15.1
Total time deposits	**105.1**	**69.9**	**175.0**	**171.5**	**26.2**	**197.8**	**(0.7)**	**(270.1)**	**(270.8)**
Interbank borrowings and overnight funds									
Domestic									
Peso-denominated	(6.6)	32.0	25.4	(2.0)	18.0	16.1	48.9	(42.5)	6.4
Foreign-denominated	0.1	0.1	0.1	1.3	0.5	1.8	0.3	0.0	0.3
Total domestic	**(6.6)**	**32.1**	**25.5**	**(0.6)**	**18.5**	**17.9**	**49.2**	**(42.5)**	**6.7**
Foreign(1)	(0.5)	0.4	(0.1)	6.7	(0.1)	6.6	0.4	(0.0)	0.4
Total interbank borrowings and overnight funds	**(7.0)**	**32.5**	**25.4**	**6.0**	**18.5**	**24.5**	**49.7**	**(42.5)**	**7.1**
Borrowings from banks and others									
Domestic									
Peso-denominated	9.1	9.2	18.3	17.6	9.7	27.3	6.0	(36.0)	(30.0)
Foreign-denominated	(10.9)	13.3	2.4	34.3	3.3	37.6	1.0	(10.2)	(9.1)
Total domestic	**(1.8)**	**22.5**	**20.7**	**52.0**	**13.0**	**65.0**	**7.1**	**(46.2)**	**(39.1)**
Foreign(1)	12.2	2.1	14.3	76.8	0.1	76.9	6.5	0.0	6.5
Total borrowings from banks and others	**10.4**	**24.6**	**35.0**	**128.8**	**13.1**	**141.9**	**13.6**	**(46.2)**	**(32.6)**
Bonds									
Domestic									
Peso-denominated	(40.1)	25.2	(14.8)	12.4	(13.3)	(0.9)	25.3	(12.9)	12.4
Foreign-denominated	28.0	0.0	28.0	2.0	0.0	2.0	0.0	0.0	0.0
Total domestic	**(12.1)**	**25.2**	**13.2**	**14.4**	**(13.3)**	**1.1**	**25.3**	**(12.9)**	**12.4**
Foreign(1)	0.9	(0.0)	0.9	17.3	(0.3)	17.0	1.8	0.0	1.8
Total bonds	**(11.2)**	**25.2**	**14.0**	**31.7**	**(13.6)**	**18.1**	**27.0**	**(12.9)**	**14.1**
Total interest-bearing liabilities									
Domestic									
Peso-denominated	84.0	212.4	296.4	110.2	101.1	211.4	125.4	(529.9)	(404.6)
Foreign-denominated	23.0	14.9	37.9	36.1	3.4	39.6	(4.1)	(15.2)	(19.3)
Total domestic	**107.0**	**227.3**	**334.2**	**146.4**	**104.6**	**250.9**	**121.2**	**(545.1)**	**(423.9)**
Foreign(1)	19.5	(0.5)	19.0	308.9	(2.8)	306.2	29.0	0.0	29.0
Total interest-bearing liabilities	**126.5**	**226.8**	**353.2**	**455.3**	**101.8**	**557.1**	**150.2**	**(545.1)**	**(395.0)**

(1) Foreign activities primarily reflect BAC Credomatic data, which was acquired on December 9, 2010.

Interest-earning assets — net interest margin and spread

The following table presents average balances of interest-earning assets as well as our yields on our average interest-earning assets, net interest earned, net interest margin and interest spread for the periods indicated.

	For the sixth-month period ended June 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
	(in Ps billions, except percentages)				
Interbank and overnight funds					
Domestic					
Peso-denominated	637.3	948.9	754.1	1,365.3	367.8
Foreign-denominated	362.7	293.2	280.4	379.6	815.3
Total domestic	1,000.0	1,242.1	1,034.5	1,744.9	1,183.1
Foreign	928.6	1,103.4	1,033.8	92.0	0.0
Total	**1,928.6**	**2,345.5**	**2,068.3**	**1,836.9**	**1,183.1**
Investment securities					
Domestic					
Peso-denominated	10,431.3	9,561.3	9,447.0	8,851.1	6,317.8
Foreign-denominated	978.7	935.2	923.7	1,002.5	956.1
Total domestic	11,410.0	10,496.4	10,370.7	9,853.6	7,273.9
Foreign	1,475.5	1,321.6	1,333.4	104.3	0.0
Total	**12,885.4**	**11,818.1**	**11,704.1**	**9,957.9**	**7,273.9**
Loans and financial leases(1)					
Domestic					
Peso-denominated	25,122.4	21,416.8	22,292.8	18,293.3	17,155.5
Foreign-denominated	3,757.1	2,930.7	3,229.0	2,345.0	2,046.5
Total domestic	28,879.5	24,347.5	25,521.9	20,638.2	19,202.0
Foreign	10,942.1	9,680.3	9,961.3	769.6	0.0
Total	**39,821.6**	**34,028.1**	**35,483.1**	**21,407.8**	**19,202.0**
Total average interest-earning assets					
Domestic					
Peso-denominated	36,190.9	31,926.9	32,493.9	28,509.7	23,841.1
Foreign-denominated	5,098.5	4,159.2	4,433.2	3,727.1	3,817.9
Total domestic	41,289.4	36,086.1	36,927.1	32,236.8	27,659.1
Foreign	13,346.2	12,105.6	12,328.4	965.9	0.0
Total	**54,635.6**	**48,191.7**	**49,255.5**	**33,202.6**	**27,659.1**
Net interest earned (2)					
Domestic					
Peso-denominated	1,148.1	953.7	1,806.6	2,266.0	2,216.8
Foreign-denominated	7.4	35.9	50.2	87.1	100.2
Total domestic	1,155.5	989.7	1,856.9	2,353.1	2,317.0
Foreign	559.8	517.9	1,079.8	90.0	0.0
Total	**1,715.3**	**1,507.6**	**2,936.7**	**2,443.1**	**2,317.0**
Average yield on interest-earning assets					
Domestic					
Peso-denominated	10.5%	8.8%	8.8%	10.9%	14.5%
Foreign-denominated	3.2%	3.4%	3.0%	3.5%	4.3%
Total domestic	9.6%	8.2%	8.1%	10.0%	13.1%
Foreign	11.2%	11.3%	11.5%	12.3%	–
Total	**10.0%**	**9.0%**	**8.9%**	**10.1%**	**13.1%**

	For the sixth-month period ended June 30,		For the year ended December 31,		
	2012	2011	2011	2010	2009
	(in Ps billions, except percentages)				
Net interest margin(3)					
Domestic					
Peso-denominated	6.3%	6.0%	5.6%	7.9%	9.3%
Foreign-denominated	0.3%	1.7%	1.1%	2.3%	2.6%
Total domestic	5.6%	5.5%	5.0%	7.3%	8.4%
Foreign	8.4%	8.6%	8.8%	9.3%	–
Total	**6.3%**	**6.3%**	**6.0%**	**7.4%**	**8.4%**
Interest spread on loans and financial leases(4)					
Domestic					
Peso-denominated	6.7%	6.4%	6.5%	7.2%	8.0%
Foreign-denominated	1.2%	1.5%	1.5%	1.2%	2.2%
Total domestic	6.1%	6.0 %	6.0%	6.5%	7.6%
Foreign	10.2%	10.8%	10.9%	11.9%	–
Total	**7.2%**	**7.3%**	**7.4%**	**6.7%**	**7.6%**
Interest spread on total interest-earning assets(5)					
Domestic					
Peso-denominated	5.5%	5.4%	4.8%	7.4%	8.2%
Foreign-denominated	0.9%	2.1%	1.6%	2.1%	2.4%
Total domestic	5.1%	5.1%	4.6%	6.8%	7.4%
Foreign	8.6%	8.7%	9.0%	9.6%	–
Total	**6.0%**	**6.1%**	**5.7%**	**6.8%**	**7.4%**

(1) Includes an immaterial amount of interest earned on loans rated "C," "D" and "E."

(2) Net interest earned is calculated as interest income less interest paid and includes accrued interest, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions (repos), gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on trading securities portfolio.

(3) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

(4) Interest spread on loans and financial leases is calculated as the difference between the average yield on interest-earning loans and financial leases and the average rate paid on interest-bearing liabilities.

(5) Interest spread on total interest-earning assets is calculated as the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities.

Investment portfolio

We acquire and hold fixed income debt and equity securities for liquidity and other strategic purposes, or when required by law. In recent years, credit institutions, including us, have been required to hold certain debt securities issued by the Colombian Government or Government-related entities. Colombian Central Bank regulations require credit institutions to make investments in agricultural development bonds (*Títulos de Desarrollo Agropecuario*), or "TDAs," issued by the Agricultural Sector Financing Fund (*Fondo para el Financiamiento del Sector Agropecuario*), or "Finagro." Finagro is a development bank affiliated with the Ministry of Agriculture and finances the production and marketing activities of the agricultural and livestock sector. These securities yield below-market interest rates. The amount of these mandatory investments, which our subsidiaries are still required to hold, is calculated as a percentage of short-term deposits. Another mandatory investment, still on our portfolio but no longer subject to new issuances, is in debt reduction bonds (*Títulos de Reducción de Deuda*), or "TRDs," issued by the Colombian Government. Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new types of mandatory investments. See "Supervision and Regulation—Mandatory investments."

The Superintendency of Finance requires investments to be classified as "trading," "available for sale" or "held to maturity." Trading investments are investments acquired primarily to obtain profits from fluctuations in short-term prices and are recorded at market value. The difference between current and previous market value is added to, or subtracted from, the value of the investment and credited or charged to earnings. "Available for sale" investments are those investments that we intend, and are able, to hold for at least one year and they are recorded on the balance sheet at market value with changes to the values of these securities recorded in a separate equity account called "unrealized gains and losses;" when a portion of the gains or losses is realized, such amount is transferred to the statement of income. "Held to maturity" investments are investments acquired and that we intend, and are able, to hold until maturity, and are valued at amortized cost.

In accordance with Chapter 1 of Circular 100 of 1995 issued by the Superintendency of Finance, investments in debt securities are fully reviewed for impairment in June and December and partially reviewed every three months, by considering the related solvency, market, currency exchange rate and country risks. Investments in securities with certain ratings by external rating agencies recognized by the Superintendency of Finance cannot be recorded on our balance sheet for an amount higher than specified percentages of the face value, net of amortizations recorded at the valuation date.

Long-term classification	**Maximum face value**
	(in percentages)
BB+, BB, BB-	90
B+, B, B-	70
CCC	50
DD, EE	0

Short-term classification	**Maximum face value**
	(in percentages)
3	90
4	50
5 and 6	0

Internal or external debt securities issued or guaranteed by the Republic of Colombia, as well as those issued by the Colombian Central Bank and those issued or guaranteed by FOGAFIN, are not subject to this adjustment.

The following table presents the book value of our investments, net of allowance for investment securities losses, at the dates indicated.

	At June 30,		**At December 31,**		
	2012	**2011**	**2011**	**2010**	**2009**
			(in Ps billions)		
Debt securities					
Peso-denominated					
Securities issued or secured by the Colombian central government(1)	6,930.3	5,310.6	5,404.2	5,791.1	4,496.0
Securities issued or secured by the Colombian Central Bank	0.0	0.0	0.0	0.0	0.0
Securities issued or secured by other Colombian government entities	1,341.4	1,276.6	1,304.5	1,122.6	936.1
Securities issued or secured by other financial entities(2)	166.1	300.5	427.5	98.5	81.6
Other securities(3)	182.5	266.2	204.4	328.5	319.9
Total peso-denominated	**8,620.3**	**7,153.9**	**7,340.6**	**7,340.6**	**5,833.5**
Foreign-denominated					
Securities issued or secured by the Colombian central government(1)	6.0	16.2	27.3	63.4	485.9
Securities issued or secured by other Colombian government entities	83.7	428.5	146.1	308.0	354.9
Securities issued or secured by other financial entities(2)	781.7	662.3	911.9	849.0	129.5

	At June 30,		At December 31,		
	2012	2011	2011	2010	2009
			(in Ps billions)		
Securities issued by foreign governments	1,432.0	647.9	851.4	596.5	53.7
Other securities(3)	104.8	140.7	102.3	219.9	263.5
Total Foreign-denominated	**2,408.1**	**1,895.6**	**2,039.0**	**2,036.8**	**1,287.5**
Total debt securities, net	**11,028.4**	**9,049.5**	**9,379.6**	**9,377.4**	**7,121.0**
Equity securities, net	**2,850.4**	**2,994.3**	**2,773.1**	**2,102.0**	**1,835.1**
Total investment securities, net	**13,878.8**	**12,043.8**	**12,152.7**	**11,479.5**	**8,956.1**

(1) Includes Colombian central government-issued treasuries (*Títulos de Tesorería*), or "TESs."

(2) Reflects investments made in debt securities issued by private financial entities.

(3) Reflects investments made in debt securities issued by multilateral institutions and non-financial companies.

At June 30, 2012 and December 31, 2011, 2010 and 2009, we held securities issued by foreign governments and in the principal amounts, as follows.

At June 30,	Issuer	Investment amount – book value	Investment amount – book value
		(in Ps billions)	(in U.S.$ thousands)
2012			
	Panama	109.3	61.2
	France	0.0	0.0
	United States of America	20.2	11.3
	Brazil	3.9	2.2
	Costa Rica	368.6	206.6
	El Salvador	29.5	16.5
	Spain	0.0	0.0
	Mexico	5.0	2.8
	Chile	9.9	5.6
	Guatemala	112.1	62.8
	Nicaragua	11.4	6.4
	Honduras	111.7	62.6
	Barbados	0.0	0.0
	Total at June 30, 2012	**781.7**	**438.0**

At December 31,	Issuer	Investment amount – book value	Investment amount – book value
		(in Ps billions)	(in U.S.$ thousands)
2011			
	Panama	65.1	33.5
	France	0.0	0.0
	United States of America	16.1	8.3
	Brasil	4.4	2.3
	Costa Rica	336.0	173.0
	El Salvador	23.2	11.9
	Spain	0.0	0.0
	Mexico	5.6	2.9
	Chile	3.1	1.6
	Guatemala	150.3	77.4
	Nicaragua	31.9	16.4
	Honduras	276.2	142.1
	Total 2011	**911.9**	**469.4**

At December 31,	Issuer	Investment amount – book value (in Ps billions)	Investment amount – book value (in U.S.$ thousands)
2010			
	Panama	141.6	74.0
	Brazil	4.6	2.4
	Chile	3.2	1.7
	Costa Rica	253.4	132.4
	El Salvador	28.2	14.7
	Guatemala	121.7	63.6
	Mexico	5.7	3.0
	Nicaragua	2.0	1.0
	United States of America	266.8	139.4
	Honduras	21.8	11.4
	Total 2010	**849.0**	**443.6**
2009			
	Panama	122.6	60.0
	United States of America	6.7	3.3
	Brazil	0.2	0.1
	Total 2009	**129.5**	**63.4**

Investment securities portfolio maturity

The following table summarizes the maturities and weighted average nominal yields of our debt investment securities at June 30, 2012 and December 31, 2011.

	At June 30, 2012									
	Maturity less than 1 year		Maturity between 1 and 5 years		Maturity between 5 and 10 years		Maturity more than 10 years		Total	
	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)
	(in Ps billions, except yields)									
Debt securities										
Peso-denominated										
Securities issued or secured by the Colombian central government	236.0	5.3%	2,655.4	5.8%	3,627.8	6.7%	411.1	7.0%	6,930.3	6.3%
Securities issued or secured by the Colombian Central Bank	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	NA
Securities issued or secured by Colombian government entities	1,214.6	2.7%	27.4	6.6%	99.4	7.2%	0.0	0.0%	1,341.4	3.1%
Securities issued or secured by other financial entities	35.1	6.2%	76.0	7.0%	35.5	7.6%	19.4	8.0%	166.1	7.1%
Other securities	6.5	5.9%	20.5	6.5%	155.4	6.0%	0.0	0.0%	182.5	6.1%
Total peso-denominated	**1,492.1**	**3.2%**	**2,779.4**	**5.8%**	**3,918.2**	**6.7%**	**430.5**	**7.1%**	**8,620.3**	**5.8%**

	At June 30, 2012									
	Maturity less than 1 year		Maturity between 1 and 5 years		Maturity between 5 and 10 years		Maturity more than 10 years		Total	
	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)
	(in Ps billions, except yields)									
Foreign-denominated										
Securities issued or secured by the Colombian central government	2.0	1.8%	4.0	3.8%	0.0	0.0%	0.0	0.0%	6.0	3.1%
Securities issued or secured by Colombian government entities	0.0	0.0%	0.0	0.0%	83.7	5.2%	0.0	0.0%	83.7	5.2%
Securities issued or secured by other financial entities	413.3	6.0%	348.4	7.2%	20.0	7.8%	0.0	5.6%	781.7	6.6%
Securities issued by foreign governments	800.4	2.8%	615.3	4.0%	16.3	7.1%	0.0	0.0%	1,432.0	3.3%
Other securities	4.2	3.4%	100.4	3.5%	0.2	3.6%	0.0	0.0%	104.8	3.5%
Total Foreign-denominated	**1,219.8**	**3.9%**	**1,068.1**	**5.0%**	**120.2**	**5.9%**	**0.0**	**5.6%**	**2,408.1**	**4.5%**
Total debt securities, net	**2,711.9**		**3,847.5**		**4,038.4**		**430.5**		**11,028.4**	
Equity securities, net									**2,850.4**	
Total investment securities, net									**13,878.8**	

(1) Amounts for debt securities are net of allowances for decline in value, which amounted to Ps 1.3 billion at June 30, 2012. Amounts for equity securities are net of allowances, which amounted to Ps 4.7 billion at June 30, 2012.

(2) Yield was calculated using the internal rate of return, or "IRR," at June 30, 2012.

	At December 31, 2011									
	Maturity less than 1 year		Maturity between 1 and 5 years		Maturity between 5 and 10 years		Maturity more than 10 years		Total	
	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)
	(in Ps billions, except yields)									
Debt securities										
Peso-denominated										
Securities issued or secured by the Colombian central government	252.6	4.9%	2,937.3	6.2%	1,857.7	7.5%	356.6	7.7%	5,404.2	6.7%
Securities issued or secured by the Colombian Central Bank	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	NA
Securities issued or secured by Colombian government entities	1,031.1	2.2%	138.8	4.9%	134.6	7.6%	0.0	0.0%	1,304.5	3.0%
Securities issued or secured by other financial entities	49.2	6.0%	316.2	6.7%	55.0	8.9%	7.2	8.5%	427.5	7.0%
Other securities	4.9	4.5%	23.5	6.9%	176.0	6.4%	0.0	0.0%	204.4	6.4%
Total peso-denominated	**1,337.8**	**2.8%**	**3,415.7**	**6.2%**	**2,223.3**	**7.5%**	**363.9**	**7.7%**	**7,340.6**	**6.0%**

	At December 31, 2011									
	Maturity less than 1 year		Maturity between 1 and 5 years		Maturity between 5 and 10 years		Maturity more than 10 years		Total	
	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)	Balance(1)	Yield %(2)
	(in Ps billions, except yields)									
Foreign-denominated										
Securities issued or secured by the Colombian central government	11.8	9.4%	15.5	2.6%	0.0	0.0%	0.0	0.0%	27.3	5.6%
Securities issued or secured by Colombian government entities	0.0	0.0%	0.0	0.0%	146.1	7.2%	0.0	0.0%	146.1	7.2%
Securities issued or secured by other financial entities	461.1	4.3%	410.8	6.1%	30.1	6.0%	9.8	5.3%	911.9	5.2%
Securities issued by foreign governments	212.5	2.4%	434.6	3.5%	204.3	4.8%	0.0	0.0%	851.4	3.5%
Other securities	5.7	3.4%	70.8	4.8%	25.8	7.2%	0.0	4.1%	102.3	5.3%
Total Foreign-denominated	**691.3**	**3.8%**	**931.8**	**4.8%**	**406.2**	**5.9%**	**9.8**	**5.3%**	**2,039.0**	**4.7%**
Total debt securities, net	**2,029.1**		**4,347.4**		**2,629.5**		**373.7**		**9,379.6**	
Equity securities, net									**2,773.1**	
Total investment securities, net									**12,152.7**	

(1) Amounts for debt securities are net of allowances for decline in value, which amounted to Ps 1.8 billion at December 31, 2011. Amounts for equity securities are net of allowances, which amounted to Ps 4.7 billion at December 31, 2011.

(2) Yield was calculated using the IRR at December 31, 2011.

At June 30, 2012 and December 31, 2011, we had the following investments in securities of issuers that exceeded 10% of our shareholders' equity.

	June 30, 2012		
	Issuer	Book value	Market value
		(in Ps billions)	
Securities issued or secured by the Colombian central government	Ministry of Finance	6,936.3	6,875.1
Securities issued or secured by Colombian government entities	Finagro and others	1,425.1	1,421.1
Total		**8,361.4**	**8,296.3**

	December 31, 2011		
	Issuer	Book value	Market value
		(in Ps billions)	
Securities issued or secured by the Colombian central government	Ministry of Finance	5,431.5	5,412.8
Securities issued or secured by Colombian government entities	Finagro and others	1,450.6	1,430.1
Total		**6,882.1**	**6,842.9**

Loan portfolio

The following table presents our loan portfolio classified into commercial, consumer, microcredit, financial leases and mortgage loans.

	At June 30,		At December 31,				
	2012	2011	2011	2010	2009	2008	2007
					(in Ps billions)		
Domestic							
Commercial							
General purpose loans(1)	15,652.5	14,127.3	14,692.8	13,199.4	7,987.4	7,314.3	6,496.7
Loans funded by development banks	850.5	878.4	939.3	894.9	832.8	895.6	812.1
Working capital loans	5,697.8	4,890.5	5,794.8	4,105.9	6,365.5	6,953.3	4,896.1
Credit cards	167.7	124.1	135.2	116.2	121.0	117.0	99.8
Overdrafts	399.8	165.8	98.4	71.9	71.6	109.1	109.3
Total commercial	**22,768.3**	**20,186.1**	**21,660.5**	**18,388.3**	**15,378.2**	**15,389.4**	**12,414.0**
Consumer							
Credit cards	1,080.9	863.5	984.7	809.6	704.1	686.5	613.3
Personal loans	3,732.5	3,021.3	3,373.6	2,500.1	2,036.0	1,986.3	1,618.6
Automobile and vehicle loans	621.2	589.0	625.5	594.3	574.8	598.4	493.6
Overdrafts	47.9	48.4	40.1	34.6	35.2	47.3	49.3
Loans funded by development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General purpose loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital loans	1.5	0.0	0.0	(0.0)	0.0	0.0	0.0
Total consumer	**5,484.0**	**4,522.2**	**5,023.9**	**3,938.6**	**3,350.2**	**3,318.6**	**2,774.9**
Microcredit	242.5	206.4	240.7	198.5	213.0	192.9	126.7
Mortgages	81.9	56.9	60.8	55.5	52.3	48.5	44.4
Financial leases	1,719.5	1,020.1	1,387.3	767.7	682.3	722.4	740.1
Total domestic	**30,296.1**	**25,991.8**	**28,373.2**	**23,348.7**	**19,676.0**	**19,671.7**	**16,100.2**
Foreign							
Commercial							
General purpose loans(1)	2,029.8	1,764.0	2,168.9	1,945.3	0.0	0.0	0.0
Loans funded by development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital loans	1,736.9	1,104.1	1,549.4	1,133.9	0.0	0.0	0.0
Credit cards	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overdrafts	58.3	43.1	55.5	53.3	0.0	0.0	0.0
Total commercial	**3,825.0**	**2,911.2**	**3,773.8**	**3,132.6**	**0.0**	**0.0**	**0.0**
Consumer							
Credit cards	2,646.2	2,302.5	2,714.5	2,466.3	0.0	0.0	0.0
Personal loans	688.5	571.4	675.0	545.8	0.0	0.0	0.0
Automobile and vehicle loans	855.8	723.0	856.9	726.7	0.0	0.0	0.0
Overdrafts	15.0	12.6	11.7	0.0	0.0	0.0	0.0
Loans funded by development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General purpose loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital loans	0.0	0.0	0.0	35.0	0.0	0.0	0.0
Total consumer	**4,205.6**	**3,609.5**	**4,258.2**	**3,773.7**	**0.0**	**0.0**	**0.0**
Microcredit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mortgages	3,175.0	2,973.6	3,383.8	3,089.0	0.0	0.0	0.0
Financial leases	243.7	205.9	246.0	204.6	0.0	0.0	0.0
Total foreign	**11,449.3**	**9,700.1**	**11,661.8**	**10,199.9**	**0.0**	**0.0**	**0.0**

	At June 30,		At December 31,				
	2012	2011	2011	2010	2009	2008	2007
					(in Ps billions)		
Total portfolio	**41,745.4**	**35,691.9**	**40,035.0**	**33,548.5**	**19,676.0**	**19,671.7**	**16,100.2**
Allowance for loan portfolio	(1,112.8)	(1,031.9)	(1,099.4)	(1,030.7)	(765.5)	(662.8)	(540.2)
Total portfolio, net	**40,632.6**	**34,660.0**	**38,935.7**	**32,517.8**	**18,910.5**	**19,008.9**	**15,559.9**

(1) General purpose commercial loans primarily include short-term loans (*créditos de tesorería*), trade finance loans, project finance loans and loans for capital expenditures.

We classify our loan portfolio into the following categories:

- *Commercial loans*: Commercial loans are granted to companies or individuals to carry out economic activities.
- *Consumer loans*: Consumer loans are granted to individuals for the purchase of consumer goods or to pay for non-commercial or non-business services.
- *Microcredit loans*: Microcredit loans are issued for the purpose of encouraging the activities of small businesses and are subject to the following requirements: the maximum amount to be lent is equal to 25 times the minimum wage (*salario mínimo mensual legal vigente*), or "SMMLV," without the balance of one single borrower exceeding such amount at any time, and the main source of payment for the corresponding obligation shall be the revenues obtained from the activities of the borrower's micro business. The borrower's outstanding indebtedness may not exceed 120 times the SMMLV.
- *Mortgages*: Mortgages are loans granted to individuals for the purchase of new or used housing or to build a home, all in accordance with Law 546 of 1999. These loans include loans that are denominated in UVR or local currency, that are guaranteed by a senior mortgage on the property and that are financed with a total repayment term of five to 30 years.
- *Financial leases*: Financial leases are transactions involving the transfer under a lease agreement of property where financing is provided in exchange for rental payments that are paid over a period of time; the lessee has an option to purchase the property at the end of such period.

Maturity and interest rate sensitivity of loans and financial leases

The following tables present the maturities of our loan portfolio at June 30, 2012 and December 31, 2011.

	At June 30, 2012			
	Due in one year or less	Due from one to five years	Due after five years	Total
		(in Ps billions)		
Domestic currency-denominated				
Commercial				
General purpose loans	6,948.0	7,759.9	944.6	15,652.5
Loans funded by development banks	284.7	442.7	123.0	850.5
Working capital loans	5,268.9	400.0	28.9	5,697.8
Credit cards	167.8	(0.1)	0.0	167.7
Overdrafts	343.9	55.9	0.0	399.8
Total commercial	**13,013.3**	**8,658.5**	**1,096.5**	**22,768.3**
Consumer				
Credit cards	720.6	360.3	0.0	1,080.9
Personal loans	1,317.6	2,307.7	107.2	3,732.5
Automobile and vehicle loans	211.2	396.8	13.2	621.2
Overdrafts	47.9	0.0	0.0	47.9

	At June 30, 2012			
	Due in one year or less	Due from one to five years	Due after five years	Total
	(in Ps billions)			
Loans funded by development banks	0.0	0.0	0.0	0.0
General purpose loans	0.0	0.0	(0.0)	0.0
Working capital loans	0.4	1.1	0.0	1.5
Total consumer	**2,297.7**	**3,065.9**	**120.4**	**5,484.0**
Microcredit	148.2	94.2	0.1	242.5
Mortgages	17.0	31.0	33.8	81.9
Financial leases	484.8	1,046.0	188.7	1,719.5
Total domestic portfolio	**15,960.9**	**12,895.7**	**1,439.5**	**30,296.1**
Foreign currency-denominated				
Commercial				
General purpose loans	323.4	809.8	896.6	2,029.8
Loans funded by development banks	0.0	0.0	0.0	0.0
Working capital loans	1,559.7	166.0	11.2	1,736.9
Credit cards	0.0	0.0	0.0	0.0
Overdrafts	58.3	0.0	0.0	58.3
Total commercial	**1,941.4**	**975.8**	**907.8**	**3,825.0**
Consumer				
Credit cards	2,558.8	78.9	8.5	2,646.2
Personal loans	42.0	162.0	484.5	688.5
Automobile and vehicle loans	26.9	441.3	387.6	855.8
Overdrafts	15.0	0.0	0.0	15.0
Loans funded by development banks	0.0	0.0	0.0	0.0
General purpose loans	0.0	0.0	0.0	0.0
Working capital loans	0.0	0.0	0.0	0.0
Total consumer	**2,642.7**	**682.2**	**880.6**	**4,205.6**
Microcredit	0.0	0.0	0.0	0.0
Mortgages	2.2	67.6	3,105.1	3,175.0
Financial leases	18.0	220.4	5.3	243.7
Total foreign portfolio	**4,604.4**	**1,946.1**	**4,898.8**	**11,449.3**
Total loan portfolio	**20,565.3**	**14,841.8**	**6,338.3**	**41,745.4**

	At December 31, 2011			
	Due in one year or less	Due from one to five years	Due after five years	Total
	(in Ps billions)			
Domestic currency-denominated				
Commercial				
General purpose loans	6,375.4	7,521.2	796.2	14,692.8
Loans funded by development banks	229.8	536.1	173.5	939.3
Working capital loans	5,152.7	610.3	31.7	5,794.8
Credit cards	99.3	35.9	0.0	135.2
Overdrafts	100.7	(2.4)	0.0	98.4
Total commercial	**11,958.0**	**8,701.1**	**1,001.4**	**21,660.5**
Consumer				
Credit cards	716.1	268.6	0.0	984.7
Personal loans	1,334.9	1,940.4	98.3	3,373.6
Automobile and vehicle loans	189.9	430.3	5.3	625.5
Overdrafts	40.1	0.0	0.0	40.1
Loans funded by development banks	0.0	0.0	0.0	0.0

	At December 31, 2011			
	Due in one year or less	Due from one to five years	Due after five years	Total
	(in Ps billions)			
General purpose loans	0.0	0.0	0.0	0.0
Working capital loans	0.0	0.0	0.0	0.0
Total consumer	**2,281.0**	**2,639.3**	**103.6**	**5,023.9**
Microcredit	93.7	146.9	0.0	240.7
Mortgages	14.9	40.5	5.4	60.8
Financial leases	347.5	923.0	116.8	1,387.3
Total domestic portfolio	**14,695.1**	**12,450.8**	**1,227.3**	**28,373.2**
Foreign currency-denominated				
Commercial				
General purpose loans	435.1	985.6	748.2	2,168.9
Loans funded by development banks	0.0	0.0	0.0	0.0
Working capital loans	1,356.5	188.4	4.5	1,549.4
Credit cards	0.0	0.0	0.0	0.0
Overdrafts	55.5	0.0	0.0	55.5
Total commercial	**1,847.2**	**1,174.0**	**752.7**	**3,773.8**
Consumer				
Credit cards	2,601.0	110.5	2.9	2,714.5
Personal loans	48.4	175.3	451.3	675.0
Automobile and vehicle loans	27.1	608.7	221.0	856.9
Overdrafts	11.7	0.0	0.0	11.7
Loans funded by development banks	0.0	0.0	0.0	0.0
General purpose loans	0.0	0.0	0.0	0.0
Working capital loans	0.0	0.0	0.0	0.0
Total consumer	**2,688.3**	**894.6**	**675.3**	**4,258.2**
Microcredit	0.0	0.0	0.0	0.0
Mortgages	3.1	116.2	3,264.6	3,383.8
Financial leases	21.0	222.8	2.2	246.0
Total foreign portfolio	**4,559.5**	**2,407.6**	**4,694.7**	**11,661.8**
Total loan portfolio	**19,254.6**	**14,858.3**	**5,922.1**	**40,035.0**

The following table presents the interest rate sensitivity of our loan portfolio due after one year and within one year or less at June 30, 2012 and December 31, 2011.

	At June 30, 2012	At December 31, 2011
	(in Ps billions)	
Loans with terms of one year or less		
Variable rate		
Domestic		
Domestic-denominated	12,259.3	11,423.4
Foreign-denominated	0.0	0.0
Total domestic	**12,259.3**	**11,423.4**
Foreign	1,754.3	1,567.7
Total	**14,013.6**	**12,991.1**
Fixed rate		
Domestic		
Domestic-denominated	3,701.6	3,271.7
Foreign-denominated	0.0	0.0
Total domestic	**3,701.6**	**3,271.7**
Foreign	2,850.0	2,991.8
Total	**6,551.6**	**6,263.5**
Total loans with terms of one year or less	**20,565.3**	**19,254.6**

	At June 30, 2012	At December 31, 2011
	(in Ps billions)	
Loans with terms of more than one year		
Variable rate		
Domestic-denominated	10,581.5	10,294.5
Foreign-denominated	0.0	0.0
Total domestic	**10,581.5**	**10,294.5**
Foreign	1,602.3	3,709.6
Total	**12,183.8**	**14,004.1**
Fixed rate		
Domestic-denominated	3,753.7	3,383.7
Foreign-denominated	0.0	0.0
Total domestic	**3,753.7**	**3,383.7**
Foreign	5,242.6	3,392.7
Total	**8,996.4**	**6,776.3**
Total loans with terms of more than one year	**21,180.1**	**20,780.4**
Total loan portfolio	**41,745.4**	**40,035.0**

Loan portfolio by economic activity

The following tables summarize our loan portfolio, at the dates indicated, by the principal activity of the borrower using the International Standard Industrial Classification of All Economic Activities. Where we have not assigned a code to a borrower, classification of the relevant loan has been made based on the purpose of the loan as described by the borrower.

	At June 30,			
Domestic	**2012**	**%**	**2011**	**%**
	(in Ps billions, except when in percentages)			
Agricultural	1,021.2	2.4%	961.8	2.7%
Mining products and oil	710.7	1.7%	1,290.1	3.6%
Food, beverage and tobacco	979.6	2.3%	1,180.6	3.3%
Chemical production	2,237.3	5.4%	1,081.8	3.0%
Other industrial and manufacturing products	1,768.2	4.2%	2,332.4	6.5%
Government	911.3	2.2%	643.5	1.8%
Construction	3,059.6	7.3%	1,473.1	4.1%
Trade and tourism	168.5	0.4%	191.9	0.5%
Transportation and communications	2,677.2	6.4%	1,896.8	5.3%
Public services	1,356.7	3.2%	2,007.9	5.6%
Consumer services(1)	6,012.1	14.4%	3,955.3	11.1%
Commercial services(2)	8,817.6	21.1%	8,254.7	23.1%
Other(3)	576.0	1.4%	722.1	2.0%
Total domestic loan portfolio	**30,296.1**	**72.6%**	**25,991.8**	**72.8%**

	At June 30,			
Foreign	**2012**	**%**	**2011**	**%**
	(in Ps billions, except when in percentages)			
Agricultural	131.7	0.3%	83.2	0.3%
Mining products and oil	125.8	0.3%	15.8	0.1%
Food, beverage and tobacco	505.2	1.2%	426.9	1.6%
Chemical production	117.0	0.3%	255.3	1.0%
Other industrial and manufacturing products	292.0	0.7%	153.1	0.6%
Government	17.5	0.0%	30.6	0.1%
Construction	86.6	0.2%	97.7	0.4%
Trade and tourism	91.2	0.2%	78.8	0.3%
Transportation and communications	229.5	0.5%	92.8	0.4%
Public services	191.3	0.5%	69.2	0.3%

Foreign	At June 30, 2012	%	2011	%
	(in Ps billions, except when in percentages)			
Consumer services (1)	7,431.8	17.8%	6,753.8	26.0%
Commercial services(2)	2,051.9	4.9%	1,642.9	6.3%
Other(3)	177.7	0.4%	0.0	0.0%
Total foreign loan portfolio	**11,449.3**	**27.4%**	**9,700.1**	**37.3%**
Total loan portfolio	**41,745.4**	**100.0%**	**35,691.9**	**100.0%**

Domestic	At December 31, 2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except when in percentages)									
Agricultural	1,018.9	2.5%	973.4	2.9%	836.7	4.3%	891.4	4.5%	868.0	5.4%
Mining products and oil	2,026.4	5.1%	1,095.8	3.3%	710.1	3.6%	204.1	1.0%	139.6	0.9%
Food, beverage and tobacco	1,087.7	2.7%	1,041.2	3.1%	1,064.4	5.4%	1,268.1	6.4%	744.7	4.6%
Chemical production	673.8	1.7%	1,102.2	3.3%	1,662.1	8.4%	1,430.3	7.3%	981.2	6.1%
Other industrial and manufacturing products	2,337.8	5.8%	2,207.1	6.6%	1,245.8	6.3%	2,039.0	10.4%	1,246.7	7.7%
Government	808.1	2.0%	686.6	2.0%	882.7	4.5%	595.6	3.0%	621.5	3.9%
Construction	2,251.4	5.6%	1,070.7	3.2%	794.2	4.0%	741.7	3.8%	578.9	3.6%
Trade and tourism	186.0	0.5%	154.1	0.5%	230.5	1.2%	238.6	1.2%	243.4	1.5%
Transportation and communications	2,057.0	5.1%	1,834.5	5.5%	1,660.0	8.4%	1,540.7	7.8%	1,378.8	8.6%
Public services	1,830.8	4.6%	1,868.6	5.6%	832.7	4.2%	706.1	3.6%	374.2	2.3%
Consumer services(1)	4,162.9	10.4%	3,608.3	10.8%	3,539.4	18.0%	4,065.3	20.7%	3,501.6	21.7%
Commercial services(2)	9,288.0	23.2%	7,145.6	21.3%	6,173.3	31.4%	5,950.9	30.3%	5,421.5	33.7%
Other(3)	644.3	1.6%	560.6	1.7%	44.2	0.2%	0.0	0.0%	0.0	0.0%
Total domestic loan portfolio	**28,373.2**	**70.9%**	**23,348.7**	**69.6%**	**19,676.0**	**100.0%**	**19,671.7**	**100.0%**	**16,100.2**	**100.0%**

Foreign	At December 31, 2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except when in percentages)									
Agricultural	123.5	0.3%	72.6	0.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Mining products and oil	88.8	0.2%	15.6	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Food, beverage and tobacco	540.8	1.4%	372.6	1.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Chemical production	115.1	0.3%	250.8	0.7%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other industrial and manufacturing products	287.4	0.7%	160.6	0.5%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Government	20.8	0.1%	24.4	0.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Construction	85.0	0.2%	122.7	0.4%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Trade and tourism	98.1	0.2%	116.7	0.3%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Transportation and communications	226.2	0.6%	82.2	0.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Public services	179.8	0.4%	55.7	0.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Consumer services(1)	7,693.9	19.2%	7,124.2	21.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Commercial services(2)	2,017.7	5.0%	1,801.8	5.4%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other(3)	184.8	0.5%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total foreign loan portfolio	**11,661.8**	**29.1%**	**10,199.9**	**30.4%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Total loan portfolio	**40,035.0**	**100.0%**	**33,548.5**	**100.0%**	**19,676.0**	**100.0%**	**19,671.7**	**100.0%**	**16,100.2**	**100.0%**

(1) Consumer services include loans to individuals, such as consumer loans (credit cards, vehicle, personal and others) and mortgage loans.

(2) Commercial services include wholesale trade and retail, consulting and business support services, health and social services, moneylending and other activities.

(3) In 2010, the Superintendency of Finance implemented the revised International Standard Industrial Classification of All Economic Activities as published by the United Nations in 2008 which updated the loans base by economic activity and also contributed to the increase in loans recorded under "Other" since December 2010.

Credit categories

The following table presents our loan portfolio, for the purpose of credit risk evaluation, categorized in accordance with the regulations of the Superintendency of Finance, in effect at the relevant dates.

	Loan portfolio by type of loan						
	At June 30,		At December 31,				
	2012	2011	2011	2010	2009	2008	2007
				(in Ps billions)			
Domestic							
Commercial loans	22,768.3	20,186.1	21,660.5	18,388.3	15,378.2	15,389.4	12,414.0
Consumer loans	5,484.0	4,522.2	5,023.9	3,938.6	3,350.2	3,318.6	2,774.9
Microcredit loans	242.5	206.4	240.7	198.5	213.0	192.9	126.7
Mortgages	81.9	56.9	60.8	55.5	52.3	48.5	44.4
Financial leases	1,719.5	1,020.1	1,387.3	767.7	682.3	722.4	740.1
Total domestic loan portfolio	**30,296.1**	**25,991.8**	**28,373.2**	**23,348.7**	**19,676.0**	**19,671.7**	**16,100.2**
Allowance for loans and financial lease losses	(927.4)	(832.0)	(885.9)	(824.4)	(765.5)	(662.8)	(540.2)
Total domestic loan portfolio, net	**29,368.7**	**25,159.8**	**27,487.3**	**22,524.2**	**18,910.5**	**19,008.9**	**15,559.9**
Foreign							
Commercial loans	3,825.0	2,911.2	3,773.8	3,132.6	0.0	0.0	0.0
Consumer loans	4,205.6	3,609.5	4,258.2	3,773.7	0.0	0.0	0.0
Microcredit loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mortgages	3,175.0	2,973.6	3,383.8	3,089.0	0.0	0.0	0.0
Financial leases	243.7	205.9	246.0	204.6	0.0	0.0	0.0
Total foreign loan portfolio	**11,449.3**	**9,700.1**	**11,661.8**	**10,199.9**	**0.0**	**0.0**	**0.0**
Allowance for loans and financial lease losses	(185.4)	(199.9)	(213.5)	(206.3)	0.0	0.0	0.0
Total foreign loan portfolio, net	**11,263.9**	**9,500.2**	**11,448.3**	**9,993.6**	**0.0**	**0.0**	**0.0**
Total loan portfolio, net	**40,632.6**	**34,660.0**	**38,935.7**	**32,517.8**	**18,910.5**	**19,008.9**	**15,559.9**

Risk categories

The Superintendency of Finance prescribes the minimum risk classifications for loans and financial leases. Management assigns loans and financial leases to these classifications on the basis of models developed by management and reviewed by the Superintendency of Finance. These models incorporate both subjective and objective criteria. See note 2(i) to our audited annual consolidated financial statements.

Category A — "*Normal risk*": Loans and financial leases in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, as well as all other credit information available to us, reflect adequate paying capacity.

Category B — "*Acceptable risk, above normal*": Loans and financial leases in this category are acceptably serviced and secured, but there are weaknesses which may potentially affect, on a temporary or permanent basis, the debtor's paying capacity or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.

Category C — "*Appreciable risk*": Loans and financial leases in this category have debtors with insufficient paying capacity or relate to projects with insufficient cash flow, which may compromise the normal collection of the obligations.

Category D — "*Significant risk*": Loans and financial leases in this category have the same deficiencies as loans in category C, but to a larger extent; consequently, the probability of collection is highly doubtful.

Category E — "*Risk of unrecoverable*": Loans and financial leases in this category are deemed uncollectible.

The following table presents the breakdown of our loan portfolio by risk classification in effect at June 30 of each year.

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Domestic				
"A" Normal risk	28,412.9	68.1%	24,212.6	67.8%
"B" Acceptable risk, above normal	993.4	2.4%	966.2	2.7%
"C" Appreciable risk	456.2	1.1%	382.5	1.1%
"D" Significant risk	266.6	0.6%	300.9	0.8%
"E" Risk of unrecoverable	167.0	0.4%	129.7	0.4%
Total domestic loan portfolio	**30,296.1**	**72.6%**	**25,991.8**	**72.8%**
Loan portfolio classified as "C," "D" and "E" as a percentage of total domestic loan portfolio	2.9%		3.1%	–
Foreign				
"A" Normal risk	10,885.5	26.1%	9,123.7	25.6%
"B" Acceptable risk, above normal	228.2	0.5%	204.8	0.6%
"C" Appreciable risk	200.6	0.5%	215.7	0.6%
"D" Significant risk	80.8	0.2%	88.3	0.2%
"E" Risk of unrecoverable	54.2	0.1%	67.7	0.2%
Total foreign loan portfolio	**11,449.3**	**27.4%**	**9,700.1**	**27.2%**
Loan portfolio classified as "C," "D" and "E" as a percentage of total foreign loan portfolio	2.9%		3.8%	–
Total loan portfolio	**41,745.4**	**100.0%**	**35,691.9**	**100.0%**
Loan portfolio classified as "C," "D" and "E" as a percentage of total loan portfolio	2.9%	–	3.3%	–

The following table presents the breakdown of our loan portfolio by risk classification in effect at December 31 of each year.

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Domestic										
"A" Normal risk	26,715.8	66.7%	21,662.5	64.6%	17,583.0	89.4%	18,327.1	93.2%	15,269.1	94.8%
"B" Acceptable risk, above normal	911.5	2.3%	840.2	2.5%	1,194.8	6.1%	666.8	3.4%	367.1	2.3%
"C" Appreciable risk	339.8	0.8%	345.0	1.0%	361.6	1.8%	261.0	1.3%	138.0	0.9%
"D" Significant risk	238.3	0.6%	360.5	1.1%	450.9	2.3%	314.1	1.6%	246.6	1.5%
"E" Risk of unrecoverable	167.9	0.4%	140.5	0.4%	85.8	0.4%	102.8	0.5%	79.4	0.5%
Total domestic loan portfolio	**28,373.2**	**70.9%**	**23,348.7**	**69.6%**	**19,676.0**	**100.0%**	**19,671.7**	**100.0%**	**16,100.2**	**100.0%**
Loan portfolio classified as "C," "D" and "E" as a percentage of total domestic loan portfolio	2.6%	–	3.6%	–	4.6%	–	3.4%	–	2.9%	–
Foreign										
"A" Normal risk	11,051.4	27.6%	9,407.9	28.0%	0.0	0.0	0.0	0.0	0.0	0.0
"B" Acceptable risk, above normal	222.1	0.6%	409.1	1.2%	0.0	0.0	0.0	0.0	0.0	0.0
"C" Appreciable risk	219.5	0.5%	219.7	0.7%	0.0	0.0	0.0	0.0	0.0	0.0
"D" Significant risk	83.4	0.2%	110.9	0.3%	0.0	0.0	0.0	0.0	0.0	0.0
"E" Risk of unrecoverable	85.4	0.2%	52.3	0.2%	0.0	0.0	0.0	0.0	0.0	0.0
Total foreign loan portfolio	**11,661.8**	**29.1%**	**10,199.9**	**30.4%**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Loan portfolio classified as "C," "D" and "E" as a percentage of total foreign loan portfolio	3.3%		3.8%	–	0.0%	–	0.0%	–	0.0%	–
Total loan portfolio	**40,035.0**	**100.0%**	**33,548.5**	**100.0%**	**19,676.0**	**100.0%**	**19,671.7**	**100.0%**	**16,100.2**	**100.0%**
Loan portfolio classified as "C," "D" and "E" as a percentage of total loan portfolio	2.8%		3.7%	–	4.6%	–	3.4%	–	2.9%	–

Suspension of accruals

The Superintendency of Finance mandates that interest, UVRs, lease payments and other items of income cease to be accrued in the statement of income and begin to be recorded in memorandum accounts until any payment is collected, once a loan or financial lease is in arrears for more than 90 days for commercial loans or financial leases, 60 days for mortgage and consumer loans or financial leases, and 30 days for microcredit loans.

Interest paid on non-accrued loans is recorded as "interest on loans" on our statement of income.

The following table presents the breakdown of our past due loans by type of loan in accordance with the criteria of the Superintendency of Finance in effect at June 30 of each year.

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Domestic				
Performing past due loans:(1)				
Commercial loans past due from 31 days to 90 days	65.5	12.5%	39.4	8.0%
Consumer loans past due loans from 31 days to 60 days	65.8	12.5%	41.2	8.4%
Microcredit loans past due up to 30 days	0.0	0.0%	0.0	0.0%
Mortgage loans past due from 31 days to 60 days	0.5	0.1%	0.4	0.1%
Financial leases past due from 31 days to 60/90 days(2)	19.8	3.8%	2.8	0.6%
Total domestic performing past due loan portfolio	**151.7**	**28.9%**	**83.9**	**17.0%**
Non-performing past due loans:				
Commercial loans past due more than 90 days	200.8	38.3%	242.7	49.3%
Consumer loans past due more than 60 days	139.7	26.6%	139.9	28.4%
Microcredit loans past due more than 30 days	21.3	4.1%	10.4	2.1%
Mortgage loans past due more than 60 days	1.5	0.3%	1.3	0.3%
Financial leases past due more than 60/90 days	9.4	1.8%	13.9	2.8%
Total domestic non-performing past due loan portfolio	**372.8**	**71.1%**	**408.2**	**83.0%**
Total past due loan portfolio	**524.5**	**100.0%**	**492.1**	**100.0%**
Total non-performing past due loan portfolio	372.8	–	408.2	–
Foreclosed assets	94.7	–	83.9	–
Other accounts receivable more than 180 days past due	15.7	–	21.4	–
Total domestic non-performing assets	**483.2**	**–**	**513.6**	**–**
Allowance for loan and financial lease losses	927.4	–	832.0	–
Allowance for estimated losses on foreclosed assets	65.8	–	54.7	–
Allowance for accounts receivable and accrued interest losses	37.7	–	29.5	–

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Loans and financial leases at least 31 days past due as a percentage of total domestic loans	1.7%	–	1.9%	–
Allowance for loan and financial lease losses as a percentage of loans at least 31 days past due	176.8%	–	169.1%	–
Allowance for loan and financial lease losses as a percentage of domestic loans classified as "C," "D" and "E"	104.2%	–	102.3%	–
Percentage of performing loans and financial leases to total loans and financial leases	98.8%	–	98.4%	–

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Foreign				
Performing past due loans:(1)				
Commercial loans past due from 31 days to 90 days	14.8	5.1%	20.2	6.5%
Consumer loans past due from 31 days to 60 days	46.3	16.0%	50.4	16.2%
Microcredit loans past due up to 30 days	0.0	0.0%	0.0	0.0%
Mortgage loans past due from 31 days to 60 days	0.0	0.0%	0.0	0.0%
Financial leases past due from 31 days to 60/90 days(2)	0.4	0.2%	0.7	0.2%
Total foreign performing past due loan portfolio	**61.6**	**21.3%**	**71.3**	**22.9%**
Non-performing past due loans:				
Commercial loans past due more than 90 days	57.3	19.8%	57.3	18.4%
Consumer loans past due more than 60 days	85.1	29.4%	93.3	29.9%
Microcredit loans past due more than 30 days	0.0	0.0%	0.0	0.0%
Mortgage loans past due more than 60 days	84.7	29.3%	89.5	28.7%
Financial leases past due more than 60/90 days	0.8	0.3%	0.4	0.1%
Total foreign non-performing past due loan portfolio	**227.9**	**78.7%**	**240.5**	**77.1%**
Total past due loan portfolio	**289.5**	**100.0%**	**311.8**	**100.0%**
Total non-performing past due loan portfolio	227.9	–	240.5	–
Foreclosed assets	48.1	–	59.7	–
Other accounts receivable more than 180 days past due	0.0	–	0.0	–
Total foreign non-performing assets	**276.1**	**–**	**300.1**	**–**
Allowance for foreign loan and financial lease losses	185.4	–	199.9	–
Allowance for estimated losses on foreclosed assets	23.4	–	22.5	–
Allowance for accounts receivable and accrued interest losses	0.0	–	0.0	–
Loans and financial leases at least 31 days past due as a percentage of total loans	2.5%	–	3.2%	–
Allowance for loan and financial lease losses as a percentage of loans at least 31 days past due	64.0%	–	64.1%	–
Allowance for loan and financial lease losses as a percentage of loans classified as "C," "D" and "E"	55.3%	–	53.8%	–
Percentage of performing loans and financial leases to total foreign loans and financial leases	98.0%	–	97.5%	–

(1) Performing past due loans are loans upon which interest has not been received for the periods indicated; however, we continue to recognize income. Once interest is unpaid on accrual loans for greater than the amount of days specified in the respective line item above, the loan is classified as non-performing.

(2) Includes commercial and consumer financial leases.

The following table presents the breakdown of our past due loans by type of loan in accordance with the criteria of the Superintendency of Finance in effect at December 31 of each year.

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Domestic										
Performing past due loans: (1)										
Commercial loans past due from 31 days to 90 days	37.3	8.3%	62.8	12.2%	54.5	9.4%	81.4	16.0%	70.6	19.0%
Consumer loans past due loans from 31 days to 60 days	38.5	8.6%	33.3	6.5%	43.9	7.6%	54.9	10.8%	43.2	11.6%
Microcredit loans past due up to 30 days	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Mortgage loans past due from 31 days to 60 days	0.4	0.1%	0.4	0.1%	0.6	0.1%	0.9	0.2%	0.3	0.1%
Financial leases past due from 31 days to 60/90 days (2)	10.7	2.4%	5.8	1.1%	20.8	3.6%	25.9	5.1%	20.7	5.6%
Total domestic performing past due loan portfolio	**86.8**	**19.3%**	**102.3**	**19.9%**	**119.9**	**20.8%**	**163.0**	**32.2%**	**134.8**	**36.3%**
Non-performing past due loans:										
Commercial loans past due more than 90 days	201.2	44.8%	233.8	45.6%	256.5	44.4%	185.1	36.5%	127.7	34.4%
Consumer loans past due more than 60 days	137.0	30.5%	148.1	28.9%	172.6	29.9%	131.3	25.9%	90.8	24.4%
Microcredit loans past due more than 30 days	10.5	2.3%	11.9	2.3%	11.2	1.9%	6.5	1.3%	5.5	1.5%
Mortgage loans past due more than 60 days	1.6	0.4%	1.7	0.3%	2.6	0.5%	2.2	0.4%	2.4	0.6%
Financial leases past due more than 60/90 days	11.5	2.6%	15.2	3.0%	14.8	2.6%	18.8	3.7%	10.6	2.9%
Total domestic non-performing past due loan portfolio	**361.8**	**80.7%**	**410.8**	**80.1%**	**457.6**	**79.2%**	**343.9**	**67.8%**	**237.0**	**63.7%**
Total domestic past due loan portfolio	**448.6**	**100.0%**	**513.1**	**100.0%**	**577.5**	**100.0%**	**506.9**	**100.0%**	**371.8**	**100.0%**
Total non-performing past due loan portfolio	361.8	–	410.8	–	457.6	–	343.9	–	237.0	–
Foreclosed assets	87.5	–	68.5	–	89.7	–	76.4	–	100.8	–
Other accounts receivable more than 180 days past due	17.5	–	26.1	–	20.0	–	11.9	–	6.3	–
Total domestic non-performing assets	**466.8**	**–**	**505.5**	**–**	**567.4**	**–**	**432.2**	**–**	**344.1**	**–**
Allowance for domestic loan and financial lease losses	885.9	–	824.4	–	765.5	–	662.8	–	540.2	–
Allowance for estimated losses on foreclosed assets	61.0	–	50.8	–	64.0	–	58.1	–	74.8	–
Allowance for accounts receivable and accrued interest losses	31.0	–	25.5	–	31.3	–	18.2	–	12.3	–
Domestic loans and financial leases at least 31 days past due as a percentage of total domestic loans	1.6%	–	2.2%	–	2.9%	–	2.6%	–	2.3%	–
Allowance for domestic loan and financial lease losses as a percentage of domestic loans at least 31 days past due	197.5%	–	160.7%	–	132.5%	–	130.8%	–	145.3%	–
Allowance for domestic loan and financial lease losses as a percentage of domestic loans classified as “C,” “D” and “E”	118.8%	–	97.5%	–	85.2%	–	97.8%	–	116.4%	–
Percentage of domestic performing loans and financial leases to total domestic loans and financial leases	98.7%	–	98.2%	–	97.7%	–	98.3%	–	98.5%	–

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Foreign										
Performing past due loans: (1)										
Commercial loans past due from 31 days to 90 days	14.4	4.3%	8.6	2.7%	–	–	–	–	–	–
Consumer loans past due loans from 31 days to 60 days	46.5	14.0%	70.8	22.6%	–	–	–	–	–	–
Microcredit loans past due up to 30 days	0.0	0.0%	0.0	0.0%	–	–	–	–	–	–
Mortgage loans past due from 31 days to 60 days	0.0	0.0%	38.4	12.2%	–	–	–	–	–	–
Financial leases past due from 31 days to 60/90 days (2)	1.5	0.5%	1.1	0.3%	–	–	–	–	–	–
Total foreign performing past due loan portfolio	**62.4**	**18.8%**	**118.9**	**37.9%**	**–**	**–**	**–**	**–**	**–**	**–**
Non-performing past due loans:										
Commercial loans past due more than 90 days	80.0	24.1%	50.6	16.1%	–	–	–	–	–	–
Consumer loans past due more than 60 days	86.9	26.2%	89.7	28.6%	–	–	–	–	–	–
Microcredit loans past due more than 30 days	0.0	0.0%	0.0	0.0%	–	–	–	–	–	–
Mortgage loans past due more than 60 days	100.1	30.2%	54.2	17.3%	–	–	–	–	–	–
Financial leases past due more than 60/90 days	2.3	0.7%	0.5	0.2%	–	–	–	–	–	–
Total foreign non-performing past due loan portfolio	**269.4**	**81.2%**	**195.0**	**62.1%**	**–**	**–**	**–**	**–**	**–**	**–**
Total foreign past due loan portfolio	**331.8**	**100.0%**	**313.9**	**100.0%**	**–**	**–**	**–**	**–**	**–**	**–**
Total non-performing past due loan portfolio	269.4	–	195.0	–	–	–	–	–	–	–
Foreclosed assets	61.8	–	67.4	–	–	–	–	–	–	–
Other accounts receivable more than 180 days past due	0.0	–	0.0	–	–	–	–	–	–	–
Total foreign non-performing assets	**331.2**	**–**	**262.4**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Allowance for foreign loan and financial lease losses	213.5	–	206.3	–	–	–	–	–	–	–
Allowance for estimated losses on foreclosed assets	29.5	–	24.2	–	–	–	–	–	–	–
Allowance for accounts receivable and accrued interest losses	0.0	–	0.0	–	–	–	–	–	–	–
Foreign loans and financial leases at least 31 days past due as a percentage of total foreign loans	2.8%	–	3.1%	–	–	–	–	–	–	–
Allowance for foreign loan and financial lease losses as a percentage of foreign loans at least 31 days past due	64.3%	–	65.7%	–	–	–	–	–	–	–
Allowance for foreign loan and financial lease losses as a percentage of foreign loans classified as "C," "D" and "E"	55.0%	–	53.9%	–	–	–	–	–	–	–
Percentage of foreign performing loans and financial leases to total foreign loans and financial leases	97.7%	–	98.1%	–	–	–	–	–	–	–

(1) Performing past due loans are loans upon which interest has not been received for the periods indicated, however we continue to recognize income. Once interest is unpaid on accrual loans for greater than the amount of days specified in the respective line item above, the loan is classified as non-performing.

(2) Includes commercial and consumer financial leases.

The following table presents the breakdown of the non-performing past due loans by type of loan in accordance with the criteria of the Superintendency of Finance for domestic and foreign loans at the periods indicated.

	At June 30,		At December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(in Ps billions)						
Domestic							
Non-performing past due loans:							
Commercial loans past due more than 90 days	139.7	242.7	137.0	233.8	256.5	185.1	127.7
Consumer loans past due more than 60 days	21.3	139.9	10.5	148.1	172.6	131.3	90.8
Microcredit loans past due more than 30 days	200.8	10.4	201.2	11.9	11.2	6.5	5.5
Mortgage loans past due more than 60 days	1.5	1.3	1.6	1.7	2.6	2.2	2.4
Financial leases past due more than 60 days	9.4	13.9	11.5	15.2	14.8	18.8	10.6
Total domestic non-performing past due loan portfolio	**372.8**	**408.2**	**361.8**	**410.8**	**457.6**	**343.9**	**237.0**
Foreign							
Non-performing past due loans:							
Commercial loans past due more than 90 days	85.1	57.3	86.9	50.6	0.0	0.0	0.0
Consumer loans past due more than 60 days	0.0	93.3	0.0	89.7	0.0	0.0	0.0
Microcredit loans past due more than 30 days	57.3	0.0	80.0	0.0	0.0	0.0	0.0
Mortgage loans past due more than 60 days	84.7	89.5	100.1	54.2	0.0	0.0	0.0
Financial leases past due more than 60 / 90 days	0.8	0.4	2.3	0.5	0.0	0.0	0.0
Total foreign non-performing past due loan portfolio	**227.9**	**240.5**	**269.4**	**195.0**	**0.0**	**0.0**	**0.0**
Total non-performing past due loan portfolio	**600.7**	**648.7**	**631.2**	**605.8**	**457.6**	**343.9**	**237.0**

The following tables present our past due loan portfolio by type of loan.

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Domestic				
Commercial				
General purpose loans	199.2	24.5%	184.2	22.9%
Loans funded by development banks	20.9	2.6%	23.1	2.9%
Working capital loans	28.7	3.5%	57.1	7.1%
Credit cards	8.5	1.0%	10.7	1.3%
Overdrafts	9.1	1.1%	6.9	0.9%
Total commercial	**266.4**	**32.7%**	**282.0**	**35.1%**
Consumer				
Credit cards	48.3	5.9%	48.1	6.0%
Personal loans	126.0	15.5%	109.3	13.6%
Automobile and vehicle loans	26.1	3.2%	17.7	2.2%
Overdrafts	5.1	0.6%	6.0	0.7%
Loans funded by development banks	0.0	0.0%	0.0	0.0%
General purpose loans	0.0	0.0%	0.0	0.0%
Working capital loans	0.0	0.0%	0.0	0.0%
Total consumer	**205.5**	**25.2%**	**181.1**	**22.5%**
Microcredit	21.3	2.6%	10.4	1.3%
Mortgages	2.1	0.3%	16.8	2.1%
Financial leases	29.3	3.6%	1.8	0.2%
Total past due loan portfolio - Domestic	**524.5**	**64.4%**	**492.1**	**61.2%**

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Foreign				
Commercial				
General purpose loans	27.1	3.3%	72.7	9.0%
Loans funded by development banks	0.0	0.0%	0.0	0.0%
Working capital loans	7.7	0.9%	4.8	0.6%
Credit cards	0.0	0.0%	0.0	0.0%
Overdrafts	37.3	4.6%	0.0	0.0%
Total commercial	**72.1**	**8.9%**	**77.5**	**9.6%**
Consumer				
Credit cards	115.9	14.2%	128.0	15.9%
Personal loans	5.1	0.6%	4.4	0.6%
Automobile and vehicle loans	8.6	1.1%	10.7	1.3%
Overdrafts	1.8	0.2%	0.0	0.0%
Loans funded by development banks	0.0	0.0%	0.0	0.0%
General purpose loans	0.0	0.0%	0.0	0.0%
Working capital loans	0.0	0.0%	0.5	0.1%
Total consumer	**131.4**	**16.1%**	**143.7**	**17.9%**
Microcredit	0.0	0.0%	0.0	0.0%
Mortgages	84.7	10.4%	1.1	0.1%
Financial leases	1.3	0.2%	89.5	11.1%
Total past due loan portfolio - Foreign	**289.5**	**35.6%**	**311.8**	**38.8%**
Total past due loan portfolio	**814.0**	**100.0%**	**803.9**	**100.0%**

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Domestic										
Commercial										
General purpose loans	180.7	23.1%	204.6	24.7%	197.5	34.2%	186.7	36.8%	139.5	37.5%
Loans funded by development banks	19.7	2.5%	29.5	3.6%	23.2	4.0%	25.4	5.0%	21.2	5.7%
Working capital loans	23.4	3.0%	44.9	5.4%	67.6	11.7%	33.2	6.5%	22.8	6.1%
Credit cards	7.9	1.0%	10.4	1.3%	13.1	2.3%	9.6	1.9%	7.6	2.0%
Overdrafts	6.8	0.9%	7.3	0.9%	9.6	1.7%	11.5	2.3%	7.3	2.0%
Total commercial	**238.5**	**30.6%**	**296.6**	**35.9%**	**311.0**	**53.8%**	**266.4**	**52.6%**	**198.3**	**53.3%**
Consumer										
Credit cards	45.6	5.8%	47.9	5.8%	53.5	9.3%	43.8	8.6%	32.6	8.8%
Personal loans	107.0	13.7%	110.4	13.3%	134.2	23.2%	112.9	22.3%	80.8	21.7%
Automobile and vehicle loans	17.8	2.3%	17.5	2.1%	21.4	3.7%	19.4	3.8%	12.9	3.5%
Overdrafts	5.2	0.7%	5.6	0.7%	7.3	1.3%	10.2	2.0%	7.7	2.1%
Loans funded by development banks	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
General purpose loans	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Working capital loans	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total consumer	**175.5**	**22.5%**	**181.4**	**21.9%**	**216.5**	**37.5%**	**186.2**	**36.7%**	**134.0**	**36.0%**
Microcredit	10.5	1.3%	11.9	1.4%	11.2	1.9%	6.5	1.3%	5.5	1.5%
Mortgages	2.0	0.3%	2.1	0.3%	3.3	0.6%	3.0	0.6%	2.7	0.7%
Financial leases	22.2	2.8%	21.0	2.5%	35.5	6.2%	44.7	8.8%	31.3	8.4%
Total domestic past due loan portfolio	**448.6**	**57.5%**	**513.1**	**62.0%**	**577.5**	**100.0%**	**506.9**	**100.0%**	**371.8**	**100.0%**

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Foreign										
Commercial										
General purpose loans	49.3	6.3%	56.2	6.8%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Loans funded by development banks	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Working capital loans	6.8	0.9%	3.1	0.4%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Credit cards	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Overdrafts	38.5	4.9%	0.0	0.0%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Total commercial	**94.5**	**12.1%**	**59.2**	**7.2%**	**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Consumer										
Credit cards	114.8	14.7%	136.8	16.5%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Personal loans	6.9	0.9%	5.8	0.7%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Automobile and vehicle loans	9.3	1.2%	12.0	1.5%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Overdrafts	2.3	0.3%	0.0	0.0%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Loans funded by development banks	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
General purpose loans	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Working capital loans	0.0	0.0%	5.9	0.7%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Total consumer	**133.4**	**17.1%**	**160.5**	**19.4%**	**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Microcredit	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Mortgages	100.1	12.8%	92.6	11.2%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Financial leases	3.8	0.5%	1.6	0.2%	0.0	0.0%	0.0%	0.0%	0.0%	0.0%
Total foreign past due loan portfolio	**331.8**	**42.5%**	**313.9**	**38.0%**	**0.0**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Total past due loan portfolio	**780.4**	**100.0%**	**827.0**	**100.0%**	**577.5**	**100.0%**	**506.9**	**100.0%**	**371.8**	**100.0%**

The following tables present information with respect to our loan portfolio at least 31 days past due based on the nature of the collateral for the loan.

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Domestic				
Secured				
Past due 31 to 360 days				
Commercial	83.5	0.2%	66.9	0.2%
Consumer	25.0	0.1%	18.2	0.1%
Microcredit	14.9	0.0%	6.7	0.0%
Mortgages	1.3	0.0%	1.1	0.0%
Financial leases	23.0	0.1%	8.2	0.0%
Total 31 to 360 days	**147.7**	**0.4%**	**101.1**	**0.3%**
Total past due more than 360 days	47.9	0.1%	42.8	0.1%
Total current	7,275.5	17.9%	6,141.2	17.7%
Total secured loan portfolio	**7,471.1**	**18.4%**	**6,285.1**	**18.1%**
Unsecured(1)				
Past due 31 to 360 days				
Commercial	74.3	0.2%	110.0	0.3%
Consumer	161.8	0.4%	131.4	0.4%
Microcredit	5.8	0.0%	1.7	0.0%
Mortgages	0.0	0.0%	0.0	0.0%
Financial leases	0.0	0.0%	0.0	0.0%
Total 31 to 360 days	**241.9**	**0.6%**	**243.1**	**0.7%**

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Total past due more than 360 days	**87.0**	**0.2%**	**103.9**	**0.3%**
Total current	22,496.1	55.4%	19,358.5	55.9%
Total unsecured loan portfolio	**22,825.0**	**56.2%**	**19,705.5**	**56.9%**
Total loan portfolio, gross	**30,296.1**	**74.6%**	**25,990.6**	**75.0%**
Allowances	(927.4)	(2.3)%	(832.0)	(2.4)%
Total domestic loan portfolio, net	**29,368.7**	**72.3%**	**25,158.6**	**72.6%**
Foreign				
Secured				
Past due 31 to 360 days				
Commercial	11.3	0.0%	6.4	0.0%
Consumer	8.6	0.0%	11.0	0.0%
Microcredit	0.0	0.0%	0.0	0.0%
Mortgages	73.8	0.2%	72.6	0.2%
Financial leases	1.3	0.0%	1.1	0.0%
Total 31 to 360 days	**95.0**	**0.2%**	**91.1**	**0.3%**
Total past due more than 360 days	**20.1**	**0.0%**	**20.5**	**0.1%**
Total current	5,461.8	13.4%	4,815.0	13.9%
Total secured loan portfolio	**5,576.8**	**13.7%**	**4,926.6**	**14.2%**
Unsecured(1)				
Past due 31 to 360 days				
Commercial	39.1	0.1%	53.0	0.2%
Consumer	121.9	0.3%	131.2	0.4%
Microcredit	0.0	0.0%	0.0	0.0%
Mortgages	0.0	0.0%	0.0	0.0%
Financial leases	0.0	0.0%	0.0	0.0%
Total 31 to 360 days	**161.0**	**0.4%**	**184.1**	**0.5%**
Total past due more than 360 days	**13.4**	**0.0%**	**16.0**	**0.0%**
Total current	5,698.0	14.0%	4,573.3	13.2%
Total unsecured loan portfolio	**5,872.5**	**14.5%**	**4,773.5**	**13.8%**
Total loan portfolio, gross	**11,449.3**	**28.2%**	**9,700.1**	**28.0%**
Allowances	(185.4)	(0.5)%	(199.9)	(0.6)%
Total foreign loan portfolio, net	**11,263.9**	**27.7%**	**9,500.2**	**27.4%**
Total loan portfolio, net	**40,632.6**	**100.0%**	**34,660.0**	**100.0%**

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Domestic										
Secured										
Past due 31 to 360 days										
Commercial	68.2	0.2%	54.3	0.2%	113.2	0.6%	137.6	0.7%	71.2	0.5%
Consumer	17.1	0.0%	15.1	0.0%	24.2	0.1%	26.1	0.1%	17.5	0.1%
Microcredit	7.0	0.0%	3.6	0.0%	7.0	0.0%	3.4	0.0%	1.6	0.0%
Mortgages	1.3	0.0%	1.4	0.0%	2.0	0.0%	1.9	0.0%	1.6	0.0%
Financial leases	13.4	0.0%	14.3	0.0%	27.6	0.1%	39.2	0.2%	29.1	0.2%
Total 31 to 360 days	**107.0**	**0.3%**	**89.0**	**0.3%**	**174.0**	**0.9%**	**208.2**	**1.1%**	**121.0**	**0.8%**
Total past due more than 360 days	49.9	0.1%	28.9	0.1%	55.4	0.3%	37.1	0.2%	24.8	0.2%
Total current	6,964.4	17.9%	6,277.6	19.3%	5,716.6	30.2%	5,507.0	29.0%	4,743.0	30.5%
Total secured loan portfolio	**7,121.3**	**18.3%**	**6,395.6**	**19.7%**	**5,946.0**	**31.4%**	**5,752.3**	**30.3%**	**4,888.7**	**31.4%**

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Unsecured(1)										
Past due 31 to 360 days										
Commercial	73.9	0.2%	147.3	0.5%	114.1	0.6%	72.3	0.4%	88.5	0.6%
Consumer	132.7	0.3%	139.4	0.4%	166.7	0.9%	152.5	0.8%	107.0	0.7%
Microcredit	2.9	0.0%	2.7	0.0%	2.1	0.0%	2.9	0.0%	2.5	0.0%
Mortgages	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Financial leases	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total 31 to 360 days	209.4	0.5%	289.4	0.9%	282.8	1.5%	227.8	1.2%	198.0	1.3%
Total past due more than 360 days	**82.3**	**0.2%**	**105.8**	**0.3%**	**65.3**	**0.3%**	**33.9**	**0.2%**	**28.0**	**0.2%**
Total current	20,960.2	53.8%	16,557.9	50.9%	13,381.9	70.8%	13,657.8	71.8%	10,985.4	70.6%
Total unsecured loan portfolio	**21,251.9**	**54.6%**	**16,953.1**	**52.1%**	**13,730.0**	**72.6%**	**13,919.4**	**73.2%**	**11,211.4**	**72.1%**
Total loan portfolio, gross	**28,373.2**	**72.9%**	**23,348.7**	**71.8%**	**19,676.0**	**104.0%**	**19,671.7**	**103.5%**	**16,100.2**	**103.5%**
Allowances	(885.9)	-2.3%	(824.4)	(2.5)%	(765.5)	(4.0)%	(662.8)	(3.5)%	(540.3)	(3.5)%
Total domestic loan portfolio, net	**27,487.3**	**70.6%**	**22,524.2**	**69.3%**	**18,910.5**	**100.0%**	**19,008.9**	**100.0%**	**15,559.9**	**100.0%**
Foreign										
Secured										
Past due 31 to 360 days										
Commercial	14.1	0.0%	34.1	0.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Consumer	9.2	0.0%	40.5	0.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Microcredit	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Mortgages	80.8	0.2%	75.9	0.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Financial leases	3.8	0.0%	1.6	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total 31 to 360 days	**107.9**	**0.3%**	**152.0**	**0.5%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Total past due more than 360 days	36.1	0.1%	25.0	0.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total current	5,423.3	13.9%	5,745.3	17.7%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total secured loan portfolio	**5,567.3**	**14.3%**	**5,922.3**	**18.2%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Unsecured(1)										
Past due 31 to 360 days										
Commercial	36.9	0.1%	9.6	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Consumer	122.8	0.3%	118.8	0.4%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Microcredit	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Mortgages	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Financial leases	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total 31 to 360 days	159.7	0.4%	128.4	0.4%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total past due more than 360 days	**28.2**	**0.1%**	**8.5**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Total current	5,906.7	15.2%	4,140.7	12.7%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total unsecured loan portfolio	6,094.5	15.7%	4,277.6	13.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total loan portfolio, gross	**11,661.8**	**30.0%**	**10,199.9**	**31.4%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Allowances	(213.5)	(0.5)%	(206.3)	(0.6)%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total foreign loan portfolio, net	**11,448.3**	**29.4%**	**9,993.6**	**30.7%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Total loan portfolio, net	**38,935.7**	**100.0%**	**32,517.8**	**100.0%**	**18,910.5**	**100.0%**	**19,008.9**	**100.0%**	**15,559.9**	**100.0%**

(1) Includes loans with personal guarantees.

Non-accrual, non-performing loans, performing loans, and performing troubled restructured loans

Non-accrual loans

The following tables present loans accounted for on a non-accrual basis classified into domestic and foreign loans, the gross interest income that would have been recorded in the relevant period if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination, and the amount of interest income on those loans that was included in net income for that period.

	At and for the six-month period ended June 30, 2012		
	Amount of loans	Gross interest income	Interest income included in net income for the period
		(in Ps billions)	
Domestic	372.8	42.3	10.5
Foreign	227.9	6.4	0.0
Total non-accrual loan portfolio	**600.7**	**48.7**	**10.5**

	At and for the year ended December 31, 2011		
	Amount of loans	Gross interest income	Interest income included in net income for the period
		(in Ps billions)	
Domestic	361.8	67.7	19.1
Foreign	269.4	15.1	0.0
Total non-accrual loan portfolio	**631.2**	**82.9**	**19.1**

Non-performing troubled debt restructured loans

The following tables present our non-performing troubled debt restructured loans classified into domestic and foreign loans, the gross interest income that would have been recorded in the relevant period if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination, and the amount of interest income on those loans that was included in net income for that period.

	At and for the six-month period ended June 30, 2012		
	Amount of loans	Gross interest income	Interest income included in net income for the period
		(in Ps billions)	
Domestic	591.8	28.4	19.8
Foreign	20.5	1.7	0.0
Total non-performing troubled debt restructured loan portfolio	**612.3**	**30.0**	**19.8**

	At and for the year ended December 31, 2011		
	Amount of loans	Gross interest income	Interest income included in net income for the period
		(in Ps billions)	
Domestic	564.8	43.6	34.4
Foreign	29.9	4.6	0.0
Total non-performing troubled debt restructured loan portfolio	**594.7**	**48.2**	**34.4**

Performing troubled restructured loans

The following tables present our performing troubled debt restructured loan portfolio classified into domestic and foreign loans, the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination and the amount of interest income on those loans that was included in net income for the period.

	At and for the six-month period ended June 30, 2012		
	Amount of loans	Gross interest income	Interest Income included in net income for the period
		(in Ps billions	
Domestic	290.6	10.4	10.3
Foreign	123.1	10.4	10.1
Total performing troubled debt restructured loan portfolio	**413.7**	**20.8**	**20.4**

	At and for the year ended December 31, 2011		
	Amount of loans	Gross interest income	Interest Income included in net income for the period
		(in Ps billions)	
Domestic	272.1	23.9	23.9
Foreign	122.0	24.2	23.7
Total performing troubled debt restructured loan portfolio	**394.1**	**48.2**	**47.5**

The following tables present a summary of our troubled debt restructuring loan portfolio, classified into domestic and foreign loans, accounted for on an performing basis in accordance with the criteria of the Superintendency of Finance in effect at the end of each period.

	At June 30,	
	2012	2011
	(in Ps billions)	
Domestic	290.6	328.6
Foreign	123.1	117.5
Total performing troubled debt restructuring loan portfolio(1)	**413.7**	**446.1**

	At December 31,				
	2011	2010	2009	2008	2007
			(in Ps billions)		
Domestic	272.1	377.4	311.6	248.5	269.6
Foreign	122.0	182.4	0.0	0.0	0.0
Total performing troubled debt restructuring loan portfolio(1)	**394.1**	**559.7**	**311.6**	**248.5**	**269.6**

(1) Restructured loans are loans that have been modified due to an impairment of the conditions of the beneficiary.

Movements in allowances for credit losses

Allowance for loan losses

We record allowance for loan and financial lease losses in accordance with regulations established by the Superintendency of Finance. For further information regarding the regulation and methodologies for the calculation of such allowances, see note 2(i) to our audited annual consolidated financial statements.

The following tables present the changes in the allowance for loan and financial lease losses during the periods indicated.

	Six-month period ended June 30,		Year ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
	(in Ps billions)						
Domestic							
Balance at beginning of period	885.9	824.4	824.4	765.5	662.8	540.2	415.6
Increase in allowance through business combinations(1)	5.5	0.5	1.7	0.0	0.0	0.0	0.0
Allowance for financial leasing reclassification	0.0	0.0	0.1	0.0	0.0	0.0	0.0
Provisions for loan losses	405.3	382.9	762.3	760.4	753.6	652.6	557.2
Charge-offs	(112.9)	(117.2)	(212.5)	(244.7)	(187.4)	(154.4)	(99.9)
Effect of difference in exchange rate	(1.0)	(2.1)	(0.8)	(0.6)	(0.8)	0.7	(0.6)
Reclassification – securitization	0.0	0.0	0.0	0.0	(0.3)	0.3	0.2
Reversals of provisions	**(255.4)**	**(256.4)**	**(489.3)**	**(473.8)**	**(462.4)**	**(376.7)**	**(331.7)**
Balance at end of year (domestic)	**927.4**	**832.0**	**885.9**	**824.4**	**765.5**	**662.8**	**540.2**
Foreign							
Balance at beginning of period	213.5	206.3	206.3	0.0	0.0	0.0	0.0
Increase in allowance through business combinations(1)	0.0	0.0	0.0	184.4	0.0	0.0	0.0
Allowance for financial leasing reclassification	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for loan losses	71.3	86.1	170.5	1.0	0.0	0.0	0.0
Charge-offs	(57.9)	(74.5)	(165.1)	(17.5)	0.0	0.0	0.0
Effect of difference in exchange rate	(17.3)	(18.0)	10.8	38.7	0.0	0.0	0.0
Reclassification – securitization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversals of provisions	(24.1)	0.0	(9.1)	(0.3)	0.0	0.0	0.0
Balance at end of year (foreign)	**185.4**	**199.9**	**213.5**	**206.3**	**0.0**	**0.0**	**0.0**
Balance at end of year (total domestic and foreign)(2)	**1,112.8**	**1,031.9**	**1,099.4**	**1,030.7**	**765.5**	**662.8**	**540.2**

(1) Reflects the business acquisition of BAC Credomatic in 2010.

(2) The allowance balance for accrued interest receivable, which is not included in this item, amounted to Ps 37.3 billion and Ps 29.5 billion for the six-month periods ended June 30, 2012 and 2011, and Ps 31.0 billion, Ps 26.1 billion, Ps 33.3 billion, Ps 18.2 billion and Ps 12.3 billion for the years ended December 31, 2011, 2010, 2009, 2008 and 2007, respectively.

Recoveries of charged-off loans are recorded on the statement of income under recovery of charged-off assets and are not included in provisions for loan losses.

The following tables present the allocation of our allowance for loan losses by category of loan and financial lease losses.

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Domestic				
Commercial				
General purpose loans	450.0	40.4%	419.2	40.6%
Loans funded by development banks	30.6	2.7%	33.3	3.2%
Working capital loans	109.1	9.8%	101.4	9.8%
Credit cards	10.1	0.9%	9.6	0.9%
Overdrafts	10.3	0.9%	7.0	0.7%
Total commercial	**610.1**	**54.8%**	**570.5**	**55.3%**

	At June 30,			
	2012	%	2011	%
	(in Ps billions, except percentages)			
Consumer				
Credit cards	58.3	5.2%	50.5	4.9%
Personal loans	175.2	15.7%	145.5	14.1%
Automobile and vehicle loans	20.5	1.8%	17.9	1.7%
Overdrafts	4.4	0.4%	4.4	0.4%
Loans funded by development banks	0.0	0.0%	0.0	0.0%
General purpose loans	0.0	0.0%	0.0	0.0%
Working capital loans	0.1	0.0%	0.0	0.0%
Total consumer	**258.6**	**23.2%**	**218.4**	**21.2%**
Microcredit	13.1	1.2%	9.0	0.9%
Mortgages	1.5	0.1%	1.2	0.1%
Financial leases	41.2	3.7%	30.7	3.0%
General (1)	2.9	0.3%	2.3	0.2%
Total domestic	**927.4**	**83.3%**	**832.0**	**80.6%**
Foreign				
Commercial				
General purpose loans	38.1	3.4%	48.8	4.7%
Loans funded by development banks	0.0	0.0%	0.0	0.0%
Working capital loans	15.7	1.4%	6.1	0.6%
Credit cards	0.0	0.0%	0.0	0.0%
Overdrafts	1.5	0.1%	0.7	0.1%
Total commercial	**55.3**	**5.0%**	**55.6**	**5.4%**
Consumer				
Credit cards	105.9	9.5%	106.4	10.3%
Personal loans	4.5	0.4%	5.4	0.5%
Automobile and vehicle loans	3.6	0.3%	4.1	0.4%
Overdrafts	2.0	0.2%	1.9	0.2%
Loans funded by development banks	0.0	0.0%	0.0	0.0%
General purpose loans	0.0	0.0%	0.0	0.0%
Working capital loans	0.0	0.0%	0.0	0.0%
Total consumer	**116.0**	**10.4%**	**117.8**	**11.4%**
Microcredit	0.0	0.0%	0.0	0.0%
Mortgages	12.0	1.1%	25.1	2.4%
Financial leases	2.2	0.2%	1.4	0.1%
General (1)	0.0	0.0%	0.0	0.0%
Total foreign	**185.4**	**16.7%**	**199.9**	**19.4%**
Total allowance for loan and financial lease losses	**1,112.8**	**100.0%**	**1,031.9**	**100.0%**

(1) We adopted the Commercial Reference Model (July 2007) and the Consumer Reference Model (July 2008) issued by the Superintendency of Finance. Notwithstanding the elimination of the general allowance for loan losses dictated by these models, this did not result in a decrease in the total amount of allowances, as allowances for individual loans increased. At June 30, 2012 and December 31, 2011, the general allowance includes an amount equal to 1.0% of gross mortgage and microcredit loans in Colombia and general allowances in other jurisdictions.

The following tables present the allocation of our allowance for loans and financial lease losses by type of loan

	At December 31,									
	2011	%	2010	%	2009	%	2008	%	2007	%
	(in Ps billions, except percentages)									
Domestic										
Commercial										
General purpose loans	436.3	39.7%	428.4	41.6%	329.2	43.0%	287.6	43.4%	253.4	46.9%
Loans funded by development banks	32.8	3.0%	34.3	3.3%	32.5	4.2%	33.1	5.0%	28.1	5.2%
Working capital loans	99.3	9.0%	88.9	8.6%	119.6	15.6%	106.0	16.0%	74.6	13.8%
Credit cards	9.1	0.8%	10.5	1.0%	11.3	1.5%	8.5	1.3%	6.8	1.3%
Overdrafts	5.6	0.5%	5.9	0.6%	9.2	1.2%	7.6	1.1%	6.0	1.1%
Total commercial	**583.0**	**53.0%**	**567.9**	**55.1%**	**501.9**	**65.6%**	**442.6**	**66.8%**	**368.8**	**68.3%**
Consumer										
Credit cards	62.0	5.6%	52.0	5.0%	51.0	6.7%	42.8	6.5%	29.1	5.4%
Personal loans	168.8	15.4%	138.9	13.5%	141.7	18.5%	112.9	17.0%	65.3	12.1%
Automobile and vehicle loans	19.0	1.7%	19.4	1.9%	22.0	2.9%	20.3	3.1%	9.8	1.8%
Overdrafts	4.7	0.4%	4.2	0.4%	5.5	0.7%	6.1	0.9%	3.9	0.7%
Loans funded by development banks	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
General purpose loans	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Working capital loans	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total consumer	**254.5**	**23.2%**	**214.4**	**20.8%**	**220.2**	**28.8%**	**182.1**	**27.5%**	**108.1**	**20.0%**
Microcredit	8.8	0.8%	11.0	1.1%	9.2	1.2%	5.6	0.8%	4.3	0.8%
Mortgages	1.3	0.1%	1.2	0.1%	2.0	0.3%	2.0	0.3%	1.6	0.3%
Financial leases	35.5	3.2%	27.7	2.7%	27.6	3.6%	26.6	4.0%	21.2	3.9%
General	2.7	0.2%	2.2	0.2%	4.5	0.6%	3.8	0.6%	36.3	6.7%
Total domestic	**885.9**	**80.6%**	**824.4**	**80.0%**	**765.5**	**100.0%**	**662.8**	**100.0%**	**540.2**	**100.0%**
Foreign										
Commercial										
General purpose loans	50.1	4.6%	62.6	6.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Loans funded by development banks	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Working capital loans	12.7	1.2%	9.1	0.9%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Credit cards	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Overdrafts	1.0	0.1%	5.7	0.5%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total commercial	**63.8**	**5.8%**	**77.4**	**7.5%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Consumer										
Credit cards	107.4	9.8%	94.6	9.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Personal loans	7.4	0.7%	4.1	0.4%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Automobile and vehicle loans	5.4	0.5%	5.3	0.5%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Overdrafts	2.1	0.2%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Loans funded by development banks	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
General purpose loans	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Working capital loans	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total consumer	**122.3**	**11.1%**	**104.0**	**10.1%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Microcredit	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Mortgages	24.7	2.2%	23.5	2.3%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Financial leases	2.7	0.2%	1.4	0.1%	0.0	0.0%	0.0	0.0%	0.0	0.0%
General	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%	0.0	0.0%
Total foreign	**213.5**	**19.4%**	**206.3**	**20.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**	**0.0**	**0.0%**
Total allowance for loan and financial lease losses	**1,099.4**	**100.0%**	**1,030.7**	**100.0%**	**765.5**	**100.0%**	**662.8**	**100.0%**	**540.2**	**100.0%**

Charge-offs

The following table presents the allocation of our charge-offs by type of loan for the six-month periods ended June 30, 2012 and 2011 and the years ended December 31, 2011, 2010, 2009, 2008 and 2007.

	Six-month period ended June 30,		Year ended December 31,				
	2012	2011	2011	2010	2009	2008	2007
				(in Ps billions)			
Domestic							
Commercial and consumer							
General purpose loans	12.5	31.4	54.5	54.8	58.8	47.7	35.5
Loans funded by development banks	1.3	2.2	3.8	5.4	6.2	4.6	1.4
Working capital loans	1.0	16.5	20.2	10.3	6.0	1.2	2.1
Credit cards	30.6	18.4	37.4	39.6	33.9	31.3	21.8
Personal loans	55.2	36.5	74.6	88.3	66.6	53.9	33.9
Automobile and vehicle loans	2.8	3.9	6.3	9.7	7.2	6.9	0.5
Overdrafts	3.3	3.0	5.6	9.2	8.3	7.6	4.2
Total commercial and consumer	106.7	112.0	202.4	217.8	187.0	153.2	99.4
Microcredit	4.2	5.2	10.0	9.2	0.0	0.0	0.0
Mortgages and other	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Financial leases	2.1	0.0	0.1	0.4	0.4	1.1	0.4
Total domestic charge-offs	**112.9**	**117.2**	**212.5**	**228.2**	**187.4**	**154.4**	**99.9**
Foreign							
Commercial and consumer							
General purpose loans	3.4	4.0	17.6	1.8	0.0	0.0	0.0
Loans funded by development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital loans	1.6	0.7	6.2	1.1	0.0	0.0	0.0
Credit cards	42.5	54.9	117.4	12.8	0.0	0.0	0.0
Personal loans	2.7	0.0	7.4	0.7	0.0	0.0	0.0
Automobile and vehicle loans	0.6	1.4	2.8	0.4	0.0	0.0	0.0
Overdrafts	3.1	8.6	5.0	0.0	0.0	0.0	0.0
Total commercial and consumer	53.9	69.6	156.5	16.8	0.0	0.0	0.0
Microcredit	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mortgages and other	3.1	5.2	8.1	0.2	0.0	0.0	0.0
Financial leases	0.9	(0.2)	0.5	0.5	0.0	0.0	0.0
Total foreign charge-offs	**57.9**	**74.5**	**165.1**	**17.5**	**0.0**	**0.0**	**0.0**
Total charge-offs	**170.8**	**191.8**	**377.5**	**245.7**	**187.4**	**154.4**	**99.9**

The ratio of charge-offs to average outstanding loans for the periods indicated was as follows.

	Six-month period ended June 30,		Year ended December 31,		
	2012	2011	2011	2010	2009
			(in percentages)		
Ratio of charge-offs to average outstanding loans	0.43%	0.56%	1.06%	1.15%	0.98%

Loans are subject to charge-offs when all possible collection mechanisms have been exhausted and when they are one hundred percent (100%) provisioned.

Charge-offs do not, however, eliminate the bank's obligation to continue to engage in collection efforts to accomplish recovery. The recovery of charged-off loans is accounted for in our consolidated statements of income.

Our board of directors is the only administrative body with legal authority to approve charge-offs of transactions deemed uncollectable. The recovery of charged-off loans is accounted for as income in our consolidated statement of income.

Potential problem loans

In order to carefully monitor the credit risk associated with clients, we have established a committee that meets monthly to identify potential problem loans, which are then included on a watch list. In general, these are loans issued to clients that could face difficulties in the future repayment of their obligations, but who have had a good payment record with us in the past. These potential difficulties could be related to factors such as a decline in economic activity, financial weakness or any other event that could affect the client's business. We also monitor the credit risk associated with these clients.

Potential problem loans are primarily those classified as "B" under the Superintendency of Finance's credit classification and provisioning guidelines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk management—Credit classification and provisioning." At June 30, 2012, Ps 1,221.6 billion, or 2.9%, of our loan portfolio was classified as potential problem loans under these guidelines.

Separately, Grupo Aval monitors loans granted by us and other Grupo Aval banks to a single borrower where we have an aggregate credit exposure of Ps 2.0 billion.

Cross-border outstanding loans and investments

We do not have any cross-border outstanding loans and investments to a borrower in any country that exceeds 0.75% of our total assets. The following table presents information with respect to our cross-border outstanding loans and investments, at the periods indicated. See "—Loan portfolio" above for a description of cross-border outstanding by type of foreign borrower.

	At June 30,		At December 31,		
	2012	2011	2011	2010	2009
	(in Ps billions)				
Loans					
Commercial					
Costa Rica	912.7	744.6	954.1	645.8	0.0
El Salvador	505.5	428.2	520.4	436.5	0.0
Guatemala	389.2	241.8	328.4	258.2	0.0
Honduras	892.3	752.8	931.4	900.9	0.0
Mexico	–	0.0	–	0.0	0.0
Nicaragua	709.3	507.6	704.2	586.5	0.0
Panama	416.0	234.0	331.3	236.6	0.0
Ecuador	0.0	0.1	0.1	0.1	0.0
United States of America	–	2.1	4.0	0.4	0.0
Consumer					
Costa Rica	445.0	329.7	421.8	296.7	0.0
El Salvador	177.1	152.6	174.8	150.7	0.0
Guatemala	75.1	66.1	70.1	58.4	0.0
Honduras	146.2	132.7	155.3	139.2	0.0
Mexico	–	0.0	–	0.0	0.0
Nicaragua	148.6	111.8	138.0	112.8	0.0
Panamá	567.4	514.1	583.7	537.9	0.0
Ecuador	–	0.0	–	0.0	0.0
United States of America	–	0.0	–	0.0	0.0
Financial leases					
Costa Rica	198.1	158.3	194.0	154.2	0.0
El Salvador	14.3	17.3	16.4	20.7	0.0
Guatemala	0.2	0.3	0.3	0.3	0.0
Honduras	0.8	0.9	0.8	0.8	0.0
Mexico	–	0.0	–	0.0	0.0

	At June 30,		At December 31,		
	2012	2011	2011	2010	2009
			(in Ps billions)		
Nicaragua	1.6	3.3	3.8	0.6	0.0
Panama	28.7	25.9	30.8	28.1	0.0
Ecuador	–	0.0	–	0.0	0.0
United States of America	–	0.0	–	0.0	0.0
Mortgages					
Costa Rica	1,190.7	1,068.3	1,233.9	1,140.9	0.0
El Salvador	478.3	485.9	530.1	526.1	0.0
Guatemala	453.6	463.4	503.4	505.4	0.0
Honduras	437.5	411.4	470.9	430.1	0.0
Mexico	–	0.0	–	0.0	0.0
Nicaragua	162.1	154.7	170.8	165.8	0.0
Panama	452.9	389.8	474.8	392.5	0.0
Ecuador	–	0.0	–	0.0	0.0
United States of America	–	0.0	–	0.0	0.0
Credit cards					
Costa Rica	822.8	700.3	825.9	781.2	0.0
El Salvador	391.2	379.0	417.7	420.1	0.0
Guatemala	392.2	307.8	397.8	331.3	0.0
Honduras	372.6	320.1	385.1	346.7	0.0
Mexico	104.8	110.3	111.1	104.4	0.0
Nicaragua	193.9	174.0	201.2	179.2	0.0
Panama	368.7	311.0	375.6	314.8	0.0
Ecuador	–	0.0	–	0.0	0.0
United States of America	–	0.0	–	0.0	0.0
Total per country					
Costa Rica	3,569.2	3,001.1	3,629.7	3,018.8	0.0
El Salvador	1,566.4	1,463.0	1,659.3	1,554.1	0.0
Guatemala	1,310.3	1,079.3	1,299.9	1,153.6	0.0
Honduras	1,849.4	1,617.9	1,943.6	1,817.7	0.0
Mexico	104.8	110.3	111.1	104.4	0.0
Nicaragua	1,215.6	951.5	1,217.9	1,044.9	0.0
Panama	1,833.6	1,474.8	1,796.3	1,509.9	0.0
Ecuador	0.0	0.1	0.1	0.1	0.0
United States of America	–	2.1	4.0	0.4	0.0
Total loans	**11,449.3**	**9700.1**	**11,661.8**	**10,203.9**	**0.0**
Investments					
Australia	2.6	0.5	143.6	2.2	0.0
Brazil	41.1	26.4	29.3	2.4	4.3
British Virgin Islands	0.0	3.4	0.0	3.9	4.2
Barbados	0.0	0.0	0.0.	0.0	0.0
Canada	0.0	4.1	0.7	38.7	33.5
Cayman Islands	11.6	68.3	48.8	61.4	57.5
Chile	17.6	22.9	22.6	15.5	0.0
Costa Rica	254.0	174.9	190.6	163.6	0.0
El Salvador	17.9	15.1	11.9	14.7	0.0
France	0.0	3.0	0.0.	0.0	0.0
Germany	4.3	4.8	7.3	11.4	0.0
Guatemala	62.8	86.8	0.0.	63.6	0.0
Honduras	156.7	164.2	16.8	95.4	0.0
Mexico	2.8	2.9	2.9	3.0	0.0
Netherlands	0.0	0.0	0.0.	0.0	0.0
Nicaragua	11.7	16.5	2.8	1.0	0.0
Panama	87.9	63.4	41.5	83.0	60.0

	At June 30,		At December 31,		
	2012	2011	2011	2010	2009
			(in Ps billions)		
Peru	31.7	18.7	20.0	0.2	0.0
Spain	3.0	5.3	0.0.	7.5	6.3
United Kingdom	7.2	6.0	7.1	6.1	0.0
United States of America	241.3	142.5	227.2	311.9	12.7
BAC San Jose Liquid Fund (*BAC San Jose Fondo líquido – Riesgo País Mixto*)	2.9	0.0	0.0	2.0	0.0
Multilateral – Bank Information Center (*Centro de información sobre la banca*)	2.1	2.1	2.1	2.1	0.0
Multilateral – Andean Development Corporation (*Corporación Andina de Fomento*)	4.9	6.4	6.4	16.6	12.2
Multilateral – Central American Bank for Economic Integration (*Banco Centroamericano de Integración Económica*)	23.0	27.6	24.1	18.5	2.9
Multilateral – Latin America Reserve Fund (*Fondo Latinoamericano de Reservas*)	0.0	0.0	0.0	0.0	18.2
Total investments	**987.4**	**865.6**	**805.7**	**924.7**	**211.8**

Deposits

The principal components of our deposits are customer demand (checking accounts and savings deposits) and term deposits. Our retail customers are the principal source of our demand and time deposits. The following table presents the composition of our deposits for the periods indicated.

	At June 30,		At December 31,		
	2012	2011	2011	2010	2009
			(in Ps billions)		
Domestic					
Interest-bearing deposits:					
Checking accounts	3,154.2	1,413.4	1,624.0	937.4	898.5
Time deposits	13,200.3	8,842.7	11,203.2	8,619.1	9,137.5
Savings deposits	13,097.7	13,318.8	12,335.2	11,490.3	9,729.5
Total	**29,452.2**	**23,574.9**	**25,162.5**	**21,046.8**	**19,765.5**
Non-interest-bearing deposits:					
Checking accounts	4,481.4	4,602.1	5,424.1	4,843.3	4,268.6
Other deposits(1)	260.3	262.9	419.3	413.1	347.9
Total	**4,741.7**	**4,865.0**	**5,843.4**	**5,256.4**	**4,616.5**
Total domestic deposits	**34,193.8**	**28,439.8**	**31,005.9**	**26,303.2**	**24,382.0**
Foreign					
Interest-bearing deposits:					
Checking accounts	4,398.8	4,257.7	4,662.7	4,586.6	0.0
Time deposits	4,605.9	3,845.6	4,247.1	4,155.6	0.0
Savings deposits	2,370.5	2,154.8	2,470.2	2,163.4	0.0
Total	**11,375.1**	**10,258.1**	**11,380.0**	**10,905.7**	**0.0**

	At June 30,		At December 31,		
	2012	2011	2011	2010	2009
			(in Ps billions)		
Non-interest-bearing deposits:					
Checking accounts	777.9	350.5	799.8	637.2	0.0
Other deposits(1)	162.0	127.3	180.8	146.2	0.0
Total	939.9	**477.9**	980.6	**783.4**	**0.0**
Total foreign deposits	**12,315.0**	**10,736.0**	**12,360.6**	**11,689.1**	**0.0**
Total deposits	**46,508.8**	**39,175.8**	**43,366.5**	**37,992.3**	**24,382.0**

(1) Consists of deposits from correspondent banks, cashier checks and collection services.

The following table presents term deposits, by amount and maturity, at June 30, 2012 and December 31, 2011.

	At June 30, 2012		
	Peso-denominated	Foreign-denominated	Total
		(in Ps billions)	
Domestic			
Up to 3 months	2,387.5	1,560.9	3,948.4
From 3 to 6 months	1,770.6	319.5	2,090.1
From 6 to 12 months	1,465.0	91.9	1,556.9
More than 12 months	4,420.4	22.2	4,442.6
Time deposits less than U.S.$100,000(1)	1,073.1	89.2	1,162.3
Total domestic	**11,116.6**	**2,083.7**	**13,200.3**
Foreign(2)	0.0	4,605.9	4,605.9
Total	**11,116.6**	**6,689.6**	**17,806.3**

	At December 31, 2011		
	Peso-denominated	Foreign-denominated	Total
		(in Ps billions)	
Domestic			
Up to 3 months	2,256.2	1,464.6	3,720.7
From 3 to 6 months	825.2	169.6	994.8
From 6 to 12 months	2,580.9	172.4	2,753.3
More than 12 months	2,586.2	17.3	2,603.5
Time deposits less than U.S.$100,000(1)	1,031.3	99.7	1,131.0
Total domestic	**9,279.7**	**1,923.5**	**11,203.2**
Foreign(2)	0.0	4,247.1	4,247.1
Total	**9,279.7**	**6,170.6**	**15,450.3**

(1) U.S.$100,000 is the equivalent of Ps 178.460 million. Translated for convenience only using the representative market rate as computed and certified by the Superintendency of Finance of Ps 1,784.6 per U.S.$1.00 at June 30, 2012.

(2) Represents operations outside of Colombia.

Return on equity and assets

The following table presents certain selected financial ratios for the periods indicated.

	At June 30,		At December 31,		
	2012	2011	2011	2010	2009
	(in percentages)				
ROAA: Return on average total assets(1)	2.5%	2.9%	2.6%	2.9%	4.4%
ROAE: Return on average shareholders' equity(2)	18.8%	22.4%	21.3%	24.9%	31.1%
Average shareholders' equity as a percentage of average total assets (3)	9.9%	8.4%	8.4%	7.7%	9.0%
Period-end shareholders' equity and non-controlling interest as a percentage of period-end total assets	13.5%	14.2%	13.5%	10.5%	15.3%
Dividend payout ratio(4)	37.3%	39.5%	40.6%	50.0%	39.0%

Source: Company calculations based on Banco de Bogotá data.

(1) For methodology used to calculate ROAA, see note 2 to the table under "Summary—Our company—Financial and operating data."

(2) For methodology used to calculate ROAE, see note 3 to the table under "Summary—Our company—Financial and operating data."

(3) For methodology used to average calculations, see notes 2 and 3 to the table under "Summary—Our company—Financial and operating data."

(4) Dividend payout ratio (dividends declared per share divided by net income per share).

Short-term borrowings

The following table presents our short-term borrowings, consisting of interbank and overnight funds, for the periods indicated.

	At June 30,				At December 31,					
	2012		2011		2011		2010		2009	
	Amount	Nominal rate	Amount	Nominal rate	Amount	Nominal rate	Amount	Nominal rate	Amount	Nominal rate
	(in Ps billions, except percentages)									
Short-term borrowings										
Interbank borrowings and overnight funds										
End of period	6,785.3	6.0%	7,988.2	4.8%	7,653.9	5.2%	5,780.9	2.3%	3,120.0	5.3%
Average during period	5,366.2	7.5%	7,451.2	5.1%	7,394.4	5.4%	4,375.8	3.1%	2,162.5	7.6%
Maximum amount of borrowing at any month-end	6,810.1		8,065.9	–	8,127.1		7,087.0	–	3,120.0	–
Interest paid during the period	202.4		191.5	–	398.6		133.7	–	164.9	–

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our audited annual consolidated financial statements at December 31, 2011 and 2010 and for the years in the three-year period ended December 31, 2011, 2010 and 2009, and the related notes thereto, our audited consolidated financial statements at June 30, 2012 and for the six-month periods ended June 30, 2012 and 2011 and the related notes thereto; for information at and for the nine-month period ended September 30, 2012 see our unaudited nine-month period consolidated financial statements and the related notes and "Summary—Recent developments—Results of operations for the nine-month period ended September 30, 2012 compared to the nine-month period ended September 30, 2011," and with the other financial information included in this offering memorandum as well as the information under "Presentation of Financial and Other Information," "Summary—Recent developments" and "Selected Financial and Operating Data." The preparation of the financial statements required the adoption of assumptions and estimates that effect the amounts recorded as assets, liabilities, revenue and expenses in the years and periods addressed and are subject to certain risks and uncertainties. Our future results may vary substantially from those indicated because of various factors that affect our business, including, among others, those identified under "Forward-Looking Statements" and "Risk Factors" and other factors discussed in this offering memorandum. Our audited consolidated financial statements at December 31, 2011 and 2010 and for the years ended December 31, 2011, 2010 and 2009 and the related notes thereto, and at June 30, 2012 and for the six-month periods ended June 30, 2012 and 2011 and the related notes thereto, and our unaudited consolidated financial statements at September 30, 2012 and for the nine-month period ended September 30, 2012 and 2011 and the related notes thereto, are each included in this offering memorandum and have been prepared in accordance with Colombian Banking GAAP.

Overview

Banco de Bogotá is Colombia's oldest financial institution, having conducted operations for more than 140 years. We are also the second largest bank in the country based on total consolidated assets of U.S.$40.96 billion at June 30, 2012 and net income for the six months ended June 30, 2012 of U.S.$369.2 million and the most profitable in terms of ROAA of 2.5% at June 30, 2012. Banco de Bogotá has U.S.$25.83 billion and U.S.$22.57 billion in deposits and gross loans and financial leases, respectively, representing market shares of 15.3% and 13.5%, respectively, as of June 30, 2012. Our pension and severance fund administrator, Porvenir, is a leading pension and severance fund management business in Colombia, based on assets under management, at June 30, 2012, and our merchant bank, Corficolombiana, is the largest merchant bank in Colombia, based on total assets at June 30, 2012. Through our BAC Credomatic operations, we are one of the leading banking groups in the Central American market with total assets of U.S.$9.8 billion, loans at book value of U.S.$6.4 billion and deposits of U.S.$6.8 billion at June 30, 2012.

Banco de Bogotá is a subsidiary of Grupo Aval, which is Colombia's largest and most profitable banking group, based on available data for total assets and return on average assets at June 30, 2012. Banco de Bogotá is the largest financial institution within Grupo Aval's portfolio by assets and the largest contributor of net income before taxes and non-controlling interest. Grupo Aval employs a multi-brand strategy, allowing each of its four banks, Banco de Occidente, Banco Popular, Banco AV Villas and us, to focus on particular types of customers, geographic regions and products. Grupo Aval's banks are encouraged to compete among themselves and with other market participants, while remaining subject to group-level oversight and direction.

Banco de Bogotá is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products, distributed through a network of 630 branches and 1,088 automated teller machines, or "ATMs," at June 30, 2012 in Colombia. While Banco de Bogotá serves all market segments, it had a leading presence in commercial loans, with a particular focus on large corporations and a market share of 18.6% at June 30, 2012. Following its 2006 acquisition of Banco de Crédito y Desarrollo Social Megabanco S.A., or "Megabanco," Banco de Bogotá expanded its consumer banking business and has a market share of 9.0% of consumer loans at June 30, 2012. Based on consolidated figures, Banco de Bogotá's return on average equity, or "ROAE," of 18.8% and 21.3% and efficiency ratios of 47.3% and 50.9% for the six-month period ended June 30, 2012 and the year ended December 31, 2011, respectively, make it one of the most profitable and efficient banks in Colombia.

Principal factors affecting our financial condition and results of operations

Colombian economic conditions. The Colombian economy has expanded in recent years, driven by strong growth in fundamental areas including capital investment, domestic consumption and exports. Colombian GDP grew at a CAGR of 4.4% in the five-year period from 2007 to 2011.

Our operations are primarily concentrated in Colombia, such that our results are linked to the country's economic performance. After peaking at 6.9% in 2007, the pace of economic growth declined in 2008 and 2009, in large part due to the effects of the global economic and financial crisis. Annual GDP grew by 3.5% in 2008 and 1.7% in 2009, while the level of gross capital formation reached a peak of 25.2% of GDP in 2008 and dropped slightly to 24.1% of GDP in 2009. In response to the global economic environment and in order to stimulate growth in Colombia, the Colombian Central Bank loosened its monetary policy by cutting interest rates by 700 basis points between December 2008 and April 2010. As a result, economic activity in the country experienced a healthy recovery in the following two years, and the Colombian Central Bank was able to bring monetary policy to a neutral stance by raising interest rates by 200 basis points between February 2011 and February 2012. For example, the economy expanded 5.9% in 2011 as compared to 2010 (6.1% during the three-month period ended December 31, 2011 as compared to the same period in 2010) and 4.0% in 2010 as compared to 2009, coupled with improved consumer confidence levels, strong capital inflows and an improvement in foreign trade. For 2012, the Colombian Central Bank's GDP growth forecast initially stood in a range of 4.0% to 6.0%, but the renewed concerns of the European crisis and a slowdown in demand led to a downward revision of the forecast range by November 2012, which now stands at 3.7% to 4.9%.

Labor markets. During the twelve-month period ended June 30, 2012, the Colombian unemployment rate decreased to 10.0% as compared to 10.9% at June 30, 2011, according to DANE. The participation rate (i.e., economically active population divided by working age population) grew to 65.3% at June 30, 2012 from 62.9% at June 30, 2011, and the employment rate (i.e., employed population divided by working age population) increased to 58.8% at June 30, 2012 as compared to 56.0% at June 30, 2011. The increase in the employment rate derived primarily from increased employment in the trade, services and manufacturing economic sectors.

Interest rates. Since the implementation of an inflation-targeting regime in 1999, the Colombian Central Bank's overnight lending rate has been reduced from 26.0% in 1999 to 6.0% at the end of 2005, to 3.0% at the end of 2010. It increased moderately to 4.75% at December 31, 2011 and to 5.25% at June 30, 2012, and decreased again to 4.25% at December 31, 2012.

Between 2006 and the summer of 2008, the Colombian Central Bank increased the overnight lending rate by 400 basis points to 10% in the face of accelerated growth and a series of perceived supply shortages. The conservative monetary policy of the Colombian Central Bank during this period, which included increases in reserve requirements, contributed to an increase in the DTF, which reached a high of 10.33% in 2008, the first double-digit DTF rate in six years. The DTF is a benchmark interest rate that represents the financial system's average rate for 90-day term deposits.

A significant portion of our assets are linked to the DTF; accordingly, changes in the DTF affect our net interest income. The average DTF was 7.96% during 2007, and 9.69% during 2008. With the loosening of monetary policy that began in late 2008, the DTF fell throughout 2009, reaching a low of 4.11% and an average of 6.22% during 2009, and a low of 3.39% and an average of 3.67% during 2010. As the economy recovered and the output gap began to close, the Colombian Central Bank increased its interest rate throughout 2011, starting in February of that year, and through to the first quarter of 2012. As the economy began to slow down more than expected, due to the intensification of the European crisis, the Colombian Central Bank decreased the interest rate by 25 basis points on July 27 and by 25 basis points on August 24, 2012, lowering it to 4.75%. It is expected that the DTF will be higher in 2012 as compared to 2011, but will remain at historically low levels during most of 2012. The average DTF was 4.15% during 2011 and 5.32% during the first half of 2012.

Inflation. Lower interest rates and stability in terms of inflation generally lead to increased consumer confidence and increased consumer demand for credit. Colombian Central Bank independence, and the adoption of an inflation-targeting regime and a free-floating currency in 1999, have contributed to declining inflation rates and increased price stability in Colombia. However, an increase in levels of economic activity in Colombia, combined with typical inflationary pressures in an expanding economic cycle, which inflated the price of basic food items, caused inflation to rise in 2007 and 2008, notwithstanding significant efforts by the Colombian Central Bank to

control inflation. These efforts included increasing the intervention rate while maintaining reserve requirements, restrictions on foreign indebtedness and, as described above, increases in the overnight lending rate. Inflation rates reached 5.7% in 2007 and 7.7% in 2008, in excess of the Colombian Central Bank's target rate.

In 2009, declines in commodity prices as a result of the global economic downturn and the slowdown in aggregate demand led to a significant downward adjustment in the inflation rate to 2.0%, the lowest rate in 50 years and well below the Colombian Central Bank's target band of 4.5%-5.5% for that year. Despite the economic recovery, the inflation rate increased only slightly to 3.2% in 2010. At December 31, 2011, the inflation rate was 3.7%, within the Colombian Central Bank's target band of 2.0% to 4.0%, and the inflation rate was 3.2% for the twelve-month period ended June 30, 2012. For 2012, the Colombian Central Bank has stated that it has become increasingly likely that the inflation rate will be below that of the previous year due to the economic slowdown, which has been mainly influenced by deteriorating external conditions and a slowdown of internal demand. The Colombian Central Bank's preemptive approach with respect to monetary policy has resulted in a decrease in inflation expectations.

Credit volumes. Credit volumes in Colombia have grown since 2005, mainly driven by the above-mentioned factors, including lower inflation rates, decreasing interest rates and consistent economic growth. According to the Superintendency of Finance, year-over-year bank credit volume growth, based on gross loans reported by all credit institutions to the Superintendency of Finance, was 24.1% in 2007 and 18.6% in 2008. However, the sharp slowdown in economic activity due to the global economic and financial crisis resulted in a significant moderation of bank credit volume growth in 2009 to 2.5%. In 2010, the pace of bank credit volume growth picked up gradually, along with a moderate recovery of economic activity and fueled by historic low interest rates. At December 31, 2010, year-over-year bank credit volume growth was 14.6% (including credit volume growth of five financing companies that merged with commercial banks during the previous 12 months, as reported by the Superintendency of Finance), while at December 31, 2011 growth was 22.1% (including three financing companies and one cooperative bank that converted to commercial banks during the previous 12 months, as reported by the Superintendency of Finance) and 20.5% when adjusted for securitized mortgage loans data, as reported by Titularizadora Colombiana S.A. We believe that Colombia offers significant opportunities to expand our business due to the country's strong economic fundamentals and low penetration rates of domestic credit to the private sector as a percentage of GDP for banking and other financial services and products in 2010 of 43.5% as compared to 57.0% for Brazil, 86.3% for Chile and 24.3% for Peru, as reported in the 2011 World Bank Development Indicators.

In 2010, Colombia's bank loans-to-GDP ratio was 29.3%, and at December 31, 2011 that ratio was 32.5%.

Reserve requirements. The Colombian Central Bank's reserve requirements significantly affect our results of operations. The raising or lowering of these requirements directly affects our results by increasing or decreasing the funds available for lending.

Colombian banks are required to maintain a determined level of reserves depending on the volume and mix of their deposits. These are reflected in the line item "cash and cash equivalents" on our balance sheet. During 2008, this level of cash reserves, referred to as the general minimum deposit requirement, was first increased by the Colombian Central Bank from 8.3% to 11.5% for checking accounts and savings deposits and from 2.5% to 6.0% for time deposits. On October 24, 2008, it was decreased to 11.0% for checking accounts and savings deposits and 4.5% for time deposits. The reserve requirements have not changed since October 2008.

In May 2007, as a cautionary measure, the Colombian Central Bank forced banks to maintain, in addition to the general minimum deposit requirement, a marginal minimum deposit requirement of approximately 13% of total deposits that exceeded the level that each bank had at May 7, 2007. This marginal minimum deposit requirement (27% for current accounts, 12.5% for savings deposits and 5% for time deposits) was a temporary measure aimed at decreasing the level of liquidity in the market and was eliminated by the Colombian Central Bank in mid-2008. Reserve requirements have remained stable since late 2008; the Colombian Central Bank, however, has the power to modify these requirements.

Tax policies. Changes in Colombian tax policies can significantly affect our results of operations. According to the Ministry of Finance, the fiscal balance of the consolidated public sector improved from a deficit of 2.9% of GDP in 2001 to a deficit of 0.1% of GDP in 2008. At the Colombian central government level, the deficit fell from 5.1% in 2001 to 2.3% of GDP in 2008. As a result, net debt at the non-financial public sector decreased from 40.5% of GDP at December 31, 2001 to 31.7% of GDP at December 31, 2008. During the same period Colombian central

government debt decreased from 40.4% to 36.2% of GDP. However, given the moderate scope for countercyclical fiscal policy during the downturn of 2009, the deficit of the consolidated public sector expanded to 2.7% of GDP in 2009 and 3.2% of GDP in 2010, and the deficit of the Colombian central government expanded to 4.1% of GDP in 2009 and 3.8% of GDP in 2010.

The Colombian central government initially expected that the final fiscal deficit figures for 2011 would remain high, partly due to the relief and reconstruction efforts following the worst floods to hit the country in recent history, and that the figures would start falling in 2012. In spite of these predictions, the final figures for fiscal 2011 were far better than expected, with the consolidated public sector's deficit shrinking to 2.0% of GDP and the Colombian central Government's deficit also shrinking to 2.8% of GDP. For 2012, the Government expects a consolidated public sector's deficit of 1.2% of GDP and a Central Government's deficit of 2.4% of GDP.

In order to address weaknesses in fiscal accounts, the Colombian central government enacted several laws to strengthen the fiscal regulatory regime, along with reforms on taxes and oil and mining royalties. The improvement in the fiscal regulatory regime requires expenses to grow in line with revenues and savings from excess oil revenues, with the goal of reducing Colombian central government public debt to below 30% of GDP by 2020. There can be no assurance that this goal will be achieved.

In December 2009, the Colombian central government enacted Law No. 1370, creating a tax on equity (*Impuesto al Patrimonio*), or the "Equity Tax." The Equity Tax is levied based on net worth as of January 1, 2011, subject to certain adjustments. The tax rate applicable to us and our subsidiaries is 4.8% of our and their net worth. In addition, in December 2010 the Colombian central government enacted Decree No. 4825, creating a surcharge to the Equity Tax to fund certain costs associated with the natural disasters resulting from severe rainfalls. The surcharge rate applicable to us and our subsidiaries is 1.2%. This tax and the surcharge are payable biannually in eight separate installments through 2014, resulting in an annual average rate of 1.5%. Pursuant to this tax regulation, Banco de Bogotá accrued on a consolidated basis a total liability of Ps 459.5 billion with a payment of Ps 138.5 billion during 2011. For the six month-period ended June 30, 2012, Banco de Bogotá accrued an equity tax expense of Ps 53.5 billion.

In the future, declines in tax revenues and increasing public debt and administrative expenses may make it difficult for the Colombian central Government to balance the budget and may result in higher levels of taxation, which can significantly affect our results of operations or financial condition.

Central American economic conditions. For the year ended December 31, 2011, Central America posted an estimated combined GDP of U.S.$47.4 billion, ranking as the eighth-largest economy in Latin America after Brazil (nominal GDP of U.S.$2,518 billion), Mexico (nominal GDP of U.S.$1,185 billion), Argentina (nominal GDP of U.S.$435 billion), Venezuela (nominal GDP of U.S.$310 billion), Colombia (nominal GDP of U.S.$322 billion), Chile (nominal GDP of U.S.$243 billion) and Peru (nominal GDP of U.S.$169 billion).

Because BAC's operations are concentrated in Central America, their results are linked to the region's economic performance. According to estimates prepared by the IMF, Central America's GDP is expected to grow at an annual average rate of 4.2% between 2012 and 2014, compared to Colombia's expected average growth rate of 4.5% during the same period.

During the last several years, countries in the Central American region have increased their efforts to promote fiscal prudence and foreign investment. Countries such as Costa Rica, El Salvador, Guatemala and Nicaragua have signed agreements with the IMF under which their respective governments receive credit, subject to adopting fiscal discipline in their economic policies.

We believe that the Central America region offers a stable market that is expected to further converge toward an integrated economy as a result of the ongoing implementation of free trade agreements. The United States-Dominican Republic-Central America Free Trade Agreement, or "DR-CAFTA" gradually eliminates barriers to trade and investment among Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, the Dominican Republic and the United States. The agreement allows the Central American region to access markets in the United States and establishes common regulatory standards among these countries. DR-CAFTA covers most types of trade and commercial exchange between these countries and the United States.

Critical accounting policies under Colombian Banking GAAP

Our principal accounting policies are described in note 2 to our audited annual consolidated financial statements and note 2 to our audited six-month consolidated financial statements included in this offering memorandum. The following discussion describes those policies, under Colombian Banking GAAP, that require the most significant management judgments and estimates. These accounting estimates require management to make assumptions about matters that are highly uncertain and affect the reported amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In each case, if management had made other estimates, or if changes in these estimates occur from period to period, our results of operations and financial condition could be materially affected.

Management bases its estimates and judgments on historical experience and on factors that are believed to be reasonable under current circumstances. Actual results may differ from these estimates if actual experience differs from our assumptions or our assumptions change. Judgments or changes in assumptions are submitted to the audit committee of the board of directors and/or to our regulatory authorities and are disclosed in the notes to our consolidated financial statements.

Loan loss allowances and provisions. We perform qualitative and quantitative analysis to assign a risk category to individual assets, under the rules issued by the Superintendency of Finance. The qualitative loan analysis involves an evaluation of specific factors to determine potential deficiencies that may affect the borrower's payment capacity. For the quantitative evaluation, we first determine whether the loan has become due and then classify the loan according to the number of days past due. The Superintendency of Finance requires our banks to maintain minimum allowance levels for each category of credit risk and each type of loan.

Commercial and consumer loans are provisioned according to models developed by the Superintendency of Finance, which take into consideration the number of days the credits are past due. The allowance for these loans calculated in these models is determined by considering the "expected loss." The expected loss for these loans is determined by multiplying the exposure to default of the credit by its "probability of default" (likelihood of a borrower defaulting on an obligation within the next 12 months) and its "loss given default" (an estimate of the amount the bank would expect to lose in the event a borrower defaults). For purposes of calculating "loss given default," loans collateralized are appraised by independent third parties. These appraisals may differ from the appraisals that would be calculated when the collateral finally would be recorded. Both the probability of default and the loss given default values are provided by the Superintendency of Finance depending on each category of credit risk and each type of loan. Furthermore, portfolios for which the Superintendency of Finance does not provide a standard model, specifically mortgage and microcredit loans, have a general allowance equal to 1.0% of the gross portfolio value in addition to specific provisions mandated according to the individual loans' risk category.

We consider the accounting estimates used in this evaluation to be part of our critical accounting policies because of the following factors: (1) we make qualitative judgments and assumptions regarding the quality of our loan portfolio to determine allowances and provisions; (2) our methods are dependent on the existence and magnitude of certain factors, which do not necessarily indicate future losses; and (3) we apply a discount percentage to each loan (based on its assigned risk category) that may not accurately reflect the future probability of loss.

Contingent liabilities. Contingent liabilities arise from the normal conduct of our business activities and include liabilities for judicial, regulatory and arbitration proceedings, and tax and other claims. We record contingent liabilities, pursuant to Article 52 of Decree 2649 of 1993, to cover certain of our liabilities including those pertaining to damage claims from third parties based on professional responsibility, torts, labor law, breach of contract and others for which the contingency for loss is probable and its value can be reasonably quantified.

Article 52 of Decree 2649 of 1993 establishes that provisions should be recorded to cover estimated liabilities and contingencies of probable losses and to decrease the restated value of assets when necessary, as required in accordance with accounting standards. The provisions must be justifiable, quantifiable and reliable. A contingency is a condition, situation or set of circumstances that exist, which involve questions regarding a potential gain or loss by an economic entity, and which will be resolved when one or more future events occur or fail to occur.

Lawyers and actuaries assist us in evaluating probabilities and estimating amounts which are recorded and updated at the end of each period.

We consider the estimates used in assessing contingent liabilities to be part of our critical accounting policies because of the high level of judgment that is necessary to assess the probability of their occurrence. Our judgment may not necessarily coincide with the outcome of the proceedings.

Pension plans. Under Decree 2984 of 2009, we are required to bring our non-contributory defined benefit pension plans from an underfunded to a funded status by 2029 according to the actuarial calculation, by crediting liabilities created for this specific purpose. By means of Resolution 1555 of July 30, 2010, the Superintendency of Finance replaced the mortality charts used to prepare the actuarial computation and determined that the effect of this change may be recognized gradually. From 2010 on, the plans must be kept fully funded. Under our non-contributory defined benefit pension plan, benefits are based on length of service and level of compensation. At June 30, 2012, the underfunded level totaled Ps 114.5 billion.

We consider the accounting estimates related to our and our subsidiaries' pension plans to be part of our critical accounting policies as the amounts contributed to the plans involve certain assumptions and determinations made by our actuaries relating to, among others, adjustments to pensions and salaries, variations to the employee base and the employees' partners, and discount rates for the pension liability adjustments. Key assumptions include weighted averages of past inflation rates, mortality rates, and average rates of return of certificates of deposit. Most of these parameters are provided by Colombian regulations and governmental institutions.

Recognition and measurement of financial instruments at fair value. Under Colombian Banking GAAP, the fair value of a financial instrument is defined as the estimated amount at which the instrument could be exchanged in a current transaction between willing and independent parties.

Some of our assets are carried at fair value for Colombian Banking GAAP purposes, including equity and debt securities with quotations available or quoted prices for similar assets, aside from our merchant banking investments, derivatives and customers' acceptances. The majority of our assets reported at fair value are based on quoted market prices, which provide the best indication of fair value, or quoted market prices for similar assets.

For our remaining assets, if quoted market prices or quoted market prices for similar assets are not available, we calculate their fair value by discounting the expected cash flows using market interest rates which take into account the credit quality and duration of the investment or by utilizing internally developed valuation techniques. In particular, management is involved in estimating future cash flows, based on variable terms of the instruments and the inherent credit risk, and in defining the applicable interest rate to discount those cash flows. Our fixed rate investments in this category are insignificant in value; however, we have material equity investments in this category, principally our equity investments through our merchant bank, Corficolombiana.

We consider the determination of fair value for such assets to be part of our critical accounting policies because of the high degree of judgment and assumptions involved in developing and applying valuation methodologies.

Impairment evaluation of investment securities. Securities are classified according to a methodology defined by us and approved by the Superintendency of Finance. The securities are categorized as "A" except for when there is a risk associated with them, in which case they are rated from "B" to "E." For securities rated from "B" to "E," the Superintendency of Finance has established a specified level of provision for each category. Additionally, the Superintendency of Finance in Colombia allows financial institutions to recognize, on a case by case basis and after receiving the appropriate approval by the regulator, cautionary provisions for equity securities on the basis of management expectations on future decreases in fair value. Information used by our management for the assessment consists of possible economic scenarios and expectations. At June 30, 2012, no issuers associated to any of these specific provisions were undergoing financial difficulties.

We consider the determination of the impairment of investments to be part of our critical accounting policies because of the high degree of judgment and assumptions involved in developing and applying valuation methodologies.

Goodwill recognized upon business combinations. We test goodwill recognized upon business combinations for impairment at least annually using a two-step process beginning with an estimation of the fair value of a reporting unit. First, we screen for potential impairment and, second, we measure the amount of impairment, if any. However, if certain criteria are met, the requirement to test goodwill for impairment annually may be satisfied without a remeasurement of the fair value of a reporting unit. Fair value is determined by management by reference to market value, if available, or by pricing models or with the assistance of a qualified evaluator. The latter two

options require management to use estimates and make assumptions, which management considers reasonable and supportable in the existing market environment and commensurate with the risk profile of the valued assets. The valuation models used to determine the fair value of these companies and the intangibles are sensitive to changes in the assumptions. Adverse changes in any of these factors could lead us to record a goodwill or intangible impairment charge.

The Superintendency of Finance requires financial entities to calculate amortization of goodwill using the exponential method. Consistent with Colombian Banking GAAP we also perform impairment tests using the discounted cash flow methodology. The amortization of goodwill shown in our consolidated financial statements is the larger of these two amounts.

We consider goodwill amortization and impairment tests to be part of our critical accounting policies because of the considerable effect assumptions and estimates used in the analysis have on its results.

Recent Colombian Banking GAAP pronouncements

In 2009, the Colombian Superintendency of Finance published External Circular No. 035, titled "Individual allowances for loans losses," effective April 1, 2010, for the purpose of enhancing risk management. According to the allowance methodology of External Circular No. 035, individual allowances are the sum of two components: contra-cyclical individual allowances (which reflect the possible changes in credit risk of debtors during a period of deteriorating loan quality) and pro-cyclical individual allowances (which reflect the actual credit risk of the debtor). The adoption of this pronouncement did not have a significant impact on the consolidated financial statements of Banco de Bogotá.

Since July 15, 2009, and pursuant to Law 1328 of 2009, known as the Financial Reform Law, banking institutions were authorized to perform leasing transactions. Consequently, our banks adopted the specific accounting regulations established by the Superintendency of Finance for this type of operation, which up until then only related to commercial finance companies. Prior to the implementation of Law 1328, our banks' leasing operations were required to be conducted through subsidiaries. The adoption of this pronouncement did not have any impact on the consolidated financial statements of Banco de Bogotá.

On July 13, 2009, Law 1314 was signed by the President of Colombia. This law regulates the accounting, reporting and information assurance principles and standards that are generally accepted in Colombia and describes the procedure by which said principles and standards are to be issued by the oversight authorities. This law is generally expected to bring the currently generally accepted accounting principles in Colombia in line with International Financial Reporting Standards. Although changes to current regulations were intended to become effective at the earliest in 2013, due to difficulties in implementation, the Colombian Government enacted Decrees 2784 and 2796, in December 2012, which deferred the mandatory application of IFRS until 2015. In particular, Decree 2784 applies to: (i) issuers registered on the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Superintendency of Finance, (ii) public interest entities, including banks and pension and severance fund managers, and (iii) other large companies that comply with the requirements set forth in the regulation. This group of entities, denominated Group 1, to which Banco de Bogotá belongs, shall (i) present to their regulators an implementation plan of the new IFRS rules within the first two months of 2013 and (ii) prepare financial statements in full compliance with IFRS accounting principles no later than December 31, 2015.

Accounting for derivatives is regulated by External Circular 25 of 2008, Resolution 1420 of 2008 and Circular 66 of 2009 issued by the Superintendency of Finance. Before January 1, 2010, derivatives were recorded as a net asset at fair value, for both, positive or negative values. Since January 1, 2010, derivatives with a positive fair value are recorded as an asset, while derivatives with a negative fair value are recorded as a liability. This change in the accounting for derivatives may affect forward, option, swap and futures contracts entered into by Banco de Bogotá. To date, Banco de Bogotá is evaluating the application of these accounting standards, as such the effect on the consolidated financial statements has not been determined, due to the complexity of the conversion process.

Before Decree 2984 of August 12, 2009 became effective, Banco de Bogotá adhered to the requirements of Decree 1517 of August 4, 1998, which stated that, through annual installments, the provision of the actuarial cost had to be 100.0% of coverage by December 31, 2010. Once Decree 2984 became effective, the annual provision increased on a straight-line basis in such a manner that 100.0% of the actuarial cost will be accomplished by of December 31, 2023. By means of Resolution 1555 of July 30, 2010, the Superintendency of Finance replaced the

mortality charts used to prepare the actuarial computation and determined that the change effect may be recognized gradually. Later that year, Decree 4565 of December 7, 2010, modified the accounting standards on the amortization of the actuarial computation effective until that date. In conformity with this new Decree, companies whose actuarial computation had been 100% amortized as of December 31, 2009, may gradually amortize the increase on the 2010 estimated actuarial computation, using the new mortality charts until the year 2029. Considering the above, Banco de Bogotá modified its accounting policy on actuarial computation amortization regarding pension payments, quotas, parts and pension and health bonuses (commuted liabilities), and, as of 2010, it adopted a 19-year term to amortize the 2010 actuarial computation increase. As of 2009, the actuarial computation year's increase was recorded as an expense for the period, because the actuarial computation was 100% amortized based on the previous charts. Payments of retirement pensions are made against the pertinent reserve. The adoption of this regulation increase the pension liability by Ps 14.2 billion during the year 2010, which will be amortized up to 2029.

From January 1992 until December 2000, Banco de Bogotá's financial statements were subject to inflation adjustments. The cumulative effect of these adjustments in non-monetary assets and liabilities is included in each of the adjusted accounts, and the adjustments to the equity accounts are included in the "equity inflation adjustments" line item.

During 2011, 2010 and 2009, the amount of such accounts decreased due to a payment of the Equity Tax. According to Law 1111 of 2006, under Colombian Banking GAAP, the Equity Tax was recorded against deferred charges and will be amortized in straight monthly basis between 2011 to 2014 with charges to the consolidated statement of income.

Results of operations

Sources of income

Banco de Bogotá generates revenue through several sources. Our main source of income is the net interest income that we earn by borrowing funds from customers at certain rates and lending them to customers at higher rates.

We also derive income from trading activities as follows: (1) interest and dividends from investments in fixed income and equity securities; (2) investment gains from fixed income, equity and derivative positions; and (3) the spread on derivative transactions entered into by us to hedge market risk exposure.

In addition, we earn fee and commission income from the different banking and financial services our subsidiaries provide, including fiduciary activities, leasing services, payment and collection services, credit and debit cards, and insurance.

Banco de Bogotá also earns income from the activities of Porvenir, one of the largest pension and severance fund managers in Colombia, which derives its revenue mainly from customers' fee based contributions for pension management, and Corficolombiana, our merchant bank, which generates revenues mainly from its equity and fixed income portfolios, as well as from gains on merchant banking investments, investment banking fees, and treasury operations. Porvenir and Corficolombiana are controlled by us.

As a consequence of our acquisition of BAC Credomatic, our results of operations for the years ended December 31, 2011 and 2010 may not be comparable with each other and with prior periods. LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

Results of operations for six-month period ended June 30, 2012 compared to six-month period ended June 30, 2011

Banco de Bogotá

Overview

Banco de Bogotá's net income attributable to its shareholders in the six-month period ended June 30, 2012 increased by 14.5%, or Ps 84.4 billion, to Ps 664.8 billion compared to the six-month period ended June 30, 2011. This increase is associated with an increase of Ps 207.6 billion in net interest income, an increase of Ps 40.2 billion in total net fees and other service income, an increase of Ps 25.6 billion in total other operating income, an increase of Ps 39.0 billion in total non-operating income and a decrease of Ps 82.5 billion in non-controlling interest, all offset in part by an increase of Ps 134.6 billion in total net provisions (mainly related to equity investments), a Ps 64.2 billion increase in total operating expenses, and a Ps 111.7 billion increase in income tax expense.

The following discussion describes the principal drivers of Banco de Bogotá's consolidated results of operations for the six-month period ended June 30, 2012 versus the six-month period ended June 30, 2011. Further detail is provided in the discussion of the results of operations of LB Panamá, Porvenir and Corficolombiana.

	Banco de Bogotá consolidated			
	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Total interest income	2,728.5	2,167.6	560.9	25.9
Total interest expense	(1,013.3)	(660.0)	353.2	53.5
Net interest income	1,715.3	1,507.6	207.6	13.8
Total (provisions) /reversals, net	(207.1)	(72.5)	134.6	185.6
Total fees and other services income, net	902.0	861.8	40.2	4.7
Total other operating income	360.9	335.3	25.6	7.6
Total operating income	2,771.0	2,632.2	138.8	5.3
Total operating expenses	(1,503.2)	(1,438.9)	64.2	4.5
Net operating income	1,267.9	1,193.3	74.6	6.3
Total non-operating income (expense), net	73.1	34.1	39.0	114.3
Income before income tax expense and non-controlling interest	1,341.0	1,227.4	113.6	9.3
Income tax expense	(446.7)	(335.0)	111.7	33.3
Income before non-controlling interest	894.3	892.4	1.9	0.2
Non-controlling interest	(229.5)	(311.9)	(82.5)	(26.4)
Net income attributable to shareholders	**664.8**	**580.4**	**84.4**	**14.5**

Net interest income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Interest income:				
Interest on loans	2,144.2	1,692.2	452.0	26.7
Interest on investment securities	429.1	374.5	54.6	14.6
Interbank and overnight funds	60.8	46.9	13.8	29.5
Financial leases	94.5	54.0	40.5	74.9
Total interest income	2,728.5	2,167.6	560.9	25.9
Interest expense:				
Checking accounts	(58.0)	(29.0)	29.0	100.1
Time deposits	(428.3)	(253.3)	175.0	69.1
Savings deposits	(261.0)	(186.2)	74.8	40.1

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Total interest expense from deposits	(747.3)	(468.5)	278.8	59.5
Borrowing from banks and others	(126.4)	(91.4)	35.0	38.3
Interbank and overnight funds (expenses)	(76.1)	(50.6)	25.4	50.2
Long-term debt (bonds)	(63.5)	(49.5)	14.0	28.4
Total interest expense	(1,013.3)	(660.0)	353.2	53.5
Net interest income	**1,715.3**	**1,507.6**	**207.6**	**13.8**

Banco de Bogotá's net interest income increased by 13.8% from Ps 1,507.6 billion in the six-month period ended June 30, 2011 to Ps 1,715.3 billion in the six-month period ended June 30, 2012. This increase is due to a 25.9% or Ps 560.9 billion increase in total interest income partially offset by an increase of 53.5%, or Ps 353.2 billion, in total interest expense.

Total interest income increased by 25.9%, or Ps 560.9 billion, from Ps 2,167.7 billion in the six-month period ended June 30, 2011 to Ps 2,728.5 billion in six-month period ended June 30, 2012, primarily due to an increase in interest income from loans and financial leases, which rose by Ps 492.5 billion to Ps 2,238.7 billion in the six-month period ended June 30, 2012. Interest income from investment securities increased by Ps 54.6 billion to Ps 429.1 billion, and interest income from interbank and overnight funds increased by Ps 13.8 billion to Ps 60.8 billion, both for the six-month period ended June 30, 2012.

The increase in interest income from loan and financial leases of Ps 492.5 billion was a result of an increase of Ps 5,793.4 billion, or 17.0%, in the average balance of interest earning loans and financial leases from Ps 34,028.1 billion as of June 30, 2011 to Ps 39,821.6 billion as of June 30, 2012, which resulted in an increase of Ps 326.0 billion in interest income, and the remaining Ps 166.5 billion was a result of a higher average yield on loans and financial leases, which increased from 10.3% for the six-month period ended June 30, 2011 to 11.2% for the six-month period ended June 30, 2012. Banco de Bogotá's average yield on loans and financial leases excluding LB Panamá's operation increased from 9.0% for the six-month period ended June 30, 2011 to 10.7% for the six-month period ended June 30, 2012, in line with an increasing interest-rate environment. The increase in interest income from investment securities of Ps 54.6 billion, or 14.6%, to Ps 429.1 billion was a result of a 9.0%, or Ps 1,067.4 billion, increase in the average volume of investment securities from Ps 11,818.1 billion for the six-month period ended June 30, 2011 to Ps 12,885.4 billion for the six-month period ended June 30, 2012, and of an increase in the average yield from 6.3% to 6.7%. The increase in the average volume contributed Ps 35.7 billion and the increase in yield contributed Ps 18.9 billion to the total increase in interest income from loans and financial leases.

Interest income from equity investments from Banco de Bogotá's operations increased by Ps 46.0 billion, or 72.0%, to Ps 110.0 billion mainly as a result of Corficolombiana having realized mark-to-market losses during the six-month period ended June 30, 2011 associated with its investments in Promigas, Banco de Occidente and Sociedad de Inversiones en Energía S.A., or "SIE," investments that did not generate a loss during the six-month period ended June 30, 2012 (further explained in "—Banco de Bogotá subsidiary analysis—Corficolombiana—Net interest income"). Interest income derived from the fixed income portfolio of Banco de Bogotá's operations increased by 2.8%, or Ps 8.5 billion, driven by an increase in the average balance of fixed income investment portfolio.

Total interest expense in Banco de Bogotá increased by Ps 353.2 billion, or 53.5%, from Ps 660.0 billion in the six-month period ended June 30, 2011 to Ps 1,013.3 billion in the six-month period ended June 30, 2012 as a result of a Ps 175.0 billion increase in interest paid for time deposits, a Ps 74.8 billion increase in interest paid for savings deposits and a Ps 74.5 billion increase in interest paid for other funding, which includes borrowings from banks and other, interbank and overnight funds and long term debt.

Ps 111.3 billion of such increase is explained by a Ps 5,661.9 billion, or 12.6%, increase in the average balance of total interest-bearing liabilities from Ps 45,054.2 billion for the six-month period ended June 30, 2011 to Ps 50,716.1 billion for the six-month period ended June 30, 2012. Ps 241.9 billion of the increase in total interest expense is the result of an increase of 107 basis points in the average cost of funding (associated with an increasing

interest-rate environment where the average DTF rate increased by 164 basis points) from 2.9% paid during the six-month period ended June 30, 2011 to 4.0% paid during the six-month period ended June 30, 2012.

The Ps 175.0 billion increase in interest paid for time deposits resulted from a Ps 3,639.9 billion, or 28.2%, increase in the average balance of time deposits from Ps 12,894.4 billion for the six-month period ended June 30, 2011 to Ps 16,534.3 billion for the six-month period ended June 30, 2012, and from an increase of 125 basis points in the average interest rate, increasing from 3.9% paid during the six-month period ended June 30, 2011 to 5.2% paid during the six-month period ended June 30, 2012. The above mentioned increase in the average balance contributed Ps 106.3 billion of the increase in total interest expense, while the increase in the average interest rate contributed the remaining Ps 68.7 billion of such increase.

The Ps 74.8 billion increase in interest paid for savings deposits resulted from a Ps 700.6 billion, or 4.9%, increase in the average volume of savings deposits from Ps 14,254.9 billion for the six-month period ended June 30, 2011 to Ps 14,955.5 billion for the six-month period ended June 30, 2012, and from an increase of 88 basis points in the average interest rate, increasing from 2.6% paid during the six-month period ended June 30, 2011 to 3.5% paid during the six-month period ended June 30, 2012. The above mentioned increase in the average balance contributed Ps 10.2 billion of the increase in total interest expense, while the increase in the average interest rate contributed Ps 64.5 billion.

The Ps 74.5 billion increase in interest paid for interest-bearing liabilities other than deposits resulted from a Ps 35.0 billion increase in interest paid for borrowings from banks and others, a Ps 25.4 billion increase in interest paid for interbank and overnight funds, and a Ps 14.0 billion increase in interest paid for long-term debt (bonds). The main driver of such increases was higher interest rates paid since the average of interest-bearing liabilities other than deposits decreased from Ps 12,567.1 billion for the six-month period ended June 30, 2011 to Ps 12,237.9 billion for the six-month period ended June 30, 2012. The rates paid showed the following increases: in borrowings from banks and others from 2.7% to 3.7%, in interbank and overnight funds (expenses) from 2.8% to 4.5%, and in long-term debt from 4.9% to 6.1%, all for the six-month period ended June 30, 2011 to the six-month period ended June 30, 2012 and consistent with an increasing interest-rate environment.

Banco de Bogotá's average net interest margin (calculated as net interest income divided by total average interest-earning assets) remained stable at 6.3% during both the six-month period ended June 30, 2011 and the six-month period ended June 30, 2012 driven by the increase in cost of funding described above and despite an increase in the average yield from total interest-earning assets from 9.0% to 10.0% and increases in the cost of funds. The spread between the yield earned on loans and financial leases and the rate paid on deposits slightly decreased from 7.38% for the six-month period ended June 30, 2011 to 7.36% for the six-month period ended June 30, 2012.

Provisions

Total net provisions increased by Ps 134.6 billion to Ps 207.1 billion in the six-month period ended June 30, 2012, driven primarily by a Ps 150.7 billion increase in net provisions for foreclosed assets and other assets. This increase was driven by a Ps 153.4 billion decrease in recovery of provisions for foreclosed assets and other assets from Ps 158.2 billion for the six-month period ended June 30, 2011 to Ps 4.8 billion for the six-month period ended June 30, 2012 mainly due to a Ps 122 billion reversal in 2011 of the cautionary Ps 245 billion market risk provision established by Corficolombiana in December 2010. (see "—Banco de Bogotá subsidiary analysis—Corficolombiana—Provisions").

Partially offsetting the increase in total net provisions for foreclosed assets and other assets was the decrease in net provisions for loans and financial lease losses of Ps 15.5 billion from Ps 212.6 billion for the six-month period ended June 30, 2011 to Ps 197.1 billion for the six-month period ended June 30, 2012. The decrease in net provisions for loans and financial lease losses was associated with a Ps 24.1 billion reversal of provisions recorded by LB Panamá (see "—Banco de Bogotá subsidiary analysis—LB Panamá—Provisions"). Banco de Bogotá's delinquency ratio improved from 2.3% as of June 30, 2011 to 1.9% as of June 30, 2012. The improvement in the delinquency ratio is associated with a 1.3% increase in the average balance of total loans past due from Ps 803.9 billion as of June 30, 2011 to Ps 814.0 billion as of June 30, 2012 compared with a 17.0% growth in gross loans from Ps 35,691.9 billion as of June 30, 2011 to Ps 41,745.4 billion as of June 30, 2012.

Banco de Bogotá's charge-offs decreased by Ps 20.9 billion from Ps 191.8 billion for the six-month period ended June 30, 2011 to Ps 170.8 billion for the six-month period ended June 30, 2012. Its annualized ratio of charge-offs to average balance of loans and financial leases ratio decreased from 1.1% for the six-month period ended June 30, 2011 to 0.8% for the six-month period ended June 30, 2012.

Banco de Bogotá's allowance for loans and financial leases increased by Ps 80.9 billion to Ps 1,112.8 billion at June 30, 2012 increasing Banco de Bogotá's coverage ratio from 128.4% at June 30, 2011 to 136.7% at June 30, 2012.

Net provisions for accrued interest and other receivables slightly increased by Ps 0.2 billion to a net expense of Ps 21.0 billion as of June 30, 2012 from Ps 20.9 billion as of June 30, 2011.

The recovery of charged-off assets increased between the six-month period ended June 30, 2011 and the six-month period ended June 30, 2012 by Ps 0.8 billion to Ps 22.2 billion.

Total fees and other services income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Fees and other services income:				
Commissions from banking services	476.1	471.8	4.3	0.9
Branch network services	13.9	11.8	2.1	17.8
Credit card merchant fees	119.3	112.9	6.5	5.7
Checking fees	19.7	21.1	(1.3)	(6.3)
Warehouse services	55.1	52.6	2.5	4.7
Fiduciary activities	57.3	48.7	8.6	17.7
Pension plan administration	240.9	218.9	22.0	10.0
Other	45.3	48.4	(3.0)	(6.3)
Total fees and other services income	1,027.8	986.2	41.6	4.2
Fees and other services expenses	(125.8)	(124.4)	1.4	1.1
Total fees and other services income, net	**902.0**	**861.8**	**40.2**	**4.7**

Total fees and other services income, net increased by 4.7% to Ps 902.0 billion in the six-month period ended June 30, 2012, primarily as a result of higher fee income derived from pension plan administration, fiduciary activities, credit card merchant fees and commissions from banking services.

The 10.0%, or Ps 22.0 billion, increase in pension plan administration fees was mainly a result of higher fee income produced by Porvenir consisting of commissions earned on the administration of mandatory pension funds (which increased by Ps 3.0 billion to Ps 149.9 billion in the six-month period ended June 30, 2012), severance funds (which increased by Ps 2.0 billion to Ps 32.6 billion in the six-month period ended June 30, 2012), voluntary pension funds (which decreased by Ps 0.4 billion to Ps 23.1 billion in the six-month period ended June 30, 2012) and third-party liability pension funds (which increased by Ps 8.6 billion to Ps 16.1 billion in the six-month period ended June 30, 2012), as further explained in "—Banco de Bogotá subsidiary analysis—Porvenir—Total fees and other services."

The Ps 8.6 billion, or 17.7%, increase to Ps 57.3 billion in commissions from fiduciary activities was primarily attributable to higher income derived from a Fiduciaria Bogotá and Fiduciaria Corficolombiana, both subsidiaries of Banco de Bogotá.

Credit card merchant fees and commissions from banking services increased by Ps 6.5 billion and Ps 4.3 billion respectively between the six-month period ended June 30, 2011 and June 30, 2012 in line with the organic growth of the loan portfolio and deposit funding during the same period. LB Panamá accounted for Ps 4.3 billion and Ps 1.1 billion of the increase in credit card merchant fees and commissions from banking services, respectively.

Other operating income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	(107.2)	(62.5)	(44.8)	(71.7)
Gains (losses) on derivative operations, net	156.9	102.9	54.1	52.6
Gains on sales of investments in equity securities, net	6.7	12.7	(6.1)	(47.7)
Income from non-financial sector, net (1)	193.4	170.8	22.7	13.3
Dividend income	90.0	77.0	13.0	16.9
Other	21.1	34.4	(13.3)	(38.6)
Other operating income	**360.9**	**335.3**	**25.6**	**7.6**

(1) Income from non-financial sector reflects the operating results of Corficolombiana in its consolidated investments in companies not related to the financial sector such as Epiandes, Hoteles Estelar S.A., or Hoteles Estelar, and Organización Pajonales S.A., or "Organización Pajonales," among others. This result is net of the following operating and administrative expenses in the six-month period ended June 30, 2012 and 2011: Ps 532.1 billion and Ps 373.4 billion, respectively.

Total other operating income increased by 7.6%, or Ps 25.6 billion, to Ps 360.9 billion in the six-month period ended June 30, 2012, mainly due to a Ps 22.7 billion increase in income from the non-financial sector, which reflected the net income growth of non-financial companies consolidated by Corficolombiana such as Epiandes and Episol (further explained in "—Banco de Bogotá subsidiary analysis—Corficolombiana").

Also contributing to the increase in other operating income was a Ps 13.0 billion increase in dividend income from Ps 77.0 billion for the six-month period ended June 30, 2011 to Ps 90.0 billion for the six-month period ended June 30, 2012 associated with an increase in dividends received from CFC Limited, and CFC Gas holding SAS pertaining to dividends accruing from February 2011 to May 2015 relating to a 10.58% interest in Promigas (see "Summary—Recent developments") offset in part by a decrease in the dividend income from Empresa de Energía de Bogotá and other direct interests in Promigas (further explained in "—Banco de Bogotá subsidiary analysis—Corficolombiana").

Net foreign exchange and derivative operations showed a net increase of Ps 9.3 billion in the six-month period ended June 30, 2012 compared to the six-month period ended June 30, 2011 contributing also to the increase in other operating income. Foreign exchange gains (losses), net and gains (losses) on derivative operations, net are related as Banco de Bogotá employs derivative operations to hedge foreign exchange risk and on behalf of its clients.

Partially offsetting the increase in other operating income was a Ps 13.3 billion decrease in "Other" and a Ps 6.1 billion decrease in gains on sales of investments in equity securities, net. During the first six months of 2012, Corficolombiana recognized a gain of Ps 5.7 billion associated with the sale of its stake in Proenergía, whereas during the first six months of 2011, it recognized a gain of Ps 12.2 billion for the sale of its stake in both Colombina and Transoriente.

Operating expenses

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Salaries and employee benefits	(565.0)	(523.1)	42.0	8.0
Bonus plan payments	(40.1)	(36.9)	3.1	8.5
Termination payments	(7.8)	(9.8)	(2.0)	(20.4)
Administrative and other expenses	(744.3)	(726.8)	17.5	2.4
Deposit security, net	(48.3)	(41.2)	7.1	17.2
Charitable and other donation expenses	(2.4)	(3.3)	(0.9)	(27.6)
Depreciation	(57.7)	(57.8)	(0.0)	(0.0)
Goodwill amortization	(37.6)	(40.0)	(2.5)	(6.2)
Total operating expenses	**(1,503.2)**	**(1,438.9)**	**64.2**	**4.5**

Total operating expenses increased by 4.5% to Ps 1,503.2 billion in the six-month period ended June 30, 2012. This increase primarily reflected an 8.0%, or Ps 42.0 billion, and a 2.4%, or Ps 17.5 billion, increase in salaries and employee benefits, and administrative and other expenses, respectively. Both increases are associated with the organic growth of the business and its personnel. Between June 30, 2011 and June 30, 2012 a total of 1,105 people entered to work in the Bank and its consolidated subsidiaries, which represents an increase of 3.4% from 32,449 to 33,554.

Banco de Bogotá's efficiency ratio improved from 49.6% for the six-month period ended June 30, 2011 to 47.3% for the six-month period ended June 30, 2012, while the ratio of annualized operating expenses before depreciation and amortization as a percentage of average interest-earning assets improved from 6.4% for the six-month period ended June 30, 2011 to 5.9% for the six-month period ended June 30, 2012.

Non-operating income (expense)

Total non-operating income (expense) increased by Ps 39.0 billion from Ps 34.1 billion in the six-month period ended June 30, 2011 to Ps 73.1 billion in the six-month period ended June 30, 2012. This increase is associated with Corficolombiana's Ps 25.7 billion and LB Panamá's Ps 8.0 billion increase in non-operating income.

Income tax expense

Income before income tax expense and non-controlling interest increased 9.3% from Ps 1,227.4 billion for the six-month period ended June 30, 2011 to Ps 1,341.0 billion for the six-month period ended June 30, 2012. Income tax expense, in turn, increased by 33.3% to Ps 446.7 billion for the six-month period ended June 30, 2012. Banco de Bogotá's effective tax rate increased from 27.3% for the six-month period ended June 30, 2011 to 33.3% for the six-month period ended June 30, 2012 mainly due to an increase in the effective tax rate of its (i) Corficolombiana subsidiary, associated with a higher non-taxable income registered during the six-month period ended June 30, 2011 and lower tax exemptions in some of its consolidated entities during the six-month period ended June 30, 2012, and (ii) the reconciliation of LB Panamá's results from U.S. GAAP to Colombian Banking GAAP, which impacted the accounting of income tax expense (but not amounts actually paid) and the deferred tax calculation. see "—Banco de Bogotá—Banco de Bogotá subsidiary analysis—LB Panamá."

Non-controlling interest

Banco de Bogotá's non-controlling interest decreased by Ps 82.5 billion, or 26.4%, to Ps 229.5 billion in the six-month period ended June 30, 2012 compared with the six-month period ended June 30, 2011. The decrease in non-controlling interest was primarily a result of a lower net income from Corficolombiana's operation in the six-month period ended June 30, 2012 as compared to the same period in 2011 (Ps 209.2 billion as compared to Ps 373.6 billion, respectively), as further described in "—Banco de Bogotá subsidiary analysis—Corficolombiana."

Banco de Bogotá subsidiary analysis

Banco de Bogotá's results of operations are significantly affected by the results of operations of its subsidiaries, Corficolombiana, Porvenir and LB Panamá. In order to fully disclose the effect of these subsidiaries on Banco de Bogotá, the following is an analysis of the results of operations of each of Corficolombiana, Porvenir and LB Panamá in the six-month period ended June 30, 2012 compared to the six-month period ended June 30, 2011.

Corficolombiana

Net income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Total interest income	255.7	208.7	47.0	22.5
Total interest expense	(168.2)	(86.1)	82.1	95.3
Net interest income	87.4	122.6	(35.1)	(28.7)
Total (provisions)/reversals, net	(5.2)	137.5	142.6	(103.8)
Total fees and other services income, net	20.6	22.1	(1.5)	(6.8)

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Total other operating income	270.0	274.2	(4.1)	(1.5)
Total operating income	372.9	556.3	(183.4)	(33.0)
Total operating expenses	(71.2)	(82.2)	(11.0)	(13.4)
Net operating income	301.6	474.1	(172.4)	(36.4)
Total non-operating income (expense), net	26.6	0.9	25.7	2,902.5
Income before income tax expense and non-controlling interest	328.3	474.9	(146.7)	(30.9)
Income tax expense	(78.8)	(61.7)	17.1	27.7
Income before non-controlling interest	249.5	413.2	(163.8)	(39.6)
Non-controlling interest	(40.3)	(39.6)	0.7	1.7
Net income attributable to shareholders	**209.2**	**373.6**	**(164.4)**	**(44.0)**

Corficolombiana's net income decreased by 44.0% to Ps 209.2 billion in the six-month period ended June 30, 2012 when compared to the six-month period ended June 30, 2011. The most significant drivers of the decrease in net income were (i) an increase of Ps 142.6 billion in total net provisions for loans and other assets from a Ps 137.5 billion net reversal in the six-month period ended June 30, 2011 to a Ps 5.2 billion net provision expense in the six-month period ended June 30, 2012, since during the first six months of 2011, Ps 122 billion of the cautionary Ps 245 billion market risk provision established by Corficolombiana in December 2010 was reversed; (ii) the decrease of Ps 35.1 billion in net interest income from Ps 122.6 billion for the six-month period ended June 30, 2011 to Ps 87.4 billion for the six-month period ended June 30, 2012; and (iii) an increase in income tax expense of Ps 17.1 billion to Ps 78.8 billion for the six-month period ended June 30, 2012. All of the above were partially offset by a decrease in operating expenses of Ps 11.0 billion to Ps 71.2 billion and an increase in total non-operating income, net of Ps 25.7 billion to Ps 26.6 billion for the six-month period ended June 30, 2012.

Net interest income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Interest income:				
Interest on loans	9.9	6.0	3.9	65.4
Interest on investment securities	191.6	153.2	38.4	25.1
Interbank and overnight funds	21.4	25.3	(3.9)	(15.6)
Financial leases	32.9	24.2	8.6	35.6
Total interest income	255.7	208.7	47.0	22.5
Interest expense:				
Time deposits	(76.4)	(39.3)	37.1	94.6
Savings deposits	(4.1)	(1.5)	2.6	172.4
Total interest expense on deposits	(80.5)	(40.8)	39.7	97.4
Borrowing from banks and others	(28.5)	(14.6)	13.9	95.3
Interbank and overnight funds (expenses)	(54.7)	(27.7)	27.1	97.9
Long-term debt (bonds)	(4.5)	(3.1)	1.4	45.5
Total interest expense	(168.2)	(86.1)	82.1	95.3
Net interest income	**87.4**	**122.6**	**(35.1)**	**(28.7)**

Net interest income decreased by 28.7% to Ps 87.4 billion in the six-month period ended June 30, 2012 compared to the six-month period ended June 30, 2011. Total interest income, which consists of income from loans, investment securities, interbank and overnight funds and financial leases, increased by 22.5% or Ps 47.0 billion to Ps 255.7 billion in the six-month period ended June 30, 2012. This increase was due to a Ps 38.4 billion increase in income on investment securities from Ps 153.2 billion in the six-month period ended June 30, 2011 to Ps 191.6 billion in the six-month period ended June 30, 2012, and due to a Ps 8.6 billion increase in interest income from financial leases from Ps 24.2 billion in the six-month period ended June 30, 2011 to Ps 32.9 billion in the six-month

period ended June 30, 2012 associated with a 24.5% growth in the balance of financial leases from Ps 460.7 billion to Ps 573.5 billion. More than offsetting the increase of Ps 47.0 billion in total interest income was an increase of Ps 82.1 billion increase in total interest expense. The increase in total interest expense was attributable to an increase in total interest expense on deposits, on interbank and overnight funds and on borrowings from banks and others consistent with an increase of Ps 2,230.5 billion in the balance of total interest-bearing liabilities from Ps 5,502.0 billion to Ps 7,732.6 billion between June 30, 2011 and June 30, 2012, incurred to support the growth of the investment securities' portfolio.

Of the Ps 191.6 billion interest income on investment securities recorded in the six-month period ended June 30, 2012, Corficolombiana's equity securities portfolio generated Ps 90.1 billion, reflecting a 74.4% increase from the Ps 51.7 billion yielded in the six-month period ended June 30, 2011. Corficolombiana's debt securities portfolio generated Ps 101.5 billion in income in the six-month period ended June 30, 2012, which is similar to the income generated in the same period ended June 30, 2011.

The primary reason for the increase in interest income from equity securities was that, while in February 2011 Corficolombiana had to record an unrealized loss of Ps 122.1 billion from its investment in Promigas due to a reclassification from "medium" to "low" liquidity, this investment did not experience a change in its liquidity during the first six months of 2012 and thus did not impact the income statement through the interest income line item.

Also contributing to the increase in interest income from equity investment securities was the fact that during the six-month period ended June 30, 2011, Corficolombiana had recorded a Ps 22.2 billion mark-to-market loss on its investment in Banco de Occidente while during the six-month period ended June 30, 2012 it recorded a mark-to-market gain of Ps 6.3 billion. On February 14, 2012 Banco de Occidente was reclassified as an "available for sale" security due to a decrease in its liquidity level from "medium" to "low." On March 12, 2012, its liquidity increased back to "medium" and thus was reclassified as "trading" and recorded the gain previously described. On April 25, 2012 its liquidity decreased once more to "low" and the security was reclassified as "available for sale." As of June 30, 2012, Corficolombiana's stake in Banco de Occidente was classified as "available for sale."

Additionally, during the six-month period ended June 30, 2011 Corficolombiana recorded a mark-to-market loss of Ps 16.9 billion associated with its investment in SIE. This investment was sold in October, 2011.

Corficolombiana's investment in its private investment fund managed by Corredores Asociados generated income of Ps 83.1 billion during the six-month period ended June 30, 2012, a decrease from a Ps 144.8 billion interest income registered during the six-month period ended June 30, 2011 due to a decrease in dividend income from the fund's investments.

Finally, during the six-month period ended June 30, 2011 Corficolombiana recorded a mark-to-market gain on its investment in Proenergía of Ps 67.2 billion due to a change in its liquidity level. Corficolombiana's stake in Proenergía was sold during the first six months of 2012 and did not have an impact on interest income in this period.

Also contributing to an increase in interest income was an increase in income from loans and financial leases of Ps 12.5 billion from Ps 30.2 billion for the six-month period ended June 30, 2011 to Ps 42.8 billion for the six-month period ended June 30, 2012. This increase is consistent with an increase in the balance of financial leases granted by Corficolombiana's financial subsidiaries which increased from Ps 460.7 billion as of June 30, 2011 to Ps 573.5 billion as of June 30, 2012.

More than offsetting the Ps 47.0 billion increase in total interest income was an increase of total interest expense of Ps 82.1 billion or 95.3% from Ps 86.1 billion in the six-month period ended June 30, 2011 to Ps 168.2 billion in the six-month period ended June 30, 2012. The increase in total interest expense is attributable to an increase in interest paid for time deposits of Ps 37.1 billion, an increase in interest paid for interbank and overnight funds of Ps 27.1 billion, and an increase in interest paid for borrowing from banks and other of Ps 13.9 billion.

The increase in total interest expense reflects an increase in the volume of funding and as a result of an increasing interest-rate environment in which the average DTF increased by 164 basis points between the first six months of 2011 and the first six months of 2012. Time deposits balance increased from Ps 1,771.3 billion as of June 30, 2011 to Ps 2,888.7 billion as of June 30, 2012; interbank and overnight funds balance increased from Ps 2,545.9 billion as of June 30, 2011 to Ps 3,014.2 billion as of June 30, 2012; and borrowing from banks and other increased from Ps 830.7 billion as of June 30, 2011 to Ps 1,091.0 billion as of June 30, 2012. The increase in liabilities was incurred to support the growth of the investment portfolio.

Provisions

Corficolombiana's net provisions increased by Ps 142.6 billion from a Ps 137.5 net reversal in the six-month period ended June 30, 2011 to a Ps 5.2 billion net provision expense in the six-month period ended June 30, 2012. This increase was mainly attributable to the reversal in the six-month period ended June 30, 2011 of Ps 122 million of the cautionary Ps 245 billion market risk provision established by Corficolombiana in December 2010

Total fees and other services income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Fees and other services income:				
Commissions from banking services	0.4	1.9	(1.4)	(76.0)
Fiduciary activities	16.9	16.0	0.9	5.7
Other	6.9	7.2	(0.2)	(3.4)
Total fees and other services income	24.3	25.1	(0.7)	(3.0)
Fees and other services expenses	(3.7)	(3.0)	0.8	25.9
Total fees and other services income, net	**20.6**	**22.1**	**(1.5)**	**(6.8)**

Net fee and other services income showed a slight decrease from Ps 22.1 billion for the six-month period ended June 30, 2011 to Ps 20.6 billion for the six-month period ended June 30, 2012. The Ps 1.5 billion decrease in total fees and other service income, net is attributable to a decrease of Ps 1.4 billion in commission from banking services and an increase in fees and other service expenses of Ps 0.8 billion, partially offset by an increase of Ps 0.9 billion in income fees from fiduciary activities.

Other operating income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	(26.6)	(26.5)	(0.1)	(0.3)
Gains on derivative operations, net	2.4	26.4	(24.0)	(90.9)
Gains on sales of investments in equity securities, net	5.8	12.3	(6.5)	(52.7)
Income from non-financial sector, net	195.1	170.8	24.4	14.3
Dividend income	88.8	74.5	14.3	19.2
Other	4.5	16.6	(12.2)	(73.2)
Total other operating income	**270.0**	**274.2**	**(4.1)**	**(1.5)**

Total other operating income showed a slight decrease of 1.5%, or Ps 4.1 billion, from Ps 274.2 billion for the six-month period ended June 30, 2011 to Ps 270.0 billion for the six-month period ended June 30, 2012. The decrease is a result of a decrease in net foreign exchange and derivative operations from a net loss of Ps 0.1 billion during the first six months of 2011 to a net loss of Ps 24.2 billion incurred in the first six months of 2012 attributable to the change in value of USD held investments in AEI Promigas Holdings Ltd., AEI Promigas Ltd. and AEI Promigas Investments Ltd. associated with the appreciation of the Colombian peso.

Also contributing to the result in total other operating income was a decrease of Ps 6.6 billion in the "other" line item and a decrease of Ps 6.5 billion in the "Gains on sales of investments in equity securities, net" line item. Offsetting these lower results was in increase of Ps 18.8 billion or 11.0% increase in income from non-financial sector, net and an increase of Ps 14.3 billion or 19.2% increase in dividend income.

The improved results in income from non-financial sector investments were associated with a better operating performance of the non-financial subsidiaries consolidated by Corficolombiana, mainly Epiandes and Episol. Finally, the increase in dividend income was the result of higher dividend income from CFC Limited and CFC Gas Holding SAS of Ps 19.7 billion and Ps 38.8 billion pertaining to dividends declared on a 10.58% interest in

Promigas between February 2011 and May 2012, respectively (see note 4 to our interim consolidated financial statements). Also contributing to the growth in the income from dividends was a Ps 3.1 billion increase in the dividend income from Corficolombiana's investment in Gas Natural from Ps 1.2 billion to Ps 4.3 billion, and a Ps 4.3 billion dividend income registered during the first six months of 2012 from Corficolombiana's investment in Banco de Occidente. During the first six months of 2011, dividend income from Banco de Occidente was registered as interest income on investment securities rather than dividend income since at the moment of Banco de Occidente's declaration of dividends the investment was classified as "trading."

Offsetting this increase was that no dividend income from Promigas was recorded in the income statement of Corficolombiana during the six-month period ended June 30, 2012 as compared to the Ps 36.0 billion dividend income recorded during the six-month period ended June 30, 2011. Even though Corficolombiana received dividends from Promigas during the first six months of 2012, Colombian regulations contemplate that when an investment, such as Promigas, classified as "available for sale" does not have a positive revaluation balance in the balance sheet, the income derived from dividends should be recorded directly in the balance sheet rather than in the income statement. The reason for the negative revaluation balance associated with this investment was the decline in its share price from Ps 31,500 per share in March 31, 2011 to Ps 28,000 per share in March 31, 2012, dates on which dividends are declared.

In addition, during the six-month period ended June 30, 2012 Corficolombiana recorded dividend income of Ps 11.4 billion from its investment in Empresa de Energía de Bogotá, while during the six-month period ended June 30, 2011 it had recorded a dividend income of Ps 26.8 billion.

Operating expenses

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Salaries and employee benefits	(26.7)	(24.1)	2.6	10.6
Bonus plan payments	(2.7)	(3.0)	(0.2)	(7.6)
Termination payments	(0.1)	(1.0)	(1.0)	(94.7)
Administrative and other expenses	(35.8)	(48.8)	(13.0)	(26.6)
Deposit security, net	(3.9)	(2.8)	1.2	42.1
Charitable and other donation expenses	(0.0)	(0.2)	(0.2)	(100.0)
Depreciation	(2.0)	(1.8)	0.2	11.4
Goodwill amortization	0.0	(0.5)	(0.5)	(100.0)
Total operating expenses	**(71.2)**	**(82.2)**	**(11.0)**	**(13.4)**

Corficolombiana's total operating expenses decreased by Ps 11.0 billion or 13.4% from Ps 82.2 billion for the six-month period ended June 30, 2011 to Ps 71.2 billion for the six-month period ended June 30, 2012. This decrease was almost entirely due to a Ps 13.0 billion decrease in administrative and other expenses associated with a change in the amortization treatment of the Equity Tax. While in 2011 the Equity Tax was amortized during the first six months, in 2012 it began to be amortized during twelve months, as it has been done for certain of Grupo Aval's banks. This decrease was partially offset by increases in salaries and employee benefits due to the organic growth of the business which resulted in the total number of employees increasing from 819 people in June 30, 2011 to 869 people in June 30, 2012.

Non-operating income (expense)

Total non-operating income (expense) increased by Ps 25.7 billion to Ps 26.6 billion in the six-month period ended June 30, 2012, mainly due to recoveries of previously written-off assets, reversals of provisions and gains in sales of foreclosed and fixed assets.

Income tax expense

Income tax expense increased by Ps 17.1 billion to Ps 78.8 billion for the six-month period ended June 30, 2012. Corficolombiana's effective tax rate, calculated before non-controlling interest, increased from 13.0% for the six-month period ended June 30, 2011 to 24.0% for the six-month period ended June 30, 2012, primarily due to

higher non-taxable income recorded during the six-month period ended June 30, 2011 attributable to FCP and Proenergía, and due to fewer tax exemptions during the first half of 2012 affecting Episol, a consolidated subsidiary of Corficolombiana.

Porvenir

Porvenir generates income primarily from fees on its customers' pension contributions, which consist predominantly of monthly mandatory contributions. It also generates net interest income, composed almost entirely of investment income from the appreciation of Porvenir's proprietary trading portfolio, which can be divided into two components: (1) income from its stabilization reserve, which is the legally required proprietary stake (1% of assets under management) in its funds that are subject to a minimum return guarantee; and (2) direct investment portfolio income, which includes income from fixed income securities and money market instruments. As a result, Porvenir's revenue is mainly affected by the number of contributors, the salaries of contributors, any changes in applicable fee rates and the rate of return of its assets under management.

Net income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Total interest income	28.4	11.2	17.2	153.9
Total interest expense	(1.4)	(1.6)	(0.2)	(13.3)
Net interest income	27.0	9.6	17.4	182.7
Total (provisions) / reversals, net	(0.4)	(0.7)	(0.3)	(47.7)
Total fees and other services income, net	208.6	203.3	5.4	2.7
Total other operating income	4.9	3.7	1.1	30.1
Total operating income	240.1	215.8	24.3	11.3
Total operating expenses	(87.1)	(98.6)	(11.5)	(11.7)
Net operating income	153.0	117.2	35.8	30.6
Total non-operating income (expense), net	9.1	3.0	6.1	204.8
Income before income tax expense and non-controlling interest	162.1	120.2	41.9	34.9
Income tax expense	(56.3)	(44.2)	12.1	27.3
Non-controlling interest	(0.1)	(0.1)	0.0	42.8
Net income	**105.7**	**75.9**	**29.8**	**39.3**

Porvenir's net income increased by 39.3%, or Ps 29.8 billion, to Ps 105.7 billion for the six-month period ended June 30, 2012 as compared to the six-month period ended June 30, 2011. This increase was mainly due to an increase of Ps 17.4 billion in net interest income, an increase of Ps 5.4 billion in total fees and other services income, net, an increase of Ps 6.1 billion in total non-operating income (expense), net and a decrease in total operating expenses of Ps 11.5 billion, all partially offset by an increase of Ps 12.1 billion in income tax expense.

Total fees and other services income

Total net fees and other services income consist primarily of commissions earned on the administration of mandatory pension funds, severance funds, voluntary pension funds and third-party liability pension funds. Porvenir's total net fees and other services income increased by Ps 5.4 billion, or 2.7%, to Ps 208.6 billion in the six-month period ended June 30, 2012 versus the six-month period ended June 30, 2011, driven primarily by the increase in the revenues received from the administration of mandatory pension funds, which rose by Ps 3.0 billion, from Ps 146.9 billion in the six-month period ended June 30, 2011 to Ps 149.9 billion in the six-month period ended June 30, 2012, due to a 9.9% increase in the average number of contributors and a 4.8% increase in the average wage earned per contributor to Ps 1.2 million.

Also contributing to the increase in fee income was a Ps 2.0 billion increase in fees from severance fund management, which rose from Ps 30.6 billion in the six-month period ended June 30, 2011 to Ps 32.6 billion in the six-month period ended June 30, 2012. This increase was mainly due to the migration of assets from the short-term portfolio to the long-term portfolio and the rise in the assets under management in the severance fund, which increased by 5.1% in the same period of time.

Revenue associated with the management of voluntary pension funds decrease by Ps 0.4 billion from Ps 23.5 billion in the six-month period ended June 30, 2011 to Ps 23.1 billion in the six-month period ended June 30, 2012.

Fees from third-party liability pension funds increased by Ps 8.6 billion from Ps 7.5 billion in the six-month period ended June 30, 2011 to Ps 16.1 billion in the six-month period ended June 30, 2012. This increase was mainly due to an increase in the commissions earned from the third-party liability pension funds that depend on the rate of return of the portfolios as prevailing local and global market conditions during the first six months of 2012 were more favorable than market conditions during the first six months of 2011.

Other fees associated with pension fund administration, such as non-contributor affiliate fees and transfer fees, increased by Ps 3.4 billion from Ps 10.5 billion for the six-month period ended June 30, 2011 to Ps 13.9 billion for the six-month period ended June 30, 2012. Non-contributor affiliate fees are charged on income from the managed funds. Because returns on funds were higher in 2012 than in 2011 the fees charged were higher in 2012 than in 2011.

Commissions from banking services, consisting primarily of fees charged to customers for the processing of information and the early withdrawal of pensions, decreased by Ps 7.4 billion to Ps 0.2 billion in the six-month period ended June 30, 2012. This decrease was due to a reclassification of income from Gestión y Contacto S.A., which was included as commissions from banking services for the six-month period ended June 30, 2011 and is classified as "other operating income" for the six-month period ended June 30, 2012.

Fees and other service expenses increased by Ps 4.1 billion, from Ps 24.1 billion for the six-month period ended June 30, 2011 to Ps 28.2 billion for the six-month period ended June 30, 2012 mainly due to the increase in securities custody fees caused by the entrance of new Third-party liability pension fund portfolios (Ecopetrol with over Ps 2,500 billion in assets under management) during the second six months of 2011.

Net interest income

Net interest income increased by Ps 17.4 billion to Ps 27.0 billion in the six-month period ended June 30, 2012. This increase was primarily due to an increase in the rate of return of Porvenir's mandatory investment in its stability reserve as prevailing market conditions during 2011 were not particularly favorable in the local and global equity markets. Porvenir's rate of return on its investment portfolio increased from 2.9% in the six-month period ended June 30, 2011 to 7.4% in the six-month period ended June 30, 2012. Also contributing to the increase on interest on investment securities was the average volume of the investment portfolio, which grew by 13.4% from Ps 657.3 billion at June 30, 2011 to Ps 745.4 billion at June 30, 2012.

Operating expenses

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Salaries and employee benefits	(39.4)	(38.3)	1.2	3.0
Bonus plan payments	(1.3)	(1.1)	0.2	21.4
Termination payments	(0.0)	(0.0)	(0.0)	–
Administrative and other expenses	(43.0)	(55.1)	(12.0)	(21.9)
Deposit security, net	–	–	–	–
Charitable and other donation expenses	(0.0)	(1.0)	(1.0)	(97.8)
Depreciation	(3.3)	(3.2)	0.2	4.8
Goodwill amortization	–	–	–	–
Total operating expenses	**(87.1)**	**(98.6)**	**(11.5)**	**(11.7)**

Porvenir's total operating expenses in the six-month period ended June 30, 2012 decreased by 11.7%, or Ps 11.5 billion, to Ps 87.1 billion. Ps 7.8 billion of such decrease was primarily to the reclassification of Gestión y Contacto, a non-financial consolidated subsidiary of Porvenir. Since January 1, 2012, Gestión y Contacto's net operating results are included within the total other operating income line item.

Administrative and other expenses decreased from Ps 55.1 billion for the six-month period ended June 30, 2011 to Ps 43.0 billion for the six-month period ended June 30, 2012. Ps 6.1 billion of such decrease is due to the reclassification described above, and Ps 5.9 billion of the decrease is due to the fact that 100% of the equity tax was recorded in the income statement during 2011, and thus did not impact the income statement during 2012.

Porvenir's efficiency ratio in the six-month period ended June 30, 2012 improved in comparison to the same period in 2011, decreasing from 44.1% to 34.9% as a result of both an increase in the operating margin before provisions and a decrease in operating expenses.

Other operating income

Total other operating income for the six-month period ended June 30, 2012 increased by Ps 1.1 billion from Ps 3.7 billion in the six-month period ended June 30, 2011 to Ps 4.9 billion. This increase was primarily due to the inclusion of Ps 3.4 billion of net income generated from Gestión y Contacto, a non-financial sector subsidiary, which prior to January 1, 2012, was treated as a consolidated entity in Porvenir's results, and an increase of Ps 0.2 billion in "Other" income, which was partially offset by a decrease of Ps 2.5 billion in income generated in the foreign currency and derivative operations.

Non-operating income (expense, net)

Total non-operating income (expense), net includes provisions, gains on sale of property, administrative authority fines, and labor demand penalties. Total non-operating income (expense), net in the six-month period ended June 30, 2012 increased by Ps 6.1 billion from Ps 3.0 billion in the six-month period ended June 30, 2011 to Ps 9.1 billion. This increase was mainly due to a recovery resulting from an insurance claim.

Income tax expense

Income tax expense increased by 27.3% to Ps 56.3 billion for the six-month period ended June 30, 2012. This increase was primarily due to higher income before income tax expense and non-controlling interest. Porvenir's effective tax rate, calculated before non-controlling interest, decreased from 36.8% for the six-month period ended June 30, 2011 to 34.7% for the six-month period ended June 30, 2012, primarily due to the impact of the equity tax during 2011, a non-deductible expense and recorded under the administrative and other expenses line item.

LB Panamá

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Total interest income	746.4	685.5	60.9	8.9
Total interest expense	(186.6)	(167.6)	19.0	11.3
Net interest income	559.8	517.9	41.9	8.1
Total (provisions) / reversals, net	(46.8)	(82.1)	(35.3)	(43.0)
Total fees and other services income, net	308.7	296.7	12.0	4.0
Total other operating income	40.7	37.4	3.3	8.8
Total operating income	862.4	770.0	92.4	12.0
Total operating expenses	(557.3)	(539.8)	17.4	3.2
Net operating income	305.1	230.1	74.9	32.6
Total non-operating income (expense), net	(0.9)	(8.9)	8.0	90.2
Income before income tax expense and non-controlling interest	304.2	221.3	82.9	37.5
Income tax expense	(94.3)	(60.6)	33.7	55.7
Income before non-controlling interest	209.9	160.7	49.2	30.6
Non-controlling interest	(0.0)	(0.1)	(0.1)	(58.8)
Net income attributable to shareholders	**209.9**	**160.6**	**49.3**	**30.7**

LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which have been consolidated into LB Panamá's results since December 1, 2010. As of June 30, 2012, LB Panamá had Ps 1,828.0 billion of goodwill associated with the BAC Credomatic acquisition and Ps 481.8 billion of indebtedness incurred to partly finance the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the six-month period ended June 30, 2012 were Ps 27.0 billion and Ps 10.6 billion, respectively, compared to Ps 29.7 billion and Ps 9.6 billion, respectively, for the six-month period ended June 30, 2011.

LB Panamá's net income attributable to its shareholders in the six-month period ended June 30, 2012 increased by Ps 49.3 billion to Ps 209.9 billion mainly due to an increase in net interest income, a decrease in total net provisions, an increase in total fees and income from services, net, and an increase in total non-operating income. Partially offsetting these increases was an increase in total operating expenses and an increase in income tax expense.

Net interest income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Interest income:				
Interest on loans	690.4	638.9	51.5	8.1
Interest on investment securities	31.0	25.7	5.3	20.4
Interbank and overnight funds	14.8	11.7	3.1	26.2
Financial leases	10.1	9.1	1.1	11.6
Total interest income	746.4	685.5	60.9	8.9
Interest expense:				
Checking accounts	(15.4)	(15.3)	0.2	1.1
Time deposits	(90.4)	(84.9)	5.5	6.4
Savings deposits	(14.6)	(16.3)	(1.7)	(10.3)
Total interest expense from deposits	(120.4)	(116.5)	3.9	3.4
Borrowing from banks and others	(53.0)	(38.7)	14.3	36.9
Interbank and overnight funds (expenses)	(3.0)	(3.1)	(0.1)	(3.0)
Long-term debt (bonds)	(10.1)	(9.3)	0.9	9.3
Total interest expense	(186.6)	(167.6)	19.0	11.3
Net interest income	**559.8**	**517.9**	**41.9**	**8.1**

LB Panamá's net interest income increased by 8.1%, or Ps 41.9 billion, from Ps 517.9 billion in the six-month period ended June 30, 2011 to Ps 559.8 billion in the six-month period ended June 30, 2012. This increase was primarily driven by a Ps 60.9 billion increase in total interest income, of which Ps 52.6 billion was attributable to an increase in interest income from loans and financial leases and which was partially offset by a 11.3%, or Ps 19.0 billion, increase in total interest expense.

Interest income from loans and financial leases increased by 8.1%, or Ps 52.6 billion, to Ps 700.6 billion for the six-month period ended June 30, 2012. LB Panamá's average loans and financial lease portfolio grew by 13.0%, or Ps 1,261.5 billion, to Ps 10,942.1 billion, resulting in a Ps 80.8 billion increase in average volume of loans and financial leases. Partially offsetting this increase was the decrease in average yield from 13.4% for the six-month period ended June 30, 2011 to 12.8% for the six-month period ended June 30, 2012, which resulted in a Ps 28.2 billion decrease in interest income from loans and financial leases. The change in the average yield was the result of a change in the mix in the loan and financial lease portfolio. Commercial loans as a proportion of total gross loans increased from 30.0% as of June 30, 2011 to 33.4% as of June 30, 2012. Consumer and mortgage loans as an aggregate proportion of total gross loans decreased from 67.9% as of June 30, 2011 to 64.5% as of June 30, 2012.

Interest income from investment securities increased by Ps 5.3 billion to Ps 31.0 billion for the six-month period ended June 30, 2012. The fixed income portfolio generated Ps 29.1 billion of interest income from investment securities, accounting for 93.9% of LB Panamá's earnings on investment securities for the six-month period ended June 30, 2012. This result was 13.1% higher than the Ps 25.7 billion of interest income generated by fixed income

securities for the six-month period ended June 30, 2011. LB Panamá's equity portfolio generated the remaining Ps 1.9 billion, or 6.1%, of income from investment securities for the six-month period ended June 30, 2012.

Interest income from interbank and overnight funds increased by Ps 3.1 billion from Ps 11.7 billion for the six-month period ended June 30, 2011 to Ps 14.8 billion for the six-month period ended June 30, 2012. The increase in interest income was mainly driven by an increase in the average rate on interbank and overnight funds from 2.1% for the six-month period ended June 30, 2011 to 3.2% for the six-month period ended June 30, 2012.

Primarily as a result of the decrease in the average yield on the loan and financial lease portfolio, the average yield earned on interest-earning assets decreased from 11.3% for the six-month period ended June 30, 2011 to 11.2% for the six-month period ended June 30, 2011.

Total interest expense increased by 11.3%, or Ps 19.0 billion, to Ps 186.6 billion for the six-month period ended June 30, 2012 as compared to the six-month period ended June 30, 2011. This increase was mainly driven by a Ps 14.3 billion increase in interest expense on borrowings from banks and others and a Ps 5.5 billion increase in interest expense on time deposits.

The increase in interest expense on borrowings from banks and others of Ps 14.3 billion was driven by an increase in the average balance of borrowings from banks and others from Ps 2,183.6 billion to Ps 2,834.3 billion and an increase in the average interest rate paid which increased from 3.5% for the six-month period ended June 30, 2011 to 3.7% for the six-month period ended June 30, 2012. The increase in the average balance of borrowings from banks and others contributed with an increase of Ps 12.2 billion in interest expense. The increase in the cost of these funds contributed with an increase of Ps 2.1 billion in interest expense.

The Ps 5.5 billion increase in interest expense on time deposits was driven by an increase in the average balance of time deposits from Ps 4,060.5 billion for the six-month period ended June 30, 2011 to Ps 4,295.3 billion for the six-month period ended June 30, 2012, which contributed with an increase of Ps 4.9 billion in interest expense, and an increase in the average interest rate paid which increased from 4.18% for the six-month period ended June 30, 2011 to 4.21% for the six-month period ended June 30, 2012 which resulted in a Ps 0.5 billion increase in interest expense.

Interest expense on checking accounts increased by Ps 0.2 billion to Ps 15.4 billion for the six-month period ended June 30, 2012. This increase was mainly driven by an increase in the average balance of checking accounts from Ps 4,173.0 billion for the six-month period to Ps 4,359.9 billion for the six-month period ended June 30, 2012, which contributed with an increase of Ps 0.7 billion in interest expense. Partially offsetting this increase was the decrease in the average interest rate paid which decreased from 0.73% for the six-month period ended June 30, 2011 to 0.71% for the six-month period ended June 30, 2012, which resulted in a Ps 0.5 billion decrease in interest expense.

Interest expense on savings deposits decreased by Ps 1.7 billion to Ps 14.6 billion for the six-month period ended June 30, 2012. This decrease was mainly driven by a decrease in the average rate paid which decreased from 1.5% for the six-month period ended June 30, 2011 to 1.2% for the six-month period ended June 30, 2012, which resulted in a Ps 3.0 decrease in interest expense. Partially offsetting this decrease was an increase in the average balance of savings deposits from Ps 2,158.6 billion for the six-month period to Ps 2,379.1 billion for the six-month period ended June 30, 2012, which contributed with an increase of Ps 1.4 billion in interest expense.

The average rate paid on interest-bearing liabilities remained basically unchanged at 2.6% for both the six-month period ended June 30, 2011 and the six-month period ended June 30, 2012.

Average total interest-earning assets for the six-month period ended June 30, 2012 compared to the six-month period ended June 30, 2011 increased by 10.2% or Ps 1,240.5 billion, and net interest income between the same periods increased by 8.1% This resulted in a decrease of the net interest margin from 8.6% for the six-month period ended June 30, 2011 to 8.4% for the six-month period ended June 30, 2012. Showing a similar tendency, the interest spread between the average rate on loans and financial leases and the average rate paid on deposits decreased from 11.1% to 10.6%. This decrease is due to the change in the mix of the loan and financial lease portfolio described above.

Provisions

Total net provisions decreased by Ps 35.3 billion to Ps 46.8 billion for the six-month period ended June 30, 2012, driven primarily by a Ps 40.0 billion decrease in net provisions for loans and financial leases to Ps 47.4 billion.

The decrease in the net provision for loan and financial lease losses was explained by adjustments made to comply with Colombian Superintendency of Finance provision standards: (i) a Ps 15.9 billion of additional provision made during the six-month period ended June 30, 2011 and (ii) a Ps 24.1 billion reversal of provisions associated an increase in the quality of the loan and financial lease portfolio for the six-month period ended June 30, 2012.

LB Panamá's past due loans and financial leases decreased by 7.1% between June 30, 2011 and June 30, 2012, while total loans increased in the same period of time by 18.0%. LB Panamá's delinquency ratio improved from 3.2% as of June 30, 2011 to 2.5% as of June 30, 2012. This improvement was primarily a result of lower delinquency ratio in consumer loans from 4.0% to 3.1% and a lower delinquency ratio in commercial loans from 2.7% to 1.9%.

Charge-offs decreased from Ps 74.5 billion for the six-month period ended June 30, 2011 to Ps 57.9 billion for the six-month period ended June 30, 2012 due to an improvement in the quality of LB Panamá's loan and financial lease portfolio. LB Panamá's charge-offs to average loans and financial leases ratio decreased from an annualized 1.5% for the six-month period ended June 30, 2011 to 1.0% for the six-month period ended June 30, 2012. Since LB Panamá's net provisions for loan and financial lease losses decreased more than its charge-offs, the allowance for loan and financial lease losses decreased from Ps 199.9 billion as of June 30, 2011 to Ps 185.4 billion as of June 30, 2012. LB Panamá's coverage ratio over its past due loans remained basically unchanged decreasing from 64.1% as of June 30, 2011 to 63.9% as of June 30, 2012.

Net provisions for accrued interest and other receivables decreased by Ps 1.1 billion to a net expense of Ps 0.3 billion as of June 30, 2012 from Ps 1.4 billion as of June 30, 2011.

Net provisions for foreclosed assets and other assets increased by Ps 6.2 billion to a net expense of Ps 0.8 billion as of June 30, 2012 from a net recovery of Ps 5.4 billion as of June 30, 2011 due to a combination of lesser reversals of provisions of Ps 8.5 billion and lesser provision expense of Ps 2.3 billion.

The recovery of charged-off assets increased between the six-month periods ended June 30, 2011 and the six-month period ended June 30, 2012 by Ps 1.4 billion to Ps 1.4 billion.

Total fees and other services income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Fees and other services income:				
Commissions from banking services	209.0	207.9	1.1	0.5
Branch network services	–	–	–	–
Credit card merchant fees	91.5	87.3	4.3	4.9
Checking fees	–	–	–	–
Warehouse services	–	–	–	–
Fiduciary activities	–	–	–	–
Pension plan administration	5.3	–	5.3	–
Other	27.6	31.7	(4.1)	(13.0)
Total fees and other services income	333.5	326.9	6.6	2.0
Fees and other services expenses	(24.9)	(30.2)	(5.3)	(17.7)
Total fees and other services income, net	**308.7**	**296.7**	**12.0**	**4.0**

Total net fees and other services income increased by 4.0%, or Ps 12.0 billion to Ps 308.7 billion in the six-month period ended June 30, 2012. Total fees and other services income increased by Ps 6.6 billion mainly as a result higher credit card merchant fees of Ps 4.3 billion, higher commissions from banking services of Ps 1.1 billion, and higher pension plan administration fees of Ps 0.7 billion (pension plan administration fees for the six-month period ended June 30, 2011 were recorded under the "other" commission line item and represented Ps 4.6 billion). Also contributing to the increase total net fees and other services income was a Ps 5.3 billion decrease in fees and other service expenses.

Other operating income

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	40.6	39.0	1.6	4.0
Gains on derivative operations, net	(0.0)	(1.7)	1.7	98.1
Gains on sales of investments in equity securities, net	–	–	–	–
Income from non-financial sector, net	–	–	–	–
Dividend income	–	–	–	–
Other	0.2	0.2	0.0	0.2
Other operating income	**40.7**	**37.4**	**3.3**	**8.8**

Total other operating income, net increased by Ps 3.3 billion to Ps 40.7 billion in the six-month period ended June 30, 2012 due primarily to a Ps 3.3 billion increase associated with foreign exchange gains (losses), net. In the ordinary course of business, LB Panamá enters into forward contracts and other derivative transactions in foreign currency through its treasury department almost entirely for hedging purposes and on behalf of clients.

Operating expenses

	Six-month period ended June 30,		Change, June 2012 vs. June 2011	
	2012	2011	#	%
	(in Ps billions)			
Salaries and employee benefits	(234.2)	(220.4)	13.8	6.3
Bonus plan payments	(30.1)	(27.7)	2.4	8.6
Termination payments	(6.7)	(8.2)	(1.5)	(17.8)
Administrative and other expenses	(226.5)	(220.2)	6.3	2.9
Deposit security, net	(4.4)	(4.3)	0.2	3.8
Charitable and other donation expenses	(1.0)	(0.6)	0.4	71.4
Depreciation	(27.3)	(28.8)	(1.5)	(5.2)
Goodwill amortization	(27.0)	(29.7)	(2.7)	(9.0)
Total operating expenses	**(557.3)**	**(539.8)**	**17.4**	**3.2**

Total operating expenses increased by 3.2%, or Ps 17.4 billion, to Ps 557.3 billion in the six-month period ended June 30, 2012. The increase is mainly due to a Ps 13.8 billion increase to Ps 234.2 billion in salaries and employee benefits and to a Ps 6.3 billion increase to Ps 226.5 billion in administrative and other expenses. LB Panamá's number of employees increased from 15,268 for the six-month period ended June 30, 2011 to 16,001 for the six-month period ended June 30, 2012, on a per capital basis salaries and employee benefits increases by 1.4%. LB Panamá's efficiency ratio for the six-month period ended June 30, 2012 was 55.3%, which improved from the 56.5% ratio for the six-month period ended June 30, 2011.

Non-operating income (expense)

Total net non-operating income (expense) increased by Ps 8.0 billion to a net expense Ps 0.9 billion for the six-month period ended June 30, 2012. This increase is due to a Ps 4.9 billion gain from the U.S. dollar (reporting currency of BAC Credomatic operations) to Colombian Peso conversion, and to adjustments made to reconcile to Colombian Banking GAAP accounting standards.

Income tax expense

Income tax expense for LB Panamá increased by Ps 33.7 billion from Ps 60.6 billion for the six-month period ended June 30, 2011 to Ps 94.3 billion for the six-month period ended June 30, 2012. This increase was primarily due to higher income before income tax expense and non-controlling interest.

LB Panamá's effective tax rate, calculated before non-controlling interest, increased from 27.4% for the six-month period ended June 30, 2011 to 31.0% for the six-month period ended June 30, 2012. This increase was mainly due to differences in the reconciliation of U.S. GAAP to Colombian Banking GAAP accounting standards impacting the income before income tax expense and non-controlling interest, and deferred taxes calculations, as described below.

During the first six-month period ended June 30, 2011, LB Panamá recorded a Ps 15.4 billion provision for loans due to the reconciliation to Colombian Banking GAAP from U.S. GAAP, which resulted in a decrease in income tax expense for this period. During the first six-month period ended June 30, 2012, LB Panamá recorded a Ps 22.4 billion reversal of provision for loans due to an improvement in the credit quality of LB Panamá's loans, which resulted in an increase in the tax expense recorded under Colombian Banking GAAP (but which did not affect the amounts paid).

Non-controlling interest

LB Panamá's non-controlling interest is not material. It totaled Ps 0.04 billion for the six-month period ended June 30, 2012.

Results of operations for the year ended December 31, 2011 compared to the year ended December 31, 2010

Banco de Bogotá

Overview

Banco de Bogotá's net income attributable to its shareholders in the year ended December 31, 2011 increased by 25.2%, or Ps 230.8 billion, to Ps 1,145.7 billion. Banco de Bogotá's operations excluding LB Panamá contributed Ps 814.7 billion and LB Panamá's operation contributed Ps 331.0 billion.

Net income from Banco de Bogotá's operations excluding LB Panamá decreased by 5.5%, or Ps 47.2 billion, in the year ended December 31, 2011. The primary reasons for this decrease were a decrease in income from investment securities, an increase in interest expense and an increase in operating expenses only partially offset by higher income from loans and financial leases, lower net provisions (indicating a recovery) and higher net fee income.

The following discussion describes the principal drivers of Banco de Bogotá's consolidated results of operations for the years ended December 31, 2011 and 2010. Further detail is provided in the discussion of the results of operations of LB Panamá, Porvenir and Corficolombiana.

Banco de Bogotá's results of operations in 2011 include 12 months of BAC Credomatic operations whereas the 2010 results include only one month of BAC Credomatic operations. In order to provide a meaningful comparison, we present in the following tables information that shows "Banco de Bogotá's consolidated," "Banco de Bogotá consolidated excluding LB Panamá" and " LB Panamá's" results. "Banco de Bogotá consolidated excluding LB Panamá" is the result of subtracting "LB Panamá" results from "Banco de Bogotá consolidated" results.

	Banco de Bogotá consolidated			
	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Total interest income	4,395.9	3,345.6	1,050.3	31.4
Total interest expense	(1,459.2)	(902.1)	557.1	61.8
Net interest income	2,936.7	2,443.5	493.2	20.2
Total provisions (reversals), net	(139.0)	(610.6)	(471.6)	(77.2)
Total fees and other services income, net	1,756.8	1,155.1	601.7	52.1
Total other operating income	757.9	582.4	175.8	30.2
Total operating income	5,312.6	3,570.3	1,742.3	48.8
Total operating expenses	(2,968.0)	(1,757.9)	1,210.0	68.8
Net operating income	2,344.6	1,812.4	532.2	29.4
Total non-operating income (expense), net	68.5	96.0	(27.5)	(28.6)
Income before income tax expense and non-controlling interest	2,413.1	1,908.3	504.8	26.5
Income tax expense	(737.2)	(510.0)	227.2	44.5
Income before non-controlling interest	1,675.9	1,398.3	277.6	19.8
Non-controlling interest	(530.2)	(483.4)	46.8	9.7
Net income attributable to shareholders	**1,145.7**	**914.9**	**230.8**	**25.2**

	Banco de Bogotá excl. LB Panamá				LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010		Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#	%	2011	2010	#
	(in Ps billions)				(in Ps billions)		
Total interest income	2,981.0	3,226.6	(245.7)	(7.6)	1,415.0	119.0	1,296.0
Total interest expense	(1,124.1)	(873.2)	250.9	28.7	(335.1)	(29.0)	306.2
Net interest income	1,856.9	2,353.5	(496.6)	(21.1)	1,079.8	90.0	989.8
Total provisions (reversals), net	26.0	(608.3)	(634.3)	(104.3)	(165.0)	(2.3)	162.7
Total fees and other services income, net	1,157.4	1,100.0	57.4	5.2	599.3	55.1	544.3
Total other operating income	661.7	565.1	96.6	17.1	96.5	17.3	79.2
Total operating income	3,701.9	3,410.2	291.8	8.6	1,610.6	160.1	1,450.5
Total operating expenses	(1,833.4)	(1,643.9)	189.5	11.5	(1,134.5)	(114.0)	1,020.5
Net operating income	1,868.5	1,766.3	102.2	5.8	476.1	46.1	430.0
Total non-operating income (expense), net	65.6	67.7	(2.1)	(3.0)	2.9	28.3	(25.4)
Income before income tax expense and non-controlling interest	1,934.1	1,833.9	100.2	5.5	479.0	74.4	404.6
Income tax expense	(589.3)	(488.6)	100.7	20.6	(147.9)	(21.4)	126.5
Income before non-controlling interest	1,344.8	1,345.4	(0.5)	(0.0)	331.1	53.0	278.1
Non-controlling interest	(530.1)	(483.4)	46.7	9.7	(0.1)	(0.0)	0.1
Net income attributable to shareholders	**814.7**	**862.0**	**(47.2)**	**(5.5)**	**331.0**	**53.0**	**278.0**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

Net interest income

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Interest income:				
Interest on loans	3,618.6	2,040.9	1,577.6	77.3
Interest on investment securities	552.2	1,156.7	(604.5)	(52.3)
Interbank and overnight funds	98.2	67.8	30.3	44.7
Financial leases	127.0	80.1	46.9	58.6
Total interest income	4,395.9	3,345.6	1,050.3	31.4
Interest expense:				
Checking accounts	(66.0)	(22.4)	43.6	194.3
Time deposits	(571.7)	(374.0)	197.8	52.9
Savings deposits	(421.7)	(290.4)	131.3	45.2
Total interest expense from deposits	(1,059.4)	(686.8)	372.7	54.3
Borrowing from banks and others	(204.0)	(62.2)	141.9	228.1
Interbank and overnight funds (expenses)	(111.1)	(86.6)	24.5	28.3
Long-term debt (bonds)	(84.6)	(66.6)	18.1	27.1
Total interest expense	(1,459.2)	(902.1)	557.1	61.8
Net interest income	**2,936.7**	**2,443.5**	**493.2**	**20.2**

	Banco de Bogotá excl. LB Panamá				LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010		Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#	%	2011	2010	#
	(in Ps billions)				(in Ps billions)		
Interest income:							
Interest on loans	2,299.5	1,929.5	370.0	19.2	1,319.0	111.4	1,207.6
Interest on investment securities	499.4	1,152.6	(653.3)	(56.7)	52.8	4.1	48.7
Interbank and overnight funds	75.2	65.9	9.3	14.0	23.0	1.9	21.1
Financial leases	106.9	78.5	28.4	36.1	20.1	1.6	18.6
Total interest income	2,981.0	3,226.6	(245.7)	(7.6)	1,415.0	119.0	1,296.0
Interest expense:							
Checking accounts	(36.4)	(22.4)	14.0	62.4	(29.6)	–	29.6
Time deposits	(406.8)	(358.9)	48.0	13.4	(164.9)	(15.1)	149.8
Savings deposits	(390.2)	(285.2)	105.0	36.8	(31.5)	(5.2)	26.3
Total interest expense from deposits	(833.5)	(666.5)	167.0	25.1	(226.0)	(20.3)	205.7
Borrowing from banks and others	(120.7)	(55.7)	65.0	116.7	(83.4)	(6.5)	76.9
Interbank and overnight funds (expenses)	(104.1)	(86.2)	17.9	20.8	(7.0)	(0.4)	6.6
Long-term debt (bonds)	(65.9)	(64.8)	1.1	1.7	(18.7)	(1.8)	17.0
Total interest expense	(1,124.1)	(873.2)	250.9	28.7	(335.1)	(29.0)	306.2
Net interest income	**1,856.9**	**2,353.5**	**(496.6)**	**(21.1)**	**1,079.8**	**90.0**	**989.8**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

Banco de Bogotá's net interest income increased by 20.2% from Ps 2,443.5 billion in the year ended December 31, 2010 to Ps 2,936.7 billion in the year ended December 31, 2011. Banco de Bogotá's operations excluding LB Panamá contributed Ps 1,856.9 billion (a decrease of 21.1% or Ps 496.6 billion from Ps 2,353.5 billion for the year ended December 31, 2010) and LB Panamá contributed Ps 1,079.8 billion. The decrease in Banco de Bogotá's operations excluding LB Panamá was driven by a 7.6%, or Ps 245.7 billion, decrease in total interest income to Ps 2,981.0 billion for the year ended December 31, 2011 and a 28.7%, or Ps 250.9 billion, increase in total interest expense to Ps 1,124.1 billion for the year ended December 31, 2011.

Total interest income increased by 31.4%, from Ps 3,345.6 billion in the year ended December 31, 2010 to Ps 4,395.9 billion in the year ended December 31, 2011, primarily due to an increase in interest income from loans and financial leases, which rose by Ps 1,624.6 billion to Ps 3,745.6 billion in the year ended December 31, 2011. Of the total interest income from loans and financial leases for the year ended December 31, 2011, Ps 2,406.4 billion were contributed by Banco de Bogotá's operations excluding LB Panamá (an increase of 19.8% or Ps 398.4 billion from Ps 2,008.0 billion for the year ended December 31, 2010) and Ps 1,339.2 billion were contributed by LB Panamá's operations.

The increase generated in Banco de Bogotá's operations excluding LB Panamá primarily reflected a 23.7%, or Ps 4,883.6 billion growth of the combined average of the loans and financial leases portfolios from Ps 20,638.2 billion in 2010 to Ps 25,521.9 billion in 2011, which increased interest income by Ps 440.8 billion. Partly offsetting this increase was a decrease in the annualized yield on loans and financial leases of Banco de Bogotá's operations excluding LB Panamá from 9.7% in the year ended December 31, 2010 to 9.4% in the same period in 2011, which decreased interest income from loans and financial leases by Ps 42.4 billion. The decrease in the yield on loans and financial leases in Banco de Bogotá's operations excluding LB Panamá primarily reflects a declining interest rate environment in the second half of 2010 and early 2011 together with the strong growth of our loan portfolio during 2011. The average interest yield on loans and financial leases for Banco de Bogotá excluding LB Panamá was 10.0% during the last quarter of 2011.

During 2011, the average portfolio loans and financial leases for LB Panamá was Ps 9,961.3 billion and the annualized yield on its loans and financial leases was 13.4%.

Partially offsetting the increase in interest income from loans and from financial leases was a 52.3% decrease in income from investment securities, from Ps 1,156.7 billion to Ps 552.2 billion for the years ended December 31, 2010 and 2011 respectively. Under Colombian Banking GAAP, interest income from investment securities includes accrued interest on debt instruments, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available for sale," gains (losses) on repurchase transactions (i.e., repos), gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on the trading securities portfolio.

Of the Ps 552.2 billion of interest income from investment securities, Banco de Bogotá's operations excluding LB Panamá contributed Ps 499.4 billion (a decrease of 56.7% or Ps 653.3 billion from Ps 1,152.6 billion for the year ended December 31, 2010) while LB Panamá contributed Ps 52.8 billion.

Interest income from equity investments from Banco de Bogotá's operations excluding LB Panamá decreased by Ps 662.9 billion, or 97.5%, to Ps 17.0 billion mainly as a result of Corficolombiana having realized mark-to-market gains on its investments in Sociedad de Inversiones en Energía S.A. or "SIE," Banco de Occidente, Empresa de Energía de Bogotá or "EEB" and Promigas during 2010 and realizing mark-to-market losses for those investments during 2011(further explained in "—Banco de Bogotá subsidiary analysis—Corficolombiana—Net interest income"). Interest income derived from the fixed income portfolio of Banco de Bogotá's operations excluding LB Panamá increased by 2.0% or Ps 9.6 billion driven by an increase in the average fixed income investment portfolio.

Total interest expense in Banco de Bogotá increased by Ps 557.1 billion or 61.8% from Ps 902.1 billion in the same period in 2010 to Ps 1,459.2 billion in the year ended December 31, 2011 out of which Ps 1,124.1 billion was incurred by Banco de Bogotá's operations excluding LB Panamá (an increase of Ps 250.9 billion or 28.7% from Ps 873.2 billion in the year ended December 31, 2010) and Ps 335.1 billion was incurred by LB Panamá.

Total interest expense in Banco de Bogotá's operations excluding LB Panamá increased due to the combined effect of a 20.3%, or Ps 5,450.3 billion, increase in the average balance of interest-bearing liabilities increasing to Ps 32,334.6 billion at December 31, 2011, and an increase in the average cost of funding from 3.2% in the year ended

December 31, 2010 to 3.5% in the year ended December 31, 2011. The main reason for the increase in the average cost of funding in Banco de Bogotá's operations excluding LB Panamá was increase of the average DTF.

During 2011, the average balance of interest-bearing liabilities for LB Panamá was Ps 13,286.5 billion and the annualized cost of funds was 2.5%.

Banco de Bogotá's net interest margin (calculated as net interest income divided by total average interest-earning assets) decreased from 7.4% in the year ended December 31, 2010 to 6.0% in the same period in 2011. The net interest margin of Banco de Bogotá's operations excluding LB Panamá decreased from 7.3% to 5.0%, mainly driven by a decrease in the annualized yield of its investment portfolio from 11.7% in 2010 to 4.8% in 2011 due to Corficolombiana's equity investments results, as discussed above and further explained under "Banco de Bogotá subsidiary analysis—Corficolombiana." LB Panamá's net interest margin was 8.8% for the year ended December 31, 2011.

Provisions

Total net provisions decreased by 77.2% to Ps 139.0 billion in the year ended December 31, 2011, driven primarily by a Ps 613.4 billion decrease in net provisions for foreclosed assets and other assets. This decrease was driven by a Ps 306.9 billion decrease in provision expense and a Ps 306.5 billion increase in recovery of provisions in the year ended December 31, 2011. These changes are associated with Corficolombiana's gross provision made during 2010 for covering risk associated with potential future fluctuations on the share price of its equity investment and the gross provision made during 2010 on its investment in SIE, both provisions were reversed during 2011 (further explained in "Banco de Bogotá subsidiary analysis—Corficolombiana—Provisions").

Partially offsetting the decrease in total net provisions for foreclosed assets and other assets was the increase in net provisions for loan and financial lease losses which increased by Ps 146.5 billion from Ps 287.8 billion for the year ended December 31, 2010 to Ps 434.3 billion for the year ended December 31, 2011.

Out of the Ps 434.3 billion of net provisions for loans and financial leases for the year ended December 31, 2011, Ps 272.9 billion were generated by Banco de Bogotá's operations excluding LB Panamá (a decrease of 4.5% or Ps 12.9 billion from Ps 286.8 billion for the year ended December 31, 2010) and Ps 161.4 billion was generated by LB Panamá's operations.

Banco de Bogotá's past due loans at December 31, 2011 decreased by 5.6% to Ps 780.4 billion and its delinquency ratio improved by 60 basis points from 2.5% at December 31, 2010 to 1.9% at December 31, 2011. Banco de Bogotá's delinquency ratio excluding LB Panamá was 1.6% at December 31, 2011, and LB Panamá's was 2.8% at December 31, 2011. LB Panamá's higher delinquency ratio is due to a greater concentration of consumer loans in BAC Credomatic's business (including credit cards) than in Banco de Bogotá's operations excluding LB Panamá.

Banco de Bogotá's charge-offs increased by Ps 131.9 billion from Ps 245.7 billion in December 31, 2010 to Ps 377.5 billion in December 31, 2011. Out of the Ps 377.5 billion of charge-offs for the year ended December 31, 2011, Ps 212.5 billion were generated by Banco de Bogotá's operations excluding LB Panamá (a decrease of 6.9% or Ps 15.7 billion from Ps 228.2 for the year ended December 31, 2010) and Ps 165.1 billion was generated by LB Panamá's operations.

Banco de Bogotá's charge-offs to average loan ratio decreased from 1.1% in December 31, 2010 to 1.0% in December 31, 2011. Banco de Bogotá's operations excluding LB Panamá charge-offs to average loan ratio decreased from 1.1% in December 31, 2010 to 0.8% in December 31, 2011.

Banco de Bogotá's allowance for loans and financial leases increased by Ps 68.6 billion to Ps 1,099.4 billion at December 31, 2011 increasing Banco de Bogotá's coverage ratio from 124.6% at December 31, 2010 to 140.9% at December 31, 2011.

In its Banco de Bogotá's operations excluding LB Panamá, Banco de Bogotá's net provisions for loan and financial lease losses were greater than its charge-offs, which resulted in a 7.5% increase in its allowance for loan financial lease losses to Ps 885.9 billion at December 31, 2011. This growth combined with the decrease in past due loans resulted in an increase in its coverage ratio from 160.7% at December 31, 2010 to 197.5% at December 31, 2011.

LB Panamá's coverage ratio for the year ended December 31, 2011 was 64.3% compared to 65.7.% for the year ended December 31, 2010.

Banco de Bogotá's net provisions for accrued interest and other receivables increased by Ps 17.9 billion, or 56.6%, to Ps 49.6 billion, Ps 11.4 billion of this increase was driven by Banco de Bogotá's operations excluding LB Panamá and Ps 6.5 billion was driven by LB Panamá's operations. The recovery of charged-off assets increased by Ps 22.6 billion, or 76.3%, to Ps 52.2 billion primarily as a result of a more successful recovery effort by Banco de Bogotá.

Total fees and other services income

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Fees and other services income:				
Commissions from banking services	943.1	557.9	385.2	69.0
Branch network services	35.0	22.2	12.8	57.9
Credit card merchant fees	228.6	70.3	158.4	225.4
Checking fees	42.4	42.0	0.5	1.1
Warehouse services	114.7	92.2	22.5	24.4
Fiduciary activities	99.7	98.3	1.3	1.4
Pension plan administration	457.1	408.3	48.8	11.9
Other	90.1	37.1	52.9	142.5
Total fees and other services income	2,010.6	1,328.2	682.4	51.4
Fees and other services expenses	(253.8)	(173.2)	80.7	46.6
Total fees and other services income, net	**1,756.8**	**1,155.1**	**601.7**	**52.1**

	Banco de Bogotá's operations excluding LB Panamá				LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010		Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#	%	2011	2010	#
	(in Ps billions)				(in Ps billions)		
Fees and other services income:							
Commissions from banking services	526.8	519.9	6.9	1.3	416.2	37.9	378.3
Branch network services	35.0	22.2	12.8	57.9	–	–	–
Credit card merchant fees	55.2	51.6	3.6	7.0	173.4	18.6	154.8
Checking fees	42.4	42.0	0.5	1.1	–	–	–
Warehouse services	114.7	92.2	22.5	24.4	–	–	–
Fiduciary activities	99.7	98.3	1.3	1.4	–	–	–
Pension plan administration	447.3	408.3	39.0	9.6	9.8	–	9.8
Other	35.1	31.4	3.7	11.7	55.0	5.7	49.3
Total fees and other services income	1,356.2	1,265.9	90.3	7.1	654.4	62.3	592.1
Fees and other services expenses	(198.8)	(166.0)	32.9	19.8	(55.0)	(7.2)	47.8
Total fees and other services income, net	**1,157.4**	**1,100.0**	**57.4**	**5.2**	**599.3**	**55.1**	**544.3**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

Total net fees and other services income increased by 52.1% to Ps 1,756.8 billion in the year ended December 31, 2011, primarily as a result of higher commissions from banking services and increased credit card merchant fees.

For the year ended December 31, 2011, Banco de Bogotá's operations excluding LB Panamá contributed Ps 1,157.4 billion in total fees and other income, net which includes Ps 526.8 billion in commissions from banking services and Ps 55.2 billion in credit card merchant fees. LB Panamá, in turn, contributed Ps 599.3 billion in total fees and other income, net which includes Ps 416.2 billion in commissions from banking services and Ps 173.4 billion in credit card merchant fees.

The 11.9% (9.6% in Banco de Bogotá's operations excluding LB Panamá) increase in pension plan administration fees is mainly as a result of higher fee income produced by Porvenir consisting of commissions earned on the administration of mandatory pension funds, severance funds, voluntary pension funds and third-party liability pension funds, further explained in "Banco de Bogotá subsidiary analysis—Porvenir—Net income."

The Ps 52.9 billion, or 142.5%, increase to Ps 90.1 billion in "Other" fees is primarily attributable to a Ps 49.3 billion increase in income generated by LB Panamá, which includes insurance sales commissions, investment fund administration fees, travel agency fees and others.

Warehouse services fees increased by Ps 22.5 billion, or 24.4%, to Ps 114.7 billion due to fees contributed by Almaviva, Banco de Bogotá's warehouse subsidiary. This rise in the income of warehouse services resulted from greater imports / exports from existing clients and the addition of new clients.

Other operating income

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	186.9	32.6	154.3	473.8
Gains (losses) on derivative operations, net	(22.8)	63.6	(86.4)	(135.9)
Gains on sales of investments in equity securities, net	41.8	112.1	(70.3)	(62.7)
Income from non-financial sector, net (2)	431.8	289.8	142.0	49.0
Dividend income	78.7	44.1	34.6	78.4
Other	41.8	40.3	1.5	3.8
Other operating income	**757.9**	**582.4**	**175.8**	**30.2**

	Banco de Bogotá's operations excluding LB Panamá				LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010		Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#	%	2011	2010	#
	(in Ps billions)				(in Ps billions)		
Foreign exchange gains (losses), net	86.0	17.3	68.8	398.4	100.9	15.3	85.5
Gains (losses) on derivative operations, net	(18.3)	61.5	(79.8)	(129.7)	(4.6)	2.0	(6.6)
Gains on sales of investments in equity securities, net	41.8	112.1	(70.3)	(62.7)	–	(0.0)	0.0
Income from non-financial sector, net	431.8	289.8	142.0	49.0	–	–	–
Dividend income	78.7	44.1	34.6	78.4	–	–	–
Other	41.6	40.3	1.3	3.3	0.2	0.0	0.2
Other operating income	**661.7**	**565.1**	**96.6**	**17.1**	**96.5**	**17.3**	**79.2**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

(2) Income from non-financial sector reflects the operating results of Corficolombiana in its consolidated investments in companies not related to the financial sector such as Epiandes, Hoteles Estelar and Organización Pajonales, among others. This result is net of the following operating and administrative expenses in the year ended December 31, 2011 and 2010: Ps 852.7 billion and Ps 644.3 billion, respectively. For a description of these investments, see "Business—Corficolombiana—Equity investment portfolio."

Total other operating income, net increased by 30.2% to Ps 757.9 billion in the year ended December 31, 2011 due primarily to a Ps 142.0 billion increase in income from the non-financial sector, which reflected the net income growth of non-financial companies consolidated by Corficolombiana further explained in the Corficolombiana 2011-2010 discussion.

Also contributing to the increase in other operating income was a Ps 67.9 billion increase in net foreign exchange and derivative operations. Foreign exchange gains (losses) and gains on derivative operations, which are related as Banco de Bogotá employs derivative operations to hedge foreign exchange risk, netted a gain of Ps 164.0 billion for the year ended December 31, 2011 as compared to Ps 96.1 billion for the year ended December 31, 2010. Net foreign exchange and derivative operations for Banco de Bogotá's operations excluding LB Panamá decreased by Ps 11.0 billion from Ps 78.8 billion for the year ended December 31, 2010 to Ps 67.8 billion for the year ended December 31, 2011. During 2011, LB Panamá's operations netted a gain of Ps 96.3 billion.

The increase in dividend income of Ps 34.6 billion was mainly attributable to dividend income from Promigas, a non-consolidated company of Corficolombiana which in 2010 was classified as "trading" and thus its dividend income was registered as interest income from investment securities (further explained in "Banco de Bogotá subsidiary analysis—Corficolombiana").

Partially offsetting the increase in other operating income was a Ps 70.3 billion decrease in gains on sales of equity securities, resulting from Corficolombiana's gains from the sale of part of its stake in Banco de Occidente and Proenergía in 2010 (further explained in "Banco de Bogotá subsidiary analysis—Corficolombiana—Other operating income").

Operating expenses

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Salaries and employee benefits	(1,066.8)	(612.3)	454.5	74.2
Bonus plan payments	(74.1)	(19.6)	54.6	278.6
Termination payments	(19.7)	(5.8)	13.9	240.2
Administrative and other expenses	(1,514.9)	(968.3)	546.6	56.5
Deposit security, net	(85.0)	(68.3)	16.7	24.4
Charitable and other donation expenses	(12.9)	(4.0)	8.9	224.3
Depreciation	(116.0)	(57.9)	58.1	100.4
Goodwill amortization	(78.3)	(21.8)	56.5	258.6
Total operating expenses	**(2,967.7)**	**(1,757.9)**	**1,209.8**	**68.8**

	Banco de Bogotá's operations excluding LB Panamá				LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010		Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#	%	2011	2010	#
	(in Ps billions)				(in Ps billions)		
Salaries and employee benefits	(615.8)	(576.6)	39.2	6.8	(451.0)	(35.7)	415.3
Bonus plan payments	(20.2)	(16.7)	3.5	20.9	(53.9)	(2.9)	51.1
Termination payments	(2.4)	(1.9)	0.6	30.4	(17.3)	(3.9)	13.4
Administrative and other expenses	(1,024.1)	(905.0)	119.2	13.2	(490.7)	(63.3)	427.4
Deposit security, net	(76.4)	(67.5)	8.8	13.1	(8.6)	(0.7)	7.8
Charitable and other donation expenses	(11.2)	(3.7)	7.4	199.1	(1.7)	(0.2)	1.5
Depreciation	(59.1)	(53.4)	5.6	10.5	(56.9)	(4.4)	52.5
Goodwill amortization	(23.9)	(19.0)	4.9	25.9	(54.4)	(2.8)	51.5
Total operating expenses	**(1,833.2)**	**(1,643.9)**	**189.2**	**11.5**	**(1,134.5)**	**(114.0)**	**1,020.5**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion

of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

Total operating expenses increased by 68.8% to Ps 2,967.7 billion in the year ended December 31, 2011 out of which Ps 1,833.2 billion were incurred by Banco de Bogotá's operations excluding LB Panamá and Ps 1,134.5 billion were incurred by LB Panamá.

The increase in total operating expenses primarily reflected a 74.2% or Ps 454.5 billion and a 56.5% or Ps 546.6 billion increase in salaries and employee benefits, and administrative and other expenses, respectively. Salaries and employee benefits from Banco de Bogotá's operations excluding LB Panamá increased by 6.8% or Ps 39.2 billion to Ps 615.8 billion in the year ended December 31, 2011 due to an increase in personnel, while administrative and other expenses grew by 13.2% or Ps 119.2 billion to Ps 1,024.1 billion in the year ended December 31, 2011 due primarily to additional costs associated with growth of Banco de Bogotá's loan portfolio and the increase in the Equity Tax. LB Panamá's salaries and employee benefits and administrative and other expenses totaled Ps 451.0 billion and Ps 490.7 billion, respectively, for the year ended December 31, 2011.

Banco de Bogotá's efficiency ratio deteriorated from 40.1% at December 31, 2010 to 50.9% at December 31, 2011. Banco de Bogotá's efficiency ratio for its Banco de Bogotá's operations excluding LB Panamá deteriorated from 39.1% to 47.7% during these same periods and LB Panamá's efficiency ratio at December 31, 2011 was 57.6% associated with the contraction in net interest margin explained in the net interest subsection. Depreciation and goodwill amortization increased by Ps 111.4 billion from Ps 79.7 billion in the year ended December 31, 2010 to Ps 191.1 billion in the year ended December 31, 2011, primarily due to LB Panamá's acquisition which impacts LB Panamá's results. The ratio of operating expenses before depreciation and amortization as a percentage of average earning assets excluding LB Panamá improved from 5.3% in 2010 to 5.2% in 2011.

Non-operating income (expense)

Total non-operating income (expense) decreased by Ps 27.5 from Ps 96.0 billion to Ps 68.5 billion in the year ended December 31, 2011 due to a decrease in reversals associated with LB Panamá (further explained in "—Banco de Bogotá subsidiary analysis—LB Panamá").

Income tax expense

Income before income tax expense and non-controlling interest increased 26.5% from Ps 1,908.3 billion for the year ended December 31, 2010 to Ps 2,413.1 billion for the year ended December 31, 2011. Income tax expense, in turn, increased by 44.5% to Ps 737.2 billion for the year ended December 31, 2011. Accordingly, Banco de Bogotá's effective tax rate increased from 26.7% for the year ended December 31, 2010 to 30.5% for the year ended December 31, 2011, due to an increase in non-tax deductible expenses in Banco de Bogotá's operations excluding LB Panamá, such as the increase in the Equity Tax, and a higher effective tax rate of 30.9% in LB Panamá's operations.

Non-controlling interest

Banco de Bogotá's non-controlling interest increased by Ps 46.8 billion, or 9.7%, in the year ended December 31, 2011. The increase in non-controlling interest was primarily a result of Corficolombiana achieving better results in the year ended December 31, 2011 as compared to the same period in 2010 (Ps 608.1 billion as compared to Ps 564.8 billion, respectively) as further described in "—Banco de Bogotá subsidiary analysis—Corficolombiana."

Banco de Bogotá subsidiary analysis

Banco de Bogotá's results of operations are significantly affected by the results of operations of its subsidiaries, LB Panamá, Corficolombiana and Porvenir. In order to fully disclose the effect of these subsidiaries on Banco de Bogotá, the following is an analysis of the results of operations of each of LB Panamá, Corficolombiana and Porvenir in the year ended December 31, 2011 compared to the year ended December 31, 2010.

Corficolombiana

Net income

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Total interest income	270.2	858.3	(588.1)	(68.5)
Total interest expense	(197.1)	(161.8)	35.3	21.8
Net interest income	73.1	696.5	(623.3)	(89.5)
Total provisions (reversals), net	285.5	(321.6)	(607.1)	(188.8)
Total fees and other services income, net	46.7	43.6	3.0	7.0
Total other operating income	573.4	435.2	138.2	31.8
Total operating income	978.7	853.7	125.0	14.6
Total operating expenses	(137.2)	(118.8)	18.4	15.5
Net operating income	841.5	734.9	106.6	14.5
Total non-operating income (expense), net	(6.3)	(3.2)	(3.2)	(99.5)
Income before income tax expense and non-controlling interest	835.2	731.8	103.4	14.1
Income tax expense	(150.5)	(104.2)	46.3	44.4
Income before non-controlling interest	684.7	627.6	57.1	9.1
Non-controlling interest	(76.6)	(62.8)	13.8	22.0
Net income attributable to shareholders	**608.1**	**564.8**	**43.3**	**7.7**

Corficolombiana's net income increased by 7.7% to Ps 608.1 billion in the year ended December 31, 2011 as compared to the year ended December 31, 2010. The most significant drivers of the increase in net income were the decrease of 89.5% or Ps 623.3 billion in net interest income, which was primarily due to a reduction in interest income from investment securities, was partially offset by a decrease of Ps 607.1 billion in total provisions (reversals), net (reflecting a recovery of Ps 285.5 billion in 2011) and an increase in total other operating income, which reflected an increase in dividend income and net income from the non-financial sector.

Net interest income

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Interest income:				
Interest on loans	13.8	10.6	3.2	30.0
Interest on investment securities	161.7	753.9	(592.2)	(78.5)
Interbank and overnight funds	43.1	43.0	0.1	0.3
Financial leases	51.6	50.8	0.8	1.5
Total interest income	270.2	858.3	(588.1)	(68.5)
Interest expense:				
Checking accounts	–	–	–	–
Time deposits	(91.6)	(74.7)	17.0	22.7
Savings deposits	(2.7)	(5.5)	(2.8)	(51.4)
Total interest expense on deposits	(94.3)	(80.1)	14.1	17.7
Borrowing from banks and others	(35.6)	(9.5)	26.1	274.7
Interbank and overnight funds (expenses)	(60.6)	(63.6)	(3.0)	(4.7)
Long-term debt (bonds)	(6.6)	(8.6)	(2.0)	(23.1)
Total interest expense	(197.1)	(161.8)	35.3	21.8
Net interest income	**73.1**	**696.5**	**(623.3)**	**(89.5)**

Net interest income decreased by 89.5% to Ps 73.1 billion in the year ended December 31, 2011. Total interest income, which consists of income from loans, investment securities, interbank and overnight funds and financial leases, decreased by 68.5% to Ps 270.2 billion in 2011. This decline was almost entirely due to the Ps 592.2 billion decrease in income on investment securities from Ps 753.9 billion in the year ended December 31, 2010 to Ps 161.7

billion in the year ended December 31, 2011. The decrease in income from investment securities was due to a decline in income from the equity portfolio, partially offset by an increase in income from the fixed income portfolio.

Corficolombiana's equity portfolio generated Ps 5.0 billion in income in the year ended December 31, 2011, which represented a 99.2% decrease from the Ps 616.3 billion yielded in the year ended December 31, 2010. The primary reason for the decrease was the fact that in the year ended December 31, 2010 Corficolombiana recorded a Ps 196.5 billion gain associated with its investment in Sociedad de Inversiones en Energía S.A., or "SIE," the majority of which was related to the reclassification of SIE in February 2010 from "available for sale" to "trading" (as further explained in "—Banco de Bogotá subsidiary analysis—Corficolombiana—Net interest income"), while in the year ended December 31, 2011 Corficolombiana recorded a Ps 34.7 billion mark-to-market loss from this investment. This investment was sold in October 2011.

Corficolombiana recorded a Ps 44.3 billion mark-to-market loss on its investment in Banco de Occidente in the year ended December 31, 2011 as compared to a Ps 173.8 billion mark-to-market gain for the year ended December 31, 2010. In November 2010, the Colombian Stock Exchange reclassified Banco de Occidente's stock from "low" to "medium" liquidity (*bursatilidad*) and Colombian regulations require the owner of an investment that has had its liquidity classification increase to "medium" by the Colombian Stock Exchange to reclassify its investment as trading and realize the unrealized gains (losses) associated with this investment as gains (losses) on the income statement. At December 31, 2011, Corficolombiana continued to have Banco de Occidente classified as "trading."

Corficolombiana did not record any income from investment securities related to its investment in Empresa de Energía de Bogotá S.A. E.S.P., or "EEB," in the year ended December 31, 2011 as it was classified as "available for sale" since late December 2010. By contrast, in the year ended December 31, 2010 it recorded Ps 209.0 billion in mark-to-market gain from this investment as it was classified as "trading" (further explained in "Banco de Bogotá subsidiary analysis—Corficolombiana").

Additionally, in the year ended December 31, 2011 Corficolombiana recorded a Ps 122.1 billion loss from its investment in Promigas, while in the year ended December 31, 2010 Promigas generated a Ps 14.4 billion gain. In February 2011, the Colombian Stock Exchange reclassified Promigas' stock from "medium" to "low" liquidity (*bursatilidad*) and Colombian regulations require the owner of an investment that has had its liquidity classification decreased to "low" by the Colombian Stock Exchange to realize the unrealized gains (losses) associated with that investment as gains (losses) on the income statement, regardless of its balance sheet classification. As a result, despite the fact that Promigas had been classified as "available for sale" since December 2010 (and remains classified as "available for sale"), Corficolombiana was required to realize its Ps 122.1 billion unrealized loss associated with this investment.

Partially offsetting these declines in interest income from investment securities was the recording of Ps 136.7 billion in income stemming from Corficolombiana's private investment fund, which is independently directed by Corredores Asociados. This private investment fund was created in 2011.

Corficolombiana also recorded Ps 67.2 billion in income from investment securities related to mark-to-market gains on its investment in Proenergia, which Corficolombiana classified as "trading" in January 2011. The investment has experienced changes in liquidity (*bursatilidad*) since then and at December 31, 2011 it was classified as "available for sale." Proenergia was not listed on the Colombian Stock Exchange until November 2010 and as a result it did not generate any mark-to-market gains / losses in the year ended December 31, 2010.

Corficolombiana's fixed income portfolio generated Ps 156.7 billion of income in the year ended December 31, 2011, which was Ps 19.2 billion higher than the Ps 137.6 billion generated in the year ended December 31, 2010. This was primarily due to an increase in the average yield earned on its fixed income portfolio in the year ended December 31, 2011.

Interest expense increased by 21.8% to Ps 197.1 billion in the year ended December 31, 2011 as compared to the year ended December 31, 2010, primarily due to a Ps 26.1 billion increase in expenses from borrowings from banks and others to Ps 35.6 billion.

Provisions

Corficolombiana's net provisions decreased by Ps 607.1 billion to Ps (285.5) billion (indicating a recovery of Ps 285.5 billion) in the year ended December 31, 2011 as compared to the year ended December 31, 2010. This decrease was attributable in part to the reversal of the cautionary Ps 245 billion market risk provision established by Corficolombiana in December 2010 (see "—Banco de Bogotá subsidiary analysis—Corficolombiana—Net interest income").

In addition, provisions were higher than usual in the year ended December 31, 2010 due to a Ps 69.7 billion gross provision established by Corficolombiana related to the realization of income stemming from its investment in SIE (see "—Banco de Bogotá subsidiary analysis—Corficolombiana—Net interest income"). During the year ended December 31, 2011, all of this provision was reversed due to the sale of this investment in October 2011.

Total fees and other services income

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Fees and other services income:				
Commissions from banking services	2.5	4.4	(1.9)	(43.2)
Fiduciary activities	32.6	33.8	(1.2)	(3.5)
Other	18.8	12.4	6.3	51.1
Total fees and other services income	53.8	50.6	3.2	6.4
Fees and other services expenses	(7.1)	(6.9)	0.2	3.0
Total fees and other services income, net	**46.7**	**43.6**	**3.0**	**7.0**

Net fee and other services income increased by Ps 3.0 billion to Ps 46.7 billion in the year ended December 31, 2011. This increase was primarily due to a Ps 6.3 billion increase in the "Other" fee line-item, which principally reflected an increase in investment banking advisory fees in the year ended December 31, 2011 as compared to the year ended December 31, 2010.

Other operating income

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	4.8	(37.8)	42.6	112.7
Gains on derivative operations, net	22.9	29.6	(6.7)	(22.7)
Gains on sales of investments in equity securities, net	41.2	109.6	(68.4)	(62.4)
Income from non-financial sector, net	422.7	289.8	132.9	45.9
Dividend income	76.2	38.5	37.6	97.7
Other	5.6	5.4	0.1	2.7
Total other operating income	**573.4**	**435.2**	**138.2**	**31.8**

Total other operating income increased by 31.8% to Ps 573.4 billion in the year ended December 31, 2011. This increase was driven by an increase of Ps 132.9 billion in net income from non-financial sector, Ps 37.6 billion in dividend income and Ps 35.9 billion in net foreign exchange and derivative operations. Partially offsetting this increase was a Ps 68.4 billion decrease in gains on sales of investments in equity securities.

Net income from the non-financial sector increased by 45.9% to Ps 422.7 billion in the year ended December 31, 2011, primarily as a result of a rise in the operational income of Epiandes, Episol, Pisa, Unipalma and Hoteles Estelar (some of Corficolombiana's consolidated non-financial-sector investments).

The Ps 37.6 billion increase in dividend income to Ps 76.2 billion reflects Promigas' investment accounting reclassification in 2010. In the year ended December 31, 2010, Promigas' dividends were not recorded under the dividend income line-item because at the time this investment was classified as "trading," and as a result of Colombian accounting regulations, its dividends were recorded under the line-item "interest from investment

securities." In the year ended December 31, 2011, Promigas' contributed Ps 36.0 billion in dividends that were recorded under the "dividend income" line-item, since Promigas' is, now classified as "available for sale."

Net foreign exchange losses in 2010 decreased by Ps 42.6 billion resulting in a Ps 4.8 billion gain in 2011 due to the lower appreciation of the Colombian Peso in the year ended December 31, 2011 as compared to the year ended December 31, 2010. This gain was partially offset by lesser gain on net gains on derivative operations, which declined by Ps 6.7 billion to Ps 22.9 billion, as a result of the above-mentioned lower appreciation of the Colombian peso and lesser profits generated by local currency fixed income derivative positions.

The Ps 68.4 billion decrease in gains on sales of investments in equity securities was mainly driven by the Ps 62.3 billion and the Ps 19.0 billion gains on the sale of part of Corficolombiana's investment in Banco de Occidente and in Proenergía, respectively, in the year ended December 31, 2010. These decreases were partially offset by the Ps 17.1 billion gain on the sale of Corficolombiana's investment in SIE in the year ended December 31, 2011.

Operating expenses

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
		(in Ps billions)		
Salaries and employee benefits	(48.6)	(45.2)	3.4	7.6
Bonus plan payments	(4.6)	(4.7)	(0.0)	(0.8)
Termination payments	(1.3)	(0.4)	0.9	256.8
Administrative and other expenses	(68.2)	(58.1)	10.2	17.5
Deposit security, net	(5.8)	(5.5)	0.3	5.5
Charitable and other donation expenses	(1.1)	(1.9)	(0.8)	(41.4)
Depreciation	(3.7)	(3.2)	0.6	17.5
Goodwill amortization	(3.6)	–	3.6	–
Total operating expenses	**(136.9)**	**(118.8)**	**18.2**	**15.3**

Corficolombiana's total operating expenses increased by 15.3% to Ps 136.9 billion in the year ended December 31, 2011 as compared to the year ended December 31, 2010. This increase was almost entirely due to a Ps 10.2 billion increase in administrative and other expenses, almost entirely attributable to the additional Equity Tax imposed on Colombian institutions in 2011. Total operating expenses before depreciation and goodwill amortization grew more rapidly than total operating income before provisions, worsening Corficolombiana's efficiency ratio by increasing from 9.8% in the year ended December 31, 2010 to 18.7% in the year ended December 31, 2011.

Non-operating income (expense)

Total non-operating income (expense) decreased by Ps 3.2 billion to Ps (6.3) billion (reflecting a net non-operating expense of Ps 6.3 billion) in the year ended December 31, 2011, mainly due to a decrease in non-operating income from Ps 54.2 billion in 2010 to Ps 53.2 billion in 2011 and an increase in non-operating expenses from Ps 57.4 billion in 2010 to Ps 59.6 billion in 2011.

Income tax expense

Income tax expense increased by Ps 46.3 billion to Ps 150.5 billion for the year ended December 31, 2011. This increase was primarily due to higher income before income tax expense and non-controlling interest. Corficolombiana's effective tax rate, calculated before non-controlling interest, increased from 14.2% for the year ended December 31, 2010 to 18.0% for the year ended December 31, 2011, primarily due to an increase in non-tax deductible expenses such as the Equity Tax.

Porvenir

Porvenir generates income primarily from fees on its customers' pension contributions, which consist predominantly of monthly mandatory contributions. It also generates net interest income, composed almost entirely of investment income from the appreciation of Porvenir's proprietary trading portfolio, which can be divided into two components: (1) income from its stabilization reserve, which is the legally required proprietary stake (1% of assets under management) in its funds that are subject to a minimum return guarantee; and (2) direct investment

portfolio income, which includes income from fixed income securities and money market instruments. As a result, Porvenir's revenue is mainly affected by the number of contributors, the salaries of contributors, any changes in applicable fee rates and the rate of return of its assets under management.

Net income

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
		(in Ps billions)		
Total interest income	17.7	58.7	(40.9)	(69.8)
Total interest expense	(2.9)	(0.2)	2.7	1,234.0
Net interest income	14.8	58.5	(43.6)	(74.6)
Total provisions (reversals), net	(1.0)	(0.0)	1.0	–
Total fees and other services income, net	406.3	373.6	32.6	8.7
Total other operating income	13.3	2.7	10.6	385.9
Total operating income	433.3	434.8	(1.4)	(0.3)
Total operating expenses	(202.3)	(197.5)	4.7	2.4
Net operating income	231.1	237.3	(6.2)	(2.6)
Total non-operating income (expense), net	12.2	1.3	10.8	811.5
Income before income tax expense and non-controlling interest	243.2	238.6	4.6	1.9
Income tax expense	(88.5)	(82.1)	6.4	7.8
Non-controlling interest	(0.2)	(0.1)	0.1	40.9
Net income	**154.5**	**156.4**	**(1.8)**	**(1.2)**

Porvenir's net income decreased by 1.2% to Ps 154.5 billion in the year ended December 31, 2011 as compared to the year ended December 31, 2010. This fall was primarily driven by a decrease in net interest income and an increase in total operating expenses, offset, in most part, by an increase in net fee income, other operating income and non-operating income.

Total fees and other services income

Total net fees and other services income consist primarily of commissions earned on the administration of mandatory pension funds, severance funds, voluntary pension funds and third-party liability pension funds. Porvenir's total net fees and other services income increased by 8.7% to Ps 406.3 billion in the year ended December 31, 2011, driven primarily by the increase in the revenues received from the administration of mandatory pension funds, which rose by Ps 38.8 billion, from Ps 266.4 billion in the year ended December 31, 2010 to Ps 305.2 billion in the year ended December 31, 2011, due to a 7.9% increase in the average number of contributors and a 3.8% increase in the average wage earned per contributor to Ps 1.2 million.

Also contributing to the increase in fee income was a Ps 5.1 billion increase in fees from severance fund management, which rose from Ps 55.7 billion in the year ended December 31, 2010 to Ps 60.8 billion in the year ended December 31, 2011. This increase was mainly due to the migration of assets from the short-term portfolio to the long-term portfolio and the rise in the assets under management in the severance fund, which increased by 0.3% in the same period of time.

Additionally, an increase in revenue associated with the management of voluntary pension funds, which rose by Ps 1.5 billion, from Ps 44.5 billion in the year ended December 31, 2010 to Ps 46.0 billion in the year ended December 31, 2011, also contributed to the increase in fee revenue.

Third-party liability pension funds decreased by Ps 0.5 billion from Ps 22.0 billion in the year ended December 31, 2010 to Ps 21.5 billion in the year ended December 31, 2011. This fall was due to a decrease in the commissions earned from the third-party liability pension funds that depend on the rate of return of the portfolios as prevailing local and global market conditions during 2011 were not particularly favorable.

Other fees associated with pension fund administration, such as non-contributor affiliate fees and transfer fees, decreased by Ps 5.8 billion from Ps 19.7 billion for the year ended December 31, 2010 to Ps 13.8 billion for the year ended December 31, 2011. Non-contributor affiliate fees are charged on income from the managed funds. Because returns on funds were lower in 2011 than in 2010 the fees charged were lower in 2011 than in 2010.

Commissions from banking services, consisting primarily of fees charged to customers for the processing of information and the early withdrawal of pensions, decreased by Ps 6.3 billion to Ps 7.6 billion in the year ended December 31, 2011. This decrease was mainly due to a Ps 8.5 billion reclassification of income from Gestión y Contacto S.A., which was included as commissions from banking services in 2010 and is classified as "other operating income" in 2011.

Fees and other service expenses increased marginally from Ps 50.1 billion for the year ended December 31, 2010 to Ps 50.5 billion for the year ended December 31, 2011.

Net interest income

Net interest income decreased by Ps 43.6 billion to Ps 14.8 billion in the year ended December 31, 2011. This decrease was primarily due to the decline in the rate of return of Porvenir's mandatory investment in its stability reserve as prevailing market conditions during 2011 were not particularly favorable, in the local and global equity markets. In the local market, income from fixed income investments decreased due to the increase in the average Colombian Central Bank intervention and income from equity portfolios decreased due to the 17.6% decrease in the Colombian stock exchange index, or "IGBC," during 2011. Porvenir's rate of return on its investment portfolio decreased from 11.5% in the year ended December 31, 2010 to 2.2% in the year ended December 31, 2011. This effect was partially offset by an increase in the average volume of the investment portfolio, which grew by 30.4% from Ps 507.1 billion at December 31, 2010 to Ps 661.2 billion at December 31, 2011.

Operating expenses

	Year ended December 31,		Change, 2011 vs. 2010	
	2011	2010	#	%
		(in Ps billions)		
Salaries and employee benefits	(79.8)	(77.5)	2.3	3.0
Bonus plan payments	(1.4)	(3.7)	(2.3)	(62.8)
Termination payments	(0.1)	(0.5)	(0.4)	(85.6)
Administrative and other expenses	(112.5)	(110.8)	1.7	1.5
Deposit security, net	–	–	–	–
Charitable and other donation expenses	(2.2)	(0.1)	2.0	1,412.8
Depreciation	(6.4)	(5.0)	1.4	28.6
Goodwill amortization	–	–	–	–
Total operating expenses	**(202.3)**	**(197.5)**	**4.7**	**2.4**

Porvenir's total operating expenses in the year ended December 31, 2011 increased by 2.4% to Ps 202.3 billion due primarily to the 3.0% growth of salaries and employee benefits to Ps 79.8 billion, which was consistent with the organic growth of the business. Also contributing to this increase in operating expenses was a Ps 2.0 billion increase in charitable and other donation expenses, which rose from Ps 0.1 billion in the year ended December 31, 2010 to Ps 2.2 billion in the year ended December 31, 2011 due to increased charitable donations related to the Colombian floods in 2011. Porvenir's efficiency ratio in the year ended December 31, 2011 worsened in comparison to the same period in 2010, increasing from 44.3% to 45.1%.

Other operating income

Total other operating income in the year ended December 31, 2011 increased by Ps 10.6 billion from Ps 2.7 billion in the year ended December 31, 2010 to Ps 13.3 billion. This increase was mainly due to a Ps 8.5 billion reclassification of income from Gestión y Contacto S.A., which was included as commissions from banking services in 2010 and is classified as "other operating income" in 2011.

Non-operating income (expense, net)

Total non-operating income (expense), net includes provisions, gains on sale of property, administrative authority fines, and labor demand penalties. Total non-operating income (expense), net in the year ended December 31, 2011 increased by Ps 10.8 billion from Ps 1.3 billion in the year ended December 31, 2010 to Ps 12.2 billion. This increase was due to reversals of provisions.

Income tax expense

Income tax expense increased by 6.4% to Ps 88.5 billion for the year ended December 31, 2011. This increase was primarily due to higher income before income tax expense and non-controlling interest. Porvenir's effective tax rate, calculated before non-controlling interest, increased from 34.3% for the year ended December 31, 2010 to 36.4% for the year ended December 31, 2011, primarily due to an increase in non-tax deductible expenses such as the Equity Tax.

LB Panamá

The following information is presented to illustrate the impact that LB Panamá had on Banco de Bogotá's consolidated results for the years ended December 31, 2011 and December 31, 2010. The results of operations in 2011 of LB Panamá include twelve months of results of BAC Credomatic as compared to one month of BAC Credomatic's operations in 2010. At December 31, 2011, LB Panamá had U.S.$903 million of goodwill associated with the BAC Credomatic acquisition and U.S.$270 million of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition.

	Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#
		(in Ps billions)	
Total interest income	1,415.0	119.0	1,296.0
Total interest expense	(335.1)	(29.0)	306.2
Net interest income	1,079.8	90.0	989.8
Total provisions (reversals), net	(165.0)	(2.3)	162.7
Total fees and other services income, net	599.3	55.1	544.3
Total other operating income	96.5	17.3	79.2
Total operating income	1,610.6	160.1	1,450.5
Total operating expenses	(1,134.5)	(114.0)	1,020.5
Net operating income	476.1	46.1	430.0
Total non-operating income (expense), net	2.9	28.3	(25.4)
Income before income tax expense and non-controlling interest	479.0	74.4	404.6
Income tax expense	(147.9)	(21.4)	126.5
Income before non-controlling interest	331.1	53.0	278.1
Non-controlling interest	(0.1)	(0.0)	0.1
Net income attributable to shareholders	**331.0**	**53.0**	**278.0**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

LB Panamá's net income attributable to its shareholders in the year ended December 31, 2011 increased by Ps 278.0 billion, to Ps 331.0 billion mainly due to an increase of Ps 989.8 billion in net interest income and an increase of Ps 544.3 billion in total fees and income from services, net partially offset by an increase in total net provisions of Ps 162.7 billion, an increase in total operating expenses of Ps 1,020.5 billion and an increase of income tax expense of Ps 126.5 billion.

Net interest income

	LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#
		(in Ps billions)	
Interest income:			
Interest on loans	1,319.0	111.4	1,207.6
Interest on investment securities	52.8	4.1	48.7
Interbank and overnight funds	23.0	1.9	21.1
Financial leases	20.1	1.6	18.6
Total interest income	1,415.0	119.0	1,296.0
Interest expense:			
Checking accounts	(29.6)	-	29.6
Time deposits	(164.9)	(15.1)	149.8
Savings deposits	(31.5)	(5.2)	26.3
Total interest expense from deposits	(226.0)	(20.3)	205.7
Borrowing from banks and others	(83.4)	(6.5)	76.9
Interbank and overnight funds (expenses)	(7.0)	(0.4)	6.6
Long-term debt (bonds)	(18.7)	(1.8)	17.0
Total interest expense	(335.1)	(29.0)	306.2
Net interest income	**1,079.8**	**90.0**	**989.8**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

LB Panamá's net interest income increased by Ps 989.8 billion from Ps 90.0 billion in the year ended December 31, 2010 to Ps 1,079.8 billion in the year ended December 31, 2011.

Total interest income increased by Ps 1,296.0 billion, from Ps 119.0 billion in the year ended December 31, 2010 to Ps 1,415.0 billion in the year ended December 31, 2011, primarily due to an increase in interest income from loans and financial leases, which rose by Ps 1,226.2 billion to Ps 1,339.2 billion in the year ended December 31, 2011. During 2011, the average balance of loans and financial leases for LB Panamá was Ps 9,961.3 billion and the annualized yield on its loans and financial leases was 13.4%.

Interest on investment securities and income from interbank and overnight funds increased by Ps 48.7 billion and Ps 21.1 billion, respectively, during 2011. The average balance of investment securities during 2011 was Ps 1,333.4 billion and the average yield on investments was 4.0%.

Partially offsetting the increase in interest income from loans and financial leases, investment securities and overnight funds was a Ps 306.2 billion increase in total interest expense from Ps 29.0 billion in 2010 to Ps 335.1 billion in 2011. The average balance of interest-bearing liabilities was Ps 13,286.5 billion and the annualized rate paid on interest-bearing liabilities was 2.5%.

LB Panamá's net interest margin (calculated as net interest income divided by total average interest-earning assets) was 8.8% in the year ended December 31, 2011. The spread between the yield earned on its loans and financial leases and the cost of its interest-bearing liabilities was 10.9% in the year ended December 31, 2011.

Provisions

Total net provision increased by Ps 162.7 billion to Ps 165.0 billion for the year ended December 31, 2011. Net Provisions for loans and financial leases contributed Ps 161.4 billion of this total. LB Panamá's past due loans improved from 3.1% of total loans in 2010 to 2.8% of total loans in 2011. LB Panamá's charge offs were Ps 165.1

billion in 2011, equivalent to 1.6% of average outstanding loans. LB Panamá's coverage ratio for the year ended December 31, 2011 was 64.3% compared to 65.7% for the year ended December 31, 2010.

Total fees and other services income

	LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#
	(in Ps billions)		
Fees and other services income:			
Commissions from banking services	416.2	37.9	378.3
Branch network services	–	–	–
Credit card merchant fees	173.4	18.6	154.8
Checking fees	–	–	–
Warehouse services	–	–	–
Fiduciary activities	–	–	–
Pension plan administration	9.8	–	9.8
Other	55.0	5.7	49.3
Total fees and other services income	654.4	62.3	592.1
Fees and other services expenses	(55.0)	(7.2)	47.8
Total fees and other services income, net	**599.3**	**55.1**	**544.3**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

Total net fees and other services income increased by Ps 544.3 billion to Ps 599.3 billion in the year ended December 31, 2011, primarily as a result of higher commissions from banking services and increased credit card merchant fees.

Other operating income

	LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#
	(in Ps billions)		
Foreign exchange gains (losses), net	100.9	15.3	85.5
Gains (losses) on derivative operations, net	(4.6)	2.0	(6.6)
Gains on sales of investments in equity securities, net	–	(0.0)	0.0
Income from non-financial sector, net	–	–	–
Dividend income	–	–	–
Other	0.2	0.0	0.2
Other operating income	**96.5**	**17.3**	**79.2**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

Total other operating income, net increased by Ps 79.2 billion to Ps 96.5 billion in the year ended December 31, 2011 due primarily to a Ps 85.5 billion increase associated with foreign exchange gains (losses), net. In the ordinary course of business, LB Panamá enters into forward contracts and other derivative transactions in foreign currency through its treasury department almost entirely for hedging purposes and on behalf of clients.

Operating expenses

	LB Panamá (1)		
	Year ended December 31,		Change, 2011 vs. 2010
	2011	2010	#
		(in Ps billions)	
Salaries and employee benefits	(451.0)	(35.7)	415.3
Bonus plan payments	(53.9)	(2.9)	51.1
Termination payments	(17.3)	(3.9)	13.4
Administrative and other expenses	(490.7)	(63.3)	427.4
Deposit security, net	(8.6)	(0.7)	7.8
Charitable and other donation expenses	(1.7)	(0.2)	1.5
Depreciation	(56.9)	(4.4)	52.5
Goodwill amortization	(54.4)	(2.8)	51.5
Total operating expenses	**(1,134.5)**	**(114.0)**	**1,020.5**

(1) LB Panamá's financial information is prepared in accordance with Colombian Banking GAAP and primarily reflects BAC Credomatic's consolidated results, which are consolidated in LB Panamá's results from December 1, 2010. At December 31, 2011, LB Panamá had Ps 2,017.3 billion of goodwill associated with the BAC Credomatic acquisition and Ps 524.5 billion of indebtedness that it incurred to finance, in part, the BAC Credomatic acquisition. Goodwill amortization and interest expense associated with the BAC Credomatic acquisition for the year ended December 31, 2011 were Ps 54.4 billion and Ps 19.7 billion, respectively.

Total operating expenses increased by Ps 1,020.5 billion to Ps 1,134.5 billion in the year ended December 31, 2011. The increase is mainly due to a Ps 427.4 billion increase to Ps 490.7 billion in administrative and other expenses and to a Ps 415.3 billion increase to Ps 451.0 billion in salaries and employee benefits. LB Panamá's number of employees decreased from 15,755 in 2010 to 15,498 in 2011. LB Panamá's efficiency ratio at December 31, 2011 was 57.6%, which improved from the 65.7% ratio at December 31, 2010, but still higher than Banco de Bogotá's Colombian operations.

Non-operating income (expense)

Total non-operating income (expense) decreased by Ps 25.4 billion to Ps 2.9 billion for the year ended December 31, 2011 because at December 2010 LB Panamá registered non-recurring income associated with a reversal of provisions for withholding taxes on dividends paid to BAC Credomatic by its subsidiaries.

Income tax expense

Income before income tax expense and non-controlling interest increased by Ps 126.5 billion to Ps 147.9 billion for the year ended December 31, 2011. LB Panamá's effective tax rate was 30.9% for the year ended December 31, 2011.

Non-controlling interest

LB Panamá's non-controlling interest is not material. It accounted for Ps 0.1 billion for the year ended December 31, 2011.

Results of operations for the year ended December 31, 2010 compared to the year ended December 31, 2009

Banco de Bogotá

Net income

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Total interest income	3,345.6	3,614.1	(268.5)	(7.4)
Total interest expense	(902.1)	(1,297.1)	(395.0)	(30.5)
Net interest income	2,443.5	2,317.0	126.5	5.5
Total net provisions	(610.6)	(347.8)	262.8	75.6
Total fees and other services income, net	1,155.1	1,075.6	79.4	7.4
Total other operating income	582.4	492.1	90.3	18.4
Total operating income	3,570.3	3,536.9	33.4	0.9
Total operating expenses	(1,757.9)	(1,585.3)	172.6	10.9
Net operating income	1,812.4	1,951.6	(139.2)	(7.1)
Total non-operating income (expense), net	96.0	78.0	17.9	23.0
Income before income tax expense and non-controlling interest	1,908.3	2,029.6	(121.3)	(6.0)
Income tax expense	(510.0)	(522.7)	(12.7)	(2.4)
Income before non-controlling interest	1,398.3	1,506.9	(108.5)	(7.2)
Non-controlling interest	(483.4)	(551.1)	(67.7)	(12.3)
Net income attributable to shareholders	**914.9**	**955.8**	**(40.9)**	**(4.3)**

Banco de Bogotá's net income attributable to its shareholders decreased by 4.3% to Ps 914.9 billion in 2010. This decrease primarily reflected an increase in provisions established by Corficolombiana for its investment securities portfolio and an increase in operating expenses, partially offset by an increase in net interest income and total other operating income (primarily reflecting the sale of certain equity investments by Corficolombiana). As a result of these factors, Banco de Bogotá's efficiency ratio deteriorated slightly from 39.0% in 2009 to 40.1% in 2010.

Net interest income

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Interest income:				
Interest on loans	2,040.9	2,439.3	(398.3)	(16.3)
Interest on investment securities	1,156.7	1,002.9	153.9	15.3
Interbank and overnight funds	67.8	69.0	(1.1)	(1.7)
Financial leases	80.1	102.9	(22.8)	(22.2)
Total interest income	3,345.6	3,614.1	(268.5)	(7.4)
Interest expense:				
Checking accounts	(22.4)	(32.0)	(9.5)	(29.8)
Time deposit	(374.0)	(644.7)	(270.8)	(42.0)
Savings deposits	(290.4)	(393.7)	(103.4)	(26.2)
Total interest expense on deposits	(686.8)	(1,070.4)	(383.6)	(35.8)
Borrowing from banks and others	(62.2)	(94.8)	(32.6)	(34.4)
Interbank and overnight funds (expenses)	(86.6)	(79.4)	7.1	9.0
Long-term debt (bonds)	(66.6)	(52.4)	14.1	27.0
Total interest expense	(902.1)	(1,297.1)	(395.0)	(30.5)
Net interest income	**2,443.5**	**2,317.0**	**126.5**	**5.5**

Banco de Bogotá's net interest income increased by 5.5% to Ps 2,443.5 billion in 2010. This was due to the fact that the bank was able to reduce its total interest expense by more than the decline in its total interest income. Total interest expense decreased by 30.5% to Ps 902.1 billion, which reflected decreased average cost of funding, primarily for time deposits, in a declining interest rate environment. The nominal interest rate paid on interest-bearing liabilities declined from an average of 5.7% in 2009 to 3.2% in 2010, which resulted in a Ps 530.2 billion decrease in interest expense. This decrease was partially offset by a 21.7% increase in the balance of average interest-bearing liabilities to Ps 27,939.0 billion (primarily reflecting increased savings deposits and interbank and overnight funds) in 2010, which was responsible for a Ps 135.3 billion increase in interest expense.

The decline in interest expense was partially offset by a 7.4% decrease in total interest income to Ps 3,345.6 billion. Total interest income fell mainly due to a decrease in interest income from loans and financial leases, which declined by 16.6% to Ps 2,121.0 billion. This primarily reflected a decrease in yield, especially from commercial loans (78.8% of Banco de Bogotá's total gross loans and financial lease portfolio at December 31, 2010 from our Colombian operations) which were particularly impacted by the declining interest rate environment. The decrease in the yield of loans and financial leases from 13.2% in 2009 to 9.9% in 2010 resulted in a Ps 601.8 billion decrease in interest income from loans and financial leases. Partly offsetting this decrease in interest income was the 11.5% growth of Banco de Bogotá's average loan and financial lease portfolio, primarily in corporate and consumer loans, to Ps 21,407.8 billion. The growth in the balance of this portfolio resulted in an increase of Ps 180.6 billion in interest income.

Partially offsetting the decline in interest income from loans and financial leases was the increase in income from investment securities, which increased by 15.3% to Ps 1,156.7 billion in 2010. The equity portfolio generated Ps 679.8 billion in income in 2010, up 29.7% from the Ps 524.3 billion produced in 2009, mainly as a result of the fact that Corficolombiana realized greater income from the appreciation of its equity portfolio in 2010 than in 2009 (further explained in the Corficolombiana 2010-2009 discussion). The fixed income portfolio generated the remaining Ps 476.5 billion of interest income from investment securities, reflecting gains resulting from the declining interest rate environment as well as interest accrued on the portfolio. The income generated by the fixed income portfolio in 2010 was 0.4% lower than the fixed income earnings in 2009, which were Ps 478.6 billion. Despite the fact that the market environment for fixed income was more favorable in 2009, Banco de Bogotá was able to generate very similar returns by increasing the volume of its fixed income investments; its balance of fixed income investments increased from Ps 7,123.3 billion at December 31, 2009 to 9,378.9 billion at December 31, 2010 (a portion of this increase was attributable to the BAC acquisition, which added Ps 1,360.9 billion in fixed income investments). Banco de Bogotá consolidated BAC Credomatic's financials from December 1, 2010.

As a result of the aforementioned factors, Banco de Bogotá's net interest margin decreased from 8.4% in 2009 to 7.4% in 2010. Similarly, the spread between the yield earned on its loans and financial leases and the cost of its interest-bearing liabilities decreased from 7.6% in 2009 to 6.7% in 2010.

Provisions

Despite the improvement of Banco de Bogotá's credit quality, total net provisions increased by 75.6% to Ps 610.6 billion in 2010, driven primarily by the growth of net provisions for foreclosed assets and other assets, which increased by Ps 303.1 billion to Ps 320.7 billion. This increase was due to provisions established by Corficolombiana associated with the realization of income from several of its equity security investments (further explained in the Corficolombiana 2010-2009 discussion).

Unlike provisions for foreclosed assets and other assets, net provisions for loan and financial lease losses decreased slightly, declining by 1.6% to Ps 286.6 billion, which was consistent with the fact Banco de Bogotá's credit quality improved. Despite the fact that Banco de Bogotá's past due loans at December 31, 2010 exhibited a 43.2% growth to Ps 827.0 billion, this was entirely due to the BAC Credomatic acquisition. Removing BAC Credomatic's impact, Banco de Bogotá's past due loans at December 31, 2010 decreased by 11.2% to Ps 513.1 billion. Banco de Bogotá's delinquency ratio decreased from 2.9% at December 31, 2009 to 2.5% at December 31, 2010, due to the BAC Credomatic acquisition and was 2.2% for the Colombian operations. The slightly higher delinquency ratio with BAC is due primarily to BAC having a higher balance of past due credit card loans, which was expected as a result of BAC's focus on the credit card business.

Charge-offs increased by 31.1% to Ps 245.7 billion in 2010, and Ps 17.5 billion (or 9.4%) of this growth was due to the acquisition of BAC. The remaining Ps 228.2 billion (or 21.7%) portion of the increase was primarily due

to an increase in Banco de Bogotá's Colombian loan portfolio (total gross loans grew by 18.7% from 2009 to 2010). As a result, despite the 31.1% increase in charge-offs, Banco de Bogotá's charge-offs to average loan ratio increased only marginally, from 1.0% in 2009 to 1.1% in 2010.

Banco de Bogotá's allowance for loan and financial lease losses increased by 34.7% to Ps 1,030.7 billion at December 31, 2010. This increase was primarily due to the acquisition of BAC which resulted in Banco de Bogotá's past due loans growing at a faster pace and its coverage ratio decreasing from 132.5% at December 31, 2009 to 124.6% at December 31, 2010. The lower coverage ratio is due to the fact that BAC proportionally contributed more in past due loans than in allowance, which was expected considering 30.3% of BAC's gross loan portfolio was concentrated in mortgage loans, which require lower allowances than other types of loans. In its Colombian operations, Banco de Bogotá's net provisions for loan and financial lease losses were greater than its charge-offs, which resulted in a 7.7% increase in its allowance for loan financial lease losses attributable to its Colombian operations to Ps 824.4 billion at December 31, 2010. This growth combined with the decrease in past due loans in its Colombian operations, resulted in the increase of its coverage ratio of its Colombian operations from 132.5% at December 31, 2009 to 160.7% at December 31, 2010.

Also partially offsetting the increase in provisions for foreclosed assets and other assets was a decrease in net provisions for accrued interest and other receivables, which declined by 47.0% from Ps 62.2 billion to Ps 33.0 billion. This drop was a result of the aforementioned improvement in the Colombian economy.

The recovery of charged-off assets increased by Ps 6.4 billion to Ps 29.6 billion primarily as a result of a slightly more successful recovery effort by Banco de Bogotá.

Total fees and other services income

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Fees and other services income:				
Commissions from banking services	557.9	508.8	49.1	9.6
Branch network services	22.2	19.5	2.6	13.5
Credit card merchant fees	70.3	46.8	23.5	50.1
Checking fees	42.0	43.3	(1.3)	(3.0)
Warehouse services	92.2	91.8	0.4	0.5
Fiduciary activities	98.3	93.0	5.3	5.7
Pension plan administration	408.3	399.2	9.1	2.3
Other	37.1	24.5	12.6	51.5
Total fees and other services income	1,328.2	1,226.9	101.4	8.3
Fees and other services expenses	(173.2)	(151.2)	21.9	14.5
Total fees and other services income, net	**1,155.1**	**1,075.6**	**79.4**	**7.4**

Total net fees and other services income increased by 7.4% to Ps 1,155.1 billion in 2010, primarily as a result of higher commissions from banking services and increased credit card merchant fees. The acquisition of BAC Credomatic and the income it contributed in 2010 were a major factor in these increases. Specifically, BAC Credomatic contributed Ps 37.9 billion in commissions from banking services and Ps 18.6 billion in credit card merchant fees, while adding approximately Ps 7.2 billion in fee expenses. The additional increase in commissions from banking services was due to increased interest-bearing deposits and higher income generated by social security payments. The 2.3% increase in pension plan administration fees is a result of higher income produced by Porvenir, which is further explained in the Porvenir 2010-2009 discussion. The Ps 12.6 billion increase in "Other" fees is primarily attributable to a Ps 9.7 billion increase in income generated by *Casa de Bolsa*, Banco de Bogotá's brokerage subsidiary. This increase in income was primarily due to the fact that in October 2009 Valores Bogotá merged with Valores Occidente and the other brokerage subsidiaries of Grupo Aval to form *Casa de Bolsa*, an entity which is consolidated by Banco de Bogotá; thus, while 2009 only reflected three months of such combined company's income, 2010 reflected a full year.

Other operating income

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Foreign exchange gains (losses), net	32.6	(114.1)	146.7	128.5
Gains on derivative operations, net	63.6	228.3	(164.7)	(72.2)
Gains on sales of investments in equity securities, net	112.1	4.0	108.1	2677.7
Income from non-financial sector, net (1)	289.8	231.2	58.5	25.3
Dividend income	44.1	84.5	(40.3)	(47.8)
Other	40.3	58.2	(17.9)	(30.8)
Total other operating income	**582.4**	**492.1**	**90.3**	**18.4**

(1) Income from non-financial sector reflects Corficolombiana's (Banco de Bogotá's subsidiary) operating results in its consolidated investments in companies not related to the financial sector such as Epiandes, Hoteles Estelar and Organización Pajonales, among others. This result is net of the following operating and administrative expenses for the year ended December 31, 2010 and 2009: Ps 644.3 billion and Ps 549.2 billion , respectively. For a description of these investments, see "Business—Corficolombiana—Equity investment portfolio."

Total other operating income, net increased by 18.4% to Ps 582.4 billion in 2010 due primarily to a Ps 108.1 billion increase in gains on sales of investments in equity securities, resulting primarily from Corficolombiana's sale of its stake in Banco de Occidente and Colombina S.A. (further explained in Corficolombiana's 2010-2009 discussion under the "Other operating income" section). The 25.3% increase in income from the non-financial sector to Ps 289.8 billion, which reflected the net income growth of non-financial companies consolidated by Corficolombiana (further explained in the Corficolombiana 2010-2009 discussion), also contributed to the increase in other operating income.

Partially offsetting the increase was a 47.8% decrease in dividend income to Ps 44.1 billion. This principally reflects an accounting convention regarding how dividend income for a few of Corficolombiana's unconsolidated investments was recorded (see Corficolombiana 2010 – 2009 discussion for further information). The 30.8% decrease in "Other" other operating income to Ps 40.3 billion also contributed to the decline in other operating income. This stemmed primarily from a decrease in income from jointly managed fiduciary contracts belonging to Fidubogotá, Banco de Bogotá's fiduciary subsidiary. In particular, the contract to manage FONPET (jointly managed with Porvenir), a third party liability fund, generated less income due to the fact that fees on the management of this fund depend upon the yield of the fund, which was lower in 2010 as compared to 2009 due to more challenging market conditions. Foreign exchange gains (losses) and gains on derivative operations, which are related, netted a decrease of Ps 18.0 billion. This was primarily due to the operations at the level of Corficolombiana (see Corficolombiana 2010 – 2009 discussion for further information).

Operating expenses

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Salaries and employee benefits	(612.3)	(539.8)	72.5	13.4
Bonus plan payments	(19.6)	(19.8)	(0.3)	(1.3)
Termination payments	(5.8)	(2.8)	3.0	107.6
Administrative and other expenses	(968.3)	(891.8)	76.5	8.6
Deposit security, net	(68.3)	(59.1)	9.2	15.5
Charitable and other donation expenses	(4.0)	(2.3)	1.6	69.5
Depreciation	(57.8)	(51.9)	5.9	11.4
Goodwill amortization	(21.8)	(17.8)	4.1	22.9
Total operating expenses	**(1,757.9)**	**(1,585.3)**	**172.6**	**10.9**

Total operating expenses increased by 10.9% to Ps 1,757.9 billion in 2010. This increase primarily reflected a 13.4% rise in salaries and employee benefits to Ps 612.3 billion, which was in line with the organic growth of the business and also included BAC Credomatic's personnel expenses in December 2010. Salaries and employee benefits from Banco de Bogotá's Colombian operations increased by 6.8% to Ps 576.7 billion for 2010, while

headcount grew by 1.7% from 16,811 at December 31, 2009 to 17,095 at December 31, 2010. As a result, on a per capita basis, salaries and employee benefits for Banco de Bogotá without BAC increased by 5.1%. BAC Credomatic's headcount at December 31, 2010 was 15,775. The 8.6% increase in administrative and other expenses to Ps 968.3 billion was primarily due to the BAC Credomatic acquisition. As a result of both the slight increase in operating expenses and the decrease in operating income, Banco de Bogotá's efficiency ratio deteriorated from 39.0% in 2009 to 40.1% in 2010.

Non-operating income (expense)

Total non-operating income (expense) increased by 23.0% to Ps 96.0 billion primarily due to Ps 21.4 billion in income from the sale of foreclosed assets. Of this income, Ps 17.6 billion was due to the sale of land in Guayuriba.

Income tax expense

Income tax expense was Ps 510.0 billion in 2010, which was 2.4% lower than in 2009. Banco de Bogotá's effective tax rate increased slightly in 2010, rising to 26.7% from 25.8% in 2009. The effective tax rate increased primarily due to the fact that its non-taxable dividend income associated with Corficolombiana's unconsolidated investments decreased by 47.8%, or Ps 40.3 billion, for the reasons further explained in the "Other operating income" section.

Non-controlling interest

Banco de Bogotá's non-controlling interest decreased by Ps 67.7 billion, or 12.3%, in 2010. The decrease in non-controlling interest was primarily due to the fact that net income before non-controlling interest was lower, but it should be noted that non-controlling interest as a percent of net income before non-controlling interest also decreased, dropping from 36.6% to 34.6%. This was primarily a result of Corficolombiana contributing a greater percentage of net income before non-controlling interest in 2009 as compared to 2010 (Ps 668.4 billion as compared to Ps 564.8 billion, respectively).

Banco de Bogotá subsidiary analysis

As discussed above, Banco de Bogotá's results of operations are significantly affected by the results of operations of its subsidiaries, Corficolombiana and Porvenir. In order to fully disclose the impact of these subsidiaries on Banco de Bogotá, set forth below is an analysis of the results of operations of each of Corficolombiana and Porvenir for 2010 as compared to 2009.

Corficolombiana

Net income

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Total interest income	858.3	716.5	141.8	19.8
Total interest expense	(161.8)	(181.1)	(19.2)	(10.6)
Net interest income	696.5	535.4	161.0	30.1
Total provisions (reversals), net	(321.6)	(7.7)	313.9	–
Total fees and other services income, net	43.6	40.1	3.6	8.9
Total other operating income	435.2	356.2	79.0	22.2
Total operating income	853.7	924.0	(70.3)	(7.6)
Total operating expenses	(118.8)	(118.4)	0.4	0.3
Net operating income	734.9	805.7	(70.7)	(8.8)
Total non-operating income (expense), net	(3.2)	9.3	(12.5)	(134.1)
Income before income tax expense and non-controlling interest	731.8	815.0	(83.2)	(10.2)
Income tax expense	(104.2)	(97.0)	7.2	7.4
Income before non-controlling interest	627.6	718.0	(90.4)	(12.6)
Non-controlling interest	(62.8)	(49.6)	13.2	26.7
Net income attributable to shareholders	**564.8**	**668.4**	**(103.6)**	**(15.5)**

Corficolombiana's net income decreased by 15.5% to Ps 564.8 billion in 2010. The main reason for this decrease in net income was an increase in total net provisions, specifically in provisions for its unconsolidated equity security investments. Nevertheless, since Corficolombiana's operating income before provisions increased, while its operating expenses remained essentially unchanged, its efficiency ratio improved from 12.4% in 2009 to 9.8% in 2010.

Net interest income

Corficolombiana's net interest income increased by 30.1% to Ps 696.5 billion in 2010. Total interest income, which consists of income from loans, investment securities, interbank and overnight funds and financial leases, increased by 19.8% to Ps 858.3 billion in 2010. This increase was primarily due to the 21.9% rise in income from investment securities from Ps 618.3 billion in 2009 to Ps 753.9 billion in 2010. The increase in income from investment securities was due to a growth in income from the equity securities portfolio, which was partially offset by a marginal decrease in income from the fixed income portfolio in 2010.

Corficolombiana's equity portfolio generated Ps 616.3 billion in income in 2010, which represented a 29.9% increase from the Ps 474.5 billion produced in 2009. This income was mainly comprised of the Ps 594.2 billion associated with the appreciation and reclassification of certain investments in Corficolombiana's equity portfolio, in particular *Empresa de Energía de Bogotá* (EEB), *Sociedad de Inversiones en Energía S.A.* (SIE), and *Banco de Occidente,* which are publicly traded companies in Colombia.

Over the course of 2010, Corficolombiana's investment in *Empresa de Energía de Bogotá* (EEB), which was classified as "trading" until late December 2010, generated Ps 209.0 billion of income. Prior to December 2010, if an equity security was classified by the *Bolsa de Valores de Colombia* (BVC; Colombian Stock Exchange) as either "medium" or "high" liquidity, the Superintendency of Finance required the owner of the security to classify the investment as "trading." However, in late December 2010 the Superintendency of Finance issued a statement allowing *corporaciones financieras* (finance corporations), such as Corficolombiana, to reclassify certain "medium" or "high" liquidity equity securities to "available for sale" from "trading" if the Board of Directors of those institutions deemed those investments of a long-term, strategic nature. The Board of Directors deemed Corficolombiana's investment in EEB as a long-term, strategic investment, and as a result in December 2010 it was reclassified as "available for sale." The impact of this reclassification going forward is that Corficolombiana will treat EEB as it does all of its "available for sale" investments.

In February 2010, Corficolombiana reclassified its investment in the shares of *Sociedad de Inversiones en Energía S.A.* (SIE) from "available for sale" to "trading" because the BVC reclassified SIE's stock from "low" to "medium" liquidity. At that time, Colombian law established by the Superintendency of Finance mandated (in accordance with External Circular 100 of 1995, Chapter 1, numeral 4.2) that when the BVC increased the liquidity classification of a stock, if it was held as "available for sale," the owner of the investment must reclassify the shares as "trading" and recognize the gains / losses associated with these shares that had previously been recorded as "unrealized net gains on investments" in order to reflect the appropriate value of the investment. In 2010, Corficolombiana realized Ps 196.5 billion in income from its investment in SIE (corresponding to the net unrealized gains at February 2010 plus the net mark-to-market gains generated post-February 2010). At December 31, 2010, this investment continued to be classified as "trading."

Finally, in June 2010, due to the share-exchange merger between Banco de Occidente and Leasing de Occidente (of which Corficolombiana was the largest shareholder with a 45.2% stake), Corficolombiana was left with a 6.1% stake in Banco de Occidente classified as "available for sale"—the transaction is further explained in the Banco de Occidente 2010-2009 discussion. In October 2010, Corficolombiana sold 2.56 million shares of Banco de Occidente, or 1.71%, for a realized net gain of Ps 62.3 billion—this income was recorded under "Other operating income" under the line-item "Gains on sales of equity securities." In November 2010, the BVC reclassified Banco de Occidente's shares from "low" to "medium" liquidity, and as a result of this reclassification, Corficolombiana was required to realize the Ps 173.8 billion in income that was previously recorded as "unrealized net gains on investments" for its 4.42% stake in Banco de Occidente (its remaining share ownership in Banco de Occidente after the 1.71% sale in October 2010). In December 2010, Corficolombiana sold 0.60 million shares of Banco de Occidente, or 0.40%. In contrast with the sale in October, no gains were generated under "Other operating income" under the line-item "Gains on sales of equity securities" because its Banco de Occidente investment had been marked-to-market since the November 2010 reclassification to "trading." At December 31, 2010, this investment continued to be classified as "trading."

Corficolombiana's fixed income portfolio generated Ps 137.56 billion of income in 2010 due primarily to gains arising from the declining interest rate environment. While this was a relatively high figure for Corficolombiana, it was 2.7% less than the Ps 141.3 billion generated in 2009, which as previously mentioned, reflected an even steeper decline in interest rates.

Corficolombiana's interest expense decreased by 10.6% to Ps 161.8 billion in 2010, primarily due to a Ps 16.3 billion, or 17.9%, decrease in interest expense on time deposits to Ps 74.7 billion. Again, the reduction in interest expense was primarily a result of the previously discussed declining interest rate environment.

Provisions

Corficolombiana's net provisions increased by Ps 313.9 billion to Ps 321.6 billion in 2010. This increase was mainly attributable to a Ps 245.1 billion cautionary market risk provision established by Corficolombiana in December, after discussion with the Superintendency of Finance, in order to cover risks associated with potential future fluctuations of the share prices of the equity securities portfolio.

Corficolombiana also recorded a Ps 69.8 billion net provision in 2010 under the provisions for foreclosed assets and other assets line-item, with the permission of the Superintendency of Finance, related to the previously mentioned realization of income stemming from its investment in SIE. Given that SIE recently began trading publicly on October 8, 2009, Corficolombiana established a provision in order to moderate the impact of potential future fluctuations in its price.

Total fees and other services income

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
	(in Ps billions)			
Fees and other services income:				
Commissions from banking services	4.4	3.6	0.8	22.5
Fiduciary activities	33.8	34.3	(0.5)	(1.6)
Other	12.4	10.8	1.6	14.7
Total fees and other services income	50.6	48.7	1.9	3.8
Fees and other services expenses	(6.9)	(8.6)	(1.7)	(19.8)
Total fees and other services income, net	**43.6**	**40.1**	**3.6**	**8.9**

Net fee and other services income increased by 8.9% to Ps 43.6 billion in 2010. While the fiduciary business produced marginally less income, this decrease was more than compensated by an increase in commissions from banking services and a decrease in fee expenses and other service expenses.

Other operating income

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
	(in Ps billions)			
Foreign exchange gains (losses), net	(37.8)	(80.9)	43.1	53.3
Gains on derivative operations, net	29.6	116.3	(86.7)	(74.5)
Gains on sales of investments in equity securities, net	109.6	0.2	109.4	–
Income from non-financial sector, net	289.8	231.2	58.5	25.3
Dividend income	38.5	81.8	(43.3)	(52.9)
Other	5.4	7.5	(2.1)	(27.8)
Total other operating income	**435.2**	**356.2**	**79.0**	**22.2**

Total other operating income increased by 22.2% to Ps 435.2 billion in 2010. This was primarily due to a Ps 109.4 billion increase in net gains on sales of investments in equity securities. Over the course of 2010, Corficolombiana sold three significant investments. The first was the sale of its 7.6% stake in Colombina S.A. Although the sale was formalized in December 2009, due to the form of payment, half of the income was recorded in 2010. This sale generated Ps 21.0 billion in income in that year. The second was the aforementioned sale of the

portion of Corficolombiana's stake in Banco de Occidente in October 2010, which generated Ps 62.3 billion in income. Finally, in December 2010 Corficolombiana sold 5.8 million shares of Proenergia S.A., which amounts to 4.4% of the company, for a gain of Ps 19.0 billion.

Also contributing to the increase in total other operating income was a 25.3% increase in net income from the non-financial sector to Ps 289.8 billion. This increased income resulted primarily from Epiandes and PISA, two of Corficolombiana's consolidated investments.

Partially offsetting this increase was a 74.5% decline in gains on derivative operations to Ps 29.6 billion, which reflected the fact that Corficolombiana reduced the duration of its underlying assets (resulting in a small residual exposure in its derivative operations due to imperfect matching, as the rest were hedged) in order to reduce its risk exposure (and thus its potential returns) from the more volatile derivative markets in 2010. The greater appreciation of the Colombian peso in 2009 as compared to 2010, 8.9% against 6.4%, respectively, also decreased gains on derivative operations as Corficolombiana utilized its derivative positions to hedge its risk from its foreign exchange operations (in which it was net short of the Colombian Peso). The opposite results can be observed in the changes in Corficolombiana's foreign exchange gains (losses) line item, which partially offset the decrease in income on derivative operations. Corficolombiana's foreign exchange losses were reduced by Ps 43.1 billion to Ps (37.8) billion. In a year where the Colombian Peso appreciated less and Corficolombiana reduced its derivative and foreign exchange positions, both net foreign exchange losses and net derivative gains were diminished from previous years.

Also partially offsetting the increase in total other operating income was a 52.9% decrease in dividend income to Ps 38.5 billion in 2010. This decrease was driven principally by the accounting reclassification of some of Corficolombiana's equity investments. In 2009, Promigas' and Empresa de Energía de Bogotá's (EEB) dividends were recorded under the dividend income line-item, but as a result of an accounting convention, when the shares of these companies were reclassified from "Available for sale" to "trading" (for Promigas and EEB reclassification explanations see Corficolombiana 2010-2009 discussions), their dividends began to be recorded under "Interest from investment securities" rather than under the dividend income line-item. Even though Promigas was once again classified as "available for sale" from June 2010 to November 2010, its dividends were not recorded under the dividend income line-item due to the fact that after its first reclassification to "Trading," the investment was left without any unrealized gains on the balance sheet; Colombian banking regulations mandate that dividends from an "Available for sale" investment can only be registered on the income statement if the amount received is greater than the value recorded as unrealized gains. In instances such as this where that is not the case, the equity method mandates that dividends must be registered as a reduction in the value of the investment on the balance sheet. Promigas' and EEB's dividends in 2009 were Ps 29.5 and Ps 11.8 billion, respectively.

Operating expenses

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Salaries and employee benefits	(45.2)	(43.1)	2.1	4.8
Bonus plan payments	(4.7)	(8.3)	(3.7)	(44.2)
Termination payments	(0.4)	(0.6)	(0.3)	(42.8)
Administrative and other expenses	(58.1)	(58.2)	(0.2)	(0.3)
Deposit security, net	(5.5)	(4.1)	1.4	33.7
Charitable and other donation expenses	(1.9)	(1.1)	0.8	79.8
Depreciation	(3.2)	(2.9)	0.2	7.6
Goodwill amortization	–	–	–	–
Total operating expenses	**(118.8)**	**(118.4)**	**0.4**	**0.3**

Corficolombiana's total operating expenses remained essentially unchanged in 2010, increasing by 0.3% to Ps 118.8 billion. Since operating expenses remained basically unchanged in 2010, while operating income before provisions increased by 26.1% to Ps 1,175.3 billion, Corficolombiana's efficiency ratio improved, decreasing from 12.4% in 2009 to 9.8% in 2010.

Non-operating income (expense)

Total non-operating income (expense) decreased by Ps 12.5 billion to Ps (3.2) billion (indicating a net non-operating expense) in 2010, mainly due to an increase in non-operating expenses from Ps 44.2 billion in 2009 to Ps 57.4 billion in 2010. The primary driver for this was a Ps 8.4 billion increase in the non-operating expenses of one of Corficolombiana's consolidated investments (Episol) in 2010. Although during this period Episol's non-operating income also increased by a similar amount (Episol's income and expenses are reported as non-operating because the company is still in a pre-operational stage), Corficolombiana's non-operating income account did not reflect this increase primarily due to the fact that in 2009 Epiandes contributed Ps 11.0 billion in non-operating income that was not repeated in 2010.

Porvenir

Porvenir generates income primarily from fees on its customers' pension contributions, which consist predominantly of monthly mandatory contributions. It also generates net interest income, composed almost entirely of investment income from the appreciation of Porvenir's proprietary trading portfolio, which can be divided into two components: (1) income from its stabilization reserve, which is the legally required proprietary stake (1% of assets under management) in its funds that are subject to a minimum return guarantee and (2) direct investment portfolio income, which includes income from fixed income securities and money market instruments. As a result, Porvenir's revenue is mainly affected by the number of contributors, the salaries of contributors, any changes in applicable fee rates and the rate of return of its assets under management.

Net income

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Total interest income	58.7	65.3	(6.6)	(10.1)
Total interest expense	(0.2)	(0.3)	(0.1)	(35.6)
Net interest income	58.5	64.9	(6.5)	(10.0)
Total provisions (reversals), net	(0.0)	(2.5)	(2.5)	(99.0)
Total fees and other services income, net	373.6	366.8	6.9	1.9
Total other operating income	2.7	4.7	(2.0)	(41.7)
Total operating income	434.8	433.9	0.9	0.2
Total operating expenses	(197.5)	(182.7)	14.8	8.1
Net operating income	237.3	251.2	(13.9)	(5.5)
Total non-operating income (expense), net	1.3	3.2	(1.9)	(58.4)
Income before income tax expense and non-controlling interest	238.6	254.4	(15.8)	(6.2)
Income tax expense	(82.1)	(88.3)	(6.2)	(7.0)
Income before non-controlling interest	156.5	166.0	(9.5)	(5.7)
Non-controlling interest	(0.1)	(0.0)	0.1	157.5
Net income	**156.4**	**166.0**	**(9.6)**	**(5.8)**

Porvenir's net income decreased by 5.8% to Ps 156.4 billion in 2010. This was primarily due to the decrease in net interest income and the increase in total operating expenses, which offset the increase in fees and other services income and the decrease in provisions. As a result, Porvenir's efficiency ratio worsened over this period, increasing from 40.8% in 2009 to 44.3% in 2010.

Total fees and other services income

Total net fees and other services income consists primarily of commissions earned on the administration of mandatory pension funds, severance funds, voluntary pension funds and third-party liability pension funds. Porvenir's total net fees and other services income increased slightly by 1.9% to Ps 373.6 billion in 2010, driven primarily by the increase in the revenues received from the administration of mandatory pension funds, which rose by Ps 28.4 billion, from Ps 237.9 billion in 2009 to Ps 266.4 billion in 2010, due to a 5.1% increase in the average number of contributors and a 4.9% increase in the average monthly wage per contributor to Ps 1.13 million.

Additionally, an increase in revenue associated with the management of voluntary pension funds, which rose by Ps 9.8 billion, from Ps 34.7 billion in 2009 to Ps 44.5 billion in 2010, also contributed to the increase in fee revenue.

These increases were partially offset by a Ps 12.0 billion decrease in income from third-party liability pension funds from Ps 34.0 billion in 2009 to Ps 22.0 billion in 2010. This was due to the fact that fees on the management of these funds are dependent upon the yield of the funds, which were lower in 2010 as compared to 2009 due to more challenging market conditions.

Further offsetting the increase in fee income was a Ps 16.1 billion decline in fees from severance fund management, which dropped from Ps 71.8 billion in 2009 to Ps 55.7 billion in 2010. The primary cause of this decrease was a new regulation issued by the Superintendency of Finance that required the creation of two distinct severance funds, a short-term one and a long-term one, as opposed to having just one severance fund, with the maximum permissible fee rate being reduced from 4.0% to 3.0% for the long-term severance fund and to 1.0% for the short term fund.

Commissions from banking services, consisting primarily of fees charged to customers for the processing of information and the early withdrawal of pensions, increased by Ps 5.5 billion to Ps 13.9 billion in 2010.

Fees and other service expenses rose slightly, from Ps 42.2 billion in 2009 to Ps 50.1 billion in 2010. This was a product of the organic growth of the business and its main product lines.

Net interest income

Net interest income decreased by Ps 6.5 billion to Ps 58.5 billion in 2010. This decrease was primarily due to the decline in the rate of return of Porvenir's total investment portfolio. While prevailing market conditions in 2010 were favorable, market conditions in 2009 were even more favorable. As a result, Porvenir's rate of return on its investment portfolio decreased from 17.0% in 2009 to 11.5% in 2010. This was partially offset by an increase in the average volume of the investment portfolio, which increased by 40.3%, from Ps 452.7 billion at December 31, 2009 to Ps 635.2 billion at December 31, 2010.

Operating expenses

	Year ended December 31,		Change, 2010 vs. 2009	
	2010	2009	#	%
		(in Ps billions)		
Salaries and employee benefits	(77.5)	(69.4)	8.0	11.6
Bonus plan payments	(3.7)	(5.3)	(1.6)	(30.2)
Termination payments	(0.5)	(1.0)	(0.5)	(51.8)
Administrative and other expenses	(110.8)	(101.9)	8.9	8.7
Deposit security, net	–	–	–	–
Charitable and other donation expenses	(0.1)	(0.3)	(0.2)	–
Depreciation	(5.0)	(4.8)	0.2	3.4
Goodwill amortization	–	–	–	–
Total operating expenses	**(197.5)**	**(182.7)**	**14.8**	**8.1**

Porvenir's total operating expenses increased by 8.1% to Ps 197.5 billion in 2010, due primarily to the 8.7% growth of administrative and other expenses to Ps 110.8 billion and the 11.6% increase in salaries and employee benefits to Ps 77.5 billion, both consistent with the organic growth of the business. As previously mentioned, Porvenir's 2010 efficiency ratio slightly worsened in comparison to its 2009 figure, increasing from 40.8% in 2009 to 44.3% in 2010.

Non-operating income (expense)

Total non-operating income (expense) decreased by Ps 1.9 billion in 2010. A higher reversal of provisions in 2009, which was not repeated in 2010, was the main driver of the decrease in non-operating income. Non-operating income composed 0.6% of total net income before income tax and non-controlling interest in 2010.

Liquidity and capital resources

The following table sets forth our internal and external sources of funding at June 30, 2012 and 2011 and December 31, 2011, 2010 and 2009.

	At June 30,	At December 31,		
	2012	2011	2010	2009
		(in Ps billions)		
Liabilities and shareholders' equity:				
Deposits	46,508.8	43,366.5	37,992.3	24,382.0
Bankers' acceptances outstanding	253.2	393.3	245.5	28.3
Interbank borrowings and overnight funds	5,218.0	2,507.2	1,789.1	2,224.0
Borrowings from banks and others	6,469.2	7,680.8	7,094.2	1,850.0
Accounts payable	1,680.1	1,844.9	1,234.2	895.3
Accrued interest payable	221.7	182.5	163.8	128.3
Other liabilities	880.3	847.1	848.7	464.7
Long-term debt (bonds)	2,051.2	2,174.8	3,460.7	616.5
Estimated liabilities	544.4	509.6	297.6	319.9
Non-controlling interest	2,647.6	2,457.0	2,302.1	2,125.9
Total liabilities	**66,474.6**	**61,963.7**	**55,428.3**	**33,034.9**
Total shareholders' equity	**7,272.5**	**6,845.9**	**3,918.3**	**3,440.3**
Total liabilities and shareholders' equity	**73,747.1**	**68,809.6**	**59,346.6**	**36,475.2**

Shareholder's equity increased by Ps 426.6 billion to Ps 7,272.5 billion at June 30, 2012 compared to Ps 6,845.9 billion at December 30, 2011. The increase was due to higher retained earnings which increased by 12.3% to Ps 3,676.5 billion at June 30, 2012 from 3,274.6 billion at December 31, 2011.

In 2010, the Superintendency of Finance modified the classification criteria for derivatives. Derivatives were previously required to be shown net of liabilities, under assets in the Bankers' acceptances, spot transactions and derivatives financial instruments line item. They are now shown gross, as assets and liabilities, and the liabilities are added in the Bankers' acceptances and derivatives financial instruments line item. Pursuant to these rules and for the purposes of this section, derivatives (liabilities) are excluded from the Bankers' acceptances outstanding line item and are included under "Other liabilities."

Capitalization ratios

The following table presents our consolidated capitalization ratios and those of our principal competitors at June 30, 2012 and December 31, 2011.

	At June 30, 2012			
Colombian Banking GAAP	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia
		(in percentages)		
Tangible equity ratio (1)	10.5	11.8	10.8	–
Tier 1 ratio (2)	12.1	11.6	11.8	–
Solvency ratio (3)	13.3	14.9	15.5	–

	At December 31, 2011			
Colombian Banking GAAP	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia
		(in percentages)		
Tangible equity ratio (1)	10.0	9.9	10.3	8.3
Tier 1 ratio (2)	12.0	9.0	11.4	9.5
Solvency ratio (3)	13.3	12.5	14.4	12.3

Source: Company calculations based on each entity's respective financial statements for the period indicated. Consolidated capitalization ratios at June 30, 2012 for BBVA Colombia are not publicly available.

(1) Tangible equity ratio is calculated as total shareholders' equity plus minority interest minus goodwill, divided by total assets minus goodwill. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP measures reconciliation."

(2) Tier 1 ratio is calculated as primary capital divided by risk-weighted assets.

(3) Solvency ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital see "Supervision and Regulation—Capital adequacy requirements."

Tangible solvency ratio differs from solvency ratio. Tangible solvency ratio is calculated as technical capital minus goodwill, divided by risk-weighted assets minus goodwill. The tangible solvency ratios for the following entities at June 30, 2012 were: Banco de Bogotá 9.9%, Bancolombia 14.2%. The tangible solvency ratios for the following entities at December 31, 2011 were: Banco de Bogotá 9.3%, Bancolombia 11.7%, Davivienda 11.3% and BBVA Colombia 10.5%.

We are required by the Superintendency of Finance to maintain a solvency ratio of at least 9.0% of our total risk-weighted assets. The following tables set forth reported and as-adjusted capital adequacy information for each of our banking subsidiaries at June 30, 2012 and December 31, 2011. The reported figures are calculated using the methodology prescribed by the Superintendency of Finance, which requires that we subtract investments in non-consolidated entities from our regulatory capital. The as-adjusted amounts have been adjusted not to subtract non-controlling interest in financial institutions, which are consolidated in Banco de Bogotá's subsidiaries at December 31, 2011 (principally Banco de Bogotá's non-controlling interest held through Corficolombiana in Leasing de Occidente at December 31, 2011). We believe that the inclusion of such investments presents a more comprehensive picture of our capitalization.

The following tables present our consolidated capitalization ratios at June 30, 2012 and December 31, 2011.

Banco de Bogotá (Consolidated)	At June 30, 2012				At December 31, 2011			
	Reported		As-adjusted(2)		Reported		As-adjusted(2)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(in Ps billions, except percentages)				(in Ps billions, except percentages)			
Primary capital (Tier I)	7,781.0	12.1%	7,997.4	12.4%	7,174.7	12.0%	7,401.4	12.3%
Secondary capital (Tier II)	750.2	1.2%	753.2	1.2%	823.2	1.4%	825.6	1.4%
Primary and secondary capital (Tier I and II)	8,531.2	13.3%	8,750.7	13.6%	7,997.9	13.3%	8,227.0	13.7%
Risk-weighted assets including regulatory value at risk(1)	64,098.9	–	64,318.4	–	59,961.1	–	60,190.1	–

Source: Company calculations based on each bank's respective consolidated financial statements for the period indicated.

(1) Regulatory value at risk is calculated in accordance with the Superintendency of Finance guidelines. See "Supervision and Regulation—Capital adequacy requirements."

(2) Adjusted to reflect non-consolidated interests of Corficolombiana in Banco de Occidente.

New capital adequacy rules

On August 24, 2012, the Colombian government enacted Decree 1771, which amended certain capital adequacy requirements for Colombian credit institutions set forth in Decree 2555 of 2010.

Decree 1771 maintains the requirement for a credit institution's technical capital to be at least 9.0% of that institution's total risk-weighted assets. For the current applicable definition of technical capital, see "Supervision and Regulation—Capital adequacy requirements."

From August 1, 2013, Technical capital will continue to consist of the sum of basic capital (*patrimonio básico*), or primary capital (Tier I), and secondary capital (*patrimonio adicional*), or secondary capital (Tier II); however, primary capital (Tier I) will also consist of the sum of ordinary basic capital (*patrimonio básico ordinario*), or Common Equity Tier I, and a new category of additional basic capital (*patrimonio básico adicional*), or Additional Tier I.

In addition, Decree 1771 introduces a new measure of "core solvency" for Common Equity Tier 1, which reflects higher quality capital and is set at a minimum of 4.5% of risk-weighted assets.

Colombian credit institutions, including us, must comply with the new capital adequacy requirements set forth in Decree 1771 by August 1, 2013, and we must provide an implementation plan to the Superintendency of Finance by January 31, 2013. We are currently studying which measures, if any, it may be required to take in response to the regulations; however, we do not currently anticipate a material adverse effect on us as a result of the new capital adequacy requirements.

As a result of the amendments introduced by Decree 1771, from August 1, 2013, Common Equity Tier I (*patrimonio básico ordinario*) will consist mainly of the following:

Ordinary Basic Capital

- Outstanding and paid-in capital stock classified as Ordinary Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulations;
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the Superintendency of Finance;
- Capital surplus;
- Legal reserves;
- Irrevocable donations;
- Net positive result of the cumulative translation adjustment account;
- Capital stock paid in prior to its issuance by the entity, provided however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered ordinary basic capital;
- Shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements;
- Subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations;
- Any other financial instrument issued by the entity and held by FOGAFIN, when the subscription is intended to strengthen the financial condition of the financial entity; and
- Non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulations.

Items deducted from Common Equity Tier I (*patrimonio básico ordinario*) will consist of the following:

- Any prior or current period losses;
- Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation;
- Deferred income taxes, if positive;
- Intangible assets registered after August 23, 2012;
- Reacquired stock, subject to the conditions set forth in the regulations; and
- Unamortized amount of the actuarial calculation of the pension obligations of the entity.

Additional Tier I (*patrimonio básico adicional*) will consist mainly of the following:

- Outstanding and paid-in capital stock classified as Additional Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulation;
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the Superintendency of Finance; and
- Non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulation.

Secondary capital (Tier II) will consist of:

- Current period profits, in the amount that the shareholders irrevocably resolve to capitalize or assign to increase the legal reserves once the fiscal year is ended, subject to approval by the Superintendency of Finance;
- Voluntary reserves, up to an amount no greater than ten percent (10%) of the Technical Capital of the entity;
- Non-controlling interests registered in the consolidated financial statements, subject to the conditions set forth in the regulations;
- Fifty percent (50%) of the tax reserve, as defined by law;
- Fifty percent (50%) of the reappraisal or unrealized profits derived from investments in equity and debt instruments with high or medium trading volumes, subject to conditions set forth in the regulation;
- Thirty percent (30%) of the reappraisal or unrealized profits derived from investments in equity instruments with low or non-existing trading volumes, or not listed in trading platforms, subject to an appraisal by an independent expert, according to the regulations expected to be issued by the Superintendency of Finance, and to conditions set forth in the regulation;
- Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation;
- Subordinated payment obligations that the Superintendency of Finance classifies as part of the Additional Capital; and
- The value of the provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.

For further information see "Supervision and Regulation—Capital adequacy requirements."

Funding

We fund most of our assets with local deposits, consistent with other Colombian banks. Other sources of funding include interbank borrowings and overnight funds, and borrowings from development banks and long-term bond issuances.

The following table summarizes the composition of our funding at the dates indicated.

	Six-month period ended June 30,		Year ended December 31,	
	2012		2011	
	(in Ps billions)	%	(in Ps billions)	%
Checking accounts	12,812.1	21.2	12,510.6	22.4
Time deposits	17,806.3	29.5	15,450.3	27.7
Savings deposits	15,468.1	25.6	14,805.4	26.5
Other deposits	422.3	0.7	600.2	1.1
Total deposits	**46,508.8**	**77.1**	**43,366.5**	**77.7**

	Six-month period ended June 30,		Year ended December 31,	
	2012		2011	
	(in Ps billions)	%	(in Ps billions)	%
Interbank and overnight funds	5,218.0	8.7	2,507.2	4.5
Borrowings from banks and other	6,469.2	10.7	7,680.8	13.8
Bankers' acceptance outstanding	74.1	0.1	85.3	0.2
Long-term debt (includes convertible bonds)	2,051.2	3.4	2,174.8	3.9
Total other funding	**13,812.4**	**22.9**	**12,448.0**	**22.3**
Total funding	**60,321.3**	**100.0**	**55,814.5**	**100.0**

From December 31, 2011 to June 30, 2012, interbank borrowings and overnight funds increased as a percentage of total funding by 4.2 percentage points, due to a significant decrease in borrowings from banks and others. Borrowings from banks and others and total deposits decreased by 3.1 and 0.6 percentage points, respectively. The decrease in borrowings from banks and others was due to the payment of part of Banco de Bogotá's debt associated with BAC Credomatic's acquisition.

From December 31, 2011 to June 30, 2012, total funding increased by 8.1 percentage points mainly as a result of the increase in total deposit and interbank and overnight funds. From December 31, 2011 to June 30, 2012, total deposits decreased as a percentage of total funding by 0.6 percentage points, from 77.7% to 77.1%, mainly due to an increase in interbank and overnight funds which increased from 4.5% to 8.7% of total funding for the same period.

For a description of the terms of our Term Loan, see "Business—BAC Credomatic."

Our funding base also benefits from the highest available local credit ratings for us and each of Porvenir and Corficolombiana, as assigned by BRC Investor Services S.A. S.C.V., an affiliate of Moody's Investors Services, Inc. In addition, our 5.00% Senior Notes due 2017 were rated Baa2 by Moody's, BBB- by Fitch and BBB- by Standard and Poor's at issuance in December 2011. On May 22, 2012 Moody's confirmed a Baa2 rating and on December 7, 2012 Fitch upgraded its rating to 'BBB' from 'BBB-'. Any adverse change in credit ratings may increase the cost of our funding. See "Risk Factors—Risks relating to our businesses and industry—Risks relating to our banking business—Downgrades in our credit ratings would increase the cost of, or impair access to, funding." We believe that our working capital is sufficient to meet the company's present requirements and that the current level of funding of each of our banks is adequate to support its business.

The following table presents our consolidated funding from deposits at the dates indicated.

	At June 30,	At December 31,
	2012	2011
	(in Ps billions)	
Interest-bearing deposits:		
Checking accounts	7,552.9	6,286.7
Time deposits	17,806.3	15,450.3
Savings deposits	15,468.1	14,805.4
Total	40,827.3	36,542.5
Non-interest-bearing deposits:		
Checking accounts	5,259.2	6,223.9
Other deposits	422.3	600.2
Total	5,681.5	6,824.1
Total deposits	46,508.8	43,366.5

Checking accounts. Our consolidated balance of checking accounts was Ps 12,812.1 billion at June 30, 2012 and Ps 12,510.6 billion at December 31, 2011, representing 21.2% and 22.4% of total funding, respectively.

Time deposits. Our consolidated balance of time deposits was Ps 17,806.3 billion at June 30, 2012 and Ps 15,450.3 billion at December 31, 2011, representing 29.5% and 27.7% of total funding, respectively.

The following table presents time deposits held at June 30, 2012 and December 31, 2011, by amount and maturity for deposits.

	At June 30, 2012		
	Peso-denominated	Foreign currency-denominated	Total
	(in Ps billions)		
Up to 3 months	2,387.5	2,913.5	5,301.0
From 3 to 6 months	1,770.6	1,073.8	2,844.4
From 6 to 12 months	1,465.0	1,175.9	2,640.9
More than 12 months	4,420.4	748.4	5,168.8
Time deposits less than U.S.$100,000 (1)	1,073.1	778.1	1,851.2
Total	11,116.6	6,689.6	17,806.3

	At December 30, 2011		
	Peso-denominated	Foreign currency-denominated	Total
	(in Ps billions)		
Up to 3 months	2,256.2	2,805.7	5,061.9
From 3 to 6 months	825.2	923.8	1,749.0
From 6 to 12 months	2,580.9	1,112.6	3,693.5
More than 12 months	2,586.2	494.0	3,080.2
Time deposits less than U.S.$100,000 (1)	1,031.3	834.5	1,865.8
Total	9,279.7	6,170.6	15,450.3

(1) Equivalent to Ps 1,037.3 million at June 30, 2012 and Ps 1,045.5 million at December 31, 2011. Translated for convenience only using the representative market rate as computed and certified by the Superintendency of Finance of Ps 1,784.6 at June 30, 2012.

Savings deposits. Our consolidated balance of savings deposits was Ps 15,468.1 billion at June 30, 2012 and Ps 14,805.4 billion at December 31, 2011, representing 25.6% and 26.5% of total funding, respectively.

Other deposits. Our consolidated balance of other deposits, which consist of deposits from correspondent banks, cashier checks and collection services, was Ps 422.3 billion at June 30, 2012 and Ps 600.2 billion at December 31, 2011, representing 0.7% and 1.1%, respectively.

Interbank borrowings and overnight funds. Our consolidated balance of interbank borrowings and overnight funds was Ps 5,218.0 billion at June 30, 2012 and Ps 2,507.2 billion at December 31, 2011, representing 8.7% and 4.5% of total funding, respectively.

The following table sets forth our short-term borrowings consisting of interbank borrowings for the periods indicated.

	At June 30,		At December 31,	
	2012		2011	
	Amount	Nominal rate	Amount	Nominal rate
	(in Ps billions, except percentages)			
Short-term borrowings				
Interbank borrowings and overnight funds				
End of period	6,785.3	6.0%	7,653.9	5.2%
Average during period	5,366.2	7.5%	7,394.4	5.4%
Maximum amount of borrowing at any month-end	6,810.1	–	8,127.1	–
Interest paid during the period	202.4	–	398.6	–

As part of their interbank transactions, our banks maintain a portfolio of government securities and private sector liquid debt instruments used to obtain overnight funds from other financial institutions or investment funds by selling such securities and simultaneously agreeing to repurchase them. Due to the short-term nature of this source of funding, these transactions are volatile and are generally composed of Colombian government securities.

Borrowings from banks and others. Borrowings from banks are provided by correspondent banks and by governmental entities to promote lending to specific sectors of the Colombian economy. This funding, which mainly has fully matched maturities and interest rates with related loans, totaled Ps 6,469.2 billion at June 30, 2012 and Ps 7,680.8 billion at December 31, 2011, representing 10.7% and 13.8% of total funding, respectively.

Bankers' acceptances outstanding. Our consolidated bankers' acceptances outstanding balance was Ps 74.1 billion at June 30, 2012 and Ps 85.3 billion at December 31, 2011, representing 0.1% and 0.2% of total funding, respectively.

Bonds. We issue bonds in the Colombian markets. Our consolidated balance of bonds outstanding was Ps 2,051.2 at June 30, 2012 and Ps 2,174.8 billion at December 31, 2011, representing 3.4% and 3.9% of total funding, respectively.

The following bond issuances were placed in the applicable local and international markets in 2011:

Issuer	Issuance date	Amount	Expiration date	Interest rate
	(in Ps billions, unless otherwise indicated)			
Banco de Bogotá S.A. (1)	2011	1,165.6	January 2017	5.00%
Banco de América Central	2011	7.8	January 2012 to December 2016	4.00% to 4.25%
BAC Credomatic Guatemala	2011	164.8	January 2012 to December 2012	4.65% to 8.69%

(1) On December 19, 2011 we issued U.S.$600 million of our 5.00% Senior Notes due 2017 in the international markets.

The following bond issuances were placed in the applicable local market in the six-month period ended June 30, 2012:

Issuer	Issuance date	Amount	Expiration date	Interest rate
	(in Ps billions, unless otherwise indicated)			
Banco de América Central	2012	21.4	July 2012 to May 2017	4.00% to 4.25%
BAC Credomatic Guatemala	2012	97.0	January 2013 to July 2013	4.65% to 8.69%

The following table presents the composition of Banco de Bogotá's funding at the dates indicated.

	Year ended December 31,					
	2011		2010		2009	
	(in Ps billions)	%	(in Ps billions)	%	(in Ps billions)	%
Checking accounts	12,510.6	22.4	11,004.6	21.8	5,167.1	17.8
Time deposits	15,450.3	27.7	12,774.7	25.4	9,137.5	31.4
Savings deposits	14,805.4	26.5	13,653.7	27.1	9,729.5	33.4
Other deposits	600.2	1.1	559.3	1.1	347.9	1.2
Total deposits	**43,366.5**	**77.7**	**37,992.3**	**75.4**	**24,382.0**	**83.8**
Interbank and overnight funds	2,507.2	4.5	1,789.1	3.6	2,224.0	7.6
Borrowings from banks and other	7,680.8	13.8	7,094.2	14.1	1,850.0	6.4
Bankers' acceptance outstanding	85.3	0.2	39.2	0.1	28.3	0.1
Long-term debt (includes convertible bonds)	2,174.8	3.9	3,460.7	6.9	616.5	2.1
Total other funding	**12,448.0**	**22.3**	**12,383.2**	**24.6**	**4,718.9**	**16.2**
Total funding	**55,814.5**	**100.0**	**50,375.6**	**100.0**	**29,100.9**	**100.0**

Capital expenditures

Banco de Bogotá incurred Ps 245.6 billion and Ps 452.8 billion of capital expenditures in property, plant and equipment in the six-month period ended June 30, 2012 and the year ended 2011, respectively.

On December 9, 2010 Banco de Bogotá incurred U.S.$1.92 billion in capital expenditures for the purchase of BAC Credomatic.

Research and development, patents and licenses, etc.

Other than our technology program, we do not have any significant policies or projects relating to research and development, and we own no patents or licenses. See "Business—Other corporate information—Technology."

Off-balance sheet arrangements

In the ordinary course of business, we have entered into various types of off-balance sheet arrangements, including lines and letters of credit and financial guarantees. We utilize these instruments to meet our customers' financing needs. The contractual amount of these instruments represents the maximum possible credit risk should the counterparty draw down the entire commitment or our bank fulfill its entire obligation under the guarantee, and the counterparty subsequently fails to perform according to the terms of the contract. We may hold cash or other liquid collateral to support these commitments, and we generally have legal recourse to recover amounts paid but not recovered from customers under these instruments. Most of these commitments and guarantees expire undrawn. As a result, the total contractual amount of these instruments does not represent our future credit exposure or funding requirements. In addition, some of these commitments, primarily those related to consumer financing, are cancelable by us upon notice.

The following table presents the maximum potential amount of future payments under these instruments at the dates presented for Banco de Bogotá on a consolidated basis.

	At June 30,	At December 31,		
	2012	2011	2010	2009
		(in Ps billions)		
Unused credit card limits	7,282.8	7,086.3	6,619.3	1,148.1
Civil demands against us	458.9	456.1	366.9	143.9
Issued and confirmed letters of credit	742.0	422.7	326.2	123.9
Unused lines of credit	2,889.1	2,669.4	2,601.5	1,589.1
Bank guarantees	1,556.1	1,256.5	1,065.9	659.1
Approved credits not disbursed	260.0	450.0	225.0	190.0
Other	1,010.8	1,646.4	521.4	707.3
Total	**14,199.7**	**13,987.5**	**11,726.2**	**4,561.5**

Contractual obligations

The following tables present our contractual obligations at June 30, 2012 and December 31, 2011.

	At June 30, 2012				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
			(in Ps billions)		
Liabilities:					
Long-term debt obligations (1)	2,051.2	139.4	439.5	1,205.4	266.9
Time deposits	17,806.3	11,983.1	4,295.8	800.7	726.6
Long-term borrowings from banks and others	6,469.2	1,581.1	2,463.9	744.7	1,679.5
Repurchase agreements	5,122.1	5,122.1	–	–	–
Employee benefit plans	114.5	9.7	18.9	18.4	67.5
Total	**31,563.2**	**18,835.4**	**7,218.1**	**2,769.1**	**2,740.6**

	At December 31, 2011				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
			(in Ps billions)		
Liabilities:					
Long-term debt obligations (1)	2,174.8	52.4	322.8	245.7	1,553.9
Time deposits	15,450.3	10,528.2	3,976.6	506.7	438.8
Long-term borrowings from banks and others	7,680.8	2,604.0	2,490.1	767.7	1,818.9
Repurchase agreements	2,303.2	2,303.2	–	–	–
Employee benefit plans	113.2	9.5	18.6	19.3	65.7
Total	**27,722.3**	**15,497.4**	**6,808.1**	**1,539.5**	**3,877.3**

(1) See note 20 to our audited six-month and annual audited consolidated financial statements.

Risk management

The guiding principles of risk management at Banco de Bogotá have been the following:

- Collective decision-making for commercial lending at the board level;
- Extensive and in-depth market knowledge, the result of our market leadership and our experienced, stable and seasoned senior management;
- Clear top-down directives with respect to:
  - Compliance with know-your-customer policies; and
  - Commercial loan credit structures based on the clear identification of sources of repayment and on the cash-flow generating capacity of the borrower;
- Use of common credit analysis tools and loan pricing tool;
- Diversification of the commercial loan portfolio with respect to industries and economic groups;
- Specialization in consumer product niches;
- Extensive use of continuously updated rating and scoring models to ensure the growth of high credit quality consumer lending;
- Use of our extensive market presence in the identification and implementation of best practices for operational risk management; and
- Conservative policies in terms of:
  - the trading portfolio composition, with a bias towards instruments with lower volatility;
  - proprietary trading; and
  - the variable remuneration of trading personnel.

Our risk management policies follow guidelines set by our parent, Grupo Aval.

We acquired BAC Credomatic on December 9, 2010 and are currently evaluating BAC Credomatic's risk management controls. Unless otherwise indicated, risk management figures for Banco de Bogotá consolidate financial data of BAC Credomatic. BAC Credomatic has in place its own risk management controls for credit risk, market risk and operational risk. We currently review BAC Credomatic's results of operations on a monthly basis and consolidate such results in our audited six-month financial statements. Members of our management team are

also members of BAC Credomatic's Asset-Liability, Compliance, Credit and Risk Management committees. In addition, members of our board of directors are also members of BAC's audit committee and regional committees.

For credit risk, BAC has a centralized structure with a Regional Risk Director reporting to the CEO of BAC, who chairs the Regional Credit Committee and is responsible for setting out credit policies and procedures applicable at the local (individual country) level and defining growth strategies in accordance with country risk. While local credit risk managers report to the country head, compliance with the credit policies is reported directly to the Regional Risk Director. Each of the Chief Executive Officer, Chief Financial Officer, Chief Credit Officer, and Credit and Treasury Risk Director of Banco de Bogotá is a member of BAC's Risk Committee.

For market risk, there are Regional Investment Policies and Regional Asset and Liability Management Policies which set out the guidelines for establishing country risk and issuer limits as well as limits on foreign currency positions and general guidelines for the administration of liquidity, interest rate and exchange rate risks. The establishment and administration of the regional policies is the responsibility of the Regional Asset and Liability Committee, which is comprised of BAC Credomatic board members.

Daily compliance to these policies in all countries is carried out with the investment portfolio control management module, which documents the entire investment process. The monitoring of exposures is the responsibility of the Regional Financial Director through the local asset and liabilities committees.

Operating risk management at BAC Credomatic is carried out using the conceptual methodology of Basel II guidelines and the elements of COSO integral risk management. A centralized operating risk management unit ensures that there are in place policies to ensure a standardized treatment of operating risks including methodologies for the timely recognition of the principal exposures, the ownership of operational risks by functional units, accountability throughout the organization and effective procedures to collect information on operational losses. The centralized operating risk committee is also responsible for putting in place an effective business continuity plan.

Credit risk

Our credit-risk management process takes into consideration the requirements of the Superintendency of Finance, the guidelines of Grupo Aval's credit-risk management and the composition of our loan portfolio.

Commercial lending

63.7% of our total loan portfolio was composed of commercial loans to corporate and small- and medium-sized enterprises at June 30, 2012.

The credit approval process for commercial loans follows the policies and lending authorities established by Grupo Aval, our parent, and our bank. The highest lending authority, other than the board of directors, is our national credit committee (*Comité Nacional de Crédito*), which has a lending limit of Ps 4.0 billion (approximately U.S.$2.2 million).

Following the approval of a transaction by our national credit committee, information regarding the loan is sent to the Grupo Aval risk management committee if the loan would result in aggregate exposure to the borrower in excess of Ps 5.0 billion. For commercial loans, the credit approval process includes the presentation to the Grupo Aval risk management committee of all potential credit exposures per client that represent an exposure in excess of Ps 20.0 billion (approximately U.S.$10 million). This committee, which is composed of the vice presidents of credit of each of Grupo Aval's subsidiary banks and the risk management staff of Grupo Aval, meets on a weekly basis to discuss general developments in the industry and economy, risks and opportunities, and the structure of credit transactions, as well as to consult on and evaluate potential business opportunities. The committee consolidates requests for loans across all banks and evaluates our total exposure to potential borrowers. In each case, the committee evaluates the relevant bank's application of its credit analysis policy and it may make recommendations with respect to the structure of the loan (such as guarantees, interest rates, commissions, covenants). The risk management committee will then submit the transaction to the Grupo Aval advisory board.

The Grupo Aval advisory board, which is composed of the presidents of its subsidiary banks and the vice presidents of Grupo Aval, meets on a bimonthly basis to discuss the adoption of policies for risk management and how to accommodate clients with large credit needs, as well as to advise the banks with respect to defaults or other credit risk issues. The advisory board also evaluates transactions submitted to it by the Grupo Aval risk management

committee for compliance with applicable policies and makes recommendations to the banks with respect to such loans. The boards of the subsidiary banks, including ours, make the ultimate decisions with respect to such loans.

In order to facilitate the analysis of commercial loans which meet the threshold and are thus reviewed by Grupo Aval, we have developed certain tools, including a standardized *proyecto de crédito*, a stand-alone document containing all of the information considered necessary for us to make a credit decision. We have also developed financial projection models and pricing models that assist us in analyzing potential loans and comparing the estimated return on a loan with that of a comparable risk-free instrument.

We seek to achieve a profitable, high-quality commercial loan portfolio and an efficient procedure for analyzing potential loans. To that end, we have established policies and procedures for the analysis and approval of potential commercial credit transactions that seek to focus lending on the following principles:

- borrowers whose shareholders and management are, in our opinion of the highest integrity (taking into account not only an analysis of the borrower's credit profile but also their reputation in the business community and other factors);
- borrowers which participate in key industries;
- borrowers which are leaders or major players in the industries in which they participate;
- transaction structures, including covenants and guarantees, which provide adequate protection; and
- pricing which compensates adequately for capital invested and the market and credit risks incurred.

In addition, we make loans to public sector entities. For purposes of evaluating the extension of credit to public sector entities, we follow three criteria: (1) the loan must be used to finance an investment that has been approved by local authorities; (2) a source of repayment must be clearly identified, such as tax revenues; and (3) the source of repayment so identified must be pledged to secure the loan.

Consumer lending

Consumer lending represented 23.2% of our total loan portfolio at June 30, 2012.

The credit approval process for consumer loans follows the policies and lending authorities established by our bank. The highest lending authority, other than the board of directors, is our national credit committee, which has a lending limit of Ps 4.0 billion (approximately U.S.$2.2 million).

For consumer banking, Banco de Bogotá has successfully integrated Megabanco's operations into its full-service consumer loan portfolio of credit cards, personal loans, automobile loans and overdrafts.

Mortgage lending

Mortgage lending represented 7.8% of our total loan portfolio at June 30, 2012 and corresponded to real estate financing processed principally through our subsidiary, BAC Credomatic. Before the BAC Credomatic acquisition, Banco de Bogotá's exposure to mortgage lending was minimal.

Financial leases

Financial leases represented 4.7% of the total loan portfolio at June 30, 2012 and corresponded to the financial leasing transactions processed through Banco de Bogotá's leasing divisions and Leasing Corficolombiana, a subsidiary of Corficolombiana which consolidates with Banco de Bogotá. All leasing subsidiaries have independent credit approval processes and their own credit policies, which in turn are closely supervised by their parent companies.

Microcredit lending

Microcredit loans represented 0.6% of the total loan portfolio at June 30, 2012.

Credit classification and provisioning

We and our parent continually engage in the determination of risk factors associated with our credit related assets, through their duration, including restructurings. For such purposes, we and our parent have designed and adopted a unified System for Administration of Credit Risks, or "SARC," in accordance with Superintendency of Finance guidelines. The SARC has integrated credit policies and procedures for the administration of credit risks, models of reference for the determination and calculation of anticipated losses, provisions for coverage of credit risks and internal control procedures.

We are required to classify the loan portfolio in accordance with the rules of the Superintendency of Finance, which established the following loan classification categories: "AA," "A," "BB," "B," "CC" and "Default," depending on the strength of the credit and, after the loan is disbursed, its past due status.

We review outstanding loan portfolio components under the above-mentioned criteria and classifies individual loans under the risk-rating categories below on the basis of minimum objective criteria, such as balance sheet strength, profitability and cash generation capacity. The classification of new commercial loans is made on the basis of these objective criteria. The criteria are also evaluated on an ongoing basis, together with loan performance, in reviewing the classification of existing commercial loans.

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"AA".....	New loans with risk rating at approval of "AA."	Outstanding loans and financial leases with past due payments not exceeding 29 days (i.e., between 0 and 29 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect excellent paying capacity.	Loans whose risk rating is "AA" according to the methodology of the Consumer Reference Model, or "MRCO," as established by the Superintendency of Finance.
"A".....	New loans with risk rating at approval of "A."	Outstanding loans and financial leases with delayed payments in excess of 30 days but not exceeding 59 days (i.e., between 30 and 59 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect appropriate paying capacity.	Loans whose risk rating is "A" according to the methodology of the MRCO as established by the Superintendency of Finance.
"BB"	New loans with risk rating at approval of "BB."	Outstanding loan and financial leases past due more than 60 days but less than 90 days (i.e., between 60 and 89 days past due). Loans in this category are acceptably serviced and collateralized, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's ability to pay or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.	Loans whose risk rating is "BB" according to the methodology of the MRCO as established by the Superintendency of Finance.
"B".....	New loans with risk rating at approval of "B."	Outstanding loans and financial leases past due over 90 days but less than 120 days (i.e., between 90 and 119 days past due). The debtor shows insufficient paying capacity of its obligations.	Loans whose risk rating is "B" according to the methodology of the MRCO as established by the Superintendency of Finance.

Category	Approval	Commercial loan portfolio	Consumer loan portfolio
"CC"	New loans with risk rating at approval of "CC."	Outstanding loans and financial leases past due more than 120 days but less than 150 days (i.e., between 120 and 149 days past due). Loans in this category represent grave insufficiencies in the debtors' paying capacity or in the project's cash flow, which may compromise the normal collection of the obligations.	Loans whose risk rating is "CC" according to the methodology of the MRCO as established by the Superintendency of Finance.
"Default".....	—	Outstanding loans and financial leases past due for 150 days or more. This category is deemed uncollectible. These loans are considered in default.	Consumer loan portfolio past due over 90 days.

For new consumer loans, we use our and our parent's internal statistical origination models to develop an initial classification category ("AA," "A," "BB," "B" and "CC"). Once the loan is disbursed, we use formulas provided by the Superintendency of Finance, which incorporate payment performance of the borrower to calculate a score which in turn is used to determine the loan classification.

For financial leases the risk categories are established in the same manner as commercial or consumer loans.

For financial statement reporting purposes, the Superintendency requires that loans and leases be given a risk category on the scale of "A," "B," "C," "D" and "E." As a result, the risk classifications are aligned to the risk categories as follows.

	Risk classification	
Risk category	Commercial	Consumer
"A	"AA"	"AA"
		"A" - between 0 and 30 days past due
"B".....	"A"	"A" – more than 30 days past due
	"BB"	"BB"
"C".....	"B"	"B"
	"CC"	"CC"
"D".....	"Default"	"Default" – all other past due loans not classified in "E"
"E".....	"Default"	"Default" – past due loans with a Loss given default (LGD) of 100% (1)

(1) LGD is defined as a percentage to reflect the credit loss incurred if an obligor defaults. LGD for debtors depends on the type of collateral and would suffer a gradual increase in the percentage of loss according to the amount of days elapsing after being classified in each category. For this purpose, 100% of the collateral value is considered to cover the principal amount.

For our mortgage and microcredit loan portfolios the risk categories in effect at June 30, 2011, based on past due status, are as follows.

Category	Microcredit	Mortgage
"A" Normal Risk	In compliance or up to date and up to 30 days past due	In compliance or up to 60 days past due
"B" Acceptable Risk.....	Past due between 31 and 60 days	Past due between 61 and 150 days
"C" Appreciable Risk	Past due between 61 and 90 days	Past due between 151 and 360 days
"D" Significant Risk	Past due between 91 and 120 days	Past due between 361 and 540 days
"E" Uncollectable	Past due over 120 days	Past due over 540 days

Loan loss provisions

We follow the norms of the Superintendency of Finance for the establishment of loan loss provisions. There are separate rules for commercial loans and leases, consumer loans and mortgage loans.

For commercial loans and financial leases, the process is as follows:

- Determination of the loan classification ("AA," "A," "BB," "B," "CC" or "Default") based on the repayment capacity and payment record, among other considerations, of the borrower;
- Determination of the probability of default from tables provided by the Superintendency of Finance which take into account the loan classification ("AA" through "Default") and the size of the borrower in terms of assets (large, medium or small business);
- Determining the loss given default based on the type of credit support (guarantees) and the past due status of the loan, using guides (tables) provided by the Superintendency of Finance; and
- Based on the expected loss given default and the exposure at default, the amount of the loan provision for the individual loan is determined and booked.

For consumer loans, the process is as follows:

- Determination of the loan classification ("AA," "A," "BB," "B," "CC" or "Default") based on the score generated by the bank's internal statistical origination model (for new loans) or on a score determined by a formula provided by the Superintendency of Finance, which incorporates the payment performance of the borrower;
- Determining the probability of default from tables provided by the Superintendency of Finance which take into account the loan classification ("AA" through "Default");
- Determining the loss given default based on the type of credit support and past due status using tables provided by the Superintendency of Finance; and
- Based on the expected loss given default and the exposure at default, the amount of the loan provision for the individual loan is determined and booked.

For microcredit and mortgage loans, the provision as a percentage of the principal is determined in accordance with the following table.

	Microcredit loans	Mortgage loans	
Risk Category	Provision as % of principal	Provision as % of principal covered by guarantee	Provision as % of principal not covered by guarantee
"A"	0.0	1.0	1.0
"B"	1.0	3.2	100.0
"C"	20.0	10.0	100.0
"D"	50.0	20.0	100.0
"E"	100.0	30.0	100.0

Liquidity risk

We are required to, and maintain adequate liquidity positions based on, the Superintendency of Finance's liquidity parameters, as follows:

- Until 2009, banks were required to determine liquidity gap, which is the difference between the expected cash flow disbursements from assets and the expected cash flow disbursements from liabilities, classified by time bracket, including in the calculation both on- and off-balance sheet assets and liabilities as well as contingent assets and liabilities. Cumulative liquidity gap is defined as the sum of liquidity gap for the current and the previous periods. Banks were generally required to have a positive three-month cumulative

liquidity gap and, if this measure was negative, its absolute value was accounted as "Liquidity Value at Risk." No bank was allowed to have two consecutive evaluations of Liquidity Value at Risk which exceeded its "Net liquid assets" defined as net interbank loans, tradable debt securities that mature in more than three months, and available cash.

- In 2009, a short-term liquidity index (*Indicador de Riesgo de Liquidez*), or "IRL," that measures 7-, 15- and 30-day liquidity was established. This index is defined as the difference between adjusted liquid assets and net liquidity requirements. Liquid assets include total debt securities adjusted by market liquidity and exchange rate, excluding investments classified as "held to maturity" different from mandatory investments, and available cash adjusted by reserve requirements. Net liquidity requirements are the difference between expected contractual asset and liability cash flows. Cash flows from past due loans are not included in this calculation.

We have adequate liquidity, as shown in the following table. The three-month cumulative liquidity gap values for year-end 2010 and 2009 are those reported to the Superintendency of Finance and reflect unconsolidated figures. The values for the six-month period ended June 30, 2012 and 2011 and year-end 2011 are calculations based on the same methodology, and are presented for comparability purposes.

	Six-month period ended June 30,		Year ended December 31,		
Three-month cumulative liquidity position	**2012**	**2011**	**2011**	**2010**	**2009**
			(in Ps billions)		
Banco de Bogotá (unconsolidated)					
Total assets and contingencies	11,025	8,345	11,941	7,685	8,733
Total liabilities, equity and contingencies	10,973	9,519	9,960	8,094	7,215
Liquidity gap	51	(1,173)	1,981	(409)	1,518
Net liquid assets ("NLA")	1,988	1,768	1,662	2,059	2,017
Liquidity gap plus NLA	2,040	595	3,643	1,650	3,535

The following table shows our IRL at June 30, 2012 and 2011, December 31, 2011 and 2010 (the year in which this index was introduced). These are reported to the Superintendency of Finance and reflect unconsolidated figures.

	At June 30,		At December 31,	
	2012	**2011**	**2011**	**2010**
		(in Ps billions)		
Banco de Bogotá (unconsolidated)				
IRL – 7 days	5,843	3,293	6,345	4,587
IRL – 15 days	5,348	2,575	6,013	4,015
IRL – 30 days	4,882	1,350	5,395	2,846

Operational risk management

Our policies with respect to operational risk are directed at complying with the norms established by the Superintendency of Finance (which, in turn, follow the Basel II Accord of 2004). These norms require that Colombian banks establish a system for the administration of operational risks, or "SARO," which includes the identification, measurement, control and monitoring functions as well as a business continuity plan.

In order to comply with these norms, we established within our organizational structure an operational risk unit independent of the operational and control areas of each bank. The unit is responsible for the establishment and definition of policies and methodologies, and the procedures for communicating within our organization all information related to operational risk. In addition to the staff of the operational risk unit, we have established operational risk advisors, which are employees in key areas who, in addition to their functional responsibilities, are required to report events or situations which may result in operational losses. Additionally, we have an operational risk management committee composed of selected members of the board of directors, the internal auditor, external auditor and selected vice presidents, which meets on a quarterly basis to review operational risks policies and follow up on the execution of action plans.

In addition, Grupo Aval maintains an operational risk management committee, composed of the heads of the operational risk units of each subsidiary bank, including ours, and staff of Grupo Aval risk management. The principal activities of this committee, which meets on a semi-monthly basis, are as follows:

- advisory in the engagement of external consultants for the identification of gaps with international standards and the development of work plans to close the gap;
- coordinated analysis of norms and the effect in each of Grupo Aval banks, including us;
- identification and application of best practices;
- identification and implementation of operational risk management tools;
- unification of criteria in the search of business continuity tools;
- economies of scale in the engagement of consultants and the acquisition of tools; and
- coordination in the preparation of requests for proposals and the evaluation of proposals.

We implement, from time to time, best practices that result from meetings of the Grupo Aval operational risk management committee.

Market risk management

We have substantial market risk, primarily as a result of our lending, trading and investments businesses. The primary market risks to which we are exposed are interest rate risk, foreign exchange rate risk, variations in stock price risk, and investment fund risk.

We are exposed to interest rate risk whenever there is a mismatch between interest rate sensitive assets and liabilities, subject to any hedging we have engaged in using interest rate swaps or other off-balance sheet derivative instruments. Interest rate risk arises in connection with both trading and non-trading activities.

We are exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities, and off-balance sheet items denominated in different currencies. We are exposed to variations in stock price risk in connection with investments in equity securities, including our merchant banking investments. We are exposed to fund risk primarily from investments in mutual funds.

We and our board of directors, through our risk management committee, are responsible for establishing policies, procedures and limits with respect to market risk. This committee also monitors overall performance in light of the risks assumed. These policies and procedures describe the control framework used by us to identify, to measure and to manage market risk exposures inherent in our activities. The main purpose of these policies and procedures is to set limits on risk. All risk managers must ensure that each business activity is performed in accordance with the policies established by Banco de Bogotá and also by Grupo Aval. These policies and procedures are followed in market risk decision-making in all business units and activities. We comply with the requirements of the Liquidity Risk Management System (*Sistema de Administración de Riesgos de Mercado*), or "SARM," of the Superintendency of Finance.

We are responsible for setting market risk limits and monitoring market risk.

Risk management personnel at Banco de Bogotá (and, additionally, Grupo Aval) are responsible for the following:

- identification, measurement and management of the market risk exposures inherent in their businesses;
- analyzing exposures under stress scenarios;
- confirming compliance with applicable risk management policies, reporting violations of such policies, and proposing new policies;

- designing of methodologies for valuing securities and financial instruments; and

- reporting daily to senior management as to the levels of market risk associated with trading instruments.

Tools for measuring and managing market risk

We hold trading and non-trading instruments. Trading instruments are recorded in our "treasury books," and non-trading instruments are recorded in our "banking books."

Trading instruments

Trading instruments include our proprietary positions in financial instruments held for sale and/or acquired to take advantage of current and/or expected differences between purchase and sale prices. The tables in this section include certain investments recorded under Colombian Banking GAAP in "Held to maturity." As a result of trading fixed income and floating rate securities, equity securities, investment funds and foreign exchange, we are exposed to interest rate, variations in stock prices, investment fund and foreign exchange rate risks, as well as volatility risk when derivatives are used. We trade foreign exchange, fixed income instruments, floating rate securities, and basic derivative instruments (forwards, options, cross currency swaps and interest rates swaps).

We use a value at risk calculation, or "VaR," to measure our exposure to market risk in trading instruments. VaR is an estimate of the expected maximum loss in market value of a given portfolio over a time horizon at a specific confidence interval, subject to certain assumptions and limitations discussed below.

VaR models have inherent limitations, including the fact that they rely on historical data, which may not be indicative of future market conditions or trading patterns. As a result, VaR models could overestimate or underestimate the value at risk and should not be viewed as predictive of future results. Furthermore, we may incur losses materially in excess of the amounts indicated by the VaR models on a particular trading day or over a period of time. VaR does not calculate the greatest possible loss. In addition, VaR models are subject to the reasonable judgment of our risk management personnel.

Our board of directors, assets and liabilities committee, or "ALCO," and risk management committee establish the maximum VaR for each type of investment and for each type of risk using their own internal VaR models as well as the Superintendency of Finance methodology, or the "regulatory VaR." We use VaR estimates to alert senior management whenever the statistically estimated losses in the bank's portfolios exceed pre-established levels. Limits on VaR are used to control exposure on a portfolio-by-portfolio basis.

In order to strictly control the trading portfolios, we have limits for every risk factor. To determine the limits, the effect of the variation (dollar value for 1 basis point or DV01) in each risk is taken into account. These risk limits are validated through stress testing based on historical extreme scenarios.

As described below, we measure interest rate risk, foreign exchange risk, variations in stock price risk and investment fund risk in accordance with VaR models. We use two types of approaches to measure VaR: (1) regulatory VaR methodology and (2) internal VaR models.

- The regulatory VaR used in the calculation of the capital ratio (solvency ratio) follows the methodology established by the Superintendency of Finance. The Superintendency methodology is based on the Basel II model. The Superintendency of Finance has not made publicly available technical information on how it determines the volatilities used in this model, and only limited information is available. The volatilities used in the Superintendency of Finance's model are of a magnitude similar to those observed in very high volatility or stress periods. These parameters are seldom changed by the Superintendency of Finance. See "—Regulatory VaR" below.

- In addition, we use internal models to manage market risk. Parameters are set to adapt to the evolution of volatility of the risk factors over time using statistical methods to estimate them. We generally give recent data more weight in calculations to reflect actual market conditions. Our corporate governance bodies set limits based on this VaR measure in order to control the market risks. Parametric VaR and historical simulation methodologies are also used.

Regulatory VaR

The Regulatory VaR calculation is primarily used for the Superintendency of Finance's solvency ratio calculations.

The Superintendency of Finance methodology is based on the Basel II model. This model applies only to the banks' investment portfolio and excludes investments classified as "held to maturity" and any other non-trading positions include trading and "available for sale" portfolios. Total market risk is calculated on a daily basis by aggregating the VaR for each risk exposure category on a ten-day horizon using risk factors calculated in extreme market stress scenarios. VaR at month-end comprises part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Superintendency of Finance's rules require us to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, variations in stock price risk, and fund risk; correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on sensitivity factors determined by the Superintendency of Finance, modified duration and changes in balances outstanding. The ten-day horizon is defined as the average time in which an entity could sell a trading position on the market.

Our VaR calculation is the aggregate of the VaR of our banking business and our subsidiaries. Trust companies (*fiduciarias*), our pension and severance fund manager, Porvenir, and our brokerage firm Casa de Bolsa, are not included in this calculation as the risk of their proprietary portfolios is not material to us.

Interest Rate Risk

Our exposure to interest rate risk in our trading portfolio primarily arises from investments in securities (floating and fixed rate) and derivative instruments. In accordance with the Superintendency of Finance rules, we calculate interest rate risk for positions in pesos, foreign currency and UVRs, separately. UVR is a Colombian inflation-adjusted monetary index calculated by the board of directors of the Colombian Central Bank and generally used for pricing home-mortgage loans. The interest rate risk model is designed to measure the risk of loss arising from changes in market interest rates. It includes the sum of the net short or long position in the whole trading book; a proportion of the matched positions in each time band (the "vertical disallowance") and a proportion of the matched positions across different time bands (the "horizontal disallowance"). The interest rate sensitivity factors and vertical and horizontal disallowances are not updated frequently by the Superintendency of Finance because those are calculated based on extreme historical market situations; the most recent update was made in November 2010 and published in External Circular 42.

The total interest rate exposure is calculated as the sum of the sensitivity for each band category.

Foreign exchange rate risk

We use a sensitivity factor to calculate the probability of losses as a result of fluctuations in currencies in which we hold positions. Regulatory VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance as shown in the following table.

U.S. dollar	5.5%
Euro	6.0%
Other currencies	8.0%

As of December 31, 2010, the Superintendency of Finance updated the standard model for the market risk measurement parameters. Specifically, the exchange rate risk sensitivity factor for the calculation rose from 4.4 percent to 5.5 percent.

Our exposure to foreign exchange rate risk arises primarily from changes to the U.S. dollar/peso exchange rate. We use an approximation to estimate the risk in exchange rate-related option positions based on delta, gamma and vega sensitivities, which is included in foreign exchange risk.

The foreign exchange rate risk VaR calculation under the standard model of the Superintendency of Finance includes both the trading and non-trading book.

Equity price risk

In determining regulatory VaR variations in stock price risk, certain investments are excluded: (a) equity investments in financial institutions that are supervised by the Superintendency of Finance and (b) equity investments derived from corporate restructuring processes (under Law 550 of 1999) or received as in-kind payment for non-performing loans. In addition, as part of the solvency ratio calculation, equity investments in entities supervised by the Superintendency of Finance that do not consolidate are deducted from primary capital. Investments in entities that consolidate but are not supervised by Superintendency of Finance (non-financial investment) are included in VaR calculations.

Variations in stock price risk come primarily from Corficolombiana's non-financial investment portfolio. This risk is factored into Banco de Bogotá variations in stock price risk VaR as it consolidates Corficolombiana.

The Superintendency of Finance's methodology for determining VaR for variations in stock price risk outlined above results in the inclusion of Corficolombiana's consolidated and non-consolidated equity investments in non-financial institutions.

In December 2010, the Superintendency of Finance issued a revised methodology that excludes from the VaR calculation investments that are available for sale equity securities that are acquired as strategic investments and intended to be held on a long-term horizon. We have historically considered in its internal models, Corficolombiana's consolidated equity investments and our investments that are held on a long-term horizon to have more limited variations in stock price risk on us.

Variations in stock price risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance as 14.7%. This coefficient is based on historic volatilities and is seldom adjusted.

Investment fund risk

Investment fund risk comes from temporary investment of cash in portfolios managed by trust companies.

Investment fund risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance as 14.7%.

The following tables show the VaR calculation relating to each of the risk factors described above and based on the Superintendency of Finance Methodology (Regulatory VaR) for the six-month period ended June 30, 2012 and for the year ended December 31, 2011, for a ten-day horizon for each of our banks. The averages, minimums and maximums are determined based on end of the month calculations.

	Six-month period ended June 30,				At December 31,
	2012				2011
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	509,325	485,819	511,590	467,232	441,638
Foreign exchange rate risk VaR	19,831	22,419	31,052	16,465	23,339
Variations in stock price risk VaR	362	7,492	17,865	287	15,911
Fund risk VaR	97,353	90,204	97,353	82,180	85,161
Total market risk VaR	**626,871**	**605,934**	**626,871**	**592,900**	**566,049**

	Year ended December 31,				At December 31,
	2011				2010
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Interest rate risk VaR	441,638	419,458	451,582	377,127	457,187
Foreign exchange rate risk VaR	23,339	23,138	31,143	19,381	11,205

	Year ended December 31,				At December 31,
	2011				2010
	Period end	Average	Maximum	Minimum	Period end
			(in Ps millions)		
Variations in stock price risk VaR	15,911	35,853	47,569	15,703	32,011
Fund risk VaR	85,161	74,723	92,588	2,115	2,565
Total market risk VaR	**566,049**	**553,172**	**613,519**	**485,994**	**502,968**

Banco de Bogotá's interest rate risk VaR increased 15.3% between December 31, 2011 and June 30, 2012 as a result of an increase in debt investment portfolio of Banco de Bogotá.

Banco de Bogotá's decrease in stock price risk VaR between December 31, 2011 and June 30, 2012 of 97.7% is primarily due to a reduction of 'not strategic' equity investment portfolio of Corficolombiana.

Banco de Bogotá's fund risk VaR increased to Ps 97.4 billion at June 30, 2012 from Ps 85.2 billion at December 31, 2011. This was due to the fact that Corficolombiana increased its investments funds.

Internal models for VaR calculation

In addition to Regulatory VaR, we use internal models to measure VaR in order to determine and control our main risks under normal operating conditions. In particular, we use internal models to oversee the interest rate risk of our full investment portfolio on daily basis.

We use methodologies such as Parametric VaR and historical simulation. The Parametric VaR, which is based on Riskmetrics Group, Inc.'s methodology, involves the identification of specific risks, such as interest and exchange rate risks that could affect the value of assets included in the trading book. The volatility of each factor, measured as a standard deviation, and the correlation with other factors are determined by using an exponentially weighted moving average, or "EWMA," model. Once this is determined, the expected cash flow of each security included in the portfolio is determined. These cash flows are classified into categories for each risk identified and multiplied by the corresponding volatility to calculate the VaR per factor. The VaR for the various factors is then aggregated using a correlation matrix to identify the overall standard deviation of the bank's treasury book. The VaR of the bank's treasury book is determined based on the standard deviation subject to a confidence level of 99% and a one day horizon.

The historical simulation calculates daily VaR based on the historical behavior of the one day variations of prices in the market. This methodology does not assume any statistical distribution function for the earnings and loss of a portfolio. This simulation assumes that the market is stable during a period of time and infers the market's future behavior based on historical data.

The following table shows the interest rate VaR calculation based on internal models for June 30, 2012 and year-end 2011 and 2010 on a ten-day horizon (using an adjustment factor applied to VaR on a one day horizon). Values presented are based on our internal models. The averages, minimums and maximums are determined based on daily calculations except for BAC Credomatic, which are determined on quarterly calculations.

Interest rate risk VaR (per internal model)

	Banco de Bogotá	Banco de Bogotá (excluding BAC Credomatic)	BAC Credomatic
		(in Ps millions)	
2012			
As of June 30	118,026	101,750	16,276
Average	97,103	75,842	21,261
Maximum	170,057	145,345	24,712
Minimum	69,235	52,960	16,276

	Banco de Bogotá	Banco de Bogotá (excluding BAC Credomatic)	BAC Credomatic
		(in Ps millions)	
2011			
As of June 30	115,915	72,329	43,586
Average	152,818	111,280	41,538
Maximum	214,851	168,730	46,121
Minimum	104,618	69,709	34,908
2010			
As of December 31	169,265	134,357	34,908

Considerations on equity price risk regulatory VaR

As stated above, variations in equity price risk measured based on the regulatory VaR methodology includes both equity investments held for trading and others held with a long-term horizon. In addition it does not discriminate between listed and unlisted equity investments or between those which consolidate and those which do not. It focuses on investments in non-financial institutions. VaR calculated under this methodology is higher than VaR calculated with a methodology that focuses on equities held for trading.

Holding periods for many of Corficolombiana's equity investments exceed ten years. Its largest investments have remained in the portfolio for several years and are intended to remain as permanent investments.

Corficolombiana's regulatory VaR increased from the year ended December 31, 2011 to the six-month period ended June 30, 2012 due to an increase in investments subject to regulatory VaR.

Equity price risk regulatory VaR decreased to Ps 0.4 billion at June 30, 2012 from Ps 15.9 billion at December 31, 2011. The primary driver of this decrease was the exclusion of 'Proenergia', a Corficolombiana investment, that was sold during the first six months of 2012.

The following table breaks down our investments subject to regulatory VaR by time since initial investment at June 30, 2012 and December 31, 2011 and 2010.

	At June 30,						At December 31,		
	2012			2011			2010		
	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio
	(in Ps millions)		(%)	(in Ps millions)		(%)	(in Ps millions)		(%)
Less than 18 months	500	74	100.0%				–	–	–
18 - 36 months	–	–	–	106,499	15,655	100.0%	–	–	–
More than 36 months	–	–	–	–	–	–	207,724	30,535	100.0%
Total	**500**	**74**	**100.0%**	**106,499**	**15,655**	**100.0%**	**207,724**	**30,535**	**100.0%**

Non-trading instruments

Non-trading instruments consist primarily of loans and deposits. Our primary market risk exposure in our non-trading instruments is interest rate risk, which arises from the possibility of changes in market interest rates. Such changes in market interest rates affect our net interest income due to timing differences on the repricing of their assets and liabilities. We are also affected by gaps in maturity dates and interest rates in the different asset and liability accounts. As part of our management of interest rate risk, we analyze the interest rate mismatches between our interest earning assets and our interest-bearing liabilities.

Superintendency of Finance rules require us to measure foreign exchange rate risk VaR not only for treasury book positions but also for all assets and liabilities denominated in foreign currencies. Our non-trading instruments are exposed to foreign exchange rate risk primarily from loans and deposits denominated in dollars. This foreign exchange rate risk is monitored under the VaR methodology described above.

Sensitivity of fair value is determined using either one of two methodologies: (1) determining the difference between the fair value and the net present value of the expected cash flows using a discount rate of 50 basis points and 100 basis points higher than that used for the original calculation; or (2) determine the sensitivity of the remaining cash flows (modified duration), multiplied by the fair value, multiplied by the increase in discount rate for each scenario (50 basis points and 100 basis points). Methodology 1 is in some cases more precise while methodology 2 is a good approximation for moderate variations in the discount rate.

Sensitivity of certain instruments is assumed to be zero because its fair value is equal to its book value as instruments with maturities of 90 days or less, or loans and borrowings from development banks.

Our sensitivity analysis methodology should be interpreted in light of the following limitations: (1) we have assumed a uniform interest rate change for assets and liabilities of varying maturities; and (2) we have assumed that the modified duration of variable rate assets and liabilities is the time remaining until the next interest reset date.

An increase in interest rates negatively affects the value of our assets and positively affects the value of our liabilities, as an increase in interest rates decreases the fair value of both assets and liabilities.

The following table presents our sensitivity analysis based on hypothetical changes of 50 and 100 basis point shifts in interest rates on the net present value of interest rate sensitive assets and liabilities for the periods indicated.

	June 30, 2012			December 31, 2011			December 31, 2010		
	Fair value	+50 basis points	+100 basis points	Fair value	+50 basis points	+100 basis points	Fair value	+50 basis points	+100 basis points
					(in Ps millions)				
Assets									
Held-to-maturity securities	2,068,721	(6,434)	(12,868)	1,439,077	(6,661)	(13,323)	1,322,290	(8,316)	(16,633)
Loans	42,810,087	(320,758)	(628,054)	41,477,058	(309,874)	(605,814)	33,059,487	(268,879)	(550,371)
Short-term funds	1,582,865	–	–	2,317,211	–	–	1,789,097	–	–
Customer's acceptances	73,992	–	–	79,953	–	–	39,215	–	–
Total interest rate sensitive assets	**46,535,665**	**(327,192)**	**(640,922)**	**45,313,299**	**(316,536)**	**(619,136)**	**36,210,088**	**(277,196)**	**(567,004)**
Liabilities									
Checking accounts, saving deposits and other	28,702,562	–	–	27,916,175	–	–	15,901,402	–	–
Time deposits	17,868,704	(75,407)	(155,608)	15,481,276	(49,101)	(101,504)	12,770,354	(29,917)	(59,615)
Bank acceptances outstanding	74,065	-	-	85,253	–	–	39,215	–	–
Short-term funds	5,217,983	-	-	2,507,168	–	–	1,789,097	–	–
Borrowings from banks	6,511,800	(34,437)	(67,749)	7,693,770	(36,973)	(72,635)	7,035,087	(43,158)	(84,535)
Long-term debt	2,192,777	(16,885)	(33,481)	2,278,779	(17,477)	(34,643)	4,024,508	(14,375)	(27,214)
Total interest rate sensitive liabilities	**60,567,892**	**(126,729)**	**(256,838)**	**55,962,421**	**(103,551)**	**(208,783)**	**41,559,663**	**(87,449)**	**(171,364)**
Total net change	**(14,032,227)**	**(200,463)**	**(384,084)**	**(10,649,122)**	**(212,984)**	**(410,354)**	**(5,349,574)**	**(189,746)**	**(395,640)**

Non-GAAP measures reconciliation

The tables in this section and elsewhere in this offering memorandum provide a reconciliation of non-GAAP measures to GAAP measures.

ROAA and ROAE

We believe ROAA, which is calculated as net income before non-controlling interest divided by average assets, provides a more meaningful measure of return on assets than a calculation based on net income over average assets because, although non-controlling interests affect the amount of reported net income, they do not affect the profitability of assets. We believe ROAE, which is calculated as net income divided by average shareholders' equity, provides a meaningful measure of the return generated for our shareholders. The following table illustrates our ROAA and ROAE for the period from 2009 to 2011 and the six-month period ended June 30, 2012.

	For the six month period June 30,	Year ended December 31,		
	2012	2011	2010	2009
	(in Ps billions, except where otherwise indicated)			
Banco de Bogotá:				
Average assets(1)	71,278	64,078	47,911	34,014
Average equity(2)	7,059	5,382	3,679	3,075
Net income	665	1,146	915	956
Net income divided by average assets	1.9%	1.8%	1.9%	2.8%
Non-controlling interest	229	530	483	551
ROAA(1)	2.5%	2.6%	2.9%	4.4%
ROAE(2)	18.8%	21.3%	24.9%	31.1%
Non-controlling interest divided by income before non-controlling interest	25.7%	31.6%	34.6%	36.6%
Bancolombia:				
Average assets(1)	86,339	76,779	64,980	61,824
Average equity(2)	9,855	8,470	7,490	6,575
Net income	800	1,664	1,436	1,257
Net income divided by average assets	1.9%	2.2%	2.2%	2.0%
Non-controlling interest	4	11	13	15
ROAA(1)	1.9%	2.2%	2.2%	2.1%
ROAE(2)	16.2%	19.6%	19.2%	19.1%
Non-controlling interest divided by income before non-controlling interest	0.5%	0.7%	0.9%	1.2%
Davivienda:				
Average assets(1)	37,227	33,134	27,884	24,496
Average equity(2)	4,945	4,182	3,133	2,483
Net income	374	630	579	461
Net income divided by average assets	2.0%	1.9%	2.1%	1.9%
Non-controlling interest	4	8	6	9
ROAA(1)	2.0%	1.9%	2.1%	1.9%
ROAE(2)	15.1%	15.1%	18.5%	18.6%
Non-controlling interest divided by income before non-controlling interest	1.2%	1.2%	1.0%	1.8%
BBVA Colombia:(3)				
Average assets(1)	–	24,103	20,559	19,657
Average equity(2)	–	2,409	2,138	1,899
Net income	–	486	424	377
Net income divided by average assets	–	2.0%	2.1%	1.9%
Non-controlling interest	–	1	1	1
ROAA(1)	–	2.0%	2.1%	1.9%
ROAE(2)	–	20.2%	19.8%	19.9%
Non-controlling interest divided by income before non-controlling interest	–	0.2%	0.2%	0.2%

Source: Company calculations based on each bank's consolidated financial statements for the period indicated.

(1) For methodology used to calculate ROAA, see note 2 to the table under "Summary—Our company—Financial and operating data."

(2) For methodology used to present ROAE, see note 3 to the table under "Summary—Our company—Financial and operating data."

(3) Comparable financial information for the six-month period ended June 30, 2012 is not publicly available as of the date of this offering memorandum for BBVA Colombia.

The following tables illustrate ROAA and ROAE using monthly-average data for the preceding December 31 and each month in the relevant six-month periods for assets and equity, as applicable.

	Six-month period ended June 30,	
	2012	2011
	(in Ps billions, except where otherwise indicated)	
Banco de Bogotá		
Average assets(1)	69,911.6	61,602.4
Average equity(2)	7,009.0	5,245.3
Net income	664.8	580.4
Net income divided by average assets	1.9%	1.9%
Non-controlling interest	229.5	311.9
ROAA(1)	2.6%	2.9%
ROAE(2)	19.0%	22.1%
Non-controlling interest divided by income before non-controlling interest	25.7%	35.0%

(1) ROAA is calculated as income before non-controlling interest divided by monthly average assets.

(2) ROAE is calculated as net income divided by monthly average equity.

Efficiency ratio

The following table illustrates our efficiency ratio at June 30, 2012.

	At June 30, 2012(1)				
	Banco de Bogotá	Other Grupo Aval banks (3)	Bancolombia	Davivienda	BBVA Colombia
Total operating expenses	1,503	1,000	2,011	802	–
Depreciation	58	85	147	21	–
Goodwill amortizations	38	1	23	41	–
Operating expenses before depreciation and amortization	1,408	915	1,841	740	–
Total operating income	2,771	1,668	3,042	2,111	–
Provisions, net	207	204	508	407	–
Operating income before provisions	2,978	1,872	3,550	1,704	–
Efficiency ratio(2)	**47.3%**	**48.9%**	**51.8%**	**43.4%**	**–**

(1) Financial information of BBVA Colombia is not publicly available as of the date of this offering memorandum, for the six-month period ended June 30, 2012.

(2) For methodology used to calculate efficiency ratio, see note 4 to the table under "Summary—Our company—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(3) ROAA, ROAE and efficiency ratio data reflect aggregated consolidated data of Banco de Occidente, Banco Popular and Banco AV Villas. Market share data reflects aggregated unconsolidated amounts relative to Banco de Occidente, Banco Popular and Banco AV Villas.

Tangible equity ratio

The following tables illustrate the tangible equity ratio for us and our principal competitors at the dates indicated.

	At June 30, 2012(1)			
	Banco de Bogotá	**Bancolombia**	**Davivienda**	**BBVA Colombia**
		(in Ps billions)		
Shareholders' equity	7,272	10,717	5,095	–
Non-controlling interest	2,648	82	32	–
Total assets	73,747	87,215	37,796	–
Shareholders' equity + Non-controlling interest / Assets	**13.5%**	**12.4%**	**13.6%**	**–**
Goodwill	2,458	602	1,158	–
Shareholders' equity + Non-controlling interest – Goodwill	7,462	10,197	3,969	–
Total assets – Goodwill	71,289	86,613	36,638	–
Tangible equity ratio(2)	**10.5%**	**11.8%**	**10.8%**	**–**

(1) Financial information of BBVA Colombia is not publicly available as of the date of this offering memorandum for the six-month period ended June 30, 2012.

(2) Tangible equity ratio is calculated as shareholders' equity plus non-controlling interest minus goodwill, divided by total assets minus goodwill.

INDUSTRY

Colombia

Prior to the 1990s, Colombia's financial system consisted of a large number of specialized entities, which focused on specific areas of finance and the majority of which were separately regulated. However, following the enactment of a series of laws promoting the deregulation of the financial system, including the enactment of Law 45 of 1990, Law 35 of 1993 and Decree 663 of 1993, as amended (*Estatuto Orgánico del Sistema Financiero*), or "EOSF," the financial system transformed from a system consisting of several smaller financial institutions providing a limited set of services to a system consisting of several large financial conglomerates with multiple capabilities within the same organization.

The economic crisis of the late 1990s affected most countries in Latin America, including Colombia. Many financial companies were acquired by large commercial banks, while others were nationalized or liquidated. In the aftermath of the crisis and partly as a result of it, the foundation for the current Colombian financial system was developed with the establishment of solid regulatory principles and strengthened financial groups operating under a single regulatory framework.

In recent years, the financial system in Colombia has continued the consolidation process, leading to relatively high merger and acquisition activity since 2005, particularly between 2005 and 2012: the merger of Corporación Nacional de Ahorro y Vivienda S.A., or "Conavi," Corporación Financiera Nacional y Suramericana S.A., or "Corfinsura," and Bancolombia; the acquisition of Banco Aliadas S.A. by Banco de Occidente; the merger of Banco Tequendama S.A. and Banco GNB Sudameris S.A.; the merger of Banco Colmena S.A. and Banco Caja Social S.A. to form BCSC S.A.; the acquisition of Bansuperior S.A. by Davivienda; the acquisition of Banco Granahorrar S.A. by BBVA Colombia; and the acquisition of Banco Unión Colombiano S.A. by Banco de Occidente. Also, during 2006, Banco de Bogotá acquired Megabanco and Davivienda acquired Gran Banco – Bancafé S.A. In 2007, Bancolombia completed the acquisition of Banagrícola in El Salvador, and in 2008, ABN AMRO Bank Colombia S.A. became Royal Bank of Scotland (Colombia) S.A. following the acquisition of ABN AMRO Bank NV by a consortium led by Royal Bank of Scotland, Fortis and Banco Santander S.A. Also, in 2008, General Electric Money purchased a 49.7% stake in Banco Colpatria. In 2010, Scotiabank acquired Royal Bank of Scotland (Colombia) S.A., and five financing companies merged with their respective commercial banks (BBVA Leasing, Leasing Popular, Leasing de Occidente, Leasing Bogotá, and Helm Leasing). In 2011, Scotiabank agreed to acquire a 51% stake in Banco Colpatria and Banco Santander S.A. agreed to sell Banco Santander Colombia S.A. to Corpbanca S.A., a Chilean financial services company. Banco WWB S.A., Banco Coomeva S.A., Banco Finandina S.A., Banco Falabella S.A. and Banco Pichincha S.A. entered the banking market in Colombia. In 2012, HSBC agreed to sell HSBC Colombia S.A. to Banco GNB Sudameris S.A. and Corpbanca agreed to buy Helm Bank S.A. Also in 2012, Banco Santander, having sold-off its wholesale banking operations to Corpbanca the year before, filed a petition with the Superintendency of Finance to obtain a license for a new bank aimed mainly at corporate clients and Bancolombia agreed to buy 40% of the shares in Grupo Financiero Agromercantil, the owner of several financial institutions in Guatemala. Various banking institutions, which have recently been incorporated in Colombia, target specific segments such as the microcredit and small and medium enterprises segments and corporate banking or commercial banking. These institutions include Banco de las Microfinanzas-Bancamía S.A., Banco WWB S.A. and Banco Coomeva S.A., as well as three new financial corporations, JP Morgan Corporación Financiera S.A., BNP Paribas Colombia Corporación Financiera S.A. and Itaú BBA Colombia S.A., which are local subsidiaries of international financial institutions. The business of these new credit institutions may affect our market position in the individual, small and medium enterprises and merchant banking segments.

Nonetheless, certain issues persist, as illustrated by the intervention of the Superintendency of Finance with respect to the recent insolvency of Interbolsa S.A. Comisionista de Bolsa, "Interbolsa," Colombia's largest broker-dealer, and the primary focus of a financial conglomerate spanning brokerage, trading, market making and fund management. On November 1, 2012, the brokerage firm defaulted on a scheduled Ps 20,000 million payment to a local bank, which led to its takeover by the Superintendency of Finance. However, rumors about the firm's financial problems appeared several weeks before the takeover, causing other brokerage firms to stop doing business with it, as well as the banks to stop funding its operations, generating a liquidity crisis that eventually led to its collapse. The main cause that the Colombian Government identified for Interbolsa's cash flow problems was poor management, which began when the firm became too dependent on liquidity from repurchase agreements tied to the price of shares. For this reason, the Interbolsa case has been identified by the Superintendency of Finance as a one-time case and not indicative of wider financial problems on the Colombian market. Moreover, the quick response of the

Superintendency of Finance and its decision to liquidate the brokerage firm minimized the spill-over effect on the market, mitigating the risk of contagion. Nevertheless, some amendments on the applicable regulation for repurchase agreements (repos) are being studied by the regulatory authority, especially in relation to the collateral supporting these operations.

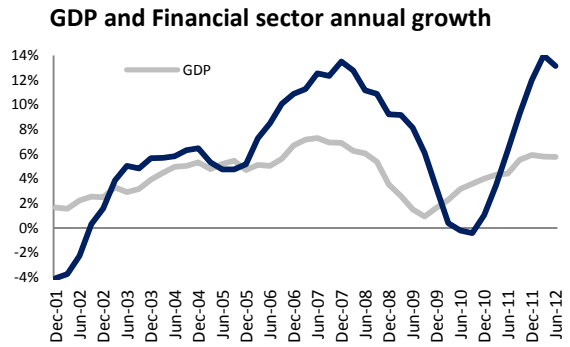
Banking system during the recent global economic and financial crisis

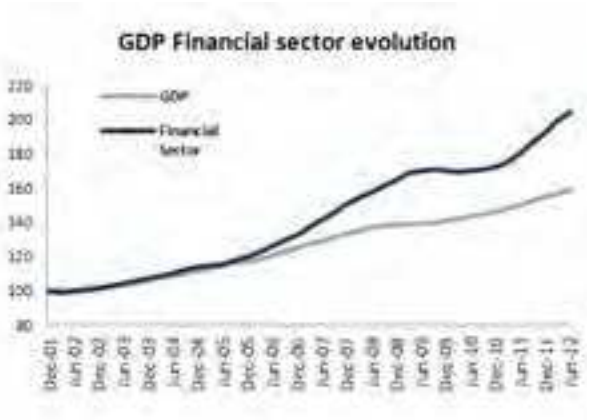
Following the bankruptcy of Lehman Brothers in September 2008, international financial markets faced extraordinary levels of volatility. Colombia's financial system was comparatively less vulnerable to the effects of the global economic and financial crisis due to a combination of factors, including high capitalization ratios, lack of exposure to complex financial products such as credit default swaps and collateralized debt obligations, and a strong foundation of domestic deposits with little dependence on capital markets or external funding (approximately 3% of liabilities were denominated in foreign currency). Overall, the Colombian banking system benefited from these factors and from the Colombian Central Bank's ability to adopt a countercyclical monetary policy. In the aftermath of the global crisis, the system's profitability measures remained stable.

Recent growth of financial sector

From a macroeconomic perspective, the Colombian financial sector has been one of the primary engines of economic growth in the country in recent years. According to DANE, GDP of the financial sector comprising financial intermediation, insurance and other related services, grew at a CAGR of 7.6% in the five-year period from 2007 to 2011 in real terms, 3.3 percentage points above that of annual growth of total GDP during the same period. Economic stability, improvements in security conditions, increased employment rates and enhanced purchasing power on the part of the Colombian population have contributed to an increase in the penetration of financial services. According to DANE, Colombian real GDP per capita grew by 16.9% in the five-year period ending in 2011. Also, prior to the recent global financial crisis, Colombia's unemployment rate had been falling consistently during the previous five-year period from an annual average of 11.8% in 2005 to a minimum of 11.0% by mid-2008, before rising to 11.8% in 2010. At December 31, 2011, Colombia's annual average unemployment rate decreased to 10.8%. At the same time, deposits in the banking system grew an aggregate 55% in real terms 91.5% in nominal terms) during the five-year period ending in 2011 as adjusted to include deposit growth of the five financing companies that merged with commercial banks during 2010 (BBVA Leasing S.A., Leasing Popular S.A., Leasing de Occidente S.A., Leasing Bogotá S.A. and Helm Leasing S.A.), and the three financing companies and the cooperative bank that converted to commercial banks during 2011 (Banco Pichincha S.A., Banco Falabella S.A., Banco Finandina S.A. and Bancoomeva S.A.).

The following charts present the sector evolution and annual growth of total GDP and GDP of the financial sector for the periods indicated.

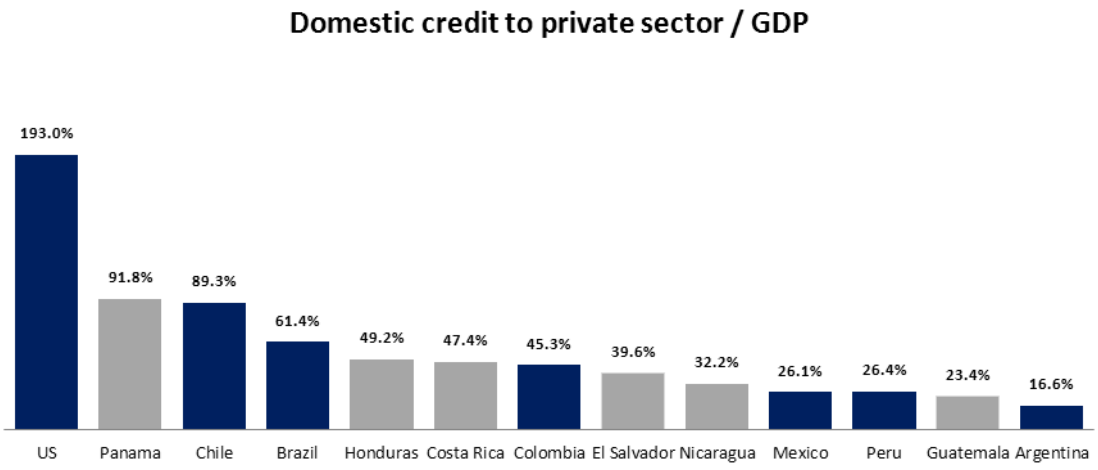




Source: DANE ("Index 2001=100" refers to a value of 100 on December 31, 2001 for the quarterly GDP in constant pesos of 2005). GDP of the financial sector refers to services of financial intermediation, insurance and other related services, as defined by DANE, including the Colombian Central Bank, commercial banks, finance corporations, financing companies, trust funds (*fondos fiduciarios*), cooperatives, employee funds (*fondos de empleados*), special state-owned institutions (such as Bancoldex, Findeter and FEN, among others), insurance companies, insurance brokerage firms, brokerage firms, trust companies, pension and severance fund management companies, and guaranty funds, among others. Previously, this data was calculated using the GDP series of 2000 as base year, which was discontinued by DANE in 2010 and replaced by the GDP series of 2005 as base year.

Credit volumes

Credit volumes in Colombia have grown steadily since 2004. Despite this increase in lending, the Colombian market still has a relatively low credit penetration rate as compared to that of other developed and emerging market countries. The following chart presents domestic credit to the private sector as a percentage of GDP of specified countries at December 31, 2011.



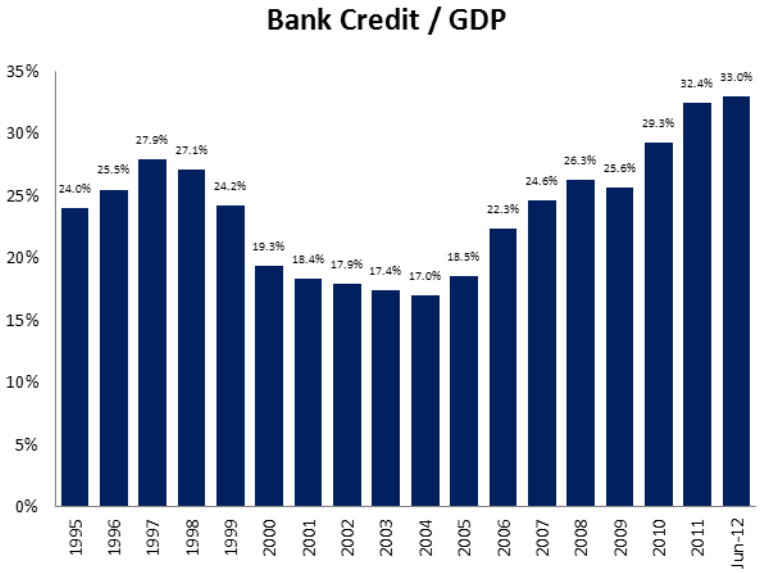
Source: 2012 World Bank Development Indicators. Data at December 31, 2011. Domestic credit to private sector refers to financial resources provided to the private sector, which may include, among others, loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises.

Domestic credit to the private sector as a percentage of GDP, as defined by the World Bank Development Indicators, refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. This metric encompasses a broad range of entities that provide credit, and is not limited to banking institutions. It is widely used for comparison purposes across countries due to its reliability and homogeneity. The World Bank Development Indicators cover 216 countries from 1960 to 2011.

Credit provided exclusively by banking institutions is used to refer to bank intermediation, as it is the main business of Banco de Bogotá. Specifically, when referring to bank credit penetration, bank credit refers to gross loans and leasing operations provided by commercial banks in Colombia, according to data from the Superintendency of Finance, and GDP refers to nominal GDP in Colombian pesos, according to data from DANE. We believe these metrics, and the calculation resulting therefrom, reflect more appropriately Colombia's domestic credit-to-GDP situation and render a - 32.4% and 33.0% ratio for the periods ended December 31, 2011 and June 30, 2012, respectively.

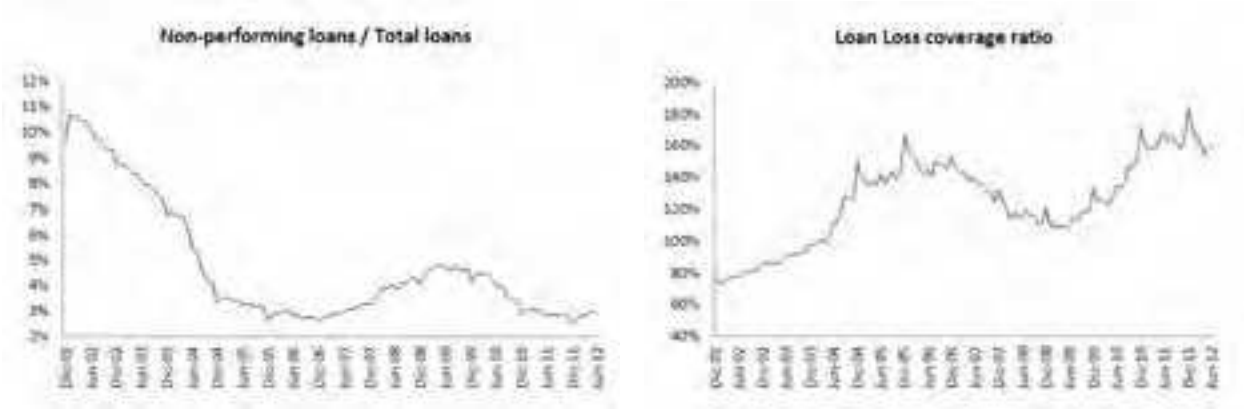
The Colombian bank credit market consists of the extension of loans to individuals and corporations through four main business lines: commercial, consumer, microcredit and mortgage. According to the Superintendency of Finance, at June 30, 2012, a total of Ps 212.0 trillion (U.S.$118.8 billion) of gross loans granted by Colombian banks were outstanding, of which 60.4% were commercial loans, 28.8% were consumer loans, 8.0% were mortgages and 2.8% were microcredit loans.

Gross bank loans in the Colombian banking sector as a percentage of GDP also increased in the past five years from 24.6% in the year ended December 31, 2007 to 33.0% in June 30, 2012. The following chart presents bank credit as a percentage of GDP over the last fifteen years.



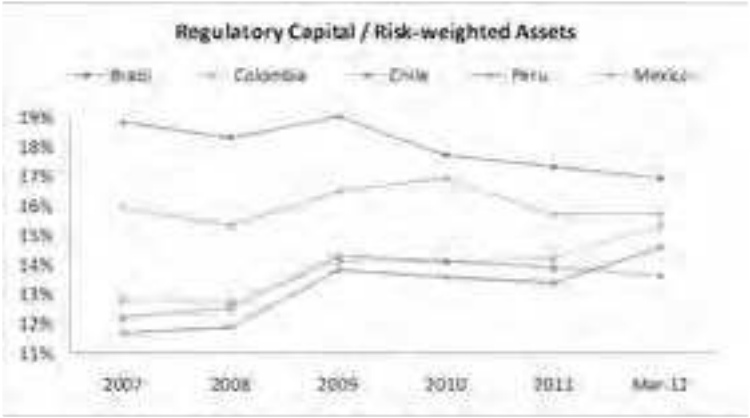
Source: Company estimates, based on DANE and Superintendency of Finance. Data shown starts in 1996 in order to capture the negative effect that the economic crisis of the late 1990s had on bank credit penetration. GDP series used are those of 2005 as the base year, and nominal GDP prior to 2000 is calculated by applying reported nominal growth to the 2005 series. Previously, these ratios were calculated using the GDP series of 2000 as base year, which was discontinued by DANE in 2010 and replaced by the GDP series of 2005 as base year.

Although loan quality and loan loss coverage ratios deteriorated between 2007 and mid-2009 as a result of the economic slowdown preceding the global crisis, overall loan quality and coverage ratios have improved significantly during the last ten years in Colombia. The following charts illustrate this trend and present non-performing loans as a percentage of total loans and the loan loss coverage ratio from December 2001 to June 2012.



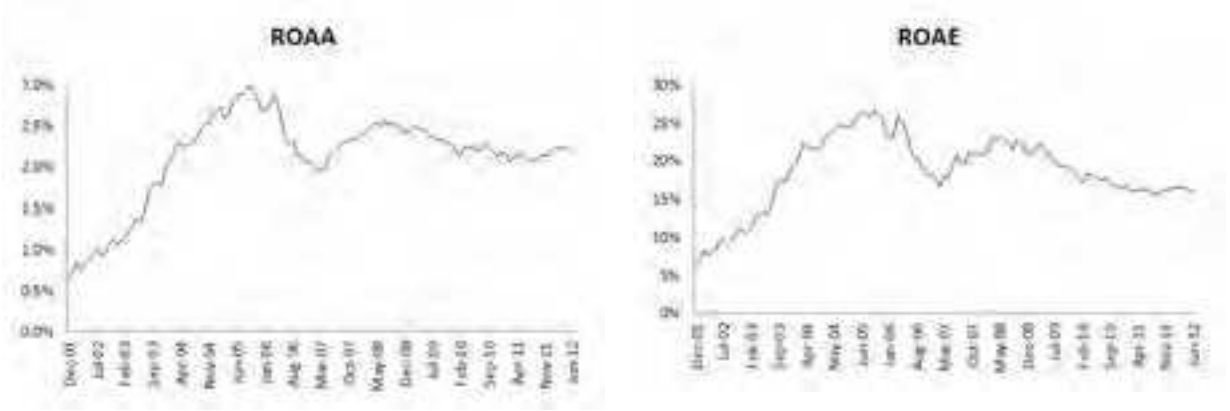
Source: Superintendency of Finance. Past due loans refers to loans overdue more than 30 days, as defined by the Superintendency of Finance. Loan loss coverage ratio refers to loan loss allowances divided by past due loans.

Colombia's banking system is well capitalized, with an average risk-based capital ratio of 15.3% at March 31, 2012, significantly above the minimum regulatory requirement of 9.0%. The capital-to-total assets ratio and the risk-based capital ratio have increased since 2005: the former currently exceeds that of comparable countries in Latin America, while the latter is at a level similar to that of Chile and Peru. The following charts present regulatory capital as a percentage of risk-weighted assets, and shareholder's equity as a percentage of total assets over the five-year period from 2007 to March, 2012, for the banking sector in Brazil, Colombia, Chile, Peru and Mexico.



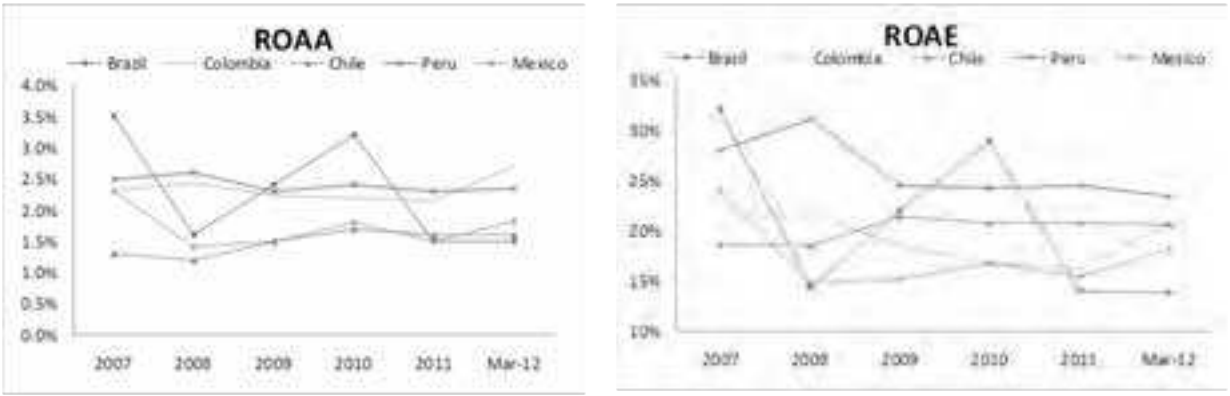
Source: IMF for non-Colombian countries and Superintendency of Finance for Colombia. For non-Colombian countries, shareholders' equity refers to equity and regulatory capital refers to bank regulatory capital, as reported by the IMF's Financial Soundness Indicators, October 31, 2012. According to the IMF, capital is measured as total capital and reserves as reported in the sectorial balance sheet for cross-border consolidated data; Tier I capital can also be used (this definition of capital is also used by the IMF for calculating the ratio of return on equity). For Colombia, shareholders' equity refers to that of commercial banks, and regulatory capital to risk-weighted assets refers to the risk-based capital ratio of commercial banks as defined and reported by the Superintendency of Finance.

At the same time, the profitability of the financial sector improved significantly during the first half of the decade starting in 2000 and remained relatively stable in the second half of the decade, including during the global economic and financial crisis. The following charts present ROAA and ROAE for the Colombian financial sector from December 2001 to June 2012.



Source: Company estimates, based on Superintendency of Finance. ROAA refers to 12-month profits divided by the average of assets in the current month and in the same month of the prior year. Similarly, ROAE refers to 12-month profits divided by the average of shareholders' equity in the current month and in the same month of the prior year.

The following charts present ROAA and ROAE over the five-year period from 2007 to March 2012 for the banking sector in Brazil, Colombia, Chile, Peru and Mexico.



Source: IMF's Financial Soundness Indicators, October 2012, for Brazil, Chile, Peru and Mexico, and company estimates based on Superintendency of Finance for Colombia.

Main market participants

According to the Superintendency of Finance, at June 30, 2012, the principal participants in the Colombian financial system were the Colombian Central Bank, 23 commercial banks (fifteen domestic banks, seven subsidiaries of foreign institutions and one bank owned by the Colombian government), 20 financing companies and four finance corporations. In addition, trust companies, cooperatives, insurance companies, insurance brokerage firms, bonded warehouses, special state-owned institutions that provide credit to specific segments of the population who generally lack normal access to commercial and retail banking, and pension and severance pay funds also participate. For a description of the roles of these entities, see "Supervision and Regulation—Regulatory framework for Colombian financial institutions." For information about our competitive position, see "Business—Competition."

Our principal competitors are Bancolombia, Davivienda and BBVA Colombia, which are the three leading banking groups in Colombia after Grupo Aval. International players active in the Colombian market include CorpBanca Colombia S.A., Banco Bilbao Vizcaya Argentaria Colombia, S.A., Citibank-Colombia S.A., Banco GNB Sudameris S.A. and Scotiabank-Colombia S.A.

Recent developments in the Colombian stock market

Colombia's stock market has been one of the top performers worldwide following the global economic and financial crisis of 2008. The Colombian Stock Market Index (*Indice General de la Bolsa de Colombia*), or "IGBC," decreased 18.3% in 2011, and increased 33.6% in 2010 and 53.5% in 2009, after falling 29.3% in 2008. Colombia's stock market capitalization stood at Ps 430.6 trillion (U.S.$241.3 billion) at June 30, 2012. Simultaneously, the daily average trading volume in the stock market increased to Ps 162.6 billion (U.S.$91.1 million) during 2011 from Ps 151.3 billion (U.S.$84.8 million) during 2010, an increase of 7.5%. During the six-month period ended at June 30, 2012, the IGBC increased 5.94% from December 31, 2011, and the daily average trading volume in the stock market in the same period increased to Ps 213.1 billion (U.S.$119.4 million).

The increase in trading volumes and elevated returns until 2010 had been mainly driven by the following factors: (1) the expansionary monetary policy conducted by Colombia's Central Bank, which cut its overnight lending rate by 700 bps to 3.0% from December 2008 until April 2010 (the lowest level ever recorded), increased it moderately by 175 basis points to 4.75% until December 2011, by 50 basis point to 5.25% in June 2012, and decreased it again by 75 basis points to 4.50% in December 2012; (2) a sharp decline in global risk aversion since March 2009 through the end of 2010; (3) expectations of a healthy recovery in local economic activity since the second semester of 2009, which intensified during 2010 and 2011 due to the release of positive economic data suggesting a stronger recovery than initially expected by local authorities and analysts; and (4) a limited supply of local stock market securities to match a fast-growing demand. Despite stronger domestic economic activity, the worsening of the European sovereign debt crisis in 2011 had a significant adverse impact on equity markets worldwide including Colombian markets. However, the intervention announced by the European Central Bank at the end of 2011 assisted in stabilizing financial markets which prompted a strong rally in local equity markets during the first months of 2012.

Some of the main participants in the local stock market are the private pension and severance fund managers, individual investors and brokerage firms (*Sociedades Comisionistas de Bolsa*). Private pension and severance funds managed a portfolio of Ps 54.4 trillion (U.S.$30.5 billion) in equity securities, of which Ps 39.3 trillion (U.S.$22 billion) corresponded to the local stock market at June 30, 2012; equity securities represented 41.7% of total assets under management at June 30, 2012. The share of equity securities in private pension funds' portfolios has increased substantially in recent years from an average of 24.4% in 2008, 38.8% in 2009 and 48.3% in 2010, to 42.1% at December 31, 2011 and 41.7% at June 30, 2012.

Private pension fund system

A private pension fund system came into operation in Colombia in 1994, and during the last decade the scope of permissible activity by pension funds has expanded. The pension system consists of a government-sponsored defined public benefit plan, or "RPM," currently administered by the Colombian Pension Service, Colpensiones, (previously administered by the Colombian Institute of Social Security), and a defined contribution or individual savings system, or "RAIS," administered by private pension fund administrators under the supervision of the Superintendency of Finance. Since its creation, RAIS has experienced significant growth and is now the principal pension system in Colombia (10 million of individual customers in RAIS, compared to 6.5 million in RPM, at June 30, 2012). We operate in the pension fund management markets of RAIS through Porvenir. For information about Porvenir's competitive position, see "Business—Competition." At June 30, 2012, there were six private pension and severance funds managing a total of Ps 131 trillion (U.S.$73.2 billion) in assets, consisting of Ps 111.5 trillion (U.S.$62.5 billion) in mandatory pension fund assets; Ps 12.1 trillion (U.S.$6.8 billion) in voluntary pension funds' assets; and Ps 7.0 trillion (U.S.$3.9 billion) in severance assets. For information about the main participants in the Colombian RAIS pension sector and our market share and position in the pension fund market, see "Business—Competition."

Colombia has high-growth potential in the individual savings pension regime due to (1) the low average age of individual customers (34 years); (2) the current penetration levels of pension plans (approximately 80% of the employed population at December 31, 2011 participated in either a government-sponsored or a private pension scheme); and (3) the recent trend of individual customers investing in private pension funds, such as Porvenir, instead of the government-sponsored alternative (individual customers in RAIS increased from 7.8 million in 2007 to 8.6 million in 2008, 8.7 million in 2009, 9.3 million in 2010, 10 million in 2011 and 10.4 million as of June 30, 2012, while individual customers in RPM increased from 6.1 million in 2007 to 6.2 million in 2008 before leveling off at 6.4 million in 2009, 2010 and 2011 and to 6.5 million at June 30, 2012).

Central America

We consider the Central American region to comprise Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. Central America presents a market with similar characteristics to that of Colombia and with growth potential in financial services.

At December 31, 2012, Central America had a total estimated population of 43.5 million, making it the fourth-largest market in Latin America by population after Brazil (population of 197 million), Mexico (population of 115 million) and Colombia (population of 47 million) as reported by the IMF. At the same date, Central America posted an estimated combined GDP of U.S.$180.0 billion, ranking as the eighth-largest economy in Latin America after Brazil (nominal GDP of U.S.$2,425 billion), Mexico (nominal GDP of U.S.$1,162 billion), Argentina (nominal GDP of U.S.$475 billion), Colombia (nominal GDP of U.S.$365 billion), Venezuela (nominal GDP of U.S.$338 billion), Chile (nominal GDP of U.S.$268 billion) and Peru (nominal GDP of U.S.$200 billion). According to estimates prepared by the IMF, Central America's GDP is expected to grow at an annual average rate of 3.7% between 2013 and 2015, compared to Colombia's expected average growth rate of 4.5% during the same period.

The following table presents population and historical and projected GDP growth data for Central America.

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua	Panama	Total Central America (1)
2012 population (millions) estimated	4.7	5.9	15.1	8.2	6.0	3.7	43.5
2012 nominal GDP (U.S.$ billions)	44.9	24.0	50.3	18.2	7.8	34.8	180.0
2012 GDP per capita	9,619	4,034	3,330	2,217	1,313	9,527	4,134
CAGR real GDP 2001-2011	4.7%	2.5%	4.7%	4.2%	2.9%	4.9%	4.1%
GDP growth 2013 expected	4.3%	2.0%	3.2%	3.6%	4.0%	7.5%	3.7%
GDP growth 2014 expected	4.4%	2.0%	3.3%	3.3%	4.0%	6.8%	3.6%
GDP growth 2015 expected	4.5%	2.5%	3.4%	4.0%	4.0%	6.3%	3.8%

Source: GDP and population figures based on the October 2012 World Economic Outlook published by the IMF.

(1) Reflects a GDP-weighted average of Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama.

During the last several years, countries in the Central American region have increased their efforts to promote fiscal prudence and foreign investment. Countries such as Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua have signed agreements with the IMF under which governments receive credit, subject to adopting fiscal discipline in their economic policies.

Panama, capitalizing on its geographical advantage and the Panama Canal, a main continental connecting route, continues to be an important logistical hub and center for commerce and services within the region. In this context, the expansion of the Panama Canal, scheduled to be completed in 2014, is expected to positively affect the growth rate of the economy and strengthen Panama's attractiveness within the region for foreign direct investment.

The Central American region offers a stable market that is expected to further converge towards an integrated economy as a result of the ongoing implementation of free-trade agreements. DR-CAFTA, gradually eliminates barriers to trade and investment among Costa Rica, El Salvador, Guatemala, Honduras Nicaragua, the Dominican Republic and the United States. The agreement allows the Central American region to access markets in the United States and establishes common regulatory standards among these countries. DR-CAFTA covers most types of trade and commercial exchange between these countries and the United States.

Central American financial services sector

Central America's financial system has gone through two major phases of consolidation. In the early 2000s, local banks began expanding operations in their own markets through aggressive acquisition strategies, creating local financial groups. Notable examples include Grupo Financiero Cuscatlán's acquisition of Lloyds TSB Group Plc's operations in the region in 2004 and Banco de la Producción, S.A. (BANPRO)'s acquisition of Banco Caley Dagnall S.A. from Banco Agrícola S.A. in Nicaragua in March 2005. Following this period of internal consolidation and encouraged by the stability and growth prospects of the region, international banking groups began entering the region in 2004 through acquisitions in various jurisdictions, such as The Bank of Nova Scotia's acquisition of El Salvador's Banco de Comercio de El Salvador, S.A. in 2004, Costa Rica's Banco Interfin S.A. in 2006, and Guatemala's Banco de Antigua S.A. in 2008; GE Capital's acquisition of a 49.99% stake in BAC Credomatic in 2005; Citigroup, Inc.'s merger of its Central American operations with Grupo Financiero Cuscatlán and Grupo Financiero Uno S.A. in 2006; and Grupo Financiero HSBC, S.A. de C.V.'s acquisition of Primer Banco del Istmo, S.A. (Banistmo) and Banco Salvadoreño, S.A. (Bancosal) in 2007. Other regional financial institutions have also acquired banks in Central America: Grupo Bancolombia acquired El Salvador's Banco Agrícola in 2006 and 40% of Guatemala's Banco Agromercantil in 2012, and Honduras' Banco Industrial S.A. acquired Banco del País S.A. In 2007. In 2010 Banco de Bogotá acquired 100% of BAC Credomatic and in 2012 Banco Davivienda agreed to acquire HSBC's operations in Costa Rica, El Salvador and Honduras.

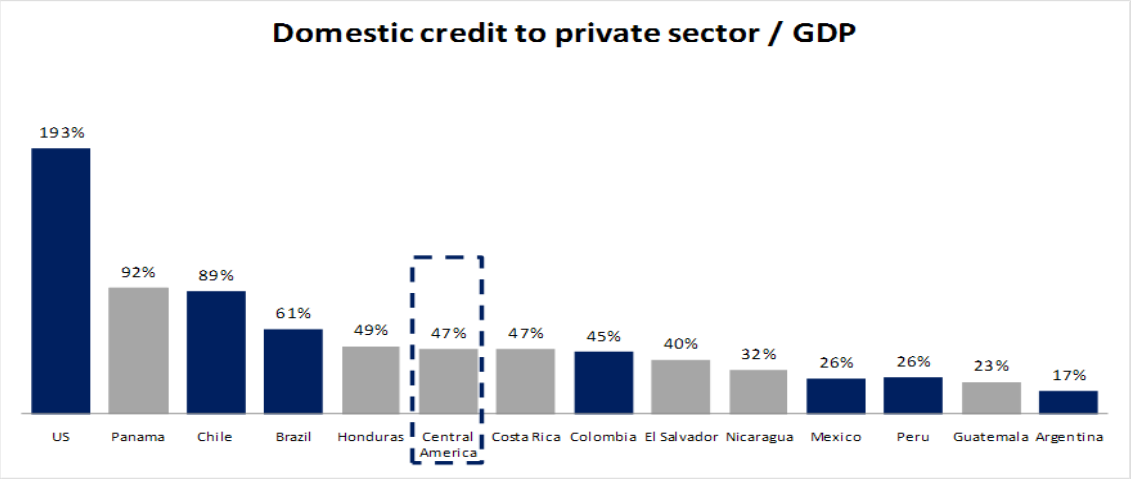
The following chart sets forth the credit card market relative to the economically active population of selected economic regions, including Central America. Relative to other countries, the Central American credit card market has significant potential for expansion.

Credit card market / economically active population(1)

Source: Euromonitor International. Credit card and economically active population data at December 31, 2011. Excludes debit cards.

(1) Calculated as the number of credit cards as a percentage of the economically active population, which comprises eligible individuals who either are employed or are actively seeking employment.

The chart below sets forth domestic credit to private sector as a percentage of GDP for Central America and selected countries.



Source: World Bank Development Indicators. Data at December 31, 2011.

BUSINESS

Our company

Banco de Bogotá is Colombia's oldest financial institution, having conducted operations for more than 140 years. We are also the second largest bank in the country based on total consolidated assets of U.S.$40.96 billion at June 30, 2012 and net income for the six months ended June 30, 2012 of U.S.$369.2 million and the most profitable in terms of ROAA of 2.5% at June 30, 2012. Banco de Bogotá has U.S.$25.83 billion and U.S.$22.57 billion in deposits, and gross loans and financial leases, respectively, representing market shares of 15.3% and 13.5%, respectively, as of June 30, 2012. Our pension and severance fund administrator, Porvenir, is a leading pension and severance fund management business in Colombia, based on assets under management, at June 30, 2012, and our merchant bank, Corficolombiana, is the largest merchant bank in Colombia, based on total assets at June 30, 2012. Through our BAC Credomatic operations, we are one of the leading banking groups in the Central American market with total assets of U.S.$9.8 billion, loans at book value of U.S.$6.4 billion and deposits of U.S.$6.8 billion at June 30, 2012.

Banco de Bogotá is a subsidiary of Grupo Aval, which is Colombia's largest and most profitable banking group, based on available data for total assets and return on average assets at June 30, 2012. Banco de Bogotá is the largest financial institution within Grupo Aval's portfolio by assets and the largest contributor of net income before taxes and non-controlling interest. Grupo Aval employs a multi-brand strategy, allowing each of its four banks, Banco de Occidente, Banco Popular, Banco AV Villas and us, to focus on particular types of customers, geographic regions and products. Grupo Aval's banks are encouraged to compete among themselves and with other market participants, while remaining subject to group-level oversight and direction.

Banco de Bogotá is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products, distributed through a network of 630 branches and 1,088 ATMs, at June 30, 2012 in Colombia. While Banco de Bogotá serves all market segments, it had a leading presence in commercial loans, with a particular focus on large corporations and a market share of 18.6% for commercial loans at June 30, 2012. Following its 2006 acquisition of Megabanco, Banco de Bogotá expanded its consumer banking business and now has a market share of 9.0% for consumer loans at June 30, 2012. Based on consolidated figures, Banco de Bogotá's ROAE, of 18.8% and 21.3% and efficiency ratios of 47.3% and 50.9% for the six-month period ended June 30, 2012 and the year ended December 31, 2011, respectively, make it one of the most profitable and efficient banks in Colombia.

The following table shows market share and other metrics of Banco de Bogotá and its key competitors at the dates indicated.

	Banco de Bogotá	Other Grupo Aval banks(1)	Grupo Aval Consolidated (5)	Bancolombia	Davivienda	BBVA Colombia (6)
	At June 30, 2012					
	(in percentages)					
ROAA (2)	**2.5**	2.2	**2.1**	1.9	2.0	–
ROAE (3)	**18.8**	16.4	**17.3**	16.2	15.1	–
Efficiency ratio (4)	**47.3**	48.9	**50.0**	51.8	43.4	–
Deposits	**15.3**	14.6	**29.9**	19.4	10.8	10.0
Gross loans and financial leases	**13.5**	15.1	**28.7**	21.6	12.4	9.6
Assets	**14.9**	14.5	**29.4**	20.6	11.6	8.9
Branches	**13.6**	12.1	**25.7**	15.5	11.3	7.1
ATMs	**9.6**	14.5	**24.1**	26.9	13.1	8.6

	Banco de Bogotá	Other Grupo Aval banks(1)	Grupo Aval Consolidated (5)	Bancolombia	Davivienda	BBVA Colombia (6)
	At December 31, 2011					
	(in percentages)					
ROAA (2)	**2.6**	2.4	**2.3**	2.2	1.9	2.0
ROAE (3)	**21.3**	17.7	**20.3**	19.6	15.1	20.2
Efficiency ratio (4)	**50.9**	50.3	**52.7**	53.2	47.2	49.9
Colombian market share:						
Deposits	**14.8**	14.7	**29.5**	19.6	11.5	9.8
Gross loans and financial leases	**13.4**	14.9	**28.3**	21.9	12.8	9.4
Assets	**14.6**	14.4	**29.0**	21.0	11.9	8.8
Branches	**13.7**	11.9	**25.7**	15.4	11.4	6.9
ATMs	**9.4**	14.6	**24.3**	26.5	13.3	8.8

Source: Market share calculations based on Superintendency of Finance data, except for branches and ATMs which was derived from company-data.

(1) ROAA, ROAE and efficiency ratio data reflect aggregated consolidated data of Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas. Market share data reflects aggregated unconsolidated amounts relative to Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas.

(2) For methodology used to calculate return on average assets, or "ROAA," see note 2 to the table under "Summary—Our company—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(3) For methodology used to calculate ROAE, see note 3 to the table under "Summary —Our company—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(4) For methodology used to calculate efficiency ratio, see note 4 to the table under "Summary —Our company—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(5) Return on average assets, or "ROAA," ROAE and efficiency ratio reflect consolidated ratios of Grupo Aval. Colombian market share figures reflect aggregated unconsolidated amounts of Grupo Aval's Colombian banking subsidiaries.

(6) As of the date of this offering memorandum, consolidated data for BBVA Colombia at June 30, 2012 is unavailable.

Central American operations

Through our BAC Credomatic operations, we are one of the leading banking groups in Central America based on consolidated assets. BAC Credomatic has operations in each of the six Central American countries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. BAC Credomatic is one of the leading credit card issuance and merchant-acquiring franchises in Central America. BAC Credomatic's credit card accounts represented 25.7% of total credit card accounts in Central America (calculated based on BAC Credomatic data and information provided by Euromonitor International) at December 31, 2010. BAC Credomatic has the only network that processes all major credit card brands in the region.

Through a network of 487 points of contact (including 227 full-service branches, 40 in-store branches, 192 on-site branches and 28 auto/drive-thru branches) and 1,227 ATMs at June 30, 2012, BAC Credomatic provides us with more than 2.2 million additional customers and access to a region with a population of approximately 43.9 million, providing significant opportunity for growth in financial services.

BAC Credomatic represented the equivalent of 28.8% of our assets at December 31, 2011 and 26.2% of our assets at June 30, 2012.

The following table shows market shares of our Central American operations, excluding Panama, at June 30, 2012.

	At June 30, 2012					
	BAC Credomatic	Banco Industrial	Scotiabank	G&T Continental	Citibank	Banco Agrícola
	(in percentages)					
Central American market share:						
Deposits	11.5	13.3	5.6	9.2	6.8	5.5
Net loans and financial leases	13.3	11.4	7.7	7.5	6.2	6.2
Shareholders' equity	12.9	9.5	6.3	6.9	11.5	7.5
Net income	17.6	15.2	3.9	6.1	6.7	7.6
ROAA (1)	2.6	2.1	1.1	1.3	1.7	2.5
ROAE (2)	23.1	26.8	10.4	15.2	9.8	15.9

Source: Reflects data aggregated from the local superintendencies of Costa Rica, Honduras, El Salvador, Guatemala and Nicaragua. Market share is determined based on the sum of each bank's operations (excluding state-owned banks) in the above mentioned countries. For comparison purposes, this calculation excludes Panama due to the difficulty of separating international from local businesses of Panamanian banks.

(1) For methodology used to calculate return on average assets, or ROAA, see note 2 to the table under "Summary—Our company—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

(2) For methodology used to calculate ROAE, see note 3 to the table under "Summary—Our company—Financial and operating data." Calculations are based on consolidated data, unless indicated otherwise.

Financial and operating data

The following table presents our key consolidated financial and operating data for the periods and at the dates presented.

	At and for the six-month period ended June 30,			At and for the year ended December 31,		
	2012	2012	2011	2011	2010	2009
	(in U.S.$ millions, except where otherwise indicated) (1)	(in Ps billions, except operating data or where otherwise indicated)				
Financial data:						
Total assets	40,958.8	73,747.1	63,734.3	68,809.6	59,346.6	36,475.2
Gross loans and financial leases	23,185.2	41,745.4	35,691.9	40,035.0	33,548.5	19,676.0
Deposits	25,830.8	46,508.8	39,175.8	43,366.5	37,992.3	24,382.0
Non-controlling interest	1,470.5	2,647.6	2,583.5	2,457.0	2,302.1	2,125.9
Total shareholders' equity	4,039.1	7,272.5	6,453.8	6,845.9	3,918.3	3,440.4
Net interest income	952.6	1,715.3	1,507.6	2,936.7	2,443.4	2,317.0
Total provisions, net	(115.0)	(207.1)	(72.5)	(139.0)	(610.6)	(347.8)
Total fees and other services income, net	501.0	902.0	861.8	1,756.8	1,155.1	1,075.6
Total other operating income	200.4	360.9	335.3	757.9	582.4	492.0
Total operating income	**1,539.0**	**2,771.0**	**2,632.2**	**5,312.3**	**3,570.3**	**3,536.8**
Total operating expenses	(834.8)	(1,503.2)	(1,438.9)	(2,967.7)	(1,757.9)	(1,585.3)
Total non-operating income (expense), net	40.6	73.1	34.1	68.5	96.0	78.0
Income tax expense	(248.1)	(446.7)	(335.0)	(737.2)	(510.0)	(522.7)
Income before non-controlling interest	**496.7**	**894.3**	**892.4**	**1,675.9**	**1,398.3**	**1,506.9**
Non-controlling interest	(127.5)	(229.5)	(311.9)	530.2	(483.4)	(551.1)
Income attributable to shareholders	**369.2**	**664.8**	**580.4**	**1,145.7**	**914.9**	**955.8**
ROAA (2)	–	2.5%	2.9%	2.6%	2.9%	4.4%
ROAE (3)	–	18.8%	22.4%	21.3%	24.9%	31.1%
Efficiency ratio (4)	–	47.3%	49.6%	50.9%	40.1%	39.0%

	At and for the six-month period ended June 30,			At and for the year ended December 31,		
	2012	2012	2011	2011	2010	2009
	(in U.S.$ millions, except where otherwise indicated) (1)	(in Ps billions, except operating data or where otherwise indicated)				
Operational data (in units):						
Number of customers (millions) (5)	–	10.3	9.4	9.7	8.9	–
Number of employees (6)	–	33,554	32,449	32,763	32,870	–
Number of branches (7)	–	1,232	1,188	1,205	1,179	–
Number of ATMs (8)	–	2,315	2,132	2,205	2,091	–
Ratios						
Loans to deposits	-	89.8%	91.1%	92.3%	88.3%	80.5%
Non-performing loans as a percentage of total loans (9)	–	1.4%	1.8%	1.6%	1.8%	2.3%
Allowance for loans as a percentage of non-performing loans	–	185.3%	159.1%	174.2%	170.1%	167.3%
Solvency ratio (technical capital divided by risk-weighted assets)	–	13.3%	14.5%	13.3%	15.1%	16.4%
Net interest margin (10)	–	6.3%	6.2%	6.0%	7.4%	8.4%

(1) Translated for convenience only using the representative market rates as computed and certified by the Superintendency of Finance of Ps 1,800.52 at September 30, 2012.

(2) For the years ended December 31, ROAA is calculated as income before non-controlling interest divided by average assets (the average of total assets at December 31 of the fiscal year and total assets at December 31 of the previous fiscal year). For the year ended December 31, 2010, BAC Credomatic's results are included in 1/12 of our 2010 income but in 1/2 of our average assets due to the consolidation of BAC Credomatic financial data in our financial statements from December 1, 2010. Excluding BAC Credomatic's assets from the calculation, results in an adjusted Banco de Bogotá ROAA of 3.4% at December 31, 2010. For the six-month periods ended June 30, ROAA is calculated as income before non-controlling interest for the six-month period multiplied by two, divided by average assets (the sum of total assets at the end of the six-month period and total assets at the end of the previous fiscal year, divided by two). For a reconciliation of ROAA, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP measures reconciliation."

If average assets were calculated using monthly consolidated information, rather than the average at the beginning and end of an annual period, our ROAA would be as follows: 2.7%, 3.4% and 4.4% for the periods ended December 31, 2011, 2010 and 2009. If average assets were calculated using monthly consolidated information, rather than the average at the beginning and end of a six-month period, our ROAA would be as follows: 2.6% and 2.9% for the six-month periods ended June 30, 2012 and 2011. Annualized ratios are not necessarily indicative of the ratios that would result for the full-year 2012, which may be materially different.

(3) For the years ended December 31, ROAE is calculated as net income divided by average shareholders' equity (shareholders' equity at the end of the period plus shareholders' equity at the end of the prior period, divided by two). For the six-month periods ended June 30, ROAE is calculated as net income multiplied by two, divided by average shareholders' equity (shareholders' equity at the end of the six-month period plus shareholders' equity at the end of the prior fiscal year, divided by two). Annualized ratios are not necessarily indicative of the ratios that would result for the full-year 2012, which may be materially different.

If average shareholders' equity were calculated using monthly consolidated information, rather than the average at the beginning and end of such period, our ROAE would be as follows: 19.7%, 25.1% and 27.3% for the periods ended December 31, 2011, 2010 and 2009, and 19.0% and 22.1% for the periods ending June 30, 2012 and 2011, respectively. There is no significant effect to shareholders' equity at December 31, 2011 resulting from the BAC Credomatic transaction. Annualized ratios are not necessarily indicative of the ratios that would result for the full-year 2012, which may be materially different.

(4) Efficiency ratio is calculated as operating expenses before depreciation and goodwill amortization, divided by total operating income before net provisions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP measures reconciliation."

(5) Reflects aggregated customers of each of Banco de Bogotá, Porvenir, Corficolombiana and BAC Credomatic. Customers of more than one of these entities are counted separately for each subsidiary. Customer data for the year ended December 31, 2009 is not available.

(6) Reflects aggregated employees of Banco de Bogotá, Corficolombiana, Porvenir and BAC Credomatic. Employee data for the year ended December 31, 2009 is not available.

(7) Reflects aggregated branches of Banco de Bogotá, Corficolombiana, Porvenir, Banco de Bogotá Panamá, Almacenes Generales de Depósito Almaviva S.A., or "Almaviva," Fiduciaria Bogotá S.A., or "Fidubogotá," Casa de Bolsa S.A. Sociedad Comisionista de Bolsa, or "Casa de Bolsa," and BAC Credomatic. Branch data for the year ended December 31, 2009 is not available.

(8) Reflects aggregated ATMs of Banco de Bogotá and BAC Credomatic, except for June 30, 2010 which predates the acquisition of BAC Credomatic and reflects Banco de Bogotá only. ATM data for the year ended December 31, 2009 is not available.

(9) Non-performing loans include microcredit loans that are 31 days or more past due, mortgage and consumer loans that are 61 days or more past due and commercial loans that are 91 days or more past due. Each category includes financial leases. See "Selected Statistical Data—Loan portfolio—Risk categories."

(10) Net interest margin is calculated as net interest income divided by total average interest-earning assets.

Our business strengths

We believe that we have achieved our leading positions in the Colombian and Central American banking industry through the following competitive strengths.

Strong track record of financial performance

We believe that our strong position in the Colombian market, low-cost funding and operating efficiencies have assisted us in achieving higher and more stable profits compared to our competitors. Our average ROAE of 25.8% and average ROAA of 3.3% for the 2009 to 2011 period, and our ROAE of 18.8% and ROAA of 2.5% for the six-month period ended June 30, 2012, have been the highest among our competitors in the Colombian market, and our consolidated net interest margin (net interest income divided by total average interest-earning assets) has been in the range of 6.0% to 8.4% for the 2009 to 2011 period and at June 30, 2012 our consolidated net interest margin was 6.3%. We believe that our ROAA and ROAE outperform those of our competitors mainly due to better yields on loans, significant yields from our investment portfolio, lower net provisions (due to a lower ratio of charge-offs to total loans) and better efficiency ratios based on available data at June 30, 2012. Our total assets have grown at a CAGR of 17.3% from December 31, 2009 to June 30, 2012 (excluding BAC). Our consolidated delinquency ratio past due more than 30 days improved from 2.3% at June 30, 2011 to 1.9% at June 30, 2012 and is among the lowest among our direct competitors in the Colombian market. During the same period, our total deposits have grown at a CAGR of 14.5% (excluding BAC). Following the acquisition of BAC Credomatic, Banco de Bogotá's efficiency ratio worsened from 39.0% in 2009 to 50.9% for the year ended December 31, 2011 but improved to 47.3% for the six-month period ended June 30, 2012.

Major participant in most banking sectors in Colombia

We are one of the largest participants in most sectors of the Colombian banking market, with 18.6% of commercial loans and 9.0% of consumer loans, at June 30, 2012. We also have the second largest market share of deposits at 15.3% at June 30, 2012. We are part of *Red de Grupo Aval*, which is the largest ATM and banking network in the country and has been a key element of our competitive positioning in the Colombian market. At June 30, 2012, our ATM and banking network, independent of the *Red de Grupo* Aval networks, had market shares of 9.6% and 13.6% of ATMs and branches, respectively. At June 30, 2012, the *Red de Grupo Aval* banking networks had market shares of 24.1% and 25.7% of ATMs and branches, respectively.

Diversified sources of funding

We have diverse sources of funding, including deposits and debt securities placed in the Colombian market, which result in a low cost of funding. At June 30, 2012, in Colombia, our market share of deposits was 15.3%, supported by a 22.0% market share in checking accounts and 13.4% in savings deposits. Deposits represented 77.1% of our total funding at that date, compared to 83.8% at December 31, 2009, which provides us with a stable, and low-cost funding base. As a result of our efforts to broaden our funding base, we increased our funding from Ps 29.1 trillion at December 31, 2009 (U.S.$16.1 billion) to Ps 55.8 trillion at December 31, 2011 (U.S.$31.0 billion) and to Ps 60.3 trillion at June 30, 2012 (U.S.$33.5 billion). On December 19, 2011, we successfully completed our inaugural international bond offering of U.S.$600 million of 5.00% Senior Notes due 2017 and we also entered into a U.S.$500.0 million three-year term loan. We believe that our funding base supports our initiatives to expand our businesses.

Sound risk management

We have a comprehensive risk management system, which we view as fundamental to our long-term stability and viability, and enables us to identify risks and resolve potential problems on a timely basis. In addition, we have established upward loan reporting processes, and our risk management staff meets on a weekly basis to discuss the loan portfolio, developments in the industry, risks and opportunities. We believe that we have asset quality that is better than the market average. We have maintained our relative asset quality, as evidenced by our ratio of non-performing loans to total loans of 1.4% and 1.6% at June 30, 2012 and December 31, 2011, respectively, and a ratio of charge-offs to average outstanding loans (annualized) of 0.86% and 1.06% at June 30, 2012 and December 31, 2011, respectively. Our delinquency ratio past due more than 30 days has remained stable at 1.9%, both at June 30, 2012 and December 31, 2011. In addition, we believe that our reputation as a conservative banking group with sound risk management has allowed us to consistently retain and attract new customers.

Our unconsolidated capital adequacy ratio was 15.4% and 15.7% at June 30, 2012 and December 31, 2011, respectively, compared to an average capital adequacy ratio of 15.2% and 14.3% for our principal competitors at the same dates and to 9%, which is Colombia's minimum regulatory requirements. Our consolidated capital adequacy ratio was 13.3%, both at June 30, 2012 and December 31, 2011.

Leading banking operations in Central America

BAC Credomatic is one of the leading financial institutions in Central America with a record of strong financial performance. It has achieved an average of 22.9% in annual ROAE for the period from 2007 to 2011 (excluding extraordinary gains in 2007 and 2008) and 22.4% at June 30, 2012. BAC Credomatic is a full-service financial institution with one of the leading card-issuing and acquiring businesses in the region. Its Credomatic brand has key alliances with major credit card networks, such as Visa, MasterCard, American Express and Diners Club, and has the only network that processes all major credit card brands in the region. BAC Credomatic customer base and distribution network are sizable when compared to our Colombian banks. At June 30, 2012, it served more than 2.2 million customers through 487 points of contact including 227 full-service branches, 40 in-store branches offering teller services in retail stores, 192 on-site branches offering full banking services for corporate employees, and 28 auto/drive-thru branches throughout Central America, connected through a single technological platform that allows online transactions between countries in the region. BAC Credomatic's market share in terms of gross loans varies in the different countries as follows, as of June 30, 2012: Costa Rica 10.8%, El Salvador 9.8%, Guatemala 4.7%, Honduras 13.0%, Nicaragua 26.8% and Panama 3.0%.

Experienced management teams

Our qualified and experienced management teams, both at the group and operating subsidiary levels, have played a key role in guiding our growth. Our president has a tenure of over 25 years, and the president of BAC Credomatic has a tenure of 35 years. We believe that the strength of management at all levels has enabled us to become one of Colombia's largest and most profitable banks. Our management team and each of our operating subsidiaries' management teams are dedicated to formulating and executing business strategies through a culture of excellence, innovation and cooperation, which has served as our guiding vision throughout the various acquisitions and initiatives we have undertaken. Our approach in our acquisitions has been to retain a majority of senior management and talent.

Benefits from Grupo Aval network

We are part of the Grupo Aval group and benefit from applying the best practices from all of its operating subsidiaries to our business. Grupo Aval operates its banking subsidiaries on a multi-brand business model, encouraging its four independent banks to compete among themselves and with other market participants, while operating within central guidelines established by Grupo Aval in the areas of internal control, credit risk management, brand management, strategic planning, general procurement and information technology. These guidelines, together with group support services, are designed to allow each bank to achieve economies of scale and benefit from cross-bank synergies and groupwide best practices without affecting individual competition and the decision-making abilities of each bank's management. These practices are designed to encourage a consistent approach with respect to effective risk management, efficient use of capital, cost control, brand management, general procurement, and integration of information technology. We believe that these practices have helped us to reduce operating and administrative costs. At June 30, 2012, Grupo Aval had a consolidated efficiency ratio of 50%.

Our strategy

Our overall objectives are to build upon our competitive strengths to pursue opportunities for growth and to enhance our long-term financial performance. To achieve these objectives, we intend to pursue a strategy with the following principal elements:

Further penetrate the Colombian market

We believe that Colombia offers significant opportunities to expand our business because of the country's strong economic fundamentals and low penetration rates for banking and other financial services and products, as compared to other countries in the region. For example, according to the 2011 World Bank Development Indicators, domestic credit to the private sector accounted for 45.3% of GDP in Colombia as compared to 89.3% for Chile, 61.4% for Brazil, 26.4% for Peru and 26.1% for Mexico at December 31, 2011. See "Industry—Colombia—Credit volumes." We anticipate that demand for such services and products will increase across all customer sectors. As one of Colombia's leading banks, we believe that we are well-positioned to take advantage of this significant growth potential.

Continue capitalizing on synergies and improving efficiencies

We are pursuing opportunities to create synergies among Grupo Aval affiliates and at BAC Credomatic and leverage their combined strength. We intend to work with Grupo Aval on groupwide projects, mainly in information technology, and to achieve economies of scale by participating in the procurement of goods and services for our subsidiaries and within Grupo Aval. We believe that these efforts have contributed to improvements in our efficiency ratios.

Expand our services and products offerings and diversify our sources of income

We believe that we offer the most comprehensive range of banking services and products in Colombia, and we continually seek to expand these offerings to meet evolving customer needs, maximize cross-selling and enhance our profitability. For example, we are currently implementing initiatives to increase our non-interest income, which consists primarily of net fee income. Net fee income accounted for 30.3% and 32.2% of our consolidated total operating income before net provisions for the six-month period ended June 30, 2012 and the year ended December 31, 2011, respectively. We believe that we can expand the contribution of non-interest income to our profitability in future periods by, for example, expanding bancassurance (i.e., bank-offered third-party insurance products) through our distribution network and credit card fee income through an increase in credit card loan volume. In addition, we intend to position ourselves to provide additional income by increasing our market share in payroll loans and mortgages.

Integrate BAC Credomatic and further penetrate the Central American market

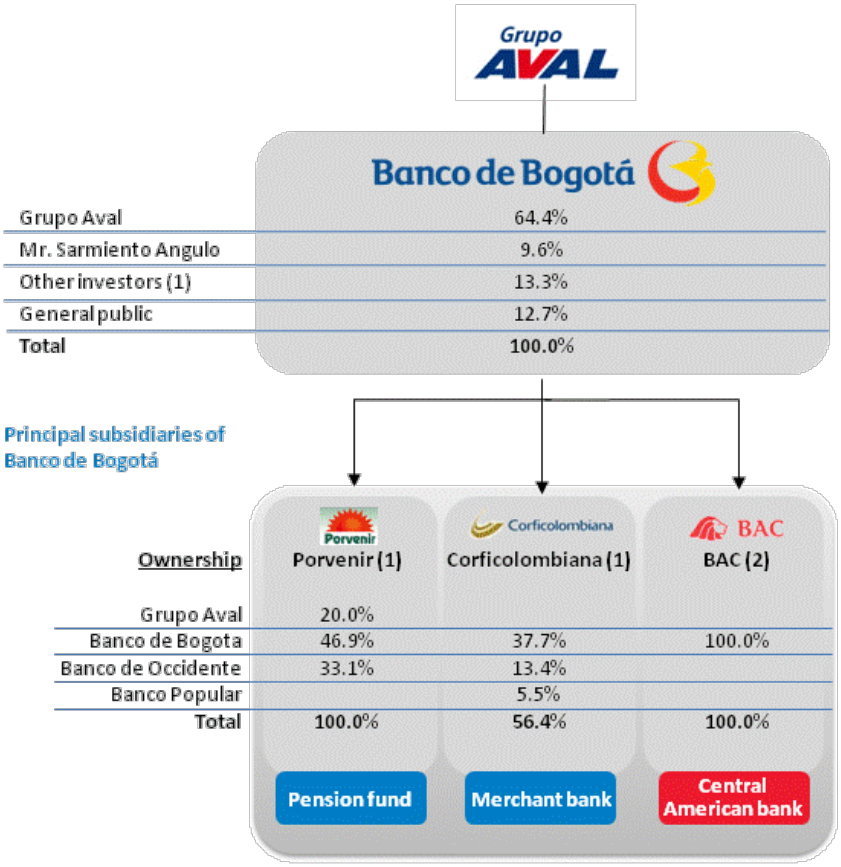
We plan to continue executing our multi-brand business model by maintaining the BAC Credomatic brand and integrating it into our operations. We intend to capitalize on the expansion of the Central American market as we believe the BAC Credomatic acquisition will offer us significant opportunities for organic and acquisition growth in financial services in this region. In order to improve operational efficiency and increase market share in key sectors, we intend to share our groupwide commercial and operational standards and best practices with BAC Credomatic, while capitalizing on its regional expertise, brand recognition, customer base, and services and products, such as credit card issuance and merchant-acquiring businesses. We believe that we can substantially improve BAC Credomatic's efficiency ratio which at June 30, 2012 was 55.3%, compared to Banco de Bogotá's (unconsolidated) 47.3% by implementing our best practices at BAC Credomatic.

Pursue other selected acquisitions

We have a proven track record of identifying, acquiring and integrating interests in companies that we believe have strategic value to us. We are interested in expanding our businesses in Colombia and Central America and to other regions, and we regularly evaluate acquisition candidates that may permit us to expand the services and products we offer and markets we can access, such as BAC Credomatic and BBVA Horizonte. We regularly consider potential strategic investments, alliances and acquisitions, principally in Colombia, Central America and other selected Latin American countries and anticipate that we will enter into such transactions, which may be material, if we believe that they will be both strategic and accretive.

Our operations

We conduct our banking operations directly, our pension and severance fund operations through Porvenir, our merchant banking operations through Corficolombiana and our Central American banking operations through BAC Credomatic. We and Corficolombiana are publicly-traded on the Colombian Stock Exchange. The following chart presents our ownership structure.



Source: Company data at June 30, 2012.

(1) Based on publicly available information, we have identified a group of investors who have maintained ownership of record of at least 1.0% in Banco de Bogotá over a significant period of time.

(2) Porvenir and Corficolombiana are subsidiaries of Banco de Bogotá, whose financial data is consolidated into Banco de Bogotá's results. Banco de Bogotá controls Porvenir and Corficolombiana through shareholders agreements with Grupo Aval and Banco de Occidente and with Banco de Occidente and Banco Popular.

(3) This acquisition was completed on December 9, 2010. BAC Credomatic's results of operations prior to December 1, 2010 are not included in Banco de Bogotá's results that are presented in this offering memorandum.

Porvenir is a leading pension and severance fund management business in Colombia, with a 27.5% market share of assets under management at June 30, 2012. Pension funds provide individual savings for retirement, while severance funds provide temporary income to employees who lose their jobs. Porvenir is the most profitable and efficient pension and severance fund manager in the market, with an ROAE that averaged 34.1% between 2009 and 2011 and was 27.1% for the year ended December 31, 2011 and 32.2% for the six-month period ended June 30, 2012.

Corficolombiana is a merchant bank that primarily invests in strategic sectors of the Colombian economy, including infrastructure, energy and finance, and also provides treasury, investment banking and private banking services. Corficolombiana provides Banco de Bogotá with a consistent dividend stream, having declared dividends totaling more than Ps 202 billion (approximately U.S.$112 million) payable to Banco de Bogotá for the year ended December 31, 2011 and more than Ps 94 billion (approximately U.S.$52 million) for the six-month period ended

June 30, 2012. Corficolombiana's ROAE averaged 24.0% between 2009 and 2011 and was 21.3% for the year ended December 31, 2011 and 13.9% for the six-month period ended June 30, 2012.

BAC Credomatic is a leading Central American banking group with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. BAC Credomatic is a full-service financial institution, with one of the leading credit card issuance and merchant-acquiring franchises in Central America. Its credit card accounts represented 25.7% of total credit card accounts in Central America (calculated based on data and information provided by Euromonitor International) at December 31, 2010. It has achieved processing volumes of U.S.$9,550 million for the year ended December 31, 2011 and U.S.$5,175 million for the six-month period ended June 30, 2012 in the merchant acquiring business, which compares favorably to processing volumes of other leading Latin American issuers. BAC Credomatic's ROAE (calculated under U.S. GAAP) averaged 22.9% between 2007 and 2011 (excluding extraordinary gains in 2007 and 2008) and was 21.8% for the year ended December 31, 2011 and 22.4% for the six-month period ended June 30, 2012. In December 2010, we acquired BAC Credomatic through Leasing Bogotá Panamá, a wholly-owned subsidiary.

The following tables present key information regarding our results and those of our operating subsidiaries at the dates and for the periods indicated.

	At and for the six-month period ended June 30, 2012			
	Banco de Bogotá (Consolidated)	Porvenir(1)	Corficolombiana(1)	LB Panamá(1)
	(in U.S. millions)(5)			
Loans and financial leases, net	22,567	–	412	6,256
Assets	40,959	518	6,821	10,739
Deposits	25,831	–	1,873	6,840
Shareholders' equity	4,039	384	1,716	1,803
Net income	369	59	116	117
ROAE(2)	18.8%	32.2%	13.9%	12.5%
Delinquency ratio past due more than 30 days	1.9%	–	1.4%	2.5%
Allowance for loans as a percentage of past due loans	136.7%	–	200.5%	64.0% (3)
Solvency ratio(4)	13.3%	–	29.8%	12.7%

	At and for the year ended December 31, 2011			
	Banco de Bogotá (Consolidated)	Porvenir(1)	Corficolombiana(1)	LB Panamá(1)
	(in U.S. millions)(5)			
Loans and financial leases, net	21,625	–	361	6,358
Assets	38,217	445	5,710	11,014
Deposits	24,086	–	1,235	6,865
Shareholders' equity	3,802	345	1,628	1,918
Net income	636	86	338	184
ROAE(2)	21.3%	27.1%	21.3%	9.9%
Delinquency ratio past due more than 30 days	1.9%	–	1.3%	2.8%
Allowance for loans as a percentage of past due loans	140.9%	–	238.2%	64.3% (2)
Solvency ratio(4)	13.3%	–	31.8%	13.2%

Source: Company data and calculations based on consolidated financial statements of our principal operating subsidiaries.

(1) Porvenir, Corficolombiana and LB Panamá (through which we hold our ownership of BAC Credomatic) are our subsidiaries.

(2) For methodology used to calculate ROAE, see note 3 to the tables under "Summary—Our company—Financial and operating data."

(3) Allowance for loans as a percentage of past due loans for Leasing Bogotá Panamá is less than 100% because the majority of past due loans are classified as "C" which only requires a 20% provision.

(4) Solvency ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Supervision and Regulation—Capital adequacy requirements—Current capital adequacy requirements."

(5) Translated for convenience only using the representative market rate as computed and certified by the Superintendency of Finance at September 30, 2012 of 1,800.52 pesos per U.S.$1.00.

Competition

We operate in a competitive market. Our principal competitors in Colombia are Bancolombia, Davivienda, and BBVA Colombia, which are the three leading banking groups in Colombia following Grupo Aval, our parent. To a lesser extent, we also compete with other Grupo Aval banks. We have the second largest market share of deposits and loans.

Except where otherwise indicated, our balance sheet and statement of income data included in this offering memorandum reflects our consolidated Colombian Banking GAAP information, while comparative disclosures of the financial and operating performance of our competitors are based on unconsolidated information. Unless otherwise indicated or the context otherwise requires, market share and other data comparing our performance and that of our competitors reflects our unconsolidated results.

Banks, financing companies and finance corporations are deemed credit institutions under Colombian banking regulations, and are the principal institutions authorized to accept deposits and make loans in Colombia. Banks undertake traditional deposit-taking and lending activities. Financing companies place funds in circulation by means of active credit operations, with the purpose of fostering the sale of goods and services, including the development of leasing operations. Finance corporations invest directly in the economy and thus are the only vehicle through which a bank may invest in non-financial sectors. See "Supervision and Regulation." In addition to our banking operations, we operate a finance corporation, Corficolombiana, but our market share is determined by comparing our consolidated operations to other banks reporting their results to the Superintendency of Finance; if market share data including financing companies and finance corporations is considered, our market shares would generally be lower than in a bank-only comparison and the gaps between our market shares and those of our competitors would be smaller.

We are the market leader in the pension and severance fund management market through Porvenir. Porvenir also has the largest share of individual customers and funds under management in the severance fund and mandatory pension fund markets. Corficolombiana is the largest finance corporation in Colombia.

Market share and other data from unconsolidated financial information

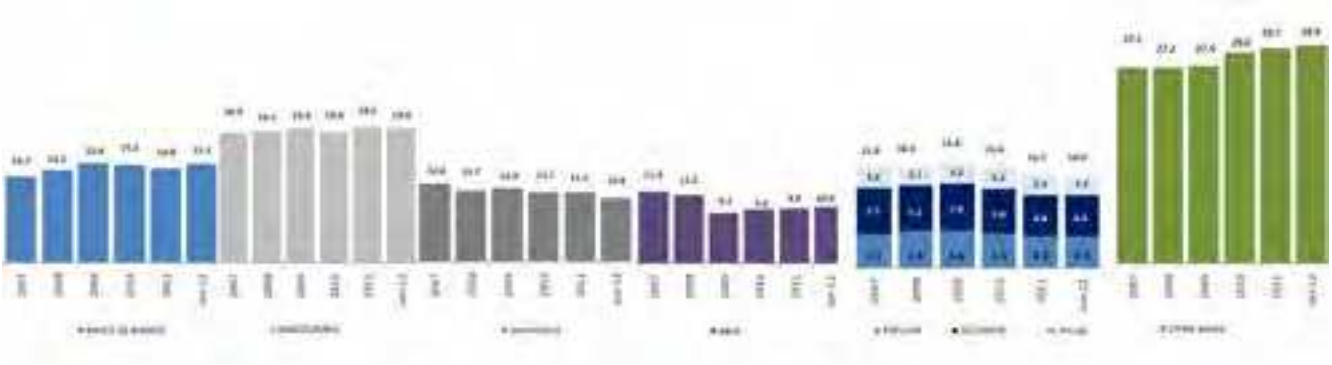
The following market share and other data comparing us to our competitors is based on information derived from unconsolidated financial information reported to the Superintendency of Finance by commercial banks based on Colombian Banking GAAP.

Deposits

We have the second-largest market share of total deposits in Colombia, with an aggregate of 15.3% of all deposits in Colombia at June 30, 2012. Our principal competitor banks—Bancolombia, Davivienda and BBVA Colombia—had market shares of 19.4%,10.8% and 10.8%, respectively at June 30, 2012. Other Grupo Aval banks had an aggregate market share of 14.6%. At June 30, 2012, we had increased our market share of total deposits by 1.6% since 2007 and by 6.9% since 2001, primarily through acquisitions.

The following graph presents the market share of deposits in Colombia for the period from 2007 to June 30, 2012.

Market share by deposits



Source: Company calculations based on information published by the Superintendency of Finance and Asobancaria.

The following tables present a breakdown of market share of deposits by type of deposit at June 30, 2012 and December 31, 2011.

	At June 30, 2012					
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia	Other Grupo Aval banks (aggregate) (2)	Rest of the Colombian market
	(in percentages)					
Checking accounts	22.0	20.6	9.4	9.6	18.3	20.0
Savings deposits	13.4	22.3	12.2	11.4	15.6	25.1
Time deposits	15.9	15.1	10.2	8.6	11.9	38.3
Other deposits (1)	3.6	9.9	2.5	3.1	5.9	75.1
Total deposits	**15.3**	**19.4**	**10.8**	**10.0**	**14.6**	**29.9**

	At December 31, 2011					
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia	Other Grupo Aval banks (aggregate) (2)	Rest of the Colombian market
	(in percentages)					
Checking accounts	19.7	22.5	9.5	9.1	18.4	20.8
Savings deposits	13.0	22.3	12.9	11.7	15.4	24.6
Time deposits	15.9	13.3	11.2	7.7	11.8	40.1
Other deposits (1)	5.7	12.8	3.4	4.2	6.4	67.5
Total deposits	**14.8**	**19.6**	**11.5**	**9.8**	**14.7**	**29.7**

Source: Company calculations based on information published by the Superintendency of Finance and Asobancaria.

(1) Other deposits consist of correspondent bank deposits, cashier checks and collection services.

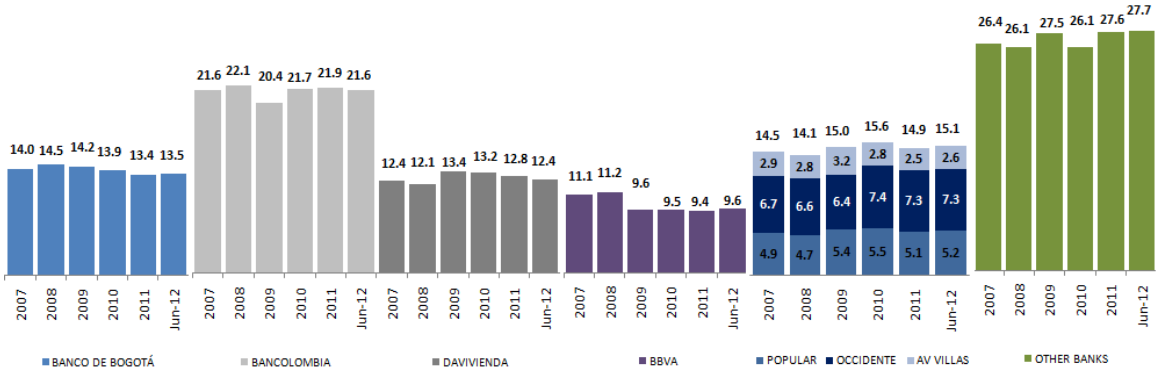
(2) Other Grupo Aval banks figures reflect aggregated amounts of Banco de Occidente, Banco Popular and Banco AV Villas.

Loans

We have the second-largest market share of total loans in Colombia, with an aggregate of 13.5% of all loans in Colombia at June 30, 2012. Our principal competitor banks—Bancolombia, Davivienda and BBVA Colombia—had market shares of 21.6%, 12.4% and 9.6%, respectively, at June 30, 2012. Other Grupo Aval banks had an aggregate market share of 15.1%. At June 30, 2012, we had increased our market share by 4.9% since 2001, primarily through acquisitions.

The following graph presents the market share of loans in Colombia for the period from 2007 to June 30, 2012.

Market share by loans



Source: Company calculations based on information published by the Superintendency of Finance and Asobancaria.

The following tables present a breakdown of the market share of loans by category at June 30, 2012 and December 31, 2011.

	At June 30, 2012					
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia	Other Grupo Aval banks (aggregate)(1)	Rest of the Colombian market
	(in percentages)					
Commercial	18.6	27.6	11.2	7.2	13.5	21.9
Consumer	9.0	14.1	14.4	10.7	18.9	33.0
Microcredit	4.1	4.9	0.0	0.0	0.7	90.4
Mortgages	0.2	25.4	15.3	27.3	4.5	27.3
Financial leases	10.1	1.3	17.3	8.2	35.6	27.4
Total loans	**13.5**	**21.6**	**12.4**	**9.6**	**15.1**	**27.7**

	At December 31, 2011					
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia	Other Grupo Aval banks (aggregate)(1)	Rest of the Colombian market
	(in percentages)					
Commercial	18.3	28.0	11.4	7.1	13.2	22.0
Consumer	9.0	13.8	15.2	10.2	18.7	33.2
Microcredit	4.4	5.0	0.0	0.0	0.8	89.8
Mortgages	0.1	25.9	15.9	27.8	4.6	25.7
Financial leases	8.9	1.5	17.3	7.6	35.9	28.7
Total loans	**13.4**	**21.9**	**12.8**	**9.4**	**14.9**	**27.6**

Source: Company calculations based on information published by the Superintendency of Finance and Asobancaria.

(1) Other Grupo Aval banks figures reflect aggregated amounts of Banco de Occidente, Banco Popular and Banco AV Villas.

We have been strategically focused on developing commercial and consumer loans, including payroll loans, and limiting our exposure to mortgage loans. Consistent with our strategy, at June 30, 2012, our combined loan portfolio had a higher portion of commercial and consumer loans, and a very low portion of mortgage loans compared to the market average.

The following table presents the distribution by loan category of the market at June 30, 2012 and December 31, 2011.

	At June 30, 2012					
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia	Other Grupo Aval Banks (aggregate)	Rest of the Colombian market
	(in percentages)					
Commercial	76.1	70.9	49.8	41.2	49.4	43.7
Consumer	19.0	18.8	33.1	31.7	35.7	34.1
Microcredit	0.8	0.6	0.0	0.0	0.1	9.1
Mortgages	0.1	9.4	9.8	22.6	2.4	7.8
Financial leases	3.9	0.3	7.3	4.5	12.3	5.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

	At December 31, 2011					
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia	Other Grupo Aval Banks (aggregate)	Rest of the Colombian market
	(in percentages)					
Commercial	77.1	72.3	50.5	42.9	50.4	45.1
Consumer	18.6	17.6	33.2	30.2	35.1	33.6
Microcredit	0.9	0.6	–	–	0.1	9.0
Mortgages	0.1	9.1	9.6	22.8	2.4	7.2
Financial leases	3.3	0.4	6.7	4.0	12.0	5.2
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Source: Company calculations based on information published by the Superintendency of Finance and Asobancaria.

(1) Other Grupo Aval banks figures reflect aggregated amounts of Banco de Occidente, Banco Popular and Banco AV Villas.

Loan portfolio quality

We believe that the credit quality of our loan portfolio compares favorably with that of our principal competitors. The following table presents credit quality metrics for the loan portfolio of our banking business and of other Grupo Aval banks and our principal competitors, at December 31, 2010 and 2011 and June 30, 2011 and 2012.

	At June, 30							
	Loans past due more than 30 days / gross loan portfolio		Loans rated C, D or E / gross loan portfolio		Provision expense / gross loan portfolio		Allowance / loans past due more than 30 days	
	2011	2012	2011	2012	2011	2012	2011	2012
Banco de Bogotá	1.9	1.8	3.2	3.1	3.0	1.4	166.3	169.9
Bancolombia	2.5	2.8	3.6	3.6	3.7	2.1	184.1	163.0
Davivienda	4.0	4.3	3.5	3.5	6.1	3.2	132.2	90.0
BBVA Colombia	3.1	2.6	2.8	2.5	4.2	2.1	134.7	203.5
Other Grupo Aval banks (aggregate) (1)	2.9	2.7	3.9	3.7	3.6	1.8	148.5	145.6
Rest of the Colombian market	3.9	4.1	5.3	4.8	4.8	2.7	136.9	135.1

	At December 31,							
	Loans past due more than 30 days / gross loan portfolio		Loans rated C, D or E / gross loan portfolio		Provision expense / gross loan portfolio		Allowance / loans past due more than 30 days	
	2011	2010	2011	2010	2011	2010	2011	2010
Banco de Bogotá	1.6	2.3	2.7	3.7	2.8	3.4	194.0	159.1
Bancolombia	2.2	2.8	3.3	3.6	3.0	3.8	199.5	173.6
Davivienda	3.9	3.7	3.5	3.6	6.2	6.5	125.9	144.2

	At December 31,							
	Loans past due more than 30 days / gross loan portfolio		Loans rated C, D or E / gross loan portfolio		Provision expense / gross loan portfolio		Allowance / loans past due more than 30 days	
	2011	2010	2011	2010	2011	2010	2011	2010
BBVA Colombia	2.4	3.2	2.5	3.5	2.9	4.7	161.5	133.9
Other Grupo Aval banks (aggregate) (1)	2.6	3.0	3.6	4.2	3.5	4.6	158.9	155.0
Rest of the Colombian market	3.6	3.7	5.0	5.4	4.3	5.0	151.4	143.6

Source: Company calculations based on information published by the Superintendency of Finance.

(1) Other Grupo Aval banks figures reflect aggregated amounts of Banco de Occidente, Banco Popular and Banco AV Villas.

Competition and other data from consolidated financial information

The following information on us and our Colombian subsidiaries is based on audited consolidated financial information.

Regulatory capital

Banks in Colombia are required to have regulatory capital of at least 9.0% of risk-weighted assets plus a risk premium calculated pursuant to the rules of the Superintendency of Finance. For a description of these requirements, in their present form, see "Supervision and Regulation—Capital adequacy requirements—Current capital adequacy requirements." We are well-capitalized under Colombian regulatory capital requirements, and we believe that our current capitalization provides us with substantial flexibility to expand our operations.

The tables below present our capitalization and the capitalization of our principal competitors and other Grupo Aval banks at June 30, 2012 and December 31, 2011.

	At June 30, 2012				
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia (3)	Other Grupo Aval banks (aggregate) (4)
	(in percentages)				
Consolidated:					
Primary capital (Tier I) (1)	12.1	11.6	11.8	–	9.4
Secondary capital (Tier II) (2)	1.2	3.3	3.7	–	2.3
Total consolidated capitalization	**13.3**	**14.9**	**15.5**	**–**	**11.7**

	At December 31, 2011				
	Banco de Bogotá	Bancolombia	Davivienda	BBVA Colombia (3)	Other Grupo Aval banks (aggregate) (4)
	(in percentages)				
Consolidated:					
Primary capital (Tier I) (1)	12.0	9.0	11.4	9.5	9.4
Secondary capital (Tier II) (2)	1.3	3.5	3.0	3.5	1.8
Total consolidated capitalization	**13.3**	**12.5**	**14.4**	**12.3**	**11.3**

Source: Company calculations based on consolidated financial statements of each bank for the period indicated.

(1) Includes primary capital and reserves. See "Supervision and Regulation—Capital adequacy requirements—Current capital adequacy requirements."

(2) Includes primarily subordinated debt and unrealized gains on certain assets, including real estate. See "Supervision and Regulation—Capital adequacy requirements—Current capital adequacy requirements."

(3) As of the date of this offering memorandum, consolidated data for BBVA Colombia at June 30, 2012 is unavailable.

(4) Other Grupo Aval banks figures reflect aggregated amounts of Banco de Occidente, Banco Popular and Banco AV Villas.

In calculating a bank's regulatory capital, Colombian regulations require banks to deduct from capital the corresponding amount of their non-controlling interests in financial institutions, regardless of whether these investments and the bank are controlled by the same entity. This accounting treatment lowers Banco de Bogotá's consolidated regulatory capital by 30 basis points, at June 30, 2012.

Pension and severance fund management — Porvenir

Porvenir is the second largest pension fund administrator in Colombia in terms of funds under management and has the largest share of earnings in the pension and severance fund management market in Colombia. Porvenir's principal competitors are other pension fund administrators, including Protección, BBVA Horizonte (in the process of being acquired by Porvenir and Grupo Aval), Colfondos (recently acquired by Scotiabank) and Skandia. On November 14, 2012, the Superintendency of Finance authorized the merger between Protección and ING's pension fund administrator. On December 24, 2012, Porvenir, and Grupo Aval as guarantor, entered into an agreement to acquire BBVA Horizonte.

Porvenir also has under management the second largest share of individual customers of mandatory pension funds and assets. It also has had a higher ROAE than the average of the AFPs in Colombia for the years 2010 and 2011.

The following tables present the market share of the main market participants with respect to assets under management, individual customers of mandatory pension funds at the dates indicated, and net income for the periods indicated.

	At June 30, 2012					
	Porvenir	Protección	ING	BBVA Horizonte	Colfondos	Skandia
	(in percentages)					
Individual customers to pension funds:						
Mandatory	21.6	32.1	0.7	17.8	12.1	15.7
Severance	30.1	21.5	10.9	26.7	10.1	0.7
Voluntary	22.7	35.7	5.7	10.3	8.7	17.0
Funds under management:						
Mandatory	27.9	25.4	11.5	16.0	14.0	5.2
Severance	33.7	27.2	11.5	15.8	9.7	2.2
Voluntary	18.8	32.5	4.8	4.1	4.4	35.4
Total	**27.5**	**26.1**	**11.0**	**15.0**	**13.0**	**7.5**
Net income	**47.6**	**10.7**	**(0.2)**	**17.6**	**12.3**	**12.1**

	At December 31, 2011					
	Porvenir	Protección	BBVA Horizonte	ING	Colfondos	Skandia
	(in percentages)					
Individual customers to pension funds:						
Mandatory	32.0	21.3	17.8	12.2	16.0	0.8
Severance	29.4	20.2	27.6	11.3	10.8	0.7
Voluntary	23.0	34.1	10.8	5.6	9.0	17.5
Funds under management:						
Mandatory	27.8	25.4	15.9	11.7	14.0	5.2
Severance	33.1	26.0	16.9	12.0	9.8	2.2
Voluntary	18.9	31.4	4.2	5.0	4.5	36.1
Total	**27.3**	**25.9**	**14.9**	**11.2**	**13.0**	**7.6**
Net income	**46.1**	**15.8**	**17.6**	**(1.5)**	**8.3**	**13.6**

Source: Information published by the Superintendency of Finance, except for Porvenir figures, which were derived from Company data. Information does not include data from third-party pension liability funds, which do not comprise a material portion of the market.

Merchant banking – Corficolombiana

Corficolombiana is the largest merchant bank in Colombia in terms of assets and equity at June 30, 2012. Corficolombiana faces competition from local and global banks focused on merchant and investment banking. Bancolombia, through its subsidiary Banca de Inversión Bancolombia S.A, is Corficolombiana's largest local competitor. On an international level, Corficolombiana faces competition from global banks with local investment banking operations. In addition, as an equity investor, Corficolombiana faces competition from other equity investors such as hedge funds, private equity firms and others.

The following tables present the market shares of Corficolombiana and its principal competitors by assets, liabilities and equity at June 30, 2012 and December 31, 2011 and 2010.

	Assets			Liabilities			Equity		
	At June 30,	At December 31,		At June 30,	At December 31,		At June 30,	At December 31,	
	2012	2011	2010	2012	2011	2010	2012	2011	2010
	(in percentages)								
Corficolombiana	**86.0**	**85.8**	**83.7**	**91.2**	**92.8**	**88.0**	**77.2**	**76.8**	**79.1**
Banca de Inversión Bancolombia S.A.	4.6	5.5	6.0	0.5	0.9	1.2	11.6	11.4	11.1
J.P. Morgan Corporación Financiera S.A.	8.3	7.6	10.3	8.0	6.2	10.8	8.8	9.2	9.7
BNP Paribas Colombia Corporación Financiera S.A.(1)	1.0	1.2	–	0.2	0.1	–	2.4	2.6	–

Source: Information published by the Superintendency of Finance.

(1) BNP Paribas Corporación Financiera S.A. was incorporated in 2011.

Banco de Bogotá

Banco de Bogotá is Colombia's oldest financial institution and the second-largest bank in the country based on net income, with a market share of 15.3% of deposits and 13.5% of gross loans and financial leases at June 30, 2012.

At and for the six-month period ended June 30, 2012, Banco de Bogotá on a consolidated basis had total assets of Ps 73,747.1 billion and net income of Ps 664.8 billion.

Banco de Bogotá is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products, distributed through a network of 630 branches and 1,088 ATMs in Colombia at June 30, 2012. While Banco de Bogotá serves all market segments, it has a leading presence in commercial loans historically, with a particular focus on large corporations and a market share of 18.6% of commercial loans at June 30, 2012. Following its 2006 acquisition of Megabanco, Banco de Bogotá expanded its consumer banking business and now has a market share of 9.0% of consumer loans as of June 30, 2012. On a consolidated basis, Banco de Bogotá's ROAE of 21.3% and 18.8% and efficiency ratio of 50.9% and 47.3% for the year ended December 31, 2011 and the six-month period ended June 30, 2012, respectively, make it one of the most profitable and efficient banks in Colombia.

History

Founded in 1870, Banco de Bogotá is the oldest and second-largest financial institution in Colombia. In 1922, it opened its first branch outside of Bogotá. Throughout the 1920s, Banco de Bogotá's network outside Bogotá expanded, due in part to a series of acquisitions. In 1967, Banco de Bogotá opened its first office in Panama; in 1974, it opened a branch office in New York City; and in 1977, it founded Banco de Bogotá Trust Company (subsequently sold). In 1980, Banco de Bogotá Trust Company established Banco de Bogotá International Corporation, an affiliate in Miami, Florida. The New York City branch office and the Miami affiliate were subsequently converted into agencies. Banco de Bogotá was reorganized in 1988 following the acquisition of a majority ownership interest by Mr. Sarmiento Angulo, Grupo Aval's chairman and majority shareholder, earlier that year. Porvenir was formed in 1991 and began its operations as a severance fund manager. In 1992, Banco de Bogotá completed a merger with Bancomercio. In 1998, Mr. Sarmiento Angulo contributed a majority of his Banco de Bogotá ownership interest to Grupo Aval. In 2006, Banco de Bogotá acquired and merged with Megabanco, which expanded its services for lower income consumers. In May 2010, Banco de Bogotá completed the merger of our wholly-owned subsidiary, Leasing Bogotá, which allows us to perform leasing operations. In December 2010, we

acquired BAC Credomatic. In December 2011, Banco de Bogotá completed its first international bond offering raising U.S.$600 million.

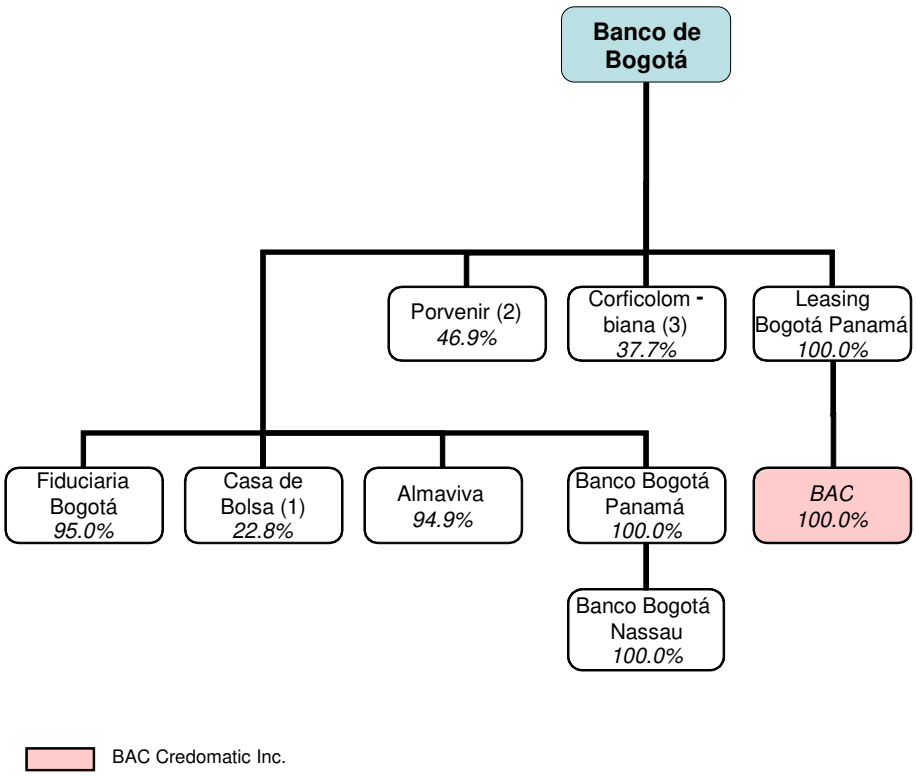
Corficolombiana was founded in 1959 as an affiliate of Banco de Bogotá. Since 1997, it has acquired and merged with seven financial institutions in Colombia. In 2005, Corficolombiana completed its most recent merger, with Corfivalle, which resulted in Corficolombiana becoming the largest financial corporation in the country based on total assets. Following this merger, Corficolombiana transferred its loan portfolio to Banco de Bogotá to focus on its investment business.

As part of the government's public auction of Megabanco, on June 21, 2006, Megabanco and FOGAFIN entered into an assumption of legal contingencies agreement, whereby FOGAFIN committed to assume up to 80% of the losses and expenses derived from legal contingencies against Megabanco, related to matters arising prior to the date of acquisition or discovered within 24 months of the acquisition of Megabanco. The guarantee will be effective up to the date in which all the covered legal contingencies conclude.

Business overview and operations

In addition to deposits and loans, Banco de Bogotá offers its enterprise customers a broad range of services and products focused on cash management, collection solutions and payment solutions, namely tax and customs services, consignment services, online and bar code collection, web services, credit card collection, electronic collection, automatic debit, third-party electronic payments, programmed service payments, social security payments and prepaid cards. Banco de Bogotá also performs various services in connection with customers' import/export activities, including general purpose loans, foreign exchange services, documentation services and guarantees. For individual customers, it offers general purpose loans, auto financing, payroll loans, credit cards and different deposit and basic treasury products.

The following chart presents Banco de Bogotá's principal subsidiaries as of June 30, 2012.



Source: Banco de Bogotá data at June 30, 2012.

(1) The remaining shares of Casa de Bolsa are held 39.0% by Corficolombiana, 7.9% by Banco de Occidente, 25.8% by Banco Popular and 4.5% by other related individuals or entities.

(2) The remaining shares of Porvenir are held by Grupo Aval and Banco de Occidente and its subsidiaries.

(3) The remaining shares of Corficolombiana are 18.9% owned by Grupo Aval entities, 2.6% by funds managed by Porvenir, 12.1% by other investors who have maintained ownership of record of at least one percent in Corficolombiana over a significant period of time, and 28.9% by the general public.

Enterprise customers

Banco de Bogotá's enterprise customers are classified as follows: very large corporations, with annual incomes in excess of Ps 50 billion; large corporations, with annual incomes of between Ps 8 billion and Ps 50 billion; public sector customers and cooperative institutions; small- and medium-size enterprises, with revenues of between Ps 0.5 billion and Ps 8 billion; and very small businesses, with revenues under Ps 0.5 billion. Banco de Bogotá's primary focus is on very large corporations, large corporations, public sector customers and cooperative institutions, which represented 64.4% of its total loan portfolio at June 30, 2012 on an unconsolidated basis.

At June 30, 2012, Banco de Bogotá had a total of approximately 198,000 enterprise customers, an increase of 29.0% over the approximately 153,600 enterprise customers at December 31, 2011 on an unconsolidated basis. The following table presents the number of Banco de Bogotá's enterprise customers at the dates indicated on an unconsolidated basis.

	At June 30,	At December 31,	
	2012	2011	2010
		(in thousands)	
Very large corporations, large corporations and public sector customers and cooperative institutions	6.8	6.9	6.9
Small- and medium-size enterprises	31.2	22.1	20.1
Very small businesses	106.6	30.8	29.9
Other (1)	53.3	93.9	57.5
Total	**198.2**	**153.6**	**114.4**

(1) Includes education institutes, civic associations, museums, sports leagues, religious institutions and others.

Individual customers

Banco de Bogotá's individual customers are classified as follows: preferential customers, with annual incomes in excess of ten times the annual minimum wage of Ps 6.800,400; high net-worth customers, with annual incomes of between six and ten times the minimum wage; individual customers, with annual incomes of between two and six times the minimum wage; and low-income customers, with annual incomes of under two times the minimum wage. Banco de Bogotá's individual customer strategy is to focus on preferential customers, who represented 3.4% of the total customer base and 2.7% of its loan portfolio at June 30, 2012 on an unconsolidated basis.

At June 30, 2012, the bank had a total of approximately 3,260,700 individual customers, an increase of 6.1% over the approximately 3,071,900 individual customers at December 31, 2011 on an unconsolidated basis.

The following table presents the number of individual customers that Banco de Bogotá served at the dates indicated on an unconsolidated basis.

	At June 30,	At December 31,	
	2012	2011	2010
		(in thousands)	
Preferential individual customers	116.5	127.3	103.6
Other individual customers	3,144.2	2,944.7	2,704.1
Total	**3,260.7**	**3,071.9**	**2,807.6**

Lending activities

The following tables present Banco de Bogotá's loan portfolio at the dates indicated.

	At June 30 (1)		Change, June 30, 2012 vs. June 30, 2011	
	2012	2011	#	%
	(in Ps billions)			
Commercial	26,593.3	23,097.4	3,496.0	15.1
Consumer	9,689.6	8,131.4	1,557.9	19.2
Microcredit	242.5	206.4	36.0	17.5
Mortgages	3,256.9	3,030.6	226.3	7.5
Financial leases	1,963.2	1,226.0	737.2	60.1
Total	**41,745.4**	**35,691.9**	**6,053.5**	**17.0**

\

	At December 31, (1)		Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	#	%
	(in Ps billions)			
Commercial	25,434.3	21,520.9	3,913.4	18.2
Consumer	9,282.1	7,712.3	1,569.8	20.4
Microcredit	240.7	198.5	42.2	21.3
Mortgages	3,444.7	3,144.5	300.1	9.5
Financial leases	1,633.3	972.3	661.0	68.0
Total	**40,035.0**	**33,548.5**	**6,486.5**	**19.3**

(1) Reflects Banco de Bogotá consolidated figures, which include BAC Credomatic's operations.

Commercial loans

Banco de Bogotá's commercial loan portfolio consists of general purpose loans, loans funded by development banks, working capital loans, credit cards and overdrafts.

The following tables present Banco de Bogotá's commercial loan portfolio at the dates indicated.

	At June 30, (1)		Change, June 30, 2012 vs. June 30, 2011	
	2012	2011	#	%
	(in Ps billions)			
General purpose loans	17,682.2	15,891.3	1,790.9	11.3
Loans funded by development banks	850.5	878.4	(27.9)	(3.2)
Working capital loans	7,434.8	5,994.5	1,440.2	24.0
Credit cards	167.7	124.1	43.7	35.2
Overdrafts	458.1	208.9	249.2	119.3
Total	**26,593.3**	**23,097.3**	**3,496.0**	**15.1**

	At December 31, (1)		Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	#	%
	(in Ps billions)			
General purpose loans	16,861.7	15,144.7	1,716.9	11.3
Loans funded by development banks	939.3	894.9	44.4	5.0
Working capital loans	7,344.2	5,239.8	2,104.4	40.2
Credit cards	135.2	116.2	19.0	16.4
Overdrafts	153.9	125.3	28.6	22.8
Total	**25,434.3**	**21,520.9**	**3,913.4**	**18.2**

(1) Reflects Banco de Bogotá consolidated figures, which include BAC Credomatic's operations.

Consumer loans

Banco de Bogotá's consumer loan portfolio consists of personal loans, automobile and other vehicle loans, credit cards and overdrafts.

The following tables present Banco de Bogotá's consumer loan portfolio at the dates indicated.

	At June 30, (1)		Change, June 30, 2012 vs. June 30, 2011	
	2012	2011	#	%
	(in Ps billions)			
Credit cards	3,727.1	3,165.9	561.2	17.7
Personal loans	4,421.0	3,592.8	828.3	23.1
Automobile and other vehicle loans	1,477.0	1,312.0	164.9	12.6
Overdrafts	62.9	61.0	2.0	3.3
Working capital loans	1.5	0.0	1.5	–
Total	**9,689.6**	**8,131.6**	**1,557.9**	**19.2**

	At December 31, (1)		Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	#	%
	(in Ps billions)			
Credit cards	3,699.2	3,275.9	423.3	12.9
Personal loans	4,048.6	3,045.9	1,002.7	32.9
Automobile and other vehicle loans	1,482.4	1,320.9	161.5	12.2
Overdrafts	51.8	34.6	17.2	49.8
Working capital loans	0.0	35.0	(35.0)	(100.0)
Total	**9,282.1**	**7,712.3**	**1,569.8**	**20.4**

(1) Reflects Banco de Bogotá consolidated figures, which include BAC Credomatic's operations.

Financial leases

Banco de Bogotá had Ps 1,633.3 billion and 1,963.2 billion of financial leasing assets at December 31, and June 30, 2012, respectively, on a consolidated basis.

Leasing Corficolombiana, Corficolombiana's leasing subsidiary, had Ps 583.1 billion and Ps 509.9 billion of financial leasing assets at June 30, 2012 and December 31, 2011, respectively, and Ps 5.7 billion and Ps 13.7 billion of net income for the six-month period ended June 30, 2012 and for the year ended December 31, 2011, respectively.

Corficolombiana is a subsidiary of Banco de Bogotá.

Deposit-taking activities

Banco de Bogotá offers customers checking accounts, savings deposits, time deposits (CDs) and other deposits as described in the table below.

The following tables present a breakdown of Banco de Bogotá's deposits by product type at the dates indicated.

	At June 30, (1)		Change, June 30, 2012 vs. June 30, 2011	
	2012	2011	#	%
	(in Ps billions)			
Checking accounts	12,812.1	10,623.8	2,188.4	20.6
Savings deposits	15,468.1	15,473.5	(5.4)	(0.0)
Time deposits	17,806.3	12,688.3	5,118.0	40.3

	At June 30, (1)		Change, June 30, 2012 vs. June 30, 2011	
	2012	2011	#	%
	(in Ps billions)			
Other deposits	422.3	390.2	32.1	8.2
Total	**46,508.8**	**39,175.8**	**7,333.0**	**18.7**

	At December 31, (1)		Change, December 31, 2011 vs. December 31, 2010	
	2011	2010	#	%
	(in Ps billions)			
Checking accounts	12,510.6	11,004.6	1,506.1	13.7
Savings deposits	14,805.4	13,653.7	1,151.7	8.4
Time deposits	15,450.3	12,774.7	2,675.6	20.9
Other deposits	600.2	559.3	40.9	7.3
Total	**43,366.5**	**37,992.3**	**5,374.2**	**14.1**

(1) Reflects Banco de Bogotá consolidated figures, which include BAC Credomatic's operations.

Treasury operations

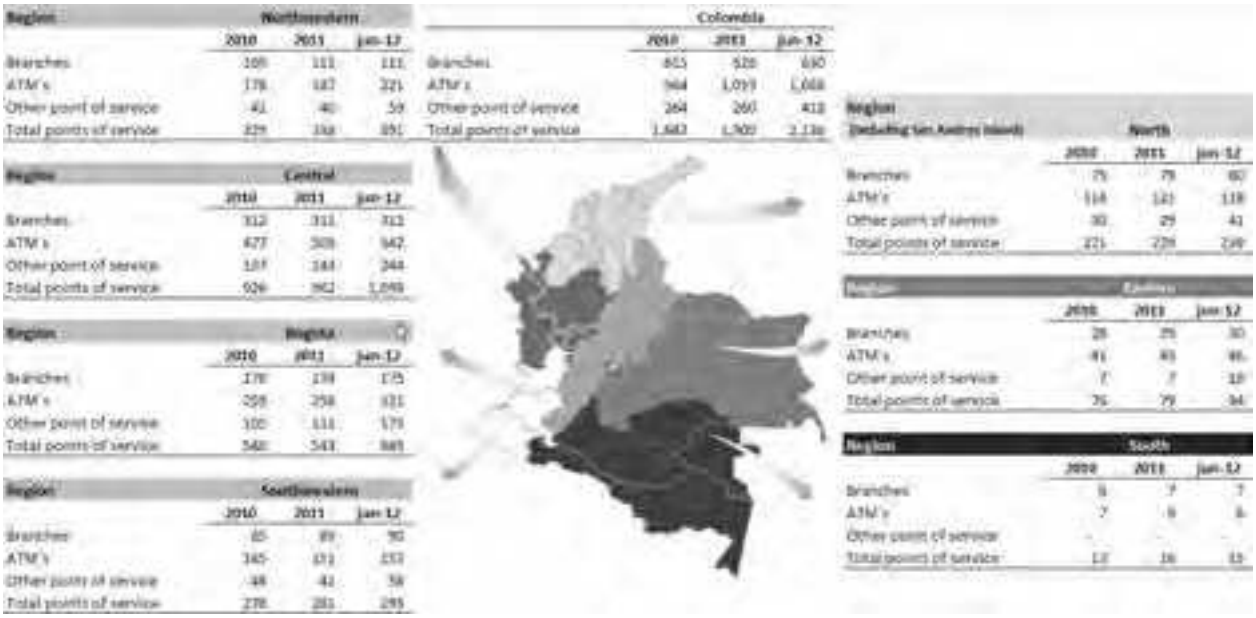
Banco de Bogotá's treasury operations are focused on fixed-income securities, foreign exchange transactions and derivatives. Derivatives transactions include basic coverage such as forwards, options and swaps.

Since 2008, Banco de Bogotá is active in the Colombian futures market, with futures operations in securities and exchange rate indexes.

For additional information, see "Management Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and capital resources—Funding."

Distribution

The following map presents Banco de Bogotá's points of service across the principal regions of Colombia at June 30, 2012 and December 31, 2010 and 2011.



Source: Banco de Bogotá Colombian operations.

Note: Other points of service include non-banking correspondents *(corresponsales no bancarios)*, electronic service points (*agilizadores electrónicos*) and collection centers (*centros de pago*).

Banco de Bogotá has network concentration of approximately 51.4% in Colombia's central region, of which Bogotá represents approximately 60.9%. Banco de Bogotá has market share of approximately 13.6% of branches (including collection centers) and approximately 9.6% of ATMs at June 30, 2012.

The following table presents transaction volumes through Banco de Bogotá's physical distribution channels in Colombia at the dates indicated.

	Transactions			% of total transactions		
	At June 30,	At December 31,		At June 30,	At December 31,	
Banco de Bogotá	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
		(in thousands)				
Branches	67,200	131,012	128,322	44.5	45.0	49.9
ATMs	22,067	43,272	39,374	14.6	14.9	14.4
Other	3,615	7,998	8,643	2.4	2.7	3.1
Total	**92,882**	**182,282**	**176,340**	**61.6**	**62.7**	**66.4**

The following table presents transaction volume for online banking, mobile banking and automated telephone banking channels in Colombia at the dates indicated.

	Transactions			% of total transactions		
	At June 30,	At December 31,		At June 30,	At December 31,	
Banco de Bogotá	**2012**	**2011**	**2010**	**2012**	**2011**	**2010**
		(in thousands)				
Online Banking	54,084	100,790	90,527	35.8	34.6	32.8
Mobile Banking	256	510	411	0.2	0.2	0.1
Automated Telephone Banking	3,655	7,300	8,530	2.4	2.5	3.1
Total	**57,995**	**108,600**	**99,469**	**38.4**	**37.3**	**36.1**

Other services and products

In addition to the banking services and products offered pursuant to its strategy, Banco de Bogotá also offers the following other services and products:

- fiduciary services including portfolio management, collateral and payment services for project finance, and real estate escrow services through its 95.0% direct ownership interest in Fidubogotá, the second-largest fiduciary in Colombia as measured by net income and the third-largest as measured by assets under management at June 30, 2012;
- merchandise storage and deposit, customs agency, cargo management and merchandise distribution, through its subsidiary Almaviva;
- brokerage services, fund management, portfolio management, securities management and capital markets consulting services through its 22.8% direct ownership interest in Casa de Bolsa;
- pension fund administration through Porvenir, by which Banco de Bogotá is the leading pension fund administrator in Colombia, as measured by number of customers, assets under management, ROAE and profitability at June 30, 2012;
- Central American banking operations through BAC Credomatic; and
- investment banking, treasury and private banking services through Corficolombiana, the largest merchant bank and financial corporation in Colombia as measured by assets. Private banking services have also been provided directly by Banco de Bogotá since 2003.

In 2009, through its bancassurance line, Banco de Bogotá began offering unemployment insurance for its loans, through which the insurer provides coverage for the first six months of missed payments. In 2012, Banco de Bogotá began offering mortgage loans through its points of service in Colombia. Banco de Bogotá intends to expand its bancassurance offerings and mortgage loans over the next few years.

Porvenir

Porvenir is the leading private AFP in Colombia, with a market share of 21.6% of mandatory pension fund individual customers and 30.1% of severance plan individual customers at June 30, 2012. See "—Competition—Pension and severance fund management—Porvenir." Porvenir also provides voluntary pension funds and manages third-party sponsored pension funds. Pension funds provide individual savings for retirement, and severance funds provide temporary income to employees who lose their jobs. Through Gestión y Contacto S.A., Porvenir manages pension-related information systems designed to provide employees with efficient payment solutions.

At June 30, 2012, Porvenir had Ps 44.5 trillion in total assets under management, of which Ps 31.1 trillion was managed under the mandatory pension fund, Ps 2.4 trillion was managed under the severance fund, Ps 2.0 trillion was managed under the voluntary pension fund and Ps 9.0 trillion was managed as a third-party sponsored pension liability fund.

At June 30, 2012, Porvenir had consolidated shareholders' equity of Ps 690.6 billion and net profits of Ps 105.7 billion. Since its inception, Porvenir has been the leader in the Colombian private pension and severance fund markets.

Porvenir's strengths include the following:

- Porvenir is the most profitable AFP in Colombia, with an ROAE of 32.2% at June 30, 2012;
- Porvenir has the largest and, we believe, most effective sales force in the industry with a nationwide presence. At the same time, it is the most efficient AFP in Colombia, with an efficiency ratio of 34.9% at June 30, 2012 (on a consolidated basis); and
- Porvenir has access to Grupo Aval's banking network. This advantage is particularly relevant in the severance market, as Grupo Aval's banks provide financing to employers to comply with legally imposed annual severance allowance liabilities for their employees. In addition, the banks of Grupo Aval provide collection services for all of the funds administered by Porvenir.

On December 24, 2012, our subsidiary Porvenir, and our parent Grupo Aval, announced that they had entered into a stock purchase agreement with Banco Bilbao Vizcaya Argentaria S.A. of Spain ("BBVA") and Compañía Chilena de Inversiones S.L., an affiliate of BBVA, for the acquisition of 99.99% of the outstanding shares of BBVA Horizonte for U.S.$530 million, subject to certain adjustments. Porvenir expects to close the pending BBVA Horizonte acquisition on or before the end of the first six months of 2013. See "Risk Factors—Risks relating to our pending acquisition of BBVA Horizonte". Grupo Aval entered into the stock purchase agreement as guarantor of Porvenir's obligations, including payment of the purchase price. The stock purchase agreement permits the assignment of Porvenir's obligations under the stock purchase agreement to any subsidiaries of Grupo Aval incorporated in Colombia. See "Summary—Other developments—BBVA Horizonte acquisition."

Ownership

The following table presents the share ownership structure of Porvenir at June 30, 2012.

	Porvenir ownership
	(in percentages)
Banco de Bogotá	35.3
Grupo Aval	20.0
Banco de Occidente	23.1
Fidubogotá (1)	11.6
Fiduciaria de Occidente (2)	10.0
Total	**100.0**

(1) Fidubogotá is 95.0% owned by Banco de Bogotá. The remaining 3.6% is owned by Corporación Banco de Bogotá and 1.4% by Rendifin S.A., an affiliate of Mr. Sarmiento Angulo.

(2) Fiduciaria de Occidente is a subsidiary of Banco de Occidente, which is a subsidiary of our parent, Grupo Aval.

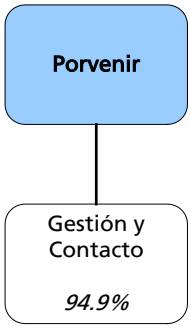
History

Porvenir was formed in 1991, and began its operations as a leading severance fund manager with nationwide operations. The pension fund system in Colombia has been historically administered by the Colombian Institute of Social Security (now *Colpensiones*) and was a government-sponsored defined public benefit plan. In 1993, however, a system of defined individual contributions was introduced, to be administered by private pension companies under the supervision of the Superintendency of Finance. In contrast to the "pay as you go" system, this new system was characterized by being funded by the savings of each individual customer. This system has grown significantly to become the principal pension fund system in Colombia. As a result of the market shift, private pension companies have become important participants in the local capital markets.

In 1994, Porvenir commenced operations under this new regime, and rapidly became the leader in mandatory pension fund plans. At that time, Porvenir's ownership was divided between Grupo Aval's banks, which held a majority interest, and Provida, the largest AFP in Chile. In 2003, Porvenir founded an AFP in the Dominican Republic in association with local banks, which it sold in the same year to one of Provida's related companies. At the same time, Provida's participation in Porvenir was bought by Grupo Aval entities.

In 2009, the regulatory system changed the mandatory pension system from a single fund for all affiliates to a multi-fund system (following examples in Chile, Mexico and Peru), which will continue to be implemented through 2011, allowing individuals to select from among funds with different risk profiles. This shift represented a milestone in the Colombian pension fund industry and allows for more flexibility and greater opportunities for AFPs in Colombia.

The following chart shows Porvenir's principal subsidiary at June 30, 2012.



Source: Company data at June 30, 2012.

Business overview

The Ministry of Finance limits the range of assets in which AFPs can invest and also sets concentration limits. In addition, each AFP is required by law to provide a minimum return on investment for each of its mandatory pension and severance funds. This minimum return is determined pursuant to certain formulas established by means of Decree 2555 of 2010, which vary pursuant to the type of fund. Prior to the multi-fund scheme, the minimum return was calculated on a 36-month time horizon for mandatory pension funds and 24-month time horizon for severance funds. With the introduction of the multi-fund scheme, a new risk profile system came into effect which differentiates conservative, moderate and aggressive risk portfolios for individual clients of severance and mandatory pension funds. To adjust the minimum return of mandatory pension funds to the new risk profile portfolios, the time horizon for the minimum return will change from 36 months to a range of 36 to 60 months, depending on the risk profile of each portfolio. For severance funds, the long-term portfolio will continue to have a 24-month time horizon, and the short-term portfolio will have a three-month time horizon.

If a fund's cumulative return for any month is lower than the minimum return, the AFP must supplement the necessary amount to cover the difference within a period of five days. To do so, the AFP must first apply funds from its "stabilization reserve," which is a portion of the AFP's capital invested in the fund administered by the AFP and which must represent at least 1.00% of the value of that fund. If the stabilization reserve is insufficient to cover the difference, the AFP must provide resources from its remaining capital. If the AFP does not have enough resources to cover the difference, the Superintendency of Finance may order the capitalization of the AFP. If, notwithstanding the above, an AFP fails to observe either the minimum return or the stabilization requirements or the order of capitalization, the Superintendency of Finance may take possession (tomar posesión) of the AFP, in which case FOGAFIN, the Colombian deposit insurance fund, is required to supply funds to cover the shortfall. In that event, the AFP may be dissolved and the fund transferred to another AFP. See "Risk Factors—Risks relating to our businesses and industry—Risks relating to our pension and severance fund management business—Porvenir operates in a highly regulated market, which limits its flexibility to manage its businesses."

At June 30, 2012, 68.2% of Porvenir's revenues were derived from mandatory pension funds, 13.6% from severance funds, 9.6% from voluntary pension funds and 6.7% from third-party sponsored pension liability funds. Porvenir derived the remaining 1.9% of its revenues from a combination of its own portfolio, stabilization reserves and other income.

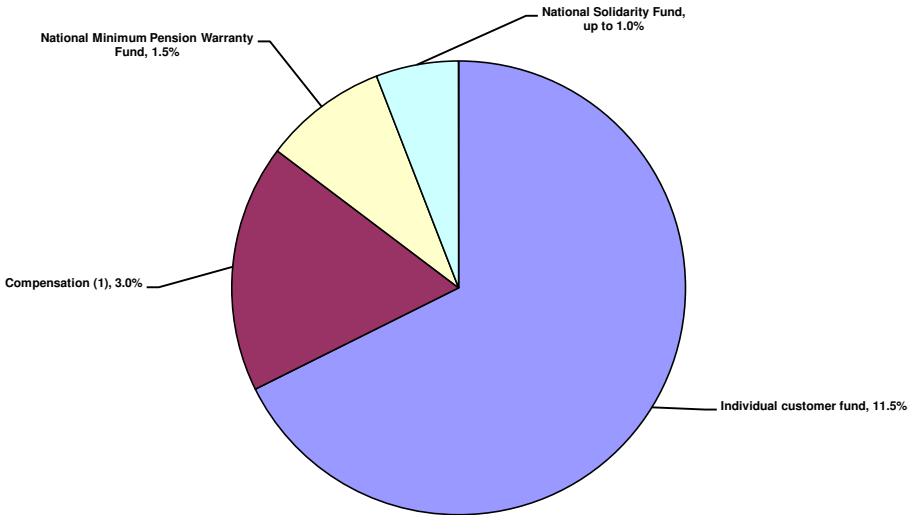
Mandatory pension funds

Mandatory pension funds are independent trusts formed by contributions made by individual customers to the social security pension system.

At June 30, 2012, mandatory pension funds represented 70.0% of Porvenir's assets under management and constituted its main line of business.

Contributions to these pension funds are mandatory for all employees in Colombia and are jointly funded by the employer and the employee. The base contribution rate is 16.0% (up to 18.0% for employees meeting a certain salary threshold) of an employee's base salary, whereby the employer contributes 75.0% and the employee 25.0% of the base contribution rate. Contributions are paid on a monthly basis. Of the 16.0%-18.0% total contribution, 11.5% goes to the individual customer's fund. The AFP retains 300 basis points (3.0%) as compensation, of which Porvenir currently pays 145 basis points (1.45%) to an insurer for life and disability coverage, to which it is required by law to subscribe. The percentage that Porvenir pays for this insurance may increase or decrease depending on market conditions and other factors. The remainder is distributed between the National Solidarity Fund (*Fondo de Solidaridad Pensional*), depending on the employee's salary (up to 2.0%), and the National Minimum Pension Warranty Fund (*Fondo de Garantía de Pensión Mínima*) (at 1.5%). The following chart presents this breakdown.

Breakdown of contributions for mandatory pension funds



(1) Porvenir currently pays 1.45% of this 3.00% compensation for life and disability insurance coverage.

Porvenir earns revenues related only to an individual customer's monthly contributions and does not charge a fee for the balance that is managed for its active customers. Inactive customers are charged a fee, calculated based on the monthly fund returns.

Employees may freely select their mandatory pension fund, a private AFP of their choice or the government-sponsored defined public benefit plan, administered by Colpensiones, and can change plans after meeting minimum tenure requirements of five years to switch from the public fund to a private plan, and six months to switch between private fund providers. Whenever an employee changes from one AFP to another, his/her entire savings balance at the fund is transferred to the pension fund administered by the new AFP.

Mandatory pension funds cannot be withdrawn prematurely, and they generally expand over the individual's working years. Porvenir is the market leader in the mandatory pension area, with a total of Ps 31.1 trillion of assets under management and 3.3 million individual customers at June 30, 2012.

Since March 22, 2011, pension fund managers offer three types of mandatory funds under the new multi-fund regulatory system from which individual customers may choose. These funds are:

- **Conservative fund:** for individual customers with a low financial risk profile, or who are close to reaching retirement. The fund attempts to have the best possible return with low risk exposure. The maximum limit of equity securities is 20% of the fund's value;

- **Moderate fund:** for individual customers with a medium financial risk profile, or in the middle of their working lives. The fund attempts to have the best possible return with a medium risk exposure. The maximum limit of equity securities is 45% of the fund's value; and

- **Higher risk fund:** for individual customers with a high financial risk profile, or in the beginning of their working lives. The fund attempts to have the best possible return with higher risk exposure. The maximum limit of equity securities is 70% of the fund's value.

Severance funds

Severance funds are independent trusts formed by the accumulated severance payment allowance required by Colombian labor law. The severance payment allowance is a social benefit inuring to employees for which employers are responsible under an employment agreement. The allowance consists of the payment of one month's salary per year of service and pro rata amounts for fractions of a year. This amount is deposited directly with the AFP by the employer.

Severance accounts represented 5.3% of Porvenir's assets under management at June 30, 2012.

Under Law 1328 of 2009, severance funds are divided into two portfolios, one for a long-term administration and a second for a short-term administration of the resources. Severance funds tend to be withdrawn fully over the 12 months following their deposit. Long-term growth comes from returns on these funds accumulated over the year. Porvenir and all other AFPs in Colombia charge a fee (per year for assets under management) of 1.0% for amounts in the mandatory investments short-term portfolio and 3.0% in the long-term portfolio. Until 2009, AFPs charged a flat fee of 4.0%. Employees may choose a different AFP to manage their severance fund payments from the AFP chosen to manage those of their mandatory pension fund.

Porvenir is the market leader in the severance area, with Ps 2.4 trillion of assets under management and 1.8 million customers at June 30, 2012.

Voluntary pension funds

Voluntary pension funds are independent trusts formed by contributions from their participants and/or sponsors and their respective yields, for the purposes of complying with one or several voluntary retirement or disability pension plans.

Voluntary pension funds represented 4.4% of Porvenir's assets under management at June 30, 2012.

All contributors to voluntary pension funds can invest their funds in one or more portfolios with different objectives, durations and risk profiles.

Porvenir earns annual management commissions for assets under management that range between 1.0% and 4.0%, depending on the balance of the customer and the selected portfolios (lower commissions for liquidity portfolios and higher commissions for more complex portfolios). At June 30, 2012, Porvenir had Ps 2.0 trillion of voluntary pension assets under management and approximately 95,000 voluntary pension fund individual customers.

Third-party sponsored pension liability funds

Third-party sponsored pension liability funds represent approximately 20.3% of Porvenir's assets under management at June 30, 2012. Third-party sponsored pension liability funds are made up of deposits from different institutions (both private and publicly owned) that require a professional institution to manage a fund that is usually created to finance particular pension regimes (i.e., pensions that are paid by the employer; before 1994, companies were allowed to establish their own internal pension systems).

Third-party sponsored pension liability funds in some cases have a minimum guaranteed return pursuant to their terms. Porvenir had Ps 9.0 trillion of such assets under management at June 30, 2012, mostly under contracts of five years. The most important of these contracts is with the National Pension Fund of Territorial Entities (Fondo Nacional de Pensiones de las Entidades Territoriales), or "FONPET," which is subject to renewal upon expiration in November 2017. Porvenir retains a percentage of the yearly returns of each third-party sponsored pension liability fund, and in some cases, a portion of assets under management.

Porvenir's investments

Porvenir is required to own at least 1.00% of the funds it manages that are subject to a minimum return, known as the stabilization reserve. This stabilization reserve represents 60.3% of Porvenir's proprietary investments. In addition, Porvenir holds voluntary investments. Revenues related to Porvenir's stabilization reserve and its proprietary portfolio represented 19.2% of the total revenues of the company at June 30, 2012.

Distribution

Porvenir attracts new individual customers mainly through its large direct sales force (approximately 1,000 individuals) who report to four regional sales managers located in Barranquilla (northern region), Medellín (northwestern region), Cali (southern region) and Bogotá (central region). At June 30, 2012, Porvenir has 35 offices, 9 service modules, 50 electronic service centers and 5 business service centers. It maintains a presence in all regions of Colombia through its service agreements with Grupo Aval's banks.

Corficolombiana

Corficolombiana is the largest merchant bank in Colombia based on total assets at June 30, 2012. Corficolombiana focuses on four main lines of business: (1) equity investments in strategic sectors of the Colombian economy, including, in particular, infrastructure, electricity and gas and finance; (2) investment banking, including services relating to capital markets, mergers and acquisitions and project finance transactions; (3) treasury operations; and (4) private banking.

At June 30, 2012, Corficolombiana had total consolidated assets and shareholders' equity of Ps 12,281.4 billion and Ps 3,090.6 billion, respectively (on an unconsolidated basis of Ps 9,068.6 billion and Ps 3,019.1 billion, respectively), and net income of Ps 209.2 billion (on an unconsolidated basis of Ps 278.0 billion) .

The following table presents the share ownership structure of Corficolombiana at June 30, 2012.

	Corficolombiana ownership (includes common and preferred shares)
	(in percentages)
Banco de Bogotá	37.7
Banco de Occidente (1)	13.5
Banco Popular (1)	5.6
Ownership by funds managed by Porvenir (2)	1.3 (2)
Other investors (3)	10.4
General public	31.5
Total	**100.0%**

(1) Banco de Occidente and Banco Popular are subsidiaries of our parent, Grupo Aval.

(2) Includes 0.9% of preferred shares.

(3) Based on publicly available information, we have identified a group of investors who have maintained positions of at least one percent in Corficolombiana over a significant period of time.

Corficolombiana's business model is based on three premises: (1) investing in businesses in strategic sectors of the Colombian economy; (2) distributing cash flows generated by its equity investment portfolio to its shareholders; and (3) acting as an investment fund and financial advisor that is listed on the Colombian Stock Exchange and regulated by the Superintendency of Finance. Corficolombiana's equity investment strategy is to acquire and hold majority or substantial stakes in strategic businesses. These investments enable Corficolombiana to exert significant influence or control over these businesses' operations and to promote revenue growth, operational efficiencies and optimization of the capital structures. Corficolombiana endeavors to achieve a balance between companies with potential to generate cash and companies with capacity to create value.

Corficolombiana's funding strategy seeks to minimize liquidity risk by funding equity investments using its own equity, principally retained earnings. It has not sought to raise equity capital from its shareholders in the last five years. Between December 31, 2006 and December 31, 2011, the book value of Corficolombiana's equity investment portfolio increased by 98.0% on a consolidated basis (117.8% on an unconsolidated basis) and its shareholders' equity increased by 82.0% on a consolidated basis (79.5% on an unconsolidated basis). At June 30, 2012 the gross book value of Corficolombiana's investment portfolio before provisions totaled Ps 2,474.5 billion on a consolidated basis (Ps 2,974.8 billion on an unconsolidated basis) and its shareholders' equity totaled Ps 3,090.6 billion on a consolidated basis (Ps 3,019.1 on an unconsolidated basis).

Corficolombiana is regulated as a finance corporation by the Superintendency of Finance. Under Colombian law, a finance corporation is permitted to hold equity ownership positions in both financial and non-financial companies, unlike banks, which may only invest in financial companies. See "Supervision and Regulation."

History

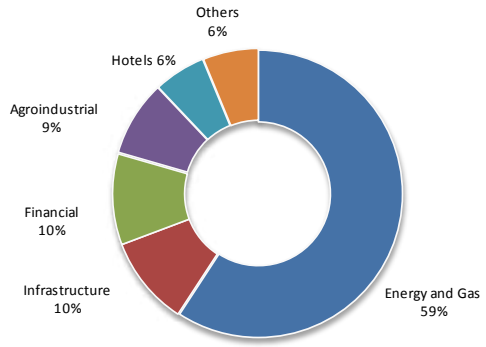
Corficolombiana was founded in 1959 as an affiliate of Banco de Bogotá. Since 1997, it has acquired and merged with seven financial institutions. In 2005, Corficolombiana completed its most recent merger, with Corfivalle, which resulted in Corficolombiana becoming the largest merchant bank in the country. Following this merger, Corficolombiana transferred its loan portfolio to Banco de Bogotá in order to focus on its investment businesses.

Equity investment portfolio

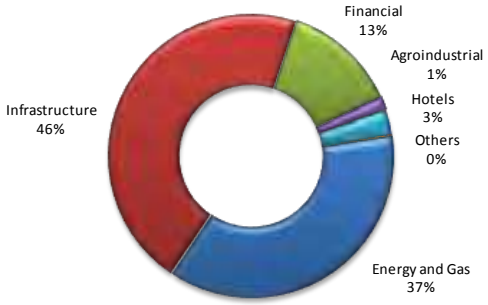
Corficolombiana primarily invests in six sectors of the Colombian economy: infrastructure; electricity and gas; retail fuel distribution; financial services; hotels; and agribusiness. It generally seeks to invest in businesses with leading market positions, strong cash flows and growth potential.

The following charts provide information concerning Corficolombiana's investments in sectors of the Colombian economy at June 30, 2012 and for the six-month period ended June 30, 2012, as the case may be.

Sector breakdown by book value of investments at June 30, 2012



Sector breakdown by earnings (1) for the six-month period ended June 30, 2012



(1) Corresponds to the sum of the net income of each of the investments, adjusted to reflect the ownership interest of Corficolombiana.

Corficolombiana has a track record of growth in its equity investment portfolio as measured by its book value evolution. Future growth will depend, in large part, on the identification of new investments and growth in the economic sectors in which it invests. Corficolombiana made at least one new investment in each of its six key sectors and believes that it will have opportunities for further investments in each such sector in the coming years. In terms of its existing portfolio of equity investments, Corficolombiana intends to focus on realizing value from these investments through private sales or public offerings.

Corficolombiana's infrastructure investments are concentrated in highway concession projects, a sector in which it is the leading private investor in Colombia. Among other investments, it has controlling ownership positions in four highway concession projects, consisting of the 85.6 kilometer highway between Bogotá and Villavicencio, the 57.0 kilometer highway between Buga, Tuluá and La Paila (subsequently extended by 20.1 kilometers to La Victoria), the 111 kilometer highway between Los Alpes and Villeta, Chuguacal and Cambao and the 38.3 kilometer highway between Fontibón and Facatativá. Corficolombiana's infrastructure investments totaled Ps 371.7 billion after provisions at June 30, 2012 (on an unconsolidated basis).

Corficolombiana's main investments in the energy and gas sector include the second-largest natural gas pipeline company in Colombia (Promigas S.A. E.S.P., or "Promigas"), an electricity and gas conglomerate (Empresa de Energía de Bogotá, or "EEB") and a gas distribution company in northern Peru (Gas Comprimido del Peru S.A., or "Gascop"). Corficolombiana's energy and gas investments totaled Ps 2,058.7 billion after provisions at June 30, 2012 (on an unconsolidated basis).

In February 2011, Corficolombiana acquired a 14.39% direct interest and a 10.58% indirect economic interest in Promigas S.A. E.S.P., or "Promigas." In addition, Corficolombiana and Porvenir together hold a further 24.9% economic exposure to Promigas as a result of their respective holdings in a private investment fund. Corficolombiana has taken the following steps to restructure its ownership in, and acquire up to 100% ownership of the outstanding share capital of Promigas.

On June 5, 2012, the 10.58% indirect economic interest held by Corficolombiana in Promigas was transferred to CFC Limited, a wholly-owned subsidiary of Corficolombiana through a Colombian law spin-off (*escisión)*, a process under which, pursuant to Colombian law, a company segregates a portion of its assets to transfer it to another company. Following that step, CFC Limited merged into CFC Gas Holding SAS, a Colombian wholly-owned subsidiary of Corficolombiana.

On July 31, 2012, Corficolombiana launched a tender offer (*oferta pública de adquisición*) for the purchase of up to the remaining 75.03%, or 99,726,875, of outstanding common shares in Promigas at a purchase price of Ps 25,000 per share. The tender offer closed on September 12, 2012 with the purchase of 1,281,993 shares for a total consideration of Ps 32.0 million.

Corficolombiana's principal investments in agribusiness are centered around forestry and woodworking as well as the production of palm oil, rubber, rice and cotton. These investments include a controlling stake in Organización Pajonales S.A. (formerly known as Compañía Agropecuaria e Industrial Pajonales S.A.) and minority stakes in Pizano S.A. and Unipalma S.A. Investments in this sector totaled Ps 308.2 billion after provisions at June 30, 2012 (on an unconsolidated basis).

Corficolombiana also has investments in the hospitality sector. These include majority stakes in Hoteles Estelar de Colombia S.A. and Promotora y Comercializadora Turística Santamar S.A, which totaled Ps 200.3 billion after provisions at June 30, 2012 (on an unconsolidated basis).

In the financial-services sector, Corficolombiana offers leasing, trust, brokerage and offshore banking services to third-party customers through three subsidiaries: Leasing Corficolombiana S.A., Fiduciaria Corficolombiana S.A. and Banco Corficolombiana (Panama) S.A. Corficolombiana's investments in these three subsidiaries totaled Ps 345.4 billion at June 30, 2012 (on an unconsolidated basis and after provisions).

Investment banking, treasury and private banking businesses

Corficolombiana's investment banking groups provide advice to third-party clients in the Colombian market covering a broad range of transactions, including, among others, capital markets, mergers and acquisitions, project finance and private banking. Corficolombiana has helped to shape the participation of the private sector in infrastructure projects, to develop the domestic capital markets and to expand the resources and operations of local companies in the region. At June 30, 2012 and December 31, 2011, Corficolombiana's investment bank helped secure financing and coordinate projects for its clients totaling more than Ps 13.7 trillion and Ps 2.4 trillion, respectively. The main project in the six-month period of 2012 was the merger in the communications sector between Telefónica Móviles Colombia S.A. and Colombia Telecomunicaciones S.A. E.S.P, which amounted to Ps 9.7 trillion.

Corficolombiana's treasury operations are a leading participant in Colombian capital markets, both in sovereign and corporate debt securities and foreign currency denominated securities. It is also an active participant in the derivatives market, and an active market maker for Colombian sovereign debt securities. At June 30, 2012, Corficolombiana had total fixed income assets of Ps 4,245.8 billion on a consolidated basis, and Ps 4,154.0 billion on an unconsolidated basis.

Corficolombiana's private banking business provides high income customers with a wide range of investment services and products. The private banking operations had approximately Ps 805.7 billion in assets under management for its customers at June 30, 2012.

BAC Credomatic

On December 9, 2010, we acquired BAC Credomatic GECF Inc., a company incorporated under the laws of the British Virgin Islands, pursuant to a stock purchase agreement with GE Consumer Finance Central Holdings Corp. and General Electric Capital Corporation (collectively, GE Capital), for U.S.$1.92 billion. BAC Credomatic GECF Inc. was renamed BAC Credomatic Inc. on June 7, 2011.

The BAC Credomatic acquisition provides us with a leading Central American presence with operations that are complementary to our businesses and with the opportunity to enter primarily the consumer and credit card banking businesses in this region. BAC Credomatic is a leading Central American banking group with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. BAC Credomatic maintains a credit card-issuing operation in Mexico, a small merchant and card processing center in the State of Florida and offshore subsidiaries in the Bahamas and the Cayman Islands. BAC Credomatic is one of the leading credit card issuance and merchant-acquiring franchises in Central America. BAC Credomatic's credit card accounts represented 25.7% of total credit card accounts in Central America (calculated based on data and information provided by Euromonitor International) at December 31, 2010.

We financed the BAC Credomatic acquisition, which was carried out by Leasing Bogotá Panamá, a subsidiary of Banco de Bogotá, with the following funds:

- The issuance by Banco de Bogotá of Ps 2,284.6 billion (U.S.$1.27 billion) of mandatorily convertible bonds, which bore interest at 3.00%, until converted into Banco de Bogotá's shares. All these notes converted into Banco de Bogotá shares by November 2011. These notes were initially subscribed as follows:
    - Grupo Aval: Ps 1,374.1 billion (U.S.$763.2 million);
    - Adminegocios & Cia. S.C.A., an entity beneficially owned by Mr. Sarmiento Angulo: Ps 425.4 billion (U.S.$236.3 million); and
    - other Banco de Bogotá's shareholders and assignees of preferred rights: Ps 485.0 billion (U.S.$269.4 million).
- Banco de Bogotá entered into a 364-day U.S.$1.0 billion senior bridge loan facility dated December 1, 2010 with Citibank, N.A., acting through its international banking facility, HSBC Bank USA, National Association and JPMorgan Chase Bank, N.A., an affiliate of J.P. Morgan Securities LLC, an initial purchaser, as lenders, or the "Senior Bridge Loan Facility." Borrowings under the facility accrued interest at one-, two-, three- or six-month LIBOR, at Banco de Bogotá's election, plus (1) 100 basis points until six months after December 1, 2010, (2) 125 basis points from six months after December 1, 2010 until nine months after December 1, 2010 and (3) 150 basis points from nine months after December 1, 2010 until the 364th day after December 1, 2010. On November 30, 2011, Banco de Bogotá entered into an amendment to the Senior Bridge Loan Facility with the lenders, which extended the maturity date of the facility to December 23, 2011, at an interest rate of LIBOR plus 175 basis points. The Senior Bridge Loan Facility has been fully repaid.
    - On December 19, 2011, Banco de Bogotá completed an offering of U.S.$600.0 million of 5.00% Senior Notes due 2017, or the "Banco de Bogotá Debt Offering." The net proceeds of the Banco de Bogotá Debt Offering were used to make repayments to the Senior Bridge Loan Facility.
    - On December 19, 2011, Banco de Bogotá entered into a three-year U.S.$500.0 million unsecured term loan facility with HSBC Bank USA, National Association, as administrative agent, Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and J.P. Morgan Securities LLC, as joint lead arrangers, and various financial institutions as lenders, or the "Term Loan." Borrowings under the facility will accrue interest at three or six months LIBOR, at Banco de Bogotá's election, plus 225 bps per annum at any time. The proceeds of the Term Loan were used, first, to repay amounts outstanding under the Senior Bridge Loan Facility and, second, for general corporate purposes. The Term Loan contains customary events of default and acceleration provisions. We are entitled to voluntarily prepay the Term Loan together with any accrued and unpaid interest on the relevant date, without incurring any penalty. However, we are required to prepay the Term Loan after the occurrence of a change of

control. The Term Loan contains customary representations and warranties and customary affirmative and negative covenants. In particular, the Term Loan limits our ability to create certain types of liens, certain mergers, consolidations and dissolutions. In addition, the Term Loan limits our ability to incur certain types of indebtedness and requires that our technical capital to risk weighted assets ratio remain above 9.0%, our non-performing loans ratio must remain below 3.5% and our loan loss reserve must not fall below 100% each as of the last day of any given fiscal quarter.

- Leasing Bogotá Panamá entered into two U.S.$135.0 million, totaling U.S.$270.0 million, five-year term loans with Bancolombia S.A. and Bancolombia Miami Agency at 180 day LIBOR plus 3.125% on November 26, 2010.

A substantial portion of BAC Credomatic's earnings, assets and liabilities is denominated in foreign currencies. As a result, BAC Credomatic is subject to risks relating to foreign currency exchange rate fluctuations. See "Risk Factors—Risks relating to our businesses and industry—Other risks relating to our business—We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our results of operations and financial condition."

To mitigate this risk, BAC Credomatic seeks to maintain a U.S. dollar net asset position (long U.S. dollar position) which is intended to hedge 100% (and in no case less than 60%) of its shareholders' equity against possible devaluations of each of the local currencies in the countries where it operates against the U.S. dollar. See "—Foreign exchange rate risk related to BAC Credomatic acquisition."

Grupo Aval's international expansion strategy

Historically, growth of Grupo Aval banks in terms of size and earnings has come principally from three sources: (1) Colombia's banking system's organic growth; (2) our banking subsidiaries' ability to outpace the system's organic growth; and (3) acquisitions, mainly in Colombia. We have applied different approaches to post-acquisition integration. Brands such as Banco de Bogotá, Banco de Occidente and Banco Popular have been retained as stand-alone institutions under our multi-brand approach. Others such as Megabanco, Banco Aliadas, Banco Unión, Banco del Comercio, Ahorramás and Corfivalle have been merged into Grupo Aval institutions. Given our leading position in the Colombian banking system, we expect growth through acquisitions to be opportunistic and of limited scope in the future.

In search of additional sources of growth, value creation for our shareholders and diversification, Grupo Aval has in recent years been considering options to expand outside Colombia. The intent of any expansion within this strategy has been:

- to expand within our core businesses;

- to consummate acquisitions of a size large enough to generate a meaningful source of future growth, but small enough not to distract management from its existing business or represent a significant risk for Grupo Aval's current business; and

- to consummate acquisitions in countries where our investment can give us a meaningful market share, with growth potential similar to or higher than that of Colombia, and with a favorable climate for foreign investment.

BAC Credomatic meets our criteria for international expansion because of the following factors:

- it is one of the leading institutions in Central America as measured by net income, assets and deposits, and has a significant presence in the credit card-issuing and merchant acquiring markets;

- it is present throughout the region with a common technological platform that allows it to provide its customers with transactional services online across Central America;

- it has a proven track record of high profitability, with ROAE of 22.4% at June, 2012, 21.8% in 2011, 17.3% in 2010, 18.8% in 2009, 28.4% in 2008 and 28.2% in 2007 (excluding extraordinary gains in 2008 and 2007);

- its management team has an average tenure of 15 years, most of whom pre-date GE Capital's investment in BAC Credomatic; and
- its size offers substantial room for growth in most of the countries in which it currently operates.

Overview

BAC Credomatic is one of the leading financial institutions in Central America with a record of strong financial performance. It has achieved an average of 22.9% in annual ROAE for the period from 2007 to 2011 (excluding extraordinary gains in 2007 and 2008) and 22.4% at June 30, 2012. BAC Credomatic is a full-service financial institution with one of the leading credit card-issuing and acquiring businesses in the region. BAC Credomatic offers commercial and retail banking, brokerage, insurance, pension fund management and other financial services. Its coverage extends throughout Central America with operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama, as well as Mexico (with a small credit card-issuing operation) and the state of Florida (with a merchant and card processing center). It also has a presence in the Bahamas and the Cayman Islands. Its Credomatic brand has key alliances with major credit card networks, such as Visa, MasterCard, American Express and Diners Club.

The table below shows BAC Credomatic financial data on a country-by-country basis at and for the six-month period ended June 30, 2012 and the year ended December 31, 2011.

	At and for the six-month period ended June 30, 2012					
	Net income		Loans		Deposits	
	(in U.S.$ millions except percentages)					
Costa Rica	40.2	33.6%	1,958.8	30.5%	1,798.4	26.4%
El Salvador	13.6	11.4%	872.1	13.6%	1,014.7	14.9%
Guatemala	30.5	25.5%	733.8	11.4%	653.8	9.6%
Honduras	25.4	21.2%	1,028.7	16.0%	1,067.1	15.7%
Nicaragua	16.4	13.7%	665.1	10.4%	847.3	12.4%
Panama (1)	5.3	4.4%	1,084.7	16.9%	947.3	13.9%
Mexico	(3.9)	(3.2)%	58.7	0.9%	–	0.0%
Regional offshore operations (2)	6.3	5.3%	16.0	0.2%	483.7	7.1%
Corporate and eliminations	(14.3)	(11.9)%	–	0.0%	–	0.0%
Consolidated	119.6	100.0%	6,417.8	100.0%	6,812.3	100.0%

	At and for year ended December 31, 2011					
	Net income		Loans		Deposits	
	(in U.S.$ millions except percentages)					
Costa Rica	81.4	37.7%	1,829.5	30.5%	1,628.3	26.0%
El Salvador	26.2	12.1%	840.1	14.0%	947.8	15.1%
Guatemala	54.7	25.4%	668.8	11.1%	632.9	10.1%
Honduras	37.6	17.4%	992.3	16.5%	987.2	15.7%
Nicaragua	30.2	14.0%	624.1	10.4%	792.7	12.6%
Panama (1)	7.1	3.3%	976.1	16.3%	1,010.4	16.1%
Mexico	(8.9)	(4.1)%	57.2	1.0%	0.0	0.0%
Regional offshore operations (2)	11.7	5.4%	17.1	0.3%	275.4	4.4%
Corporate and eliminations	(24.2)	(11.2)%	0.0	0.0%	(3.0)	0.0%
Consolidated	215.8	100.0%	6,005.2	100.0%	6,271.7	100.0%

Source: Audited consolidated financial statements of BAC Credomatic's subsidiaries.

(1) Panama includes loans and deposits from BAC International Bank Panama and subsidiaries intercompany adjustments and eliminations.

(2) Includes BAC Bahamas Bank Ltd. and BAC International Bank (Grand Cayman).

The table below presents BAC Credomatic's percentage of total loans and deposits in each of its main markets at June 30, 2012 and December 31, 2011.

	At June 30, 2012		At December 31, 2011	
	Loans	Deposits	Loans	Deposits
	(in percentages)			
Costa Rica (1)	10.8%	9.1%	10.7%	8.9%
El Salvador	9.8%	10.5%	9.7%	10.1%
Guatemala (2)	3.4%	2.8%	3.2%	2.8%
Honduras	13.0%	12.4%	13.0%	12.0%
Nicaragua	26.8%	21.7%	27.2%	21.9%
Panama	3.0%	3.3%	2.8%	3.0%

Source: Superintendency of banks of each country and company calculations. Percentage of total loans and deposits is based on banking operations in each country, as reported to the local financial regulator, which excludes certain credit card data and offshore operations.

(1) Percentage calculation for Costa Rica includes state-owned banks (Banco Nacional de Costa Rica, Banco de Costa Rica and Banco Crédito Agrícola de Cartago), which at June 30, 2012 and December 31, 2011, respectively, had a 49.6% and 49.3% market share by loans and a 57.9% and 57.6% market share by deposits.

(2) Percentage in Guatemala by loans and deposits are 4.7% and 3.3% at June 30, 2012 and 4.5% and 3.3% at December 31, 2011, respectively, when considering data for financial groups, as reported to the local regulator. Source: Superintendency of Banks of Guatemala (Superintendencia de Bancos de Guatemala).

History

BAC Credomatic has been providing financial services in the Central American region since 1952, when Banco de America (a predecessor entity) was founded in Nicaragua. In 1974, BAC Credomatic (at the time, Credomatic) began its credit card operations in Central America through Credomatic and launched its payment systems network. In 1985, BAC Credomatic entered the banking business in Costa Rica. As part of its regional expansion strategy, in 2007 BAC Credomatic acquired Banco Mercantil in Honduras, Propemi in El Salvador, and Corporación Financiera Miravalles in Costa Rica.

In June 2005, GE Capital acquired 49.99% of the capital stock of BAC Credomatic from entities affiliated with Mr. Carlos Pellas (including BAC Credomatic Holding Company Ltd, or the minority shareholder) who owns a conglomerate of financial, industrial and commercial companies in Central America. In June 2009, GE Capital increased its ownership stake in BAC Credomatic to 75%, as contemplated by the shareholders agreement between GE Capital and the minority shareholder. In July 2010, GE Capital and Grupo Aval reached an agreement to sell 100% of BAC Credomatic to Banco de Bogotá. The acquisition was completed on December 9, 2010. Immediately prior to closing the transaction, GE Capital acquired the remaining 25.0% of BAC Credomatic's share capital that it did not own from the minority shareholder.

As with our approach in our acquisitions in Colombia to date, we have retained a majority of BAC Credomatic's senior management. These executives have an average of 15 years' experience at BAC Credomatic and for the most part pre-date GE Capital's 2005 investment in BAC Credomatic. We plan to continue executing our multi-brand business model by maintaining the BAC Credomatic brand. We currently review BAC Credomatic's results of operations on a monthly basis and consolidate such results in our audited financial statements.

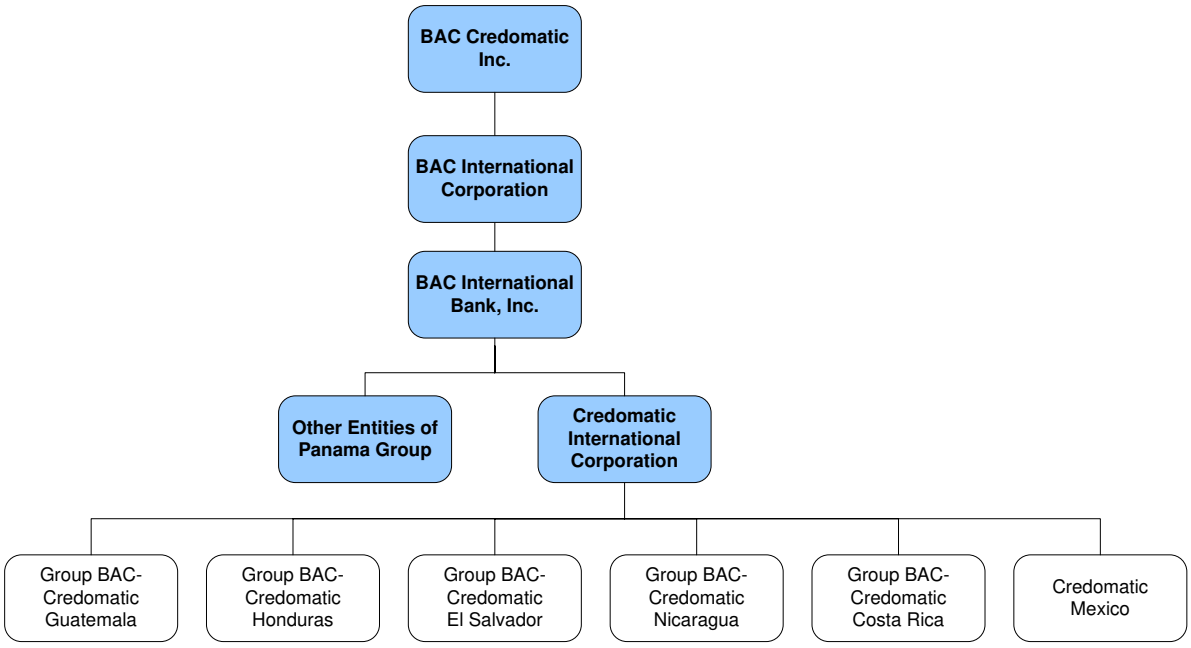
BAC Credomatic operations

BAC Credomatic provides banking, credit card and other financial services mainly in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. The BAC Credomatic brand is widely recognized in Central America, a region that is comparable to Colombia, with significant growth potential in financial services. At June 30, 2012, BAC Credomatic had assets of U.S.$9.8 billion, loans at book value of U.S.$6.4 billion and deposits of U.S.$6.8 billion. At June 30, 2012, BAC Credomatic had shareholders' equity of U.S.$1,086 million and reported net income of U.S.$120 million for the six-month period ended June 30, 2012. BAC Credomatic served more than 2.2 million customers through 487 points of contact including 227 full-service branches, 40 in-store branches offering teller services in retail stores, 192 on-site branches offering full banking services for corporate employees, and 28 auto/drive-thru branches throughout Central America at June 30, 2012 and a single technological platform that allows online transactions between countries in the region.

We believe that BAC Credomatic has a leading presence in the credit card-issuing business and a significant presence in the acquiring market in Central America. At June 30, 2012, BAC Credomatic had approximately 2.4 million credit card and debit card accounts, of which approximately 1.4 million were debit card accounts and approximately 1,1 million were credit card accounts. At December 31, 2010, BAC Credomatic's credit card accounts represented approximately 25.7% of total credit card accounts in Central America (calculated based on data and information provided by Euromonitor International). Through its merchant acquiring business, BAC Credomatic's processing volume amounted to U.S.$5,175 million for the six-month period ended June 30, 2012, representing an increase of U.S.$633 million, or 13.9%, from U.S.$4,542 million for the six-month period ended June 30, 2011, mainly driven by strong performance in Costa Rica, Guatemala and Honduras.

BAC Credomatic offers a wide range of products and integrated financial solutions to its clients throughout the region. BAC Credomatic operates across two main integrated business lines, offering credit card and banking services to its customers.

The following chart shows BAC Credomatic's principal subsidiaries at June 30, 2012.



Lending activities

The following table shows BAC Credomatic's gross loan portfolio at the dates indicated. BAC Credomatic's loan portfolio consists of credit card loans, commercial loans, mortgage loans, automobile and vehicle loans and personal loans. BAC Credomatic's loan portfolio increased by U.S.$413 million (6.9%) from U.S.$6,005 million at December 31, 2011 to U.S.$6,418 million at June 30, 2012. This increase was mainly driven by commercial and consumer loans, and credit cards, as economic activity recovered.

	At June 30,		At December 31,	
	2012	2011	2011	2010
		(in U.S.$ millions)		
Credit card loans	1,484	1,299	1,398	1,306
Commercial loans (1)(2)	2,253	1,749	2,044	1,740
Mortgage loans (3)	1,779	1,679	1,742	1,616
Automobile and vehicle loans	480	408	441	382
Other personal loans (2)	423	355	380	312
Total	**6,418**	**5,490**	**6,005**	**5,356**

Source: BAC Credomatic.

(1) Represents loans to businesses.

(2) At December 31, 2010, commercial loans include total leasing and overdraw loans. At June 30 2012, and 2011 and December 31, 2011, commercial loans include only commercial leasing and commercial overdraw; consumer leasing and consumer overdraw are included in "Other personal loans."

(3) Includes loans measured at fair value.

We believe that BAC Credomatic's customer knowledge, coupled with a centralized risk-management structure, has resulted in a high quality loan portfolio, with an average 90 days and more past due loan ratio of 1.5% from 2008 to 2011, and 1.0% at June 30, 2012.

Credit cards

BAC Credomatic has a leading presence in the credit card-issuing business and a significant presence in the merchant acquiring business in the region. Through its Credomatic brand, BAC Credomatic offers its customers a wide variety of credit and debit cards including *Visa*, *MasterCard*, *American Express* and *Diners Club*, and is the only network that processes all major brands in the region. Additionally, BAC Credomatic and its customers benefit from co-branding agreements with major airlines (such as American Airlines and TACA Avianca) and major supermarkets (such as Pricesmart and Wal-Mart) present in the region. BAC Credomatic has been a member of *Visa* and *MasterCard* for more than 20 years, issuing both national and international credit cards. Moreover, BAC Credomatic is currently the exclusive credit card issuer and merchant acquirer of *American Express* in the Central American region, with the exception of Panama.

Card-issuing

BAC Credomatic has a leading presence in the Central American card-issuing market. At June 30, 2012, BAC Credomatic had approximately 2.4 million credit card and debit card accounts, of which 1.4 million were debit card accounts and 1.1 million were credit card accounts. BAC Credomatic's credit card accounts represented 25.7% of total credit card accounts in Central America at December 31, 2010 (calculated based on data and information provided by Euromonitor International). From December 31, 2005 to June 30, 2012, BAC Credomatic's credit card accounts grew at a CAGR of 6.4% and its debit card accounts grew at a CAGR of approximately 19.9%. The following table shows the number of credit card and debit card accounts at the dates indicated.

	At June 30,		At December 31,	
	2012	2011	2011	2010
		(in thousands)		
Credit cards	1,102	1,034	1,051	1,011
Debit cards	1,350	1,277	1,380	1,075
Total	**2,452**	**2,312**	**2,431**	**2,085**

Source: BAC Credomatic.

For the six-month period ended June 30, 2012, BAC Credomatic's billed volume was U.S.$2,943 million, a 17.1% increase of U.S.$2,514 million for the same period in the year before. For the year ended December 31, 2011, BAC Credomatic's billed volume was U.S.$5,444 million, a 21.8% increase over the U.S.$4,469 million billed volume for the year ended December 31, 2010.

	At June 30,		At December 31,	
	2012	2011	2011	2010
		(in U.S.$ millions)		
Credit cards	2,468	2,123	4,584	3,789
Debit cards	474	391	861	680
Total	**2,943**	**2,514**	**5,444**	**4,469**

Source: BAC Credomatic.

In its card-issuing business, BAC Credomatic has a strong presence in the premier and high-end customer segments in Central America. BAC Credomatic's Platinum credit card clients averaged yearly expenditures at June 30, 2012 of U.S.$13,122 and represented approximately 15.3% of BAC Credomatic's total credit card accounts, and its Gold credit card clients averaged yearly expenditures in 2011 of U.S.$5,439 and represented approximately 22.9% of BAC Credomatic's total credit card portfolio. BAC Credomatic's Classic credit card clients, who averaged expenditures at June 30, 2012 of U.S.$1,738, represented 56.7% of BAC Credomatic's credit card accounts while other clients represented the remaining 5.2%.

At June 30, 2012, BAC Credomatic's credit card portfolio totaled U.S.$1.5 billion, growing at a 12.1% CAGR from U.S.$706 million in December 31, 2005. At this same date, 74.6% of BAC Credomatic's credit card portfolio was distributed across Costa Rica, El Salvador, Guatemala and Panama. The remaining 25.4% was distributed among Honduras, Nicaragua and Mexico. The following table shows the credit card portfolio breakdown by country at the dates presented.

	At June 30,			
	2012		2011	
	(in U.S.$ millions, except percentages)			
Costa Rica	461	31.1%	395	30.4%
El Salvador	219	14.8%	214	16.5%
Guatemala	220	14.8%	174	13.4%
Honduras	210	14.1%	181	13.9%
Nicaragua	109	7.3%	98	7.6%
Panama	207	13.9%	175	13.5%
Mexico	59	4.0%	62	4.8%
Total	**1,484**	**100.0%**	**1,299**	**100.0%**

	At December 31,			
	2011		2010	
	(in U.S.$ millions, except percentages)			
Costa Rica	425	30.4%	408	31.2%
El Salvador	215	15.4%	219	16.8%
Guatemala	205	14.6%	185	14.2%
Honduras	199	14.2%	181	13.9%
Nicaragua	104	7.4%	94	7.2%
Panama	193	13.8%	164	12.6%
Mexico	57	4.1%	55	4.1%
Total	**1,398**	**100.0%**	**1,306**	**100.0%**

Source: Audited consolidated financial statements of BAC Credomatic's subsidiaries.

For the past three years, BAC Credomatic has maintained a stable credit card portfolio quality. Of its total credit card portfolio, BAC Credomatic's 90 days and more past due loans represented 1.8% at June 30, 2012, 1.7% at December 31, 2011, 2.0% at December 31, 2010 and 2.8% at December 31, 2009.

Merchant acquiring

BAC Credomatic has a significant presence in Central America's merchant acquiring business, achieving processing volumes of U.S.$5,175 million and U.S.$4,542 million for the six-month period ended June 30, 2012 and 2011, respectively, an increase of 13.9%. U.S.$9,550 million and U.S.$8,042 million for the years ended December 31, 2011 and 2010, respectively, an increase of 18.8%. This increase is primarily due to a recovery in economic activity compared to 2010 and is mainly driven by strong performance in Costa Rica, Guatemala and Honduras.

This performance compares favorably to processing volumes of other leading Latin American issuers at December 2011 according to the Nilson Report at July 2012, such as Cielo's (formerly known as Visanet) U.S.$185,9801 million (Brazil), Redecard's U.S.$132,539 million (Brazil), BBVA Bancomer 's U.S.$21,305 million (Mexico), Santander's U.S.$6,661 million (Mexico), Banorte's U.S.$4,953 million (Mexico) and Grupo

Bancolombia's U.S.$5,813 million (Colombia). From December 31, 2005 to June 30, 2012, BAC Credomatic's processing volume grew at a CAGR of 13.9%.

The table set forth below shows the processing volume for the period presented.

	At June 30,		At December 31,	
	2012	2011	2011	2010
	(in U.S.$ millions)			
Local	4,120	3,619	7,715	6,444
International	1,056	923	1,835	1,598
Total	**5,175**	**4,542**	**9,550**	**8,042**

Source: BAC Credomatic.

BAC Credomatic has the only network in Central America that processes all the major brands including *Visa*, *MasterCard*, *American Express* and *Diners Club*. Furthermore, BAC Credomatic has exclusive card-issuing and merchant acquiring agreements with *American Express* for the Central American region, with the exception of Panama.

At June 30, 2012, BAC Credomatic serviced approximately 198,841 merchant locations, with 94% of credit card authorizations processed electronically through its 122,161 point-of-sale devices.

Banking

BAC Credomatic's commercial and consumer banking divisions offer traditional banking services and products. In some jurisdictions, BAC Credomatic also offers pension plan administration, investment fund advice, financial advisory, leasing, private banking and insurance services to its customers. Through its network and deep customer knowledge, BAC Credomatic is able to effectively offer services and solutions to its customers in addition to instant payment processing and funds transfers within the BAC Credomatic regional network.

Commercial banking

BAC Credomatic offers traditional commercial banking services and products. At June 30, 2012, 60.7% of BAC Credomatic's commercial loan portfolio was distributed across Costa Rica, El Salvador, Guatemala and Panama. The remaining 39.3% was distributed among Honduras, Nicaragua, and regional offshore operations. The following table displays BAC Credomatic's commercial loan portfolio by country at the dates presented.

	At June 30,			
	2012		2011	
	(in U.S.$ millions, except percentages)			
Costa Rica	554	24.6%	460	26.3%
El Salvador	285	12.6%	249	14.2%
Guatemala	218	9.7%	136	7.8%
Honduras	492	21.8%	418	23.9%
Nicaragua	382	17.0%	272	15.6%
Panama (1)	311	13.8%	202	11.5%
Regional offshore operations (2)	11	0.5%	12	0.7%
Total (3)	**2,253**	**100.0%**	**1,749**	**100.0%**

	At December 31,			
	2011		2010	
	(in U.S.$ millions, except percentages)			
Costa Rica	526	25.7%	421	24.2%
El Salvador	262	12.8%	235	13.5%
Guatemala	169	8.3%	129	7.4%
Honduras	471	23.0%	459	26.4%
Nicaragua	362	17.7%	290	16.6%

	At June 30,			
	2012		2011	
	(in U.S.$ millions, except percentages)			
Panama (1)	242	11.8%	191	11.0%
Regional offshore operations (2)	12	0.6%	14	0.8%
Total (3)	**2,044**	**100.0%**	**1,740**	**100.0%**

Source: BAC Credomatic.

(1) Panama includes loans from BAC International Bank Panama and subsidiaries' intercompany adjustments and eliminations.

(2) Includes BAC Bahamas Bank Ltd. and BAC International Bank (Grand Cayman).

(3) At December 31, 2010, commercial loans include total leasing and overdraw loans. At June 30, 2012 and 2011 and December 31, 2011, commercial loans include only commercial leasing and commercial overdraw; consumer leasing and consumer overdraw are included in consumer loans.

BAC Credomatic has managed its commercial portfolio risk conservatively, maintaining high quality and coverage metrics. The following table displays BAC Credomatic's commercial loan portfolio 90 days and more past due loan ratio, as well as its 90 days and more past due loan coverage ratio at the dates presented.

	At June 30,	
	2012	2011
	(in percentages)	
90 days and more past due loan ratio	0.5	1.2
90 days and more past due loan coverage ratio	271.1	134.2

	At December 31,	
	2011	2010
	(in percentages)	
90 days and more past due loan ratio	0.6	1.4
90 days and more past due loan coverage ratio	215.2	128.3

Source: BAC Credomatic.
Includes total overdraft and financial leasing.

BAC Credomatic also offers investment products, supplier and payroll ePayments, Ameritransfer (online transfer of funds among deposit accounts in BAC Credomatic's network), online banking and foreign exchange services as part of its commercial banking platform in the region. At June 30, 2012, BAC Credomatic had 74,964 enterprise customers, divided into three main sectors: (1) corporate, consisting of companies with over U.S.$250,000 in deposits, more than 100 employees and loans over U.S.$1,000,000, which represented 81.6% of total commercial loans; (2) midsize companies, composed of companies with deposits of U.S.$50,000 to U.S.$250,000, between 51 to 100 employees and loans between U.S.$300,000 to U.S.$1,000,000, which represented 10.3% of total commercial loans; and (3) small companies, consisting of companies with deposits of less than U.S.$50,000, fewer than 50 employees and loans under U.S.$300,000, which represented 8.1% of total commercial loans.

BAC Credomatic's electronic transfer and payment capabilities allow corporate clients to instantly transfer funds between different commercial and consumer accounts, provided that all parties have a BAC Credomatic account. BAC Credomatic recorded over U.S.$25.8 billion in electronic payments at December 31, 2011 and U.S.$14.2 billion at June 30, 2012.

Electronic transfers originate mainly from: (1) merchant deposit transfer payments (instant electronic payments to merchants); (2) Ameritransfer (online transfer of funds across the region); (3) supplier ePayments (instant electronic payments from merchants to suppliers); and (4) payroll ePayments (payroll payments from companies to employees). The following table breaks down BAC Credomatic's electronic transfers by product for the dates presented.

	At June 30,		At December 31,	
	2012	2011	2011	2010
	(in U.S.$ billions)			
Merchant deposit transfers	5.2	4.5	9.7	8.0
Ameritransfer	2.6	2.4	5.1	4.5
Payroll ePayments	1.8	1.6	3.5	3.0
Supplier ePayments	4.6	3.6	7.6	6.0
Total	**14.2**	**12.2**	**25.8**	**21.5**

Source: BAC Credomatic.

Consumer banking

At June 30, 2012, as a proportion of BAC Credomatic's total consumer loan portfolio, mortgage loans represented 66.3%, automobile and vehicle loans represented 17.9% and other personal loans represented 15.8%. Approximately 54.0% of the total consumer loan portfolio had a maturity greater than five years. At June 30, 2012, consumer loans amounted to U.S.$2.7 billion, a 6.0% increase over U.S$2.5 billion at December 31, 2011. At June 30, 2012, 81.1% of BAC Credomatic's consumer loan portfolio was distributed across Costa Rica, El Salvador, Guatemala and Panama. The remaining 18.9% was distributed among Honduras, Nicaragua and regional offshore operations. The following table displays BAC Credomatic's consumer loan portfolio by country at the dates presented.

	At June 30,			
	2012		2011	
	(in U.S.$ millions, except percentages)			
Costa Rica (1)	944	35.2%	814	33.3%
El Salvador	367	13.7%	360	14.7%
Guatemala	296	11.0%	299	12.2%
Honduras	327	12.2%	307	12.6%
Nicaragua	174	6.5%	150	6.1%
Panama (2)	568	21.2%	489	20.0%
Regional offshore operations (3)	5	0.2%	22	0.9%
Total (4)	**2,682**	**100.0%**	**2,442**	**100.0%**

	At December 31,			
	2011		2010	
	(in U.S.$ millions, except percentages)			
Costa Rica (1)	877	34.2%	717	31.0%
El Salvador	363	14.2%	354	15.3%
Guatemala	295	11.5%	300	13.0%
Honduras	322	12.6%	301	13.0%
Nicaragua	159	6.2%	147	6.4%
Panama (2)	541	21.1%	467	20.2%
Regional offshore operations (3)	5	0.2%	25	1.1%
Total (4)	**2,563**	**100.0%**	**2,310**	**100.0%**

Source: BAC Credomatic.

(1) Includes loans measured at fair value.

(2) Panama includes loans from BAC International Bank Panama and subsidiaries' intercompany adjustments and eliminations.

(3) Includes BAC Bahamas Bank Ltd. and BAC International Bank (Grand Cayman).

(4) At June 30, 2012 and 2011 and December 31, 2011, consumer loans include consumer leasing and consumer overdraw.

At June 30, 2012, BAC Credomatic's mortgage loans had an individual average mortgage balance of approximately U.S.$1.8 billion, with an average loan-to-value ratio of approximately 74%. Given that BAC Credomatic's mortgage loan portfolio has no significant exposure to the higher risk sectors such as vacation homes or second-home mortgages, it maintains a 90 days and more past due loan ratio of 1.2% and a coverage of 90 days

and more past due loan coverage ratio of 43.5% (includes recovery value of collateral). The following table displays BAC Credomatic's mortgage loan portfolio 90 days and more past due loan ratio, as well as its 90 days and more past due loan coverage ratio at the dates presented.

	At June 30,	
	2012	2011
	(in percentages)	
90 days and more past due loan ratio	1.2	1.2
90 days and more past due loan coverage ratio (1)	43.5	118.8

	At December 31,	
	2011	2010
	(in percentages)	
90 days and more past due loan ratio	1.2	1.4
90 days and more past due loan coverage ratio (1)	146.6	130.4

Source: BAC Credomatic.

(1) Includes recovery value of collateral.

At June 30, 2012, BAC Credomatic's automobile and vehicle loan portfolio had an individual average balance of approximately U.S.$479.6 million, maintaining a 90 days and more past due loan ratio of 0.3%. The following table displays BAC Credomatic's auto loan portfolio 90 days and more past due loan ratio, as well as its 90 days and more past due loan coverage ratio at the dates presented.

	At June 30,	
	2012	2011
	(in percentages)	
90 days and more past due loan ratio	0.3	0.4
90 days and more past due loan coverage ratio (1)	142.5	179.1

	At December 31,	
	2011	2010
	(in percentages)	
90 days and more past due loan ratio	0.3	0.5
90 days and more past due loan coverage ratio	147.8	156.5

Source: BAC Credomatic.

BAC Credomatic's personal loan portfolio includes individual loans, retirement linked loans, payroll loans and consumer finance loans. At June 30, 2012, BAC Credomatic's personal loan portfolio had an individual average loan balance of approximately U.S.$385.5 million (not including consumer leasing and consumer overdraw), and a 90 days and more past due loan ratio of 0.3%. The following table displays BAC Credomatic's personal loan portfolio 90 days and more past due loan ratio, as well as its 90 days and more past due loan coverage ratio at the dates presented.

	At June 30,	
	2012	2011
	(in percentages)	
90 days and more past due loan ratio	0.3	0.6
90 days and more past due loan coverage ratio	268.2	163.3

	At December 31,	
	2011	2010
	(in percentages)	
90 days and more past due loan ratio	0.3	0.8
90 days and more past due loan coverage ratio	272.8	153.3

Source: BAC Credomatic.

Deposit activities

The following table shows BAC Credomatic's deposit breakdown at the dates indicated. At June 30, 2012, 42.6% of BAC Credomatic's deposit base was represented by demand deposits. Total deposits increased by 13.8% from June 30, 2011 to June 30, 2012 and by 4.0% from December 31, 2010 to December 31, 2011. From December 31, 2005 to December 31, 2011, the CAGR of total deposits has been 18.5%.

	At June 30,		At December 31,	
	2012	2011	2011	2010
	(in U.S.$ millions, except percentages)			
Demand deposits	2,903	2,602	2,817	2,731
Savings deposits	1,328	1,216	1,272	1,130
Time deposits	2,581	2,170	2,186	2,171
Total	**6,812**	**5,988**	**6,275**	**6,032**

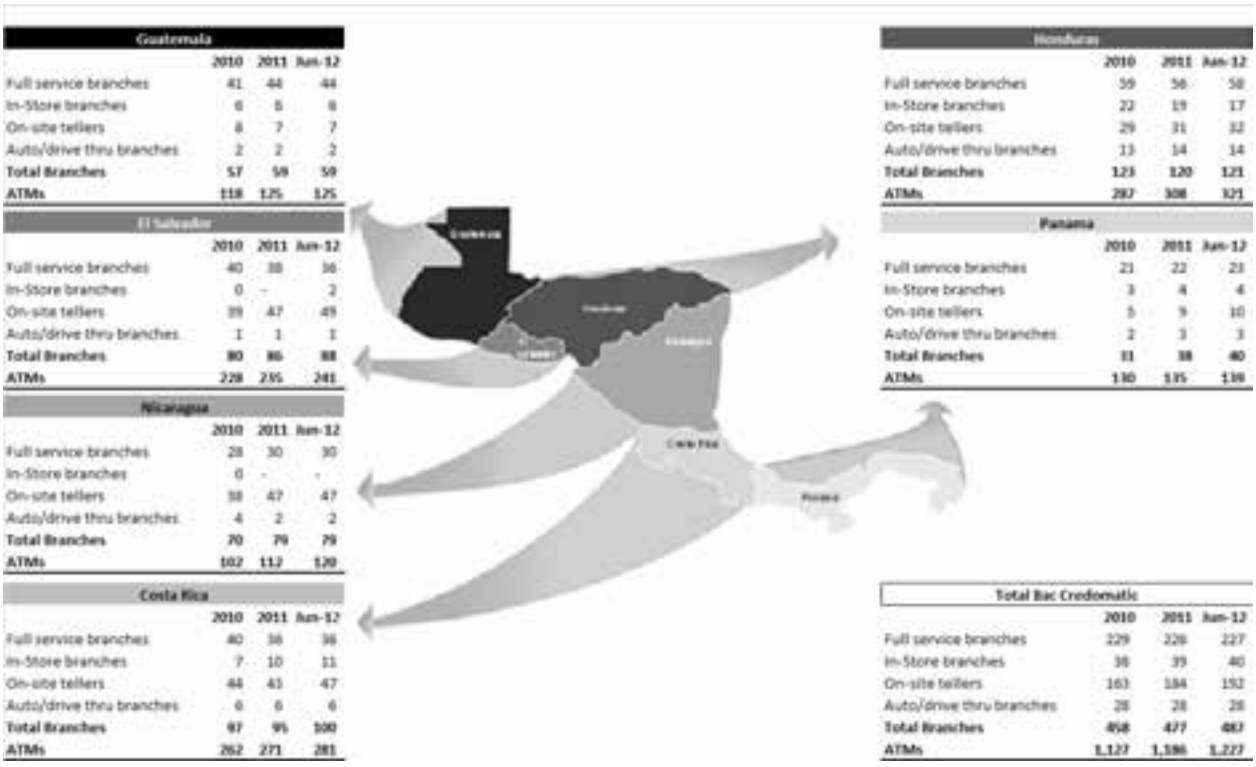
Source: BAC Credomatic.

Distribution network

BAC Credomatic serves its customers throughout Central America with a diversified distribution network that includes branches, kiosks (non-cash machines which provide online banking capabilities as well as a full keyboard), ATMs, a standardized online banking platform, call centers, and mobile phone banking. Additionally, BAC Credomatic's strong point-of-sale presence in 198,841 merchant locations in Central America at June 30, 2012 allows clients to perform various transactions, including purchases, using credit or debit cards, payments of credit card balances and loyalty program services.

BAC Credomatic serves its clients through multiple channels to cover the needs of different customer segments across the region.

The following map shows BAC Credomatic's branch distribution at June 30, 2012 and December 31, 2011 and 2010.



Source: BAC Credomatic

At June 30, 2012, BAC Credomatic had a network of 1,227 ATMs in the region. BAC Credomatic was the first bank in Central America to offer deposit capabilities with instant credit balance through its ATMs. Additionally, BAC Credomatic has 231 self-service kiosks.

BAC Credomatic deployed the first mobile banking platform in Central America and expects to benefit from further regional penetration. BAC Credomatic's mobile banking system is SMS-enabled and it has several smart phone applications under development.

Foreign exchange rate risk related to BAC Credomatic acquisition

Following the completion of the BAC Credomatic acquisition, Banco de Bogotá is exposed to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to foreign exchange rate risk include, for example, investments in foreign subsidiaries, foreign currency-denominated loans and securities, foreign currency-denominated debt and various foreign exchange derivative instruments whose values fluctuate with changes in the level or volatility of currency exchange rates or foreign interest rates. Hedging instruments used to mitigate this risk include foreign exchange options, currency swaps, futures, forwards, foreign currency-denominated debt amounting to approximately U.S.$1.3 billion and deposits.

Banco de Bogotá has financed the BAC Credomatic acquisition, as described in this section, through the use of three facilities denominated in U.S. dollars and amounting to approximately U.S.$1.3 billion. We intend to use the proceeds of this offering to make repayments in respect of the U.S.$1.0 billion facility. The foreign exchange rate risk associated with our U.S. dollar-denominated liability will be hedged with the net investment that Banco de Bogotá will maintain in BAC Credomatic. The difference between the U.S. dollar-denominated debt and the net investment in BAC Credomatic (including any goodwill associated with the acquisition) would result in a net U.S. dollar asset position which Banco de Bogotá hedges with forward contracts.

In accordance with its market risk policies, BAC Credomatic maintains a U.S. dollar net asset position (long U.S. dollar position) which is intended to hedge 100% (and in no case less than 60%) of its shareholders' equity against possible devaluations of each of the local currencies in the countries where it operates against the U.S. dollar.

Other corporate information

Technology

We continuously invest in new technology and the renewal of equipment and infrastructure in order to serve customers effectively, improve our profitability and grow our business. We believe that proper management of technology is key to the efficient management of our business. Our technology architecture focuses on our customers and supports our business model.

Our banking business, Porvenir and Corficolombiana currently maintains their own technological infrastructure and software. We believe this technology provides us with an opportunity to seek potential additional synergies as we implement our overall technology model: assisting with the standardization and implementation of systems developed in our subsidiaries and sister banks.

One of our most successful initiatives to date has been the coordination of electronic channels within our branches and other Grupo Aval bank branches. This project is currently operating in our bank and in Porvenir and A Toda Hora S.A., or "ATH," the administrator of our ATMs and the transactional services that flow through the *Red de Grupo Aval*. Although these electronic channels have been fully implemented, we plan to continue to enhance their operations with new technology. The *Red de Grupo Aval* coordinates connectivity between branches, technical support, webpages and transactional Internet, mobile banking, non-banking correspondence and payments and collections.

Our principal projects currently consist of the following:

- Technological architecture: We are pursuing a new technology model to develop new core banking applications based on a service-oriented architecture that will increase efficiencies; and

- Business basic software: Our focus is on implementing a CRM (customer relationship management) and BI (business intelligence), credit card solutions and approval process, commercial portfolio, external trade, collections, and the SARO (operational risk management system) project.

We incurred U.S.$21.4 million and U.S.$32.5 million of capital expenditures relating to information technology (software and hardware) in the six-month period ended June 30, 2012 and the year ended December 31, 2011, respectively. We expect to invest in information technology approximately U.S.$50.3 million in 2012.

Employees

The following table presents the approximate breakdown of the employees, personnel provided by staffing service companies and outside contractors of our banking subsidiaries, Porvenir and Corficolombiana at June 30, 2012.

	Banco de Bogotá (1)(2)	Porvenir	Corficolombiana	BAC Credomatic
Employees	10,057	2,049	671	15,617
Personnel provided by staffing service companies	2,313	60	89	384
Outside contractors	2,058	147	109	—
Total	14,428	2,256	869	16,001

(1) Excludes employees of Porvenir, Corficolombiana, BAC and their subsidiaries.

(2) 59.3% (4,916) of Banco de Bogotá's direct employees (8,284) are represented by unions and 59.3% (4,916) of such employees are covered by collective bargaining agreements that expire in August 2015.

Properties

We and our subsidiaries own properties for corporate purposes only. We have listed below the property holdings of our banking business, Porvenir and Corficolombiana at June 30, 2012.

	At June 30, 2012		
	Value of properties		
	Book value	Reappraisal	Total
	(Ps billions)		
Banco de Bogotá	166.6	542.8	709.4
Corficolombiana(1)	6.1	28.5	34.5
Porvenir	34.2	27.1	61.3
BAC Credomatic	131.3	142.3	273.6
Total	**338.2**	**740.6**	**1,078.8**

(1) Includes Corficolombiana and its financial subsidiaries.

Legal Proceedings

We, Porvenir, Corficolombiana and BAC are party to lawsuits and administrative proceedings incidental to the normal course of our business.

We record contingency provisions when the risk of loss is probable, in which case, we would consider settling. In cases where we litigate a claim, we record a provision for our estimate of the probable loss based on historical data for similar claims. Due to the provisions we have established and the legal opinions we have received, we do not believe that any liabilities related to such lawsuits or proceedings will have a material adverse effect on our financial conditions or results of operations. At June 30, 2012, Banco de Bogotá and its subsidiaries have recorded Ps 18.0 billion in provisions.

Constitutional actions

Our banking business, Porvenir, Corficolombiana and BAC are also party to collective or class actions ("*acciones populares*" or "*acciones de grupo*," respectively). Constitutional actions are court actions where an

individual seeks to protect collective rights and prevent contingent damages, obtain injunctions and damages caused by an infringement of collective rights of which the following are the most significant.

All pension and severance fund administrators in Colombia, including Porvenir, are subject to at least two class actions in which certain individuals are alleging that the pension and severance funds administrators have caused damages to their customers by (1) paying returns earned by the severance and pension funds below the minimum profitability certified by the Superintendency of Finance, and (2) making payments to its customers—under the scheduled retirement system—below the established standards. Additionally, Porvenir and four of the largest pension and severance funds are subject to a constitutional action relating to charging commissions above the legally established limits for contributions to mandatory pension funds. These constitutional actions are seeking the payment of the alleged damages caused to fund managers' customers. No provisions have been established in connection with these three constitutional actions because the amount is unquantifiable, and we consider the probability of loss to be remote.

Banco de Bogotá and Corficolombiana are subject to two relevant class actions, as follows:

- A constitutional action filed by certain individuals on behalf of the taxpayers of Cali, claiming that Banco de Bogotá, among other financial institutions, abused their dominant position as creditors of the municipality of Cali in connection with credit facilities granted to such institutions and, therefore, are seeking the reimbursement of interest paid by the municipality in excess of the amounts due at June 30, 2009. We believe that the probability of loss in connection with this constitutional action is low (*eventual*) and, as such, have not recorded any provisions in connection with this constitutional action.

- A constitutional action filed by certain individuals on behalf of the Department of Valle del Cauca (*Departamento del Valle del Cauca*) against several financial institutions, including Banco de Bogotá, claims that the Department has paid interest in a manner prohibited by law, in connection with a credit facility granted to the Province. In addition, the plaintiffs are claiming that the defendants did not pay the alleged real value of the shares of Sociedad Portuaria de Buenaventura and Empresa de Energía del Pacífico, on a sale transaction of said shares. We consider the probability of loss in connection with this constitutional action to be low (*eventual*) and, therefore, have not recorded any provision.

Other litigation

Our banking business, Porvenir, Corficolombiana and BAC are from time to time subject to claims and parties to legal proceedings incidental to the normal course of our business, including in connection with our lending activities, employees, taxation matters and other general commercial matters. Due to the inherent difficulty of predicting the outcome of legal disputes, we cannot predict the eventual outcome of these pending matters, what the timing of the ultimate resolution of these matters will be or what the eventual loss, fines or penalties related to each pending matter may be. We believe that we have recorded adequate provisions for the anticipated costs in connection with these claims and legal proceedings and believe that liabilities related to such claims and proceedings should not, in the aggregate, have a material adverse effect on our business, financial conditions, or results of operations. However, in light of the uncertainties involved in such claims and proceedings, the ultimate resolution of these matters may exceed the provisions currently recorded by us. As a result, the outcome of a particular matter could be material to our operating results for a particular period.

SUPERVISION AND REGULATION

Colombian banking regulators

Pursuant to the Colombian Constitution, Colombia's Congress has the power to prescribe the general legal framework within which the government and other authorities may regulate the financial system. The Colombian Constitution also permits the Congress to authorize government intervention in the economy by statute. The agencies vested with the authority to regulate the financial system are the board of directors of the Colombian Central Bank, the Colombian Ministry of Finance and Public Credit, the Superintendency of Finance, the Superintendency of Industry and Commerce and the Securities Market Self-Regulatory Organization.

Central Bank

The Colombian Central Bank exercises the customary functions of a central bank, including price stabilization, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and administration of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction and execution of the Colombian Central Bank duties. The Colombian Central Bank also acts as a last resort lender to financial institutions.

Pursuant to the Colombian Constitution, the Colombian Central Bank is autonomous and independent from the government in the formulation of monetary policy and currency exchange and credit policies. Specifically, the Constitution provides administrative, technical, budgetary and legal autonomy for the Colombian Central Bank and its board of directors in respect of monetary, credit and foreign exchange matters. The Colombian Central Bank reports to the National Congress. Its board of directors has seven members, one of whom is the Minister of Finance and Public Credit, one member is the General Manager of the Colombian Central Bank, and the other five members, who are full-time employees, are appointed by the President of Colombia for four-year terms that can be extended.

Ministry of Finance and Public Credit

The Ministry of Finance designs, coordinates, regulates and executes economic policy, seeking to create an optimal administration of public finances for the economic and social development of the country. The Ministry of Finance regulates all aspects of finance, securities and insurance activities, pursuant to powers conferred by the Colombian Constitution. As part of its duties, the Ministry of Finance issues decrees related mainly to financial, taxation, customs, public credit and budgetary matters that may affect banking transactions in Colombia. In particular, the Ministry of Finance is responsible for regulations relating to financial institutions' capital adequacy, risk limitations, authorized transactions, disclosure of information and accounting.

Superintendency of Finance

The Superintendency of Finance was created as a result of the merger between the Superintendency of Banking and the Superintendency of Securities in 2005. All of the powers and responsibilities of the former Superintendency of Banking and Superintendency of Securities were assigned to the newly created Superintendency of Finance.

The Superintendency of Finance is a technical entity affiliated with the Ministry of Finance that acts as the inspection, supervision and control authority of persons involved in financial, insurance and securities exchange activities, and any other operations related to the management, use or investment of resources collected from the public. The Superintendency of Finance is responsible for supervising the Colombian financial system with the purpose of preserving its stability and trustworthiness, as well as promoting, organizing and developing the Colombian securities market and protecting the users of financial and insurance services and investors in general.

Financial institutions must obtain the authorization of the Superintendency of Finance before commencing operations. In addition, all public offering of securities require the prior approval of the Superintendency of Finance.

Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions. The Superintendency of Finance may inspect Colombian financial institutions on a discretionary basis and has the authority to impose fines on such institutions and their directors and officers for violations of Colombian laws or regulations, or such financial institutions' by-laws.

The Superintendency of Finance exerts its supervisory powers over the financial sector on a consolidated and comprehensive basis. The consolidated supervision extends to all financial institutions including banks operating in Colombia and their subsidiaries abroad, in the latter case to the extent permitted by the laws of the respective country of incorporation. For these purposes, the Superintendency of Finance has executed several memorandums of understanding with foreign financial sector regulators, including the Superintendency of Banks of Panamá and the Superintendency of the Financial System of El Salvador, and is currently negotiating the execution of additional memorandums of understanding with other financial regulators, to promote an exchange of information and enhance its consolidated and comprehensive supervision.

According to Colombian law (Decree 2555 of 2010 and Basic Accounting Circular), and in order to facilitate the Superintendency of Finance's supervision, financial institutions are required to consolidate the results of operations of all of their subsidiaries in order to present consolidated financial statements of the controlling entity and its subsidiaries, consolidated solvency ratios and capital adequacy requirements of the group. As financial institutions, Banco de Bogotá, Corficolombiana and Porvenir are required to comply with these requirements.

The Superintendency of Finance may also conduct onsite inspections of Colombian financial institutions and even of their subsidiaries located abroad, in the latter case, subject to the applicable laws of the subsidiary's country of incorporation.

Banco de Bogotá's financial and stock brokerage businesses located in Colombia (including its bank operations, finance corporations, financing companies, trust companies, managers of pensions and severance payment funds, bonded warehouses and stock brokerage firms), are each subject to the regulatory supervision of the Superintendency of Finance. Additionally, as an issuer of securities traded on the Colombian Stock Exchange, Banco de Bogotá is subject to the supervision of the Superintendency of Finance. As such, Banco de Bogotá is subject to supervision (*control*) as an issuer of securities in the public market, and also subject to inspection and surveillance (*inspección y vigilancia*) as a financial institution.

FOGAFIN

FOGAFIN was created in 1985 pursuant to Law 117. The primary function of FOGAFIN is to administer the deposit insurance system, with the objective of guaranteeing the deposits and savings held by the general public in Colombian financial institutions. See "—Troubled financial institutions—Deposit insurance." The other primary purposes for which FOGAFIN was formed were to support the banking industry, to facilitate the privatization of financial institutions by the Colombian government, and to liquidate financial institutions under receivership.

FOGAFIN has tools and mechanisms that enable it to administer and temporarily take equity stakes in troubled financial institutions in order to allow it to determine whether a financial institution is viable or requires liquidation.

Securities market self-regulatory organization

Self-regulation in the capital markets was formally introduced in Colombia by Law 964 of 2005, and the securities market self-regulatory organization (*Autoregulador del Mercado de Valores*), or "SRO," was created in June 2006.

The SRO has the power to supervise, sanction and regulate the entities subject to self-regulation (i.e., including securities intermediaries and any entity that voluntarily submits itself to self-regulation).

The SRO's supervisory powers entitle it to review compliance with applicable laws and regulations and impose sanctions in the case of violations. The SRO may also propose regulation aimed at various matters, including conflicts of interest and improving the integrity and quality of the capital markets.

Superintendency of Industry and Commerce

According to Law 1340 of 2009, the Superintendency of Industry and Commerce is the competent national authority for all antitrust matters in every sector of the economy, including the financial sector.

As such, the Superintendency of Industry and Commerce is responsible for advancing administrative investigations of antitrust violations to financial and non-financial corporations, and has the power to impose corresponding sanctions.

The Superintendency of Industry and Commerce is responsible for approving economic mergers, acquisitions and integrations between and among enterprises, except for mergers, acquisitions or integrations between financial entities. The Superintendency of Finance is the authority responsible for approving mergers, acquisitions and integrations between financial institutions. For such approvals, the Superintendency of Finance must obtain a prior written opinion by the Superintendency of Industry and Commerce.

Regulatory framework for Colombian financial institutions

Basic framework: Decree 663 of 1993

The basic regulatory framework for the operations of the Colombian financial sector is set forth in the EOSF, as amended by Laws 510 of 1999, 546 of 1999, 795 of 2003, 964 of 2005 and 1328 of 2009. Decree 2555 of 2010 as well as in Resolution 8 of 2000 (exchange control regulation statute) and Resolution 4 of 2006 issued by the board of directors of the Colombian Central Bank.

The EOSF defines the structure of the Colombian financial system and establishes various business entities, including (1) credit institutions (which are further categorized into banks, finance corporations, financing companies and finance cooperatives), (2) financial services entities, (3) capitalization corporations, (4) insurance companies and (5) insurance intermediaries.

The EOSF also provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the Superintendency of Finance. Subject to prior approval of the Superintendency of Finance, foreign banks may operate in Colombia through their subsidiaries established and incorporated in Colombia. Under Law 1328 of 2009, foreign banks, as of July 15, 2013, will be permitted to operate through their "branches" and are not under the obligation of incorporating a Colombian subsidiary. Operations through these branches will be subject to prior approval by the Superintendency of Finance.

The main role of banks, finance corporations and financing companies is to receive deposits. Banks place funds back into circulation by means of loans or any active credit operation; finance corporations place funds into circulation by means of active credit operations or investments, with the purpose of promoting the creation or expansion of enterprises; and financing companies place funds back into circulation by means of active credit operations, with the purpose of fostering the sale of goods and services including the development of leasing operations.

Each credit institution must be separately authorized before it may develop and provide financial services. Furthermore, the activities of credit institutions are subject to limitations and restrictions, including limitations and restrictions relating to the extension of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, and the administration of third-party funds. One of the principal restrictions on financial activities is that banks may not acquire or hold products, merchandise, shares of corporations, income bonds, or other similar securities, except (1) when the bank has received those goods or securities as collateral for loans it has made or (2) with respect to shares, when they are issued by companies where banks are permitted to hold investments (mainly financial affiliates). Banks are also subject to other limitations, including limitations on lending activities.

Laws 510 of 1999, 546 of 1999, 795 of 2003 and 1328 of 2009 substantially modified the control, regulation and surveillance powers of the Superintendency of Finance. In addition, Law 510 of 1999 and Law 1328 of 2009 streamlined the procedures and powers for FOGAFIN.

The main purpose of Law 510 of 1999 was to increase the solvency and stability of Colombia's financial institutions by establishing rules regarding their incorporation, as well as the permitted investments of credit institutions, insurance companies and investment companies. Law 546 of 1999 was enacted in order to regulate the system of long-term home loans.

Law 795 of 2003 was enacted with the purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the latest principles of the Basel Committee at that time. Law 795 of 2003 also increased the minimum capital requirements needed to incorporate a financial institution (see "—Minimum capital requirements") and authorized the Superintendency of Finance to take precautionary measures with respect to financial institutions whose capital falls below certain thresholds. For example, in order to

avoid a temporary taking of possession by the Superintendency of Finance, troubled financial institutions must submit a restructuring program to the Superintendency of Finance.

Law 1328 of 2009 provided a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions, in order to minimize disputes. This law also broadened the scope of permitted business activities by regulated entities: following its adoption, banks were allowed to operate leasing businesses and to extend loans to third parties so that borrowers may acquire control of other companies.

In order to implement and enforce the provisions related to Colombia's financial system, the Superintendency of Finance has issued periodic circulars and resolutions. The External Circular 007 of 1996, as amended, consolidates all of the rules and regulations applicable to financial institutions, including rules and regulations relating to the management, operations, investments, lending activities and money laundering prevention activities of financial institutions. The External Circular 100 of 1995, or the Basic Accounting Circular, as amended, consolidates all of the regulations applicable to the accounting and financial rules of financial institutions. Furthermore, the Basic Accounting Circular regulated the assessment of credit institutions' investments, risk management, financial statements, information disclosure and inter-banking credits.

Violations of Laws 510 of 1999, 546 of 1999, 795 of 2003 or 1328 of 2009, as well as of specific provisions of Decree 663 of 1993 and their relevant regulations, are subject to administrative sanctions and, in some cases, criminal sanctions.

To prepare for the implementation of the Basel III accords in Colombia, the Ministry of Finance, in consultation with the Superintendency of Finance, has initiated an internal review of regulations applicable to financial institutions. Although it is expected that the Ministry of Finance will review all such regulations, to date it has focused its review on:

- the cyclical and countercyclical effects of changes in the financial environment: the Ministry of Finance has appointed a special committee to track financial developments, which is currently evaluating macroprudential instruments based on the Basel III accord, and

- the need for further adjustments to manage liquidity risk: the Ministry of Finance is currently reviewing the links and interactions between different market agents for how this could affect the liquidity of financial institutions.

Key interest rates

Colombian commercial banks, finance corporations and financing companies are required to report data to the Colombian Central Bank on a weekly basis regarding the total volume (in pesos) of certificates of deposit issued during the prior week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Colombian Central Bank calculates the DTF rate, which is published at the beginning of the following week for use in calculating interest rates payable by financial institutions. The DTF is the weighted average interest rate paid by commercial banks, finance corporations and financing companies for certificates of deposit with maturities of 90 days. For the week of December 31, 2012, the DTF was 5.27%.

The Colombian Central Bank also calculates the interbank rate (*Interés Bancario de Referencia*), or "IBR," which acts as a reference of overnight and one-month interbank loans, based on quotations submitted each business day by eight participating banks to the Colombian Central Bank. Using a weighted average of the quotations submitted, the Colombian Central Bank calculates the overnight IBR each business day. The one-month IBR is calculated each Tuesday.

Article 884 of the Colombian Commercial Code provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate (*Interés Bancario Corriente*), calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate is certified by the Superintendency of Finance.

Capital adequacy requirements

Current capital adequacy requirements

Until August 1, 2013, the capital adequacy requirements establish five categories of assets, which are each assigned different risk weights, and require that a credit institution's technical capital (as defined below) be at least 9.0% of that institution's total risk-weighted assets. Below please find a description of currently applicable regulations. For the regulations applicable as of August 1, 2013 please see "—New capital adequacy rules."

Technical capital (*patrimonio técnico*), for the purposes of the regulations consists of the sum of basic capital (*patrimonio básico*), or primary capital (Tier I), and secondary capital (*patrimonio adicional*), or secondary capital (Tier II). Primary capital (Tier I) consists mainly of the following:

- outstanding and paid-in share capital;
- legal and other reserves;
- net positive result of the cumulative translation adjustment account;
- profits retained from prior fiscal years;
- the total value of the revaluation of the equity account (*revalorización del patrimonio*), if positive, and of the foreign currency translation adjustment account (*ajuste por conversión de estados financieros*);
- current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses;
- any representative shares held as security by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the institution back into compliance with capital adequacy requirements (if the Superintendency of Finance establishes that such recovery program has failed, these shares shall not be taken into account when determining primary capital (Tier I));
- subordinated bonds issued by financial institutions and subscribed by FOGAFIN when they comply with the requirements stated in the regulations;
- the part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation;
- the value of dividends declared to be paid in shares; and
- the value of the liabilities owned by non-controlling interests.

Items deducted from primary capital (Tier I) consist of the following:

- losses of any prior or current period;
- the total value of the capital revaluation account (*revalorizacíon del patrimonio*), if negative;
- accumulated inflation adjustment on non-monetary assets; provided that the respective assets have not been transferred;
- investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by entities (excluding subsidiaries) that are subject to the supervision of the Superintendency of Finance, but excluding appraisals and investments in Finagro credit establishments and investments undertaken pursuant to Article 63 of Decree 663 of 1993; and
- investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20.0% of the capital of said institution (excluding subsidiaries). This amount includes foreign currency translation and excludes appraisals.

Secondary capital (Tier II), consists of other reserves and retained earnings, which are added to primary capital (Tier I) to calculate technical capital. Secondary capital (Tier II) includes:

- 50.0% of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of);

- 50.0% of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits); excluded from said amount is (1) the reappraisal of direct or indirect capital investments and investments in subordinated debt in entities subject to the supervision of the Superintendency of Finance, excluding subsidiaries, in compliance with the requirements set forth in the applicable regulation and (2) the reappraisal of direct or indirect capital investments and investments in subordinated debt in foreign financial entities with respect to which the bank's share is or exceeds 20% of the entity's subscribed capital;

- mandatory convertible bonds effectively subscribed and paid, with maturities of up to five years (provided that the terms and conditions of their issuance were approved by the Superintendency of Finance and subject to the conditions set forth by the Superintendency of Finance);

- subordinated monetary obligations not in excess of 50.0% of primary capital (Tier I) and in compliance with additional requirements stated in the regulations;

- the part of the surplus capital account from donations in compliance with the requirements set forth in the applicable regulations; and

- general allowances made in accordance with the instructions issued by the Superintendency of Finance.

The following items are deducted from Secondary capital (Tier II):

- 50% of the direct or indirect capital investments (in entities subject to the supervision of the Superintendency of Finance, excluding subsidiaries) and mandatory convertible bonds reappraisal that complies with the requirements set forth in the applicable regulation;

- 50% of the direct or indirect capital investments (excluding subsidiaries) and mandatory convertible bonds reappraisal of foreign financial entities with respect to which the bank's share is or exceeds 20% of the entity's subscribed capital; and

- the value of the devaluation of equity investments with low exchange volume or which are unquoted.

In computing technical capital, additional capital (Tier II) may not exceed the total amount of primary capital (Tier I).

Under current Colombian capital adequacy regulations subordinated monetary obligations must meet the following criteria to be included as part of Secondary (Tier II) Capital:

- Subordinated debt will only be included as part of Secondary (Tier II) Capital up to the amount of the proceeds actually received by the issuing financial institution;

- The offering documentation, indentures or credit agreements memorializing these obligations must expressly state that their payment will be subordinated to the payment of the bank's liabilities to third parties;

- Such obligations must have a minimum maturity of five years. There may not be any redemption or voluntary or mandatory prepayment provisions, nor may the holders of the obligation have any put option in connection thereto, that would result in the maturity of the obligations being less than five years;

- There may not be any type of acceleration provisions with respect to such obligations;

- If the borrower has any type of prepayment or redemption rights, the term of the obligations will only be deemed to extend until the moment in which such rights may be exercised, and

- Commencing on the fifth anniversary prior to the final maturity date, the amount of subordinated debt that will be eligible to be included in Tier II Capital will decrease by 20% of the aggregate outstanding amount of such subordinated debt on an annual basis.

  In the case of subordinated obligations contemplating a prepayment or redemption right that may be exercised on a set date, which expires without the right being exercised, the amount eligible to be included in Tier II Capital will be adjusted as if no prepayment or redemption right had existed and accordingly , the amount of subordinated debt that will be eligible to be included in Tier II Capital will decrease by 20% of the aggregate outstanding amount of such subordinated debt, reaching 0% upon maturity of the obligation.

  If the subordinated obligations contemplate a prepayment or redemption option that may be exercised at any time after a set date, no adjustment will be made and the amount of subordinated debt that will be eligible to be included in Tier II Capital will decrease by 20% of the aggregate outstanding amount of such subordinated debt for the five years preceding said set date.

The following tables set forth our reported and as-adjusted consolidated capital adequacy information at June 30, 2012 and December 31, 2011 and 2010. The reported figures are calculated using the methodology prescribed by the Superintendency of Finance, which requires that we subtract investments in non-consolidated entities from our regulatory capital. The as-adjusted amounts have been adjusted not to subtract non-controlling interest in financial institutions which are consolidated in other Banco de Bogotá subsidiaries (principally Banco de Bogotá's non-controlling interest held through Corficolombiana in Leasing de Occidente at June 30, 2012, December 31, 2011 and 2010). We believe that the inclusion of such investments presents a more comprehensive picture of our capitalization.

	At June 30		At December 31,			
	2012		2011		2010	
	Actual	As Adjusted (1)	Actual	As adjusted (1)	Actual	As adjusted (1)
			(in Ps billions)			
Subscribed capital	2.9	2.9	2.9	2.9	2.4	2.4
Reserves and profits	5,809.1	5,809.1	5,368.4	5,368.4	2,856.4	2,856.4
Non-controlling interests	2,276.9	2,276.9	2,126.3	2,126.3	2,015.6	2,015.6
Less:						
Inflation adjustments on non-monetary assets	(90.3)	(91.4)	(95.1)	(96.2)	(103.9)	(105.0)
Unconsolidated financial sector investments	(217.5)	–	(227.7)	–	(273.4)	0
Less/more others			–	–	0	0
Primary capital (Tier I)	7,781.0	7,997.4	7,174.7	7,401.4	4,497.1	4,769.4
Inflation adjustments on non-monetary assets	45.7	45.7	48.1	48.1	52.5	52.5
Unrealized gains/losses on securities available for sale (2)	(64.5)	(64.5)	(8.3)	(8.3)	14.3	14.3
Valuations	433.1	433.1	410.3	410.3	382.3	382.3
Subordinated bonds	336.1	336.1	374.5	374.5	2,693.7	2,693.7
Less:						
Devaluations	(2.0)	(2.3)	(12.5)	(13.3)	0.2	0
Unconsolidated financial sector investments	(3.4)	-	(3.2)	–	(3.4)	0
Less/more others	5.2	5.2	14.3	14.3	(2.2)	(2.2)
Computed secondary capital (Tier II)	750.2	753.2	823.2	825.6	3,137.5	3,140.6
Technical capital	8,531.2	8,750.7	7,997.9	8,227.0	7,634.5	7,910.0
Risk-weighted assets	56,281.1	56,500.6	53,629.9	53,858.9	45,046.8	45,322.2

	At June 30		At December 31,			
	2012		2011		2010	
	Actual	As Adjusted (1)	Actual	As adjusted (1)	Actual	As adjusted (1)
	(in Ps billions)					
Value at risk	703.6	703.6	569.8	569.8	505.5	505.5
Regulatory value at risk (3)	7,817.8	7,817.8	6,331.2	6,331.2	5,617.0	5,617.0
Risk-weighted assets including regulatory value at risk	64,098.9	64,318.4	59,961.1	60,190.1	50,663.7	50,939.2
Primary capital (Tier I) to risk-weighted assets including regulatory value at risk	12.1%	12.4%	12.0%	12.3%	8.9%	9.4%
Secondary capital (Tier II) to risk-weighted assets including regulatory value at risk	1.2%	1.2%	1.4%	1.4%	6.2%	6.2%
Solvency ratio (4)	13.3%	13.6%	13.3%	13.7%	15.1%	15.5%

(1) The as-adjusted calculation of the solvency ratio eliminates the effect of excluding investments in unconsolidated financial institutions.

(2) Unrealized gains/losses on securities available for sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(3) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. See "—Capital adequacy requirements—Current capital adequacy requirements."

(4) Solvency ratio is calculated as technical capital to risk-weighted assets including regulatory value at risk.

At June 30, 2012, our consolidated technical capital ratio was 13.3%, exceeding the requirement of the Colombian government and the Superintendency of Finance by 431 basis points. At December 31, 2011 and 2010, our consolidated technical capital ratio was 13.3% and 15.1%, respectively, exceeding the requirement of the Colombian government and the Superintendency of Finance by 431 and 610 basis points, respectively. The year-over-year average decrease in capital adequacy ratios is explained by the growth in technical capital, lagging behind the growth of risk-weighted assets, including regulatory value at risk, which have grown at a CAGR of 7.7% and 17.0%, respectively, from December 31, 2010 to June 30, 2012.

The basic accounting circular contains provisions relating to liquidity risk, interest rate risk, foreign exchange rate risk and market risk. Colombian banks are required to calculate a VaR based on a methodology provided by the Superintendency of Finance. VaR is used in assessing a banks' solvency. Future changes in VaR requirements could have a material effect on our operations in the future.

Banco de Bogotá's combined loan portfolio, net of provisions, is 63.4% and 64.9% weighted as risk-weighted assets at June 30, 2012 and December 31, 2011, respectively. Provisions corresponding to our operations is determined by measuring credit risk. For this purpose, credit extensions are rated according to their risk level ("A," "B," "C," "D" or "E"); the Superintendency of Finance has established minimum provision levels for each rating.

New capital adequacy rules

On August 24, 2012, the Colombian government enacted Decree 1771, which amended certain capital adequacy requirements for Colombian credit institutions set forth in Decree 2555 of 2010.

From August 1, 2013, Technical capital will continue to consist of the sum of basic capital (*patrimonio básico*), or primary capital (Tier I), and secondary capital (*patrimonio adicional*), or secondary capital (Tier II); however, primary capital (Tier I) will also consist of the sum of ordinary basic capital (*patrimonio básico ordinario*), or Common Equity Tier I, and a new category of additional basic capital (*patrimonio básico adicional*), or Additional Tier I.

In addition, Decree 1771 introduces a new measure of "core solvency" for Common Equity Tier 1, which reflects higher quality capital and is set at a minimum of 4.5% of risk-weighted assets.

Colombian credit institutions, including us, must comply with the new capital adequacy requirements set forth in Decree 1771 by August 1, 2013, and we must provide an implementation plan to the Superintendency of Finance by January 31, 2013. We are currently studying which measures, if any, it may be required to take in response to the regulations; however, we do not currently anticipate a material adverse effect on us as a result of the new capital adequacy requirements.

As a result of the amendments introduced by Decree 1771, from August 1, 2013, Common Equity Tier I (*patrimonio básico ordinario*) will consist mainly of the following:

Ordinary Basic Capital

- Outstanding and paid-in capital stock classified as Ordinary Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulation;
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the Superintendency of Finance;
- Capital surplus;
- Legal reserves;
- Irrevocable donations;
- The total value of the cumulative translation adjustment account;
- Capital stock paid in prior to its issuance by the entity, provided however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered as an instrument comprising Technical Capital;
- Shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements;
- Subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations;
- Any other financial instrument issued by the entity and held by FOGAFIN, when the subscription is intended to strengthen the financial condition of the financial entity; and
- Non-controlling interests, subject to the conditions set forth in the regulations.

Items deducted from Common Equity Tier I (patrimonio básico ordinario) will consist of the following:

- Any prior or current period losses;
- Direct or indirect investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation;
- Deferred income taxes, if positive;
- Intangible assets registered after August 23, 2012;
- Reacquired stock, subject to the conditions set forth in the regulations; and
- Unamortized amount of the actuarial calculation of the pension obligations of the entity.

Additional Tier I (*patrimonio básico adicional*) will consist mainly of the following:

- Outstanding and paid-in capital stock classified as Additional Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulation;

- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the Superintendency of Finance; and

- Non-controlling interests, subject to the conditions set forth in the regulation.

Secondary capital (Tier II) will consist of:

- Current period profits, in the amount that the shareholders irrevocably resolve to capitalize or assign to increase the legal reserves once the fiscal year is ended, subject to approval by the Superintendency of Finance;

- Voluntary reserves, up to an amount no greater than ten percent (10%) of the Technical Capital of the entity;

- Non-controlling interests, subject to the conditions set forth in the regulation;

- Fifty percent (50%) of the tax reserve, as defined by law;

- Fifty percent (50%) of the reappraisal or unrealized profits derived from investments in equity and debt instruments with high or medium trading volumes, subject to conditions set forth in the regulation;

- Thirty percent (30%) of the reappraisal or unrealized profits derived from investments in equity instruments with low or non-existing trading volumes, or not listed in trading platforms, subject to an appraisal by an independent expert, according to the regulations expected to be issued by the Superintendency of Finance, and to conditions set forth in the regulation;

- Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation;

- Subordinated payment obligations that the Superintendency of Finance classifies as part of the Additional Capital; and

- The value of the provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.

Under the new capital adequacy regulations debt instruments must clearly meet the following criteria to be included as part of Secondary (Tier II) Capital:

- The relevant instrument must have been duly authorized, placed and actually paid;

- It may incorporate a residual right, in proportion to its share in the paid-on capital, once all deposits and other external liabilities have been paid in full upon liquidation of the issuing bank. Rights under the instrument may not be secured, insured nor benefit from any mechanism, that would raise its risk category or credit rating;

- They may only be redeemed, repaid or otherwise cease to be a part of Secondary (Tier II) Capital at the issuing bank's option after a term of five years has elapsed; and

- The purchase of the instrument may not have been financed by the issuing bank, or any of its affiliates.

In the case of debt instruments contemplating a redemption right that may be exercised on a set date, which expires without the right being exercised, the amount eligible to be included in Tier II Capital will be adjusted as if no prepayment or redemption right had existed and accordingly , the amount of subordinated debt that will be

eligible to be included in Tier II Capital will decrease by 20% of the aggregate outstanding amount of such subordinated debt, reaching 0% upon maturity of the obligation.

If the debt instrument contemplates a redemption option that may be exercised at any time after a set date, no adjustment will be made and the amount of subordinated debt that will be eligible to be included in Tier II Capital will decrease by 20% of the aggregate outstanding amount of such subordinated debt for the five years preceding said set date.

The following chart includes a summary of the items that are considered in the definition of the Technical Capital as set forth in Decree 2555 of 2010, as amended:

Current Definition of Technical Capital	**New Definition of Technical Capital**
Basic Capital	**Ordinary Basic Capital**
• Outstanding and paid-in capital stock. • Legal and other reserves. • Profits retained from previous fiscal years. • Net positive result of the cumulative translation adjustment account. • The total value of the revaluation of equity account *(revalorización del patrimonio)* (if positive) and of the foreign currency translation adjustment account *(ajuste por conversion de estados financieros)*. • Current fiscal year profits in a proportion equal to the percentage of prior fiscal year profits that were capitalized, or allocated to increase the legal reserve, or all profits that must be used to cover accrued losses. • Shares held as a guarantee by FOGAFIN when the entity is in compliance with the recovery program aimed at bringing the bank back into compliance with capital adequacy requirements. • Subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations. • Non-controlling interests registered in the consolidated financial statements. • The total value of paid-in stock dividends. • The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation.	• Outstanding and paid-in capital stock classified as Ordinary Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulation. • Legal reserves. • Shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements. • Non-controlling interests, subject to the conditions set forth in the regulations. • The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the Superintendency of Finance. • Capital surplus. • Irrevocable donations. • The total value of the cumulative translation adjustment account. • Capital stock paid in prior to its issuance by the entity, provided however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered as comprising the technical capital. • Subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations. • Any other financial instrument issued by the entity and held by FOGAFIN, when the subscription is intended to strengthen the financial condition of the financial entity.

Deductions from Basic Capital	**Deductions from Ordinary Basic Capital**
• Any prior or current period losses. • The total value of the capital revaluation account (*revalorización del patrimonio*) (if negative). • Accumulated inflation adjustments on non-monetary assets (provided that the respective assets have not been transferred). • Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other entities (excluding subsidiaries) subject to the supervision of the Superintendency of Finance, excluding appraisals and investments in Finagro credit establishments and investments undertaken pursuant to Article 63 of Decree 663 of 1993, subject to the conditions set forth in the regulation. • Investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by foreign financial institutions where the investor directly or indirectly holds at least 20% of the capital of said institution (excluding subsidiaries). This amount includes cumulative translation adjustments and excludes appraisals.	• Any prior or current period losses. • Direct and indirect investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation. • Deferred income taxes, if positive. • Intangible assets registered after August 23, 2012. • Reacquired stock, subject to the conditions set forth in the regulations. • Unamortized amount of the actuarial calculation of the pension obligations of the entity.
	Additional Basic Capital
	• Outstanding and paid-in capital stock classified as Additional Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulation. • The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the Superintendency of Finance. • Non-controlling interests, subject to the conditions set forth in the regulation.
Additional Capital	**Additional Capital**
• Fifty percent (50%) of the accumulated inflation adjustment of non-monetary assets (provided that such assets have not been disposed of). • Fifty percent (50%) of asset reappraisal (excluding revaluations of foreclosed assets or assets received as payment of credits). • Mandatory convertible bonds effectively subscribed and paid, with maturities of up to 5 years, issued subject to the interest rate conditions authorized , in general, by the Superintendency of Finance.	• Fifty percent (50%) of the reappraisal or unrealized profits derived from investments in equity and debt instruments with high or medium trading volumes, subject to conditions set forth in the regulation. • Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation. • Subordinated payment obligations that the Superintendency of Finance classifies as part of the Additional Capital.

• Subordinated payment obligations as long as said obligations do not exceed 50% of Tier One Capital and comply with additional requirements stated in the regulations. • The part of the surplus capital account from donations that complies with the requirements set forth in the applicable regulation. • General allowances made in accordance with the instructions issued by the Superintendency of Finance.	• Current period profits, in the amount that the shareholders irrevocably resolve to capitalize or assign to increase the legal reserves once the fiscal year is ended, subject to approval by the Superintendency of Finance. • Voluntary reserves (*reservas ocasionales*), up to an amount no greater than ten percent (10%) of the Technical Capital of the entity. • Non-controlling interests, subject to the conditions set forth in the regulation. • Fifty percent (50%) of the tax reserve, as defined by law. • Thirty percent (30%) of the reappraisal or unrealized profits derived from investments in equity instruments with low or non-existing trading volumes, or not listed in trading platforms, subject to an appraisal by an independent expert, according to the regulations expected to be issued by the Superintendency of Finance, and to conditions set forth in the regulation. • The value of the general provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.
Deductions from Additional Capital	
• 50% of the direct or indirect capital investments (in entities subject to the supervision of the Superintendency of Finance, excluding subsidiaries) and mandatory convertible bonds reappraisal that complies with the requirements set forth in the applicable regulation. • 50% of the direct or indirect capital investments (excluding subsidiaries) and mandatory convertible bonds reappraisal of foreign financial entities with respect to which the bank's share is or exceeds 20% of the entity's subscribed capital. • The value of the devaluation of equity investments with low exchange volume or which are unquoted.	

Mandatory investments

Colombian banking institutions are required to invest in agricultural development bonds (*Títulos de Desarrollo Agropecuario*) issued by Finagro, a government entity, according to External Resolution 3 of 2000 of the Colombian Central Bank, as amended by External Resolution 6 of 2008. The Colombian Central Bank requires that each bank maintains a total investment in these bonds equal to 5.8% of its checking and saving deposits, plus 4.4% of its time deposits with a maturity of up to 18 months. Finagro may issue two different types of agricultural development bonds, Class A with an interest rate of 4 percentage points below the DTF rate (DTF-4) and Class B with an interest rate of 2 percentage points below DTF (DTF-2). If the DTF interest rate falls to 4% or less, the profitability of the Class A DTAs will be 0%, and if the DTF interest rate falls to 2% or less, the profitability of the Class B DTAs will be 0%. Banks are required to invest 37% of the total mandatory investment in Class A TDAs and 63% in Class B TDAs.

Until 2006, banking institutions were required to invest in debt reduction bonds (*Títulos de Reducción de Deuda*), issued by the Colombian government. These bonds are no longer a mandatory investment but are still outstanding in the portfolios of bank institutions until maturity.

Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new types of mandatory investments.

Minimum capital requirements

Article 80 of Decree 663 of 1993, as amended by Law 795 of 2003, establishes minimum incorporation capital requirements for different financial institutions. When a financial institution fails to comply with the minimum required capital after a cure period granted by law, it may be intervened by the Superintendency of Finance, by virtue of which it may be liquidated, merged into another institution or its corporate form shall be converted into another category of financial institution, notwithstanding the fact that the institution may be subject to fines imposed by the Superintendency of Finance.

The minimum incorporation capital requirement for banks on an unconsolidated basis for 2012 was Ps 73.7 billion. Through June 30, 2012 we have consistently satisfied this incorporation capital requirement.

Capital investment limit

All investments in subsidiaries and other authorized capital investments, other than those carried out in order to fulfill legal provisions, may not exceed 100% of the total aggregate of the capital, equity reserves and the equity reappraisal account of the respective bank, financial corporation or financing company, excluding unadjusted fixed assets and including deductions for accumulated losses.

Foreign currency position requirements

According to External Resolution 4 of 2007 issued by the Board of Directors of the Colombian Central Bank, as amended by External Resolution 12 of 2007, External Resolutions 3 and 13 of 2008, 1 and 7 of 2009 and 3 of 2011, a financial institution's foreign currency position is the difference between such institution's foreign currency-denominated assets and liabilities (including any off-balance sheet items), realized or contingent, including those that may be sold in Colombian legal currency.

Resolution 4 of 2007 (as amended by Resolution 3 of 2008) of the Board of Directors of the Colombian Central Bank provides guidelines for foreign currency positions of financial institutions, including the following:

- the average of a bank's foreign currency position for three business days cannot exceed the equivalent in foreign currency of 20.0% of the bank's technical capital. Currency exchange intermediaries such as Banco de Bogotá are permitted to hold a three business days' average negative foreign currency position not exceeding the equivalent in foreign currency of 5.0% of its technical capital (with penalties being payable after the first business day). At June 30, 2012 Banco de Bogotá had an unconsolidated foreign currency position of U.S.$(1.7) million, which fell within these regulatory guidelines;

- foreign currency position in cash is defined as the difference between all foreign currency-denominated assets and liabilities. A bank's three business days' average foreign currency position in cash cannot exceed 50.0% of the bank's technical capital. In accordance with Resolution 4 of 2007 (as amended by Resolution 3 of 2008) of the Board of Directors of the Colombian Central Bank, the three-day average shall be calculated on a daily basis and the foreign currency position in cash cannot be negative. At June 30, 2012, Banco de Bogotá had an unconsolidated foreign currency position in cash of U.S.$255.4 million, which fell within these regulatory guidelines; and

- gross position of leverage, defined as (1) the value of term contracts denominated in foreign currency, plus (2) the value of transactions denominated in foreign currency to be settled in cash within one or more days, and (3) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. Resolution 4 of 2007 (as amended by Resolution 3 of 2011) of the Board of Directors of the Colombian Central Bank establishes that the average of a bank's gross position of leverage for three business days cannot exceed 550.0% of the technical capital of such bank. In calculating the gross position of leverage, Resolution 3 of 2011 of the Board of Directors of the Colombian Central Bank excludes any foreign

exchange transactions that intermediaries of the FX Market perform as local suppliers of liquidity of foreign currency using the Systems of Compensation and Liquidation of Currencies when there is a breach of payment by a participant. At June 30, 2012, Banco de Bogotá had an unconsolidated gross position of leverage of U.S.$7,426.3 billion, which fell within these regulatory guidelines.

Reserve requirements

Commercial banks are required by the Board of Directors of the Colombian Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. These reserves are held by the Colombian Central Bank in the form of cash deposits. According to Resolution 11 of 2008, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

The reserves of credit institutions range between zero and 11.0%. For example, credit institutions must maintain reserves of 11.0% for checking accounts and savings deposits, reserves of 4.5% for term deposits with a maturity of less than 540 days, and no reserves for term deposits with a maturity of more than 540 days.

Credit institutions may maintain these reserves in their accounts at the Colombian Central Bank.

Foreign currency loans

Colombian residents may only obtain foreign currency loans from foreign entities that obtain a code from the Colombian Central Bank or from Colombian financial institutions. Foreign currency loans must be either channeled through foreign exchange intermediaries (such as Colombian financial institutions) or deposited in offshore compensation accounts (i.e., specially designated accounts at foreign banks held by Colombian residents and registered before the Colombian Central Bank).

Under regulations issued by the Colombian Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Colombian Central Bank non-interest-bearing deposits for a specified term; however the size of the required deposit is currently zero. No such deposits would be required for foreign currency loans aimed at financing Colombian investments abroad or for short-term exportation loans (provided the loan is disbursed against the funds of Banco de Comercio Exterior – Bancoldex).

In addition, pursuant to Law 9 of 1991, the Board of Directors of the Colombian Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness in order to avoid pressure in the foreign exchange market.

Law 1607 has established that loans obtained abroad by banks incorporated under the laws of Colombian are not considered national source income for income tax purposes. See "Summary—Other developments—2012 Tax Reform."

Restrictions on foreign investment in Colombia

Colombia's foreign investment statute regulates the manner in which non-residents are permitted to invest in Colombia and participate in the Colombian securities market. Among other requirements, Colombian law requires foreign investors to register certain foreign exchange transactions with the Colombian Central Bank and obtain authorization for certain types of investments. Certain foreign exchange transactions, including those between residents and non-residents, must be made through authorized foreign exchange market participants.

Non-residents are permitted to hold portfolio investments in Colombia, through either a registered stock brokerage firm, a trust company or an investment firm. Investors would only be allowed to transfer dividends abroad after the foreign investment registration procedure with the Colombian Central Bank has been completed. The failure of a non-resident investor to report or register foreign exchange transactions with the Colombian Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends, or an investigation that may result in a fine, may be commenced.

Allowance for loan losses

The Superintendency of Finance has issued guidelines relating to allowances for loan losses in the Basic Accounting Circular, as amended, which refer to the adoption of the SARC, by credit institutions.

As previously mentioned, the SARC system adopted by each credit institution must contain policies and procedures defining the manner in which the institution assesses, evaluates, classifies, grades, controls and covers credit risk. Management must adopt policies and procedures to ensure adequate risk management in connection with the establishment of allowances and of lending and continuous monitoring standards.

Under the current model of allowances for loan losses, loans must be classified and graded in five different categories, from "A" to "E" as established by the Superintendency of Finance. Loans classified in category "A" are considered "normal" or "ordinary," with a regular credit risk. Loans classified in category "B" are those considered to have an acceptable risk. In category "C," institutions must include loans with an appreciable risk, while in category "D," loans with a significant or material credit risk. Finally, loans that are not able to be recovered, or that have a reduced chance of being recovered, must be classified in category "E." Each bank must follow this system.

The Superintendency of Finance's guidelines specify the criteria for classifying loans, including type of loan (i.e., commercial, consumer, mortgage or microcredit loans), age of loan, term of default and variation of the credit risk of the debtor (by determining repayment capability and payment record). Credit institutions are also required to apply specific allowances to particular categories of loans, which are calculated as a percentage of the outstanding balance.

For mortgage loans and microcredit loans a general allowance for loan losses of 1% of the principal amount must be established for each mortgage and microcredit loan.

In addition to the general allowance, individual allowances for loan losses must be established.

The following table presents the minimum individual allowance for mortgage loan losses, as established by the Superintendency of Finance.

Credit category	Percentage of allowance over the guaranteed portion of the loan	Percentage of allowance over the non-guaranteed portion of the loan
A	1.0%	1.0%
B	3.2	100.0
C	10.0	100.0
D	20.0	100.0
E	30.0	100.0

The following table presents the minimum individual allowance for microcredit loan losses.

Credit grade	Minimum Allowance Percentage (1)	Minimum Allowance Percentage (2)
A	0.0%	1.0%
B	1.0	2.2
C	20.0	0.0
D	50.0	0.0
E	100.0	0.0

(1) Allowance percentage that will be applied over the balance due on the loan, after discounting the value of acceptable guarantees, taking into account the rules provided in Annex 1 of Chapter II of Basic Accounting Circular.

(2) Allowance percentage that will be applied over the balance due on the loan, without discounting the value of acceptable guarantees.

In any case, the minimum individual allowance for credit losses corresponds to the sum of:

1. The allowance percentage applicable to the balance due, net of the value of acceptable guarantees; and

2. The allowance percentage applicable to the entire balance due on the loan. See note 2(i) to our audited annual consolidated financial statements and note 2(i) to our audited six-month consolidated financial statements.

In the case of consumer and commercial loans, Annex 3 to Chapter II of the Basic Accounting Circular (as amended by External Circular No. 22 of 2008) issued by the Superintendency of Finance, establishes that financial institutions which provide consumer and commercial loans may prepare internal lending models which classify and qualify all consumer and commercial loans granted by said entity, in order to constitute non-performing loan allowances (that includes countercyclical parameters) reflecting the classification and qualification set in the model.

Under this regulation, each financial institution may submit its own internal models for the review (and non objection opinion) of the Superintendency of Finance. However, if an entity does not submit such internal models or if they are objected to by the Superintendency of Finance, the reference models contained in the Basic Accounting Circular must be applied to their lending activities.

Title II, Book I of Part II of Decree 2555 of 2010, provides that a financial institution may not lend, individually or in the aggregate, to a single borrower an amount in excess of 10% of such institution's technical capital, or 25% if amounts above 5% are secured by collateral in accordance with the financial institution's guidelines.

Pursuant to Title VI, Book 36 of Part II of Decree 2555 of 2010, a bank may not make a loan to any shareholder that holds directly more than 10% of its share capital for one year after such shareholder reaches the 10% threshold. In no event may a loan to a shareholder holding, directly or indirectly, 20% or more of a bank's share capital exceed 20% of a bank's technical capital. In addition, no loan to a single financial institution may exceed 30% of a bank's technical capital, with the exception of loans funded by Colombian development banks for which no limit exists.

If a financial institution exceeds these limits, the Superintendency of Finance may impose a fine equal to up to twice the amount by which any such loan exceeded the limit and, in some cases, there may be criminal sanctions.

At June 30, 2012, Banco de Bogotá's lending limit per borrower was Ps 853.1 billion for unsecured loans and Ps 2,132.8 billion for secured loans.

Decree 2555 of 2010 sets a maximum limit for risk concentrated in one single party, equivalent to 30% of a bank's technical capital, the calculation of which includes loans, leasing operations and equity and debt investments.

The Colombian Central Bank also has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans.

Intervention powers of the Superintendency of Finance — Bankruptcy considerations

Pursuant to Colombian banking regulations, the Superintendency of Finance has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure.

The Superintendency of Finance may intervene in a bank's business (1) prior to the liquidation of the bank, by taking precautionary measures in order to prevent the bank from being taken over by the Superintendency of Finance, or (2) to take possession of the bank to either administer the bank or order its liquidation, depending on the severity of the situation.

The purpose of taking possession is to allow the Superintendency of Finance to decide (1) whether the entity should be liquidated, (2) whether it is possible to place it in a position to continue doing business in the ordinary course, or (3) whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits.

If the Superintendency of Finance takes possession of a bank, FOGAFIN must appoint a special agent (who must be accepted by the Superintendency of Finance) to administer the affairs of the bank during such process and until the bank is ordered to be liquidated or the entity is reestablished to continue doing business in the ordinary course.

During the period of the Superintendency of Finance's possession (which period ends when the liquidation process begins), Colombian banking laws prevent any creditor of the bank from (1) initiating any procedure for the collection of any amount owed by the bank, (2) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (3) placing a lien or attachment on any of the assets of the bank to secure payment of any of its obligations, or (4) making any payment, advance or compensation or assuming any obligation on behalf

of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems.

In the event that the bank is liquidated, the Superintendency of Finance must, among other measures, provide that all term obligations of the bank are due and payable at the date when the order to liquidate becomes effective.

During the liquidation process bank deposits and other types of saving instruments will be excluded from the liquidation process and, claims of creditors rank as follows: (i) the first class of credits includes the court expenses incurred in the interest of all creditors, wages and other obligations related with employment contracts and tax authorities' credits regarding national and local taxes; (ii) the second class of credits comprises the credits secured by a security interest on movable assets; (iii) the third class of credits includes the credits secured by real estate collateral, such as mortgages; (iv) the fourth class of credits contains some other credits of the tax authorities against the debtor that are not included in the first class of credits and credits of suppliers of raw materials and input to the debtor; and (v) finally, the fifth class of credits includes all other credits without any priority or privilege. Provided however, that among credits of the fifth class, subordinated credits, such as the notes, shall be ranked junior to the external liabilities (*pasivos externos*) senior only to capital stock. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

Troubled financial institutions — Deposit insurance

Subject to specific limitations, FOGAFIN is authorized to provide equity and/or secured loans to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions. In 1998 and 1999, to address the adverse effects of the economic crisis, certain regulations were adopted, among others, Law 546 of 1999 (*Ley de Vivienda*) and Law 550 of 1999 (*Ley de Reactivación Económica*).

To protect the customers of commercial banks and certain financial institutions, Resolution No. 1 of 1988 of FOGAFIN, as amended by Resolution No. 1 of 2010, Resolution No. 2 of 2011, Resolution No. 3 of 2012 and Resolution 4 of 2012, requires mandatory deposit insurance. Under this resolution, banks must pay an annual premium of 0.3% of total funds received on savings deposits, checking accounts, certificates of deposit, special savings deposits, mortgage bonds, special accounts, bank collection services and electronic deposits. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank, up to a maximum of Ps 20 million, regardless of the number of accounts held.

Anti-money laundering provisions

The regulatory framework to prevent and control money laundering is contained in, among others, the EOSF and Circulars 26 of 2008 and 19 of 2010 issued by the Superintendency of Finance, as well as Law 599 of 2000 (the Colombian Criminal Code).

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering, or "FATF." Colombia, as a member of the GAFI-SUD (a FATF-style regional body) follows all of FATF's 40 recommendations and eight special recommendations.

Anti-money laundering provisions have been complemented with provisions aimed at deterring terrorism financing. For that purpose, by means of Circular 26 of 2008, the Superintendency of Finance has issued regulations requiring the implementation by financial institutions of a system of controls for money laundering and terrorism financing.

The requirements include "know your customer" rules and procedures to protect financial institutions from being used directly by shareholders and executives in money laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities; those rules and procedures set forth detailed instructions for monitoring these risks.

Finally, the Colombian Criminal Code introduced criminal rules and regulations to prevent, control, detect, eliminate and prosecute all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Regulatory framework for non-financial subsidiaries

All of our Colombian subsidiaries listed in note 1 to our annual audited consolidated financial statements and in note 1 to our audited six-month financial statements that are not part of the financial sector are governed by the laws and regulations of the Colombian Civil Code and the Colombian Code of Commerce, as well as any regulations issued by the Colombian Superintendency of Industry and Commerce and the Superintendency of Corporations or any other type of special regulations that may be applicable to the commercial and industrial activities carried out by these subsidiaries.

Panamanian regulation

BAC International Bank, Inc. operates as a full service bank in Panama with a general license to offer banking services to residents of Panama and abroad.

The Panamanian financial system is regulated by the Superintendency of Banks of Panama (*Superintendencia de Bancos de Panamá*), or "SBP," which is in charge of regulating and overseeing all areas of banking, including solvency, liquidity, credit limits, risk management, financial information disclosure, accounting standards and anti-money laundering policies.

The SBP requires Panamanian banks to maintain certain minimum capital ratios. Banks' capital adequacy ratios must be held at a minimum of 8%, measured as a percentage of adjusted capital to risk weighted assets, and their provisions must be held at a minimum of 1% over total loans. The SBP also limits banks' concentration risk within a particular economic interest group and for related parties, to 25%. Additionally, the ratio of assets to local deposits and the liquidity ratio are limited to 85% and 30%, respectively.

The SBP performs one audit per year, and requires consolidated financial statements and capital adequacy reports on a quarterly basis and audited financials on a semi-annual basis.

Guatemalan regulation

Grupo BAC-Credomatic Guatemala is subject to the regulations of the Central Bank of Guatemala (*Banco de Guatemala*) and the Superintendency of Banks of Guatemala (*Superintendencia de Bancos de Guatemala*). Their areas of oversight include capital adequacy, lending limits, concentration limits, liquidity, exchange rate risk, financial statements disclosure, accounting standards, anti-money laundering and terrorism financing.

Guatemalan banks must maintain certain minimum ratios as required by the local regulator. Capital adequacy ratios must be held at a minimum of 10%, measured as a percentage of adjusted capital to risk weighted assets, and the liquidity gap must be less than 60%. Concentration risk within a particular economic interest group and for transactions with related parties is limited to 30% of regulatory capital, and no more than 15% of regulatory capital can be concentrated in a single person or entity, whether private or public. Transactions with the Guatemalan Central Bank and the Ministry of Finance are excluded from those concentration limits.

Grupo BAC-Credomatic Guatemala submits periodic reports to the Superintendency of Banks. In addition, the Superintendency of Banks maintains an office within Grupo BAC-Credomatic Guatemala and continuously audits the different areas of the bank. This is common practice with all Guatemalan banks.

The offshore operations of Grupo BAC-Credomatic Guatemala are also subject to regulation by the Superintendency of Banks of Guatemala as well as the banking authority where they are domiciled. BAC Bank Inc., BAC-Credomatic Guatemala Offshore's offshore subsidiary domiciled in Panama, is regulated by the Panamanian Superintendency of Banks.

Additionally, as an issuer of debt securities, Credomatic de Guatemala, S.A. is subject to certain requirements including financial statements disclosure to the market and the obligation to be rated by an independent rating agency, and BAC Valores Guatemala, S.A., as a brokerage house, is regulated by the Securities Exchange of Guatemala.

Costa Rican regulation

Banco BAC San José S.A., is regulated by the General Superintendency of Financial Institutions (*Superintendencia General de Entidades Financieras*), or "SUGEF," and the Costa Rican Central Bank (*Banco Central de Costa Rica*). Their areas of oversight include capital adequacy, related party lending, limits to credit to a single economic group, external auditors, financial statements disclosure, loan loss reserves, risk management, corporate governance and anti-money laundering.

Costa Rican banks are required to maintain certain minimum ratios: banks' capital adequacy ratios – "C.A.R." – (measured as a percentage of adjusted capital to risk weighted assets) must be held at a minimum of 10% for them to be qualified as "Normal;" however, the "Normality" qualification is subdivided into three levels: (i) "Normality 1" requires a C.A.R. of at least 14%; (ii) "Normality 2" requires a C.A.R. of between 12% and 14% and (iii) "Normality 3" requires a C.A.R. of 10% to 12%. Moreover, the bank's average rating score must be held at a total score of at least 1.75. The average rating score is calculated using the CAMELS score for quantitative rating and, a "qualitative rating" based on the examination and evaluation of certain aspects of the bank's management. The CAMELS score is measured based on capital adequacy, asset quality, management quality, earnings, liquidity, and sensitivity to market risk and represents 80% of the total score, correspondingly, the qualitative rating takes into account an assessment of the bank's planning, policies and procedures, human resources administration, control systems, management information systems and information technology., and it represents 20% of the total score. Exchange rate risk is also regulated, and is limited to 10% of the bank's net position in foreign currency. Additionally, concentration risk within a particular economic interest group and for related parties is each limited to 20%.

SUGEF performs audits and receives periodic reports on a continuous basis. In addition, the brokerage house and the mutual funds management company are regulated by the General Superintendency of Securities (*Superintendencia General de Valores*) and the pension fund administration company is regulated by the General Superintendency of Pensions (*Superintendencia de Pensiones*).

Honduran regulation

Banco de America Central S.A. (Honduras) is regulated by the National Banking and Insurance Commission (*Comisión Nacional de Bancos y Seguros*), or the "Commission," and the Honduran Central Bank (*Banco Central de Honduras*). Their areas of oversight include capital adequacy, loss loan reserve, accounting standards, external auditors, foreign exchange, related party lending, limits to credit to a single economic group, corporate governance and anti-money laundering.

Honduran banks are required to maintain certain minimum capital adequacy ratios, as fixed by the Commission. Currently, the capital adequacy ratio must be held at a minimum of 10%, measured as a percentage of adjusted capital to risk weighted assets. Additionally, no more than 20% can be concentrated in a single person or legal entity; moreover, concentration risk within a particular economic interest group and for transactions with related parties is limited to 20% and 30%, respectively; although, in the first case, the percentage can be increased to up to 30%. The Commission has also established prudential guidelines with the goal of safeguarding the liquidity of the financial institutions system. The Commission requires periodic reports covering various topics, to be submitted daily, weekly, bi-weekly, monthly and annually. Furthermore, the Commission, via the Superintendency of Banks, performs audits including an annual evaluation of the bank's risk management.

El Salvador regulation

Banco de America Central S.A. (El Salvador) is regulated by El Salvador Central Bank (*Banco Central de Reserva de El Salvador*) and the Financial System Superintendency of El Salvador (*Superintendencia del Sistema Financiero*). Their areas of oversight include capital adequacy, liquidity, related party transactions, external auditors, risk management, financial information disclosure, investments, accounting standards and anti-money laundering.

Salvadorian banks are required to maintain certain minimum ratios. Capital adequacy ratios must be held to a minimum of 12%, measured as a percentage of adjusted capital to the sum of the weighted assets, net of depreciation, reserves, and write-off provisions. Concentration risk is also limited by the superintendency within a particular economic interest group and for transactions with related parties to 25% and 5%, respectively.

Additionally, the local superintendency performs periodic audits across multiple areas of the bank and requires an average of 17 periodic reports to be submitted on a weekly, monthly and/or quarterly basis.

Banco de America Central, S.A. as an issuer of debt securities and Inversiones Bursatiles Credomatic, S.A. de C.V., Casa de Corredores de Bolsa as a securities broker, are also subject to the regulations of securities' market, via the Financial System Superintendency of El Salvador.

Nicaraguan regulation

Banco de America Central S.A., Nicaragua is regulated by the Banking and Other Financial Institutions Superintendency (*Superintendencia de Bancos y de Otras Instituciones Financieras*). The banking authorities have issued prudential guidelines in the areas of capital adequacy, related party lending, concentration risk, risk management, relationship with external auditors, financial information disclosure, anti-money laundering and terrorism financing prevention, among others.

Nicaraguan banks are required to maintain certain minimum ratios: capital adequacy ratios must be held at a minimum of 10%, measured as a percentage of adjusted capital to risk weighted assets. Liquidity gap models are also applied, which limit the liquidity gaps within a period of 0-30 days to be no more than one time the bank's equity base and within the period of 0-90 days to be no more than two times the equity base. Likewise, the banks have legal reserve requirements to guarantee liquidity buffers. The Superintendency of Banks also regulates limited concentration risk within a particular economic interest group and for related parties, to 30%. The Superintendency of Banks requires a minimum of one audit per year and approximately 36 periodic reports are required on a daily, weekly, monthly, quarterly, semi-annual and/or annual basis.

MANAGEMENT

Board of directors

The board of directors of Banco de Bogotá is composed of five principal members and five alternate members, each of whom serves one year terms and may be reelected indefinitely. The term for the current directors expires on March 30, 2013.

The current members of the board of directors were appointed at a shareholders' meeting held on March 15, 2012. The following table presents the names of the current principal and alternate members of the board of directors.

Board member	Alternate
Luis Carlos Sarmiento Gutiérrez	Guillermo Perry Rubio
Sergio Uribe Arboleda	Jorge Iván Villegas Montoya
Alfonso de la Espriella Ossio	Ana María Cuéllar de Jaramillo
Carlos Arcesio Paz Bautista	Sergio Arboleda Casas
José Fernando Isaza Delgado	Álvaro Velásquez Cock

Alberto Perez Velez is the secretary of our board.

Biographical information of the principal members of our board of directors and the secretary of our board is set forth below.

Luis Carlos Sarmiento Gutiérrez, age 51, has been Chairman of the board of directors of Banco de Bogotá since 2004. He has been the Chairman of the board of Corficolombiana since 2006 and is a member of the board of directors of Empresa de Energía de Bogotá since 2010. He has been President of Grupo Aval since 2000. Mr. Sarmiento Gutiérrez acted as President of Cocelco S.A. from 1997 until 2000. Previously he served as Executive Vice President at First Bank of the Americas in New York and as an analyst and financial manager at Procter & Gamble's corporate headquarters. He holds a Bachelor of Science degree, magna cum laude, in civil engineering from the University of Miami and a Master in Business Administration with a concentration in finance from the Johnson Graduate School of Management at Cornell University. Mr. Sarmiento Gutiérrez is the son of the Chairman of the board of directors of Grupo Aval, Mr. Sarmiento Angulo.

Sergio Uribe Arboleda, age 61, has served as principal member of the board of directors of Banco de Bogotá since 1989 and previously as an alternate member since 1987. He also serves as member of the board of directors of Banco de Bogotá S.A. Panamá, Fundación Buen Gobierno and Fundación Colombia Unida 2010. Mr. Uribe Arboleda currently practices as an independent financial advisor and has previously acted as general manager of AT&T Latinamerica Colombia and President of AV Villas, Corporación Financiera Colombiana and Industrias e Inversiones Samper S.A. He holds a degree in economics from Universidad de los Andes.

Alfonso De La Espriella Ossio, age 78, has served as principal member of the board of directors of Banco de Bogotá since 1988. Mr. De la Espriella Ossio currently serves as member of the board of directors of Almaviva and has previously served as President of the board of directors at First Bank of the Americas, New York and held several positions in Banco del Comercio, which merged with Banco de Bogotá in 1992. He holds a degree in Law and Political Sciences from Universidad La Gran Colombia and studies in Currencies and Banks from Tulane University, New Orleans and Banking Supervision from the Federal Reserve Bank, Baton Rouge.

Carlos Arcesio Paz Bautista, age 62, has served as principal member of the board of directors of Banco de Bogotá since 1990 and previously as an alternate member since 1989. Mr. Paz Bautista is General Manager of Consultorías e Inversiones S.A., formerly known as Harinera del Valle, and member of the board of directors of Corporación Financiera Colombiana, Promigas and Fedemol. He holds a degree in business administration from Escuela de Administración y Finanzas and a Master degree in market's administration, both from Icesi - Eafit, Cali.

José Fernando Isaza Delgado, age 66, has served as principal member of the board of directors of Banco de Bogotá since 1997 and is also member of the board of directors of Corporación Financiera Colombiana, E.T.B. and Isagen. Mr. Isaza Delgado was President of Universidad Jorge Tadeo Lozano and has previously lectured at Universidad Nacional, Escuela Colombiana de Ingeniería, Universidad de los Andes and Universidad Javeriana, as well as Executive President of Compañía Colombiana Automotriz, Minister of Transport, President of Empresa

Colombiana a de Petróleos S.A., or "Ecopetrol," General Manager of Instituto de Fomento Industrial and as a consultant for the United Nations University and the World Bank. He holds a degree in electronic engineering from Universidad Nacional de Colombia; a Master degree in physics from the same university; a Master degree Summa Cum Laude in mathematics from Strasbourg University; and a Doctorate Honoris Causa from Universidad de Caldas.

Biographical information of the alternate members of our board of directors is set forth below.

Guillermo Perry Rubio, age 67, has served as an alternate member of the board of directors of Banco de Bogotá from 1990 to 1994, from 2007 to 2010 and since 2011. Mr. Perry Rubio teaches at Universidad de los Andes and formerly served as advisor of Fedesarrollo, as Director of the Dirección de Impuestos y Aduanas Nacionales, or "DIAN;" Minister of Mines and Energy; Executive Director of Fedesarrollo; alternate Senator of the Republic of Colombia, Minister of Finance and World Bank's Chief Economist for Latin-America and the Caribbean. He holds a degree in engineering from Universidad de los Andes and a Doctorate in economics and operations' research from Massachusetts Institute of Technology.

Jorge Iván Villegas Montoya, age 70, has served as an alternate member of the board of directors of Banco de Bogotá since 1988 and also serves as member of the board of directors of Corporación Financiera Colombiana, and Fidubogotá. Mr. Villegas Montoya has previously served as Vice-Minister of Communications, Minister Plenipotentiary of the Universal Postal Union and President of Corporación Financiera Colombiana and Fedeleasing. He holds a degree in law and economics from Universidad Javeriana and a specialization in Commercial Law from Colegio Mayor Nuestra Señora del Rosario.

Ana María Cuéllar de Jaramillo, age 59, has served as an alternate member of the board of directors of Banco de Bogotá since 2007 and also serves as member of the board of directors of Megalinea. Ms. Cuéllar de Jaramillo is an independent consultant specialized in systems and procedures for financial control and has formerly served as Director of the Dirección de Impuestos y Aduanas Nacionales DIAN and in several positions in Citibank. She holds a degree in accounting from Universidad Jorge Tadeo Lozano.

Sergio Arboleda Casas, age 67, has served as an alternate member of the board of directors of Banco de Bogotá since 1990. Mr. Arboleda Casas is member of the board of directors of Banco de Bogotá S.A. Panamá, Fundación Gimnasio Campestre and has previously served as Director of the District Planning Department and as Manager of 24 Hours news. He holds a degree in civil engineering from Universidad de los Andes.

Álvaro Velásquez Cock, age 73, has served as an alternate member of the board of directors of Banco de Bogotá from 1983 to 1988 and since 2001. Mr. Velásquez Cock has served as advisor to Grupo Ethuss since 1994. He has acted as Dean of the Faculty of Economics of the Universidad de Antioquia, Chief of the Departamento Nacional de Estadística – DANE, President of Pedro Gómez & Cía. S.A. and as a member of the Advisory Committee of the Superintendency of Finance. He has been a member of the board of directors of Banco de Bogotá since 2001, of Banco de Bogotá – Panama since 1984, of Corficolombiana since 1992 and of Unipalma since 1996. He holds a degree in economics from the Universidad de Antioquia.

Executive officers

The executive officers of Banco de Bogotá are responsible for the day-to-day management of our company. The executive officers serve until removed. Although the Presidents of Corficolombiana, Porvenir and BAC Credomatic are not represented in the board of directors or the management of Banco de Bogotá, they are key individuals in our group's merchant banking, pension management and Central American businesses.

The following table lists the names and positions of our executive officers and the presidents of Corficolombiana, Porvenir and BAC Credomatic. Certain of our executive officers are also members of the boards of directors of our subsidiaries.

Name	Position
Banco de Bogotá	
Alejandro Figueroa Jaramillo	President
Juan María Robledo Uribe	Chief Executive Officer
Germán Salazar Castro	Vice-President of International & Treasury Division
María Luisa Rojas Giraldo	Chief Financial Officer
César Castellanos Pabón	Chief Credit Officer
Luis Carlos Moreno Pineda	Administrative Vice-President
Fernando Pineda Otalora	Commercial Vice-President – Personal and SME Banking
Liliana Marcela de Plaza Buritica	Commercial Vice-President – Official, Institutional and Social Banking
Rafael Arango Calle	Commercial Vice-President – Corporate Banking
Julián Sinisterra Reyes	Commercial Vice-President – Credit Card
Jaime Gamboa Rodriguez	Chief Technology Officer
Gustavo Arturo Pelaez Trujillo	Internal Audit Chief
José Joaquín Díaz Perilla	Chief Legal Officer
Alberto Pérez Vélez	Secretary
Corficolombiana	
José Elías Melo Acosta	President
Porvenir	
Miguel Largacha Martínez	President
BAC Credomatic	
Ernesto Castegnaro	President

Biographical information of our executive officers and key employees who are not directors is set forth below.

Alejandro Figueroa Jaramillo, age 71, has been the President of Banco de Bogotá since 1988. Mr. Figueroa Jaramillo has been employed with Banco de Bogotá since 1978, where he also served as Executive Vice President and Vice President of Finance. He has also served as a principal member of the board of directors of Grupo Aval since 1999. He is the Chairman of the board of directors of Porvenir and has been a board member of Porvenir since 1991. He has also been a member of the board of directors of Corficolombiana since 1998 and of Fundación Grupo Aval since 2011. He previously served as Vice-Minister of Economic Development of Colombia and President of Almaviva, Banco de Bogotá's bonded warehouse. He holds a degree in civil engineering from Facultad de Minas de la Universidad Nacional in Antioquia, a Master of Arts degree in economics from Harvard University and he is also a Ph.D. candidate in Economics at Harvard University.

Juan María Robledo Uribe, age 67, has acted as Executive Vice President of Banco de Bogotá from 1990 to 1992, from 1993 to 2001 and since 2003. He has been employed with Banco de Bogotá for over 40 years, where he has also served as Vice President of Banking Services and Vice President of Commercial Banking. Mr. Robledo Uribe has served as an alternate member on the board of directors of Grupo Aval since 2000. He has been a member of the board of directors of Corficolombiana from 1993 to 2001 and since 2006, of Fidubogotá since 2007 of Porvenir since 1991 and of Fundación Grupo Aval since 2011. He holds a degree in economics from the Universidad del Rosario. He is also the former President of Banco del Comercio, which merged into Banco de Bogotá in 1992, and of Corficolombiana from 2003 until 2005.

Germán Salazar Castro, age 57, has acted as Vice-president of the International and Treasury Division of Banco de Bogotá from 1992 to 1996 and since 1998. Mr. Salazar Castro has served in several positions at Banco de Bogotá since 1979 and has also previously served as Vice-President of Banco de Bogotá Trust Co New York and President of the First Bank of the Americas. He is member of the board of directors of Fidubogotá, Casa de Bolsa, Asociación Nacional de Instituciones Financieras S.A. ANIF, Cámara de Riesgo Central de Contraparte de Colombia S.A. and Depósito Centralizado de Valores S.A. DECEVAL. He holds a degree in Economics from Universidad Javeriana and postgraduates studies in credit banking and finances from Chemical Bank and finance from New York University.

Maria Luisa Rojas Giraldo, age 58, has acted as Chief Financial Officer of Banco de Bogotá since 1995. Ms. Rojas Giraldo has served in several positions at Banco de Bogotá since 1984, including credit analyst, investment banking executive and financial control planning director. She has also been an alternate member of the board of directors of Fidubogotá, Corporación de Ahorro y Vivienda Las Villas, currently Banco AV Villas, and Corporación Financiera Colombiana. She holds a degree in Economics from Universidad de Los Andes and postgraduates studies in Financial Management from Stanford University Graduate School of Business and Development Economics from Boston University Graduate School.

César Castellanos Pabón, age 43, was appointed as Chief Credit Officer of Banco de Bogotá in 2012. Mr. Castellanos Pabón has served in several positions at Banco de Bogotá since 2002 as Credit Officer and Commercial Director for different business segments. He previously served as Relationship Manager for Corporate Banking at Banco Standard Chartered Colombia, as Business Manager at Corporación Financiera del Pacífico and as Commercial Director at Multileasing. He holds a degree in Economics from Universidad Santo Tomás and a degree in Business Administration from Institución Universitaria Politécnico Grancolombiano.

Luis Carlos Moreno Pineda, age 60, has acted as Administrative Vice-president of Banco de Bogotá since 1994. Mr. Moreno Pineda has served in several positions at Banco de Bogotá since 1977. He is member of the board of directors of Megalinea, Unión Comercial de Transportes S.A. and Fundación Clínica de Maternidad. He holds a degree in law from the Universidad del Rosario and postgraduate studies in Commercial law from the same university and advance management development from Universidad de los Andes.

Fernando Pineda Otalora, age 52, has acted as Commercial Vice-president for the Personal Banking and SME division of Banco de Bogotá since 2009. Mr. Pineda Otalora has served in several positions at Banco de Bogotá since 1983 and is a member of the board of directors of ACH Colombia and Megalinea S.A., an alternate member of the board of directors of Fidubogotá and an advisor of the board of directors of Almaviva. He holds a degree in Industrial Engineering from Universidad Javeriana and a Master in Business Administration from Universidad de la Sabana's Escuela de Dirección y Negocios.

Liliana Marcela de Plaza Buritica, age 49, was appointed as Commercial Vice-President for Official, Institutional and Social Banking in 2012. Ms. De Plaza Buritica has previously served as commercial Vice-president for Megabanco division of Banco de Bogotá, Commercial Vice-president at Megabanco, Area Manager at Banco Santander Colombia, Regional Manager of Banco Sudameris and several positions at Banco de Colombia. She is an alternate member of the board of directors of Megalinea. She holds a degree in Economics from Universidad de Medellín and postgraduates studies in Financial Management from Universidad de los Andes.

Rafael Arango Calle, age 49, *w*as appointed as Commercial Vice-president for the Corporate Banking division of Banco de Bogotá in 2012. Mr. Arango Calle has served in several positions at Banco de Bogotá since 1999 in the Commercial and Credit divisions and he is advisor to the Board of Directors of Almaviva. He previously served as consultant to the office of the Mayor of Bogotá, as President at Colcorp, and in different positions in Bancolombia. He holds a degree in Economics from Universidad Javeriana.

Julián Sinisterra Reyes, age 49, *w*as appointed as Commercial Vice-president for the Credit Card division of Banco de Bogotá in 2012. Mr. Sinisterra Reyes previously served as Commercial Vice-President at Copa Airlines, as Vice-President for the cell phone division at Samsung Electronics, as Manager at Molvitech and as Commercial and Marketing Vice-President at MoviLine (BellSouth). He is member of the board of directors of Megalinea and Credibanco. He holds a degree in Business Administration in Universidad Icesi.

Jaime Gamboa Rodriguez, age 50, has acted as Chief Technology Officer of Banco de Bogotá since 2009. Mr. Gamboa Rodriguez has served in several positions at Banco de Bogotá since 1987 and is a member of the board of directors of ACH Colombia, ATH S.A. and an alternate member of the board of directors of Megalinea. He holds a degree in Electronic Engineering and a specialization in managerial systems from Universidad Javeriana and a Master in Business Administration from Universidad de los Andes.

Gustavo Arturo Pelaez Trujillo, age 57, has acted as Internal Audit Chief of Banco de Bogotá since 2007. Mr. Pelaez Trujillo has served in several positions at Banco de Bogotá since 1979. He holds a degree in Law from Universidad Pontificia Bolivariana.

José Joaquín Díaz Perilla, age 73, has acted as Chief Legal Officer of Banco de Bogotá since 1974. Mr. Díaz Perilla has served in several positions at Banco de Bogotá since 1967 and is a member of the board of directors of Banco de Bogotá (Nassau) Ltd, Fidubogotá and Almaviva. He has also been a lecturer in banking and commercial law at Universidad del Rosario, Universidad de los Andes, Universidad Externado. He holds a degree in Law from Universidad del Rosario.

Alberto Pérez Vélez, age 62, has acted as Secretary of Banco de Bogotá since 2007. Mr. Pérez Velez has served in several positions at Banco de Bogotá since 1973. He holds a degree in Law from Universidad del Rosario.

José Elías Melo Acosta, age 53, has served as President of Corficolombiana since 2008. Mr. Melo Acosta previously served as President of Megabanco from 1999 to 2006, of Banco del Estado in 1999 and of Confederación de Cooperativas de Colombia from 1994 to 1998. He also served in the past in several positions within the Colombian government including as Minister of Employment and Social Security, Superintendency of Finance, Vice Minister of Finance and Public Credit and Secretary of the Monetary Board of the Banco de la República. He is a member of the board of directors of Fundación Grupo Aval since 2011. He holds a law degree with specialty in socioeconomic sciences from Universidad Javeriana.

Miguel Largacha Martínez, age 49, has served as President of Porvenir since 2008. Mr. Largacha Martínez previously served as President of BBVA Horizonte, and held other positions within BBVA Colombia S.A., including Executive Vice President and Legal Vice President of Banco Ganadero (the predecessor to BBVA Colombia S.A.) and has been a member of the board of directors of Fundación Grupo Aval since 2011. He holds a law degree from Universidad Javeriana and has further completed postgraduate studies in financial legislation and executive management at the Universidad de los Andes.

Ernesto Castegnaro, age 62, has served as President of BAC Credomatic since 1983. Mr. Castegnaro joined BAC Credomatic in 1976 and has over 30 years of experience managing credit card operations and over 25 years managing banking operations. He is also a director on the MasterCard Latin America Board of Directors. Mr. Castegnaro holds an MBA in Banking and Finance from INCAE and a civil engineering degree from University of Costa Rica.

Audit committee

Our audit committee advises the board of directors generally on internal control matters, and it specifically undertakes to:

- review financial statements prior to their submission to the board of directors and to the general shareholders' meeting;
- supervise the internal auditor to verify if its actions address the internal control needs of the company and to identify limitations with respect to its duties;
- review all internal control reports of the company and supervise compliance with such reports by the company's management;
- issue its opinion on the independence of the external auditor, based on standards set forth by Colombian regulations;
- issue its opinion every six-months on related party transactions;
- monitor the company's levels of risk exposure at least every six-months and propose mitigation measures as needed;
- propose to the board of directors control systems to prevent, detect and adequately respond to the risk of fraud and improper conduct by company employees;
- provide assistance to our board of directors in fulfilling its responsibilities with respect to our compliance with legal and regulatory requirements;
- make recommendations to the general shareholders meeting concerning the engagement of the independent accounting firm; and
- issue reports to the board of directors on matters deemed relevant.

Pursuant to regulations of the Superintendency of Finance, the audit committee has a charter approved by the board of directors, which sets forth the main aspects related to the operation of such committee, including, among others, its composition and duties.

PRINCIPAL SHAREHOLDER

Our only class of outstanding share capital consists of our common shares. Grupo Aval controls and is the beneficial owner of 64.4% of our issued and outstanding share capital at the date of this offering memorandum. Beneficial ownership generally includes voting or investment power over securities as determined under SEC rules. Percentage of beneficial ownership is based on 286,836,113 of our aggregate share capital outstanding as of June 30, 2012, comprising of 100% common shares. At June 30, 2012, Mr. Luis Carlos Sarmiento Angulo is the beneficial owner of 94.3% of Grupo Aval's common shares and 62.2% of Grupo Aval's preferred shares. Mr. Luis Carlos Sarmiento Angulo additionally beneficially owns 9.6% of Banco de Bogotá.

The principal shareholder, as a common shareholder, does not have any different or special voting rights in comparison to any other common shareholder.

The following table presents the share ownership structure of Banco de Bogotá at June 30, 2012.

	Banco de Bogotá ownership
	(in percentages)
Grupo Aval	64.4
Mr. Sarmiento Angulo (additional beneficial ownership)	9.6
Other investors (1)	13.3
General public	12.7
Total	**100.0**

(1) Based on publicly available information, we have identified a group of investors who have maintained ownership of record of at least one percent in Banco de Bogotá over a significant period of time.

RELATED PARTY TRANSACTIONS

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with "related parties" (within the meaning of the SEC rules). Unless otherwise indicated below, such transactions are conducted on an arm's-length basis in the ordinary course of business, on terms that would apply to transactions with third parties.

Loans or deposits involving related parties

The following chart presents outstanding amounts of related party transactions involving loans from Banco de Bogotá or one of its consolidated subsidiaries to any of the following individuals and entities, and deposits and bonds owed by Banco de Bogotá or one of its consolidated subsidiaries to any of the following individuals and entities.

	Transactions between Banco de Bogotá and its consolidated subsidiaries, and			
	Banco de Bogotá directors and key management and their affiliates (1)	Mr. Sarmiento Angulo and his affiliates other than Grupo Aval group (6)	Close family members of Mr. Sarmiento Angulo and their affiliates	Grupo Aval including its non-Banco de Bogotá subsidiaries (7)
	(in Ps billions)			
	At June 30, 2012			
Outstanding loans granted by us (2)	4.9	600.0	41.9	3.2
Outstanding loans granted to us (3)	0	0	0	0
Deposits (4)	4.5	21.3	3.6	739.2
Bonds (5)	0.0	0.0	0.0	0.9
	At December 31, 2011			
Outstanding loans granted by us (2)	4.0	603.2	37.8	3.6
Outstanding loans granted to us (3)	0	0	0	0
Deposits (4)	3.6	19.2	6.4	1,103.9
Bonds (5)	0.0	0.0	0.0	0.0
	At December 31, 2010			
Outstanding loans granted by us (2)	2.9	610.5	26.6	3.6
Outstanding loans granted to us (3)	0	0	0	0
Deposits (4)	0.6	25.4	3.1	4.9
Bonds (5)	0.0	447.6	0.0	1,372.6

(1) Key management includes executive officers of Banco de Bogotá as well as each of the presidents of Porvenir, Corficolombiana and BAC Credomatic.

(2) Includes loans approved but not yet disbursed. All outstanding loans are made on an arm's length basis, at market rates, on terms and conditions not materially different from those available to the general public, including interest and collateral. See below "—Loans granted by us to related parties."

(3) Includes loans approved but not yet disbursed. See below "—Loans granted to Banco de Bogotá and its subsidiaries by shareholders of Banco de Bogotá and their affiliates."

(4) All deposits, including time deposits and investment portfolios, of all related parties held with us are made on an arm's length basis and held at market rates and on terms and conditions not materially different from those available to the general public.

(5) Represents only BOCEAS which were mandatorily convertible into Banco de Bogotá shares prior to or on November 19, 2011. However, BOCEAS may be converted before the stated date, as was the case for Grupo Aval, Adminegocios & Cia. S.C.A., or "Adminegocios," Seguros de Vida Alfa S.A. and Seguros Alfa S.A. See below "—Loans granted to Banco de Bogotá and its subsidiaries by shareholders of Banco de Bogotá and their affiliates."

(6) Includes Mr. Sarmiento Angulo, Organización Luis Carlos Sarmiento Angulo Ltda., Seguros de Vida Alfa S.A., Seguros Alfa S.A., Adminegocios Bienes y Comercio S.A., Actiunidos S.A. and Rendifin S.A., each of which are beneficially owned by Mr. Sarmiento Angulo.

(7) Excludes Mr. Sarmiento Angulo and his affiliates.

For information on related party transactions in accordance with Colombian disclosure rules, see note 28 to our audited annual consolidated financial statements and note 28 to our audited six-month consolidated financial statements. Required Colombian disclosures as to related party transactions differ from those required by the SEC. For the purposes of note 28 to our audited consolidated financial statements and note 28 to our audited six-month consolidated financial statements, related parties includes the principal shareholders of Banco de Bogotá, members of the board of directors, individuals who are legal representatives of Banco de Bogotá and companies in which Banco de Bogotá, its principal shareholders or board members have a direct equity interest of at least 10.0%. For the purposes of this section, and as required by SEC rules, "related parties" includes enterprises that control, or are under common control with Banco de Bogotá, associates, individuals owning directly or indirectly an interest in the voting power that gives them significant influence over Banco de Bogotá, close family members, key management personnel (including directors and senior management) and any enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any of the persons listed above. We determine beneficial ownership under SEC rules. See "Principal Shareholder."

Certain members of our board of directors and key management own shares of Banco de Bogotá which were acquired in the open market and represent less than 0.1% of our total outstanding shares. See "Principal Shareholder." We do not, and have not offered or granted any share options to any of our directors or employees.

Loans granted to Banco de Bogotá and its subsidiaries by shareholders of Banco de Bogotá and their affiliates

As of December 31, 2012, there are no transactions that are material to Banco de Bogotá and its subsidiaries involving loans from Grupo Aval and its non-Banco de Bogotá subsidiaries.

On December 2, 2010, Grupo Aval purchased 13,726,421 of our BOCEAS issued by us (mandatorily convertible into 29,205,151 of our shares) to finance the BAC Credomatic acquisition. On November 24, 2010 Grupo Aval assigned to Adminegocios, an entity controlled by Mr. Sarmiento Angulo, its right to acquire up to 2,605,000 BOCEAS issued by us (mandatorily convertible into 5,542,553 of our shares). On December 2, 2010, Adminegocios acquired 4,249,965 of our BOCEAS. On March 1, 2011, Grupo Aval and Adminegocios converted all of their mandatorily convertible Banco de Bogotá bonds holding into common shares of Banco de Bogotá. Under a put/call agreement entered into with Adminegocios, dated November 24, 2010, Grupo Aval has an option to purchase from Adminegocios, which in turn has the right to sell, the 5,542,553 Banco de Bogotá shares.

Grupo Aval expects to acquire (at the same pricing terms of the put/call agreement) 3,499,925 shares of Banco de Bogotá from Adminegocios, in addition to 5,542,553 shares of Banco de Bogotá subject to the option in the put/call agreement.

Loans granted by us to related parties

Key management of Banco de Bogotá and Grupo Aval, and their respective affiliates, who meet our credit eligibility requirements may subscribe to loans in the ordinary course of business, on market terms and conditions available to the general public, with us, or any other Grupo Aval subsidiary bank.

All outstanding loans with our related parties are made in the ordinary course of business and on terms and conditions, including interest rates and collateral, not materially different from those available to the general public, and did not involve more than the normal risk of collectability or present other unfavorable features.

Other transactions with Grupo Aval and its subsidiaries

We coordinate our electronic channels within our branches, Porvenir and with other Grupo Aval banks through A Toda Hora S.A., a subsidiary of Banco AV Villas.

We also participate in the *Red de Grupo Aval* network which coordinates connectivity between branches, technical support, webpages and transactional Internet, mobile banking, non-banking correspondence and payments and collections.

Porvenir has entered into service agreements with us and Banco de Occidente, Banco Popular and Banco AV Villas to maintain an operating presence in certain of our and their respective branches. The agreements provide for a collection service for Porvenir's customers, allowing them to use each bank's branch network to transfer money to Porvenir's mandatory and voluntary pension funds and severance funds, without any charges or fees to the customer. It also requires Porvenir and each bank to monitor and record any cash transactions and comply with anti-money laundering and terrorism financing regulations. These agreements do not have a definite termination date and can be terminated at any time by providing notice to the other party. The agreements were concluded on an arms'-length basis.

Porvenir acquired equity interests in both Corficolombiana and Banco Popular before they became subsidiaries of Grupo Aval. Currently Porvenir owns a total of: (i) 82,925,137 shares of Banco Popular; and (ii) 1,754,391 shares of Corficolombiana. The Superintendency of Finance has mandated that Porvenir must sell or otherwise dispose of these equity participations before the end of 2015. Porvenir must provide the Superintendency of Finance with a monthly report of any actions directed towards disposition.

In June 2010, due to the share-exchange merger between Banco de Occidente and Leasing de Occidente (of which Corficolombiana was the largest shareholder with a 45.2% stake), Corficolombiana was left with a 6.1% stake in Banco de Occidente classified as "available for sale." At June 30, 2012, Corficolombiana held 3.96% and expects the shares to be sold in open-market transactions through the Colombian Stock Exchange.

On December 24, 2012, Porvenir entered into a stock purchase agreement with BBVA and Compañía Chilena de Inversiones S.L., an affiliate of BBVA, to acquire 99.99% of the outstanding shares of BBVA Horizonte for U.S.$530 million (subject to certain adjustments). As of June 30, 2012, BBVA Horizonte is the third largest pension fund administrator in Colombia, based on assets under management, with a 15.0% market share and 17.6% share of all net income generated by pension funds in Colombia. According to market share data published by the Superintendency of Finance, the acquisition will consolidate Porvenir's position as the leading pension fund administrator with the largest market share of net income in Colombia. See "Business—Competition—Pension and severance fund management—Porvenir."

Grupo Aval entered into the stock purchase agreement as guarantor of the obligations of Porvenir, including payment of the purchase price. The stock purchase agreement permits the assignment of Porvenir's obligations under the stock purchase agreement to any subsidiaries of Grupo Aval incorporated in Colombia. The obligations of Porvenir under the stock purchase agreement, including payment of the purchase price, are expected to be consummated by Porvenir together with other subsidiaries of Grupo Aval.

On January 16, 2013, Grupo Aval's Board of Directors authorized Grupo Aval to participate in the transaction as assignee of Porvenir, subject to regulatory approval. From the total amount of BBVA Horizonte's shares that Porvenir decides to assign, Grupo Aval and certain of its subsidiaries would each acquire a percentage substantially similar to their respective current participation in Porvenir's equity.

On January 17 and 18, 2013, Banco de Bogotá's and Banco de Occidente's respective Boards of Directors authorized each such entity to enter into the transaction as assignees, subject to regulatory approval, each in a percentage substantially similar to the actual ownership of Banco de Bogotá and its subsidiary Fiduciaria Bogotá, and Banco de Occidente and its subsidiary Fiduciaria de Occidente, each have in Porvenir. The assignment of the contractual position was approved by the Board of Directors of Porvenir on February 5, 2013.

The Board of Directors of Grupo Aval also authorized it to grant a loan to Porvenir in an amount up to Ps 350 billion (approximately U.S.$195 million), conferring to the company's legal representative all applicable authorizations to agree to the conditions of such loan. For a summary of the BBVA Horizonte acquisition, see "Summary—Other developments—BBVA Horizonte acquisition."

Other transactions with Mr. Sarmiento Angulo and his affiliates (outside of Grupo Aval)

In addition to his beneficial ownership in Grupo Aval, at June 30, 2012 Mr. Sarmiento Angulo beneficially owns 9.6% of Banco de Bogotá, see "Principal Shareholder."

At June 30, 2012, Mr. Sarmiento Angulo also has beneficial ownership in our subsidiaries, as follows: 53.1% of Porvenir, 34.9% of Casa de Bolsa, 19.0% of Corficolombiana, 4.5% of Almaviva Global Cargo S.A., a subsidiary of Almaviva, and 1.4% of Fidubogotá.

Like all shareholders of Banco de Bogotá, Mr. Sarmiento Angulo receives dividends prorated to his shareholding interest in Banco de Bogotá.

Insurance services

Seguros de Vida Alfa S.A., or "Vida Alfa," a life insurance affiliate of Mr. Sarmiento Angulo, provides insurance required by law, as well as annuities, relating to the mandatory pension funds managed by Porvenir. The insurance provider is selected by Porvenir through a competitive bidding process once every four years. Premiums under this insurance policy are deducted by Porvenir from the individual customers' account and transferred to Vida Alfa on behalf of the individual customer.

The table below presents the insurance premiums paid by Porvenir for the periods indicated.

Period	Amount (in Ps billions)
For the six month period ended June 30, 2012	163.4
For the year ended December 31, 2011:	285.7
For the year ended December 31, 2010	252.7

Vida Alfa also provides:

- life insurance, as sole provider and as co-insurer with non-affiliated insurers (pursuant to a competitive bidding process), for individual borrowers of Banco de Bogotá to cover the risk of non-payment upon death. Premiums are paid by the borrowers; and

- workers compensation for all employees of Banco de Bogotá and its subsidiaries (except for BAC Credomatic).

Seguros Alfa S.A., or "Alfa," a property and casualty insurance affiliate of Mr. Sarmiento Angulo, provides fire and earthquake insurance for mortgage loans granted by Banco de Bogotá. In addition, Alfa provides surety bonds and property insurance for Banco de Bogotá and subsidiaries. These transactions are conducted on an arm's-length basis in the ordinary course of business. Alfa has in the past, but not currently, provided bankers blanket bond coverage to us and our subsidiaries, reinsured under prevailing market conditions, and surety bonds for Corficolombiana's toll-road concessions. The amounts relating to those transactions are immaterial.

Other

The following companies are beneficially owned by Mr. Sarmiento Angulo, and may continue to, provide services to us and our subsidiaries for amounts that are immaterial: Construcciones Planificadas S.A. (office renovations), Vigía S.A. (security services), and Corporación Publicitaria S.A. (advertising).

DESCRIPTION OF THE NOTES

The Bank will issue the notes described in this offering memorandum under an indenture (the "Indenture") to be executed between the Bank and Deutsche Bank Trust Company Americas, as trustee, registrar, paying agent and transfer agent (the "trustee"). A copy of the Indenture will be available for inspection during normal business hours at the corporate trust office of the trustee in New York City and any other paying agents. You should refer to the Indenture for a complete description of the terms and conditions of the notes and the Indenture, including the Obligations of the Bank and your rights.

The following is a summary of the material terms and provisions of the notes. The following summary does not purport to be a complete description of the notes and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Indenture. Definitions of certain terms used in this description are set forth under "— Definitions." As used in this "Description of the Notes" section, the "Bank" means Banco de Bogotá, S.A., a *sociedad anónima* organized and existing under the laws of Colombia, and its successors, but not any of its subsidiaries.

The notes are being issued by the Bank as subordinated notes under the laws of Colombia (with the effects set forth in Decree 2555 of 2010). References to "Decree 2555 of 2010" in this "Description of the Notes" section are made taking into account that as of the date of this prospectus supplement, Chapter 2 of Title 1 of Book 1 of Part 2 of Decree 2555 of 2010 is currently applicable to financial institutions, such as the Bank. The notes are not treated under the banking laws and regulations of Colombia as bank deposits, and the holders are not required to open accounts with the Bank. Holders will not have recourse to deposit insurance or any other protections afforded to depositors in financial institutions under the laws of any jurisdiction.

Under Colombian banking laws, banks are permitted to issue subordinated debt, including the notes, and to include the outstanding aggregate principal amount of the subordinated debt as a component of Tier Two Capital. Technical Capital consists of Tier One Capital, which includes different types of capital, such as capital stock and capital reserves, and Tier Two Capital, which includes subordinated debt, such as the notes. However, under current capital adequacy rules, commencing on the fifth anniversary prior to the final maturity date, the amount of subordinated debt that will be eligible to be included in Tier Two Capital will decrease by 20% of the aggregate outstanding amount of such subordinated debt on an annual basis. As a result, after February 19, 2018 the outstanding aggregate principal amount of the notes that will qualify as Tier Two Capital will decrease by 20% annually. See "Supervision & Regulation−Capital adequacy requirements" for a description of current and future capital adequacy rules.

General

The notes:

- will be direct, subordinated and unsecured Obligations of the Bank;
- will initially be issued in an aggregate principal amount of U.S.$ 500 million;
- will mature on February 19, 2023;
- will not be subject to redemption prior to maturity;
- will be issued in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof; and
- will be represented by registered notes in global form and may be exchanged for notes in certificated form only in limited circumstances.

Interest on the notes:

- will accrue on their outstanding principal amount at the rate of 5.375% per year; *provided* that in the event that the Bank defaults on the payment of principal, premium, if any, interest or such other amounts as may be payable in respect of the notes, the Bank will pay interest on overdue principal and premium, if any, at the rate borne by the notes plus 1% per year, and it will pay interest on overdue installments of interest at the same rate to the extent lawful;

- will accrue from the date of issuance or from the most recent interest payment date;

- will be payable in cash semi-annually in arrears on February 19 and August 19 of each year, commencing on August 19, 2013;

- will be payable to the holders of record on the February 4 and August 4 immediately preceding the related interest payment dates (whether or not such record date is a business day); and

- will be computed on the basis of a 360-day year comprised of twelve 30-day months.

The Bank may from time to time, without notice or consent of the holders of the notes, create and issue an unlimited principal amount of additional notes having the same terms and conditions (except for issue date, issue price and, if applicable, the first interest payment date) as, and forming a single series with, the notes initially issued in this offering; *provided* that, if the additional notes are not fungible with the notes for U.S. federal income tax purposes, the additional notes will have separate CUSIP and ISIN numbers.

The notes and the Indenture will not contain a covenant limiting the amount of additional indebtedness or other obligations that we or our subsidiaries may incur.

Subordination of the notes

The payment of all Obligations on or relating to the notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents of all obligations due in respect of Senior External Liabilities of the Bank, whether outstanding on the Issue Date or incurred after that date and will be senior only to all classes of the Bank's capital stock and subordinated debt that is expressly junior to the notes. The notes will rank *pari passu* with all other unsecured and subordinated Indebtedness of the Bank, if any, that complies with the requirements set forth in Decree 2555 (or any other Colombian law or regulation regulating Tier Two Capital in effect from time to time), other than subordinated Indebtedness, that, under its terms, is designated as junior to the notes. Pursuant to Colombian banking laws, the notes will constitute "subordinated bonds" (*bonos subordinados*).

The creditors holding Senior External Liabilities will be entitled to receive payment in full in cash or cash equivalents of all obligations due in respect of Senior External Liabilities before the holders will be entitled to receive any payment or distribution of any kind or character with respect to any Obligations on or relating to the notes in the event of any distribution to creditors of the Bank:

- in a total or partial liquidation, dissolution or winding up of the Bank; or

- in the event that the SFC takes possession of the Bank and determines to liquidate the Bank.

As a result of these subordination provisions in the event of a liquidation of the Bank, the notes will be senior only to the Bank's capital stock and subordinated debt that is expressly junior to the notes, and, accordingly, holders may recover less ratably than creditors of the Bank who hold Senior External Liabilities.

At September 30, 2012, the Bank had total unsecured unconsolidated senior indebtedness of U.S.$4,591.6 million and subordinated indebtedness of U.S.$234.0 million. The Bank does not have any secured indebtedness. At September 30, 2012, the Bank had total unconsolidated Senior External Liabilities of U.S.$39,416.9 million.

Optional Redemption

The notes may not be redeemed prior to the final maturity date.

Open market purchases

The Bank or its affiliates may at any time purchase notes in the open market or otherwise at any price. Notes so purchased by the Bank may be held, resold in accordance with the Securities Act of 1933, as amended, or any exemption therefrom, or surrendered to the Trustee for cancellation, unless such purchase, resale or surrender for cancellation would have the effect of disqualifying the notes from Tier Two Capital status under applicable Colombian banking law, except for any transactions which result in no notes being outstanding. Such right shall not be construed as an option or right of pre-payment, cancellation or similar right of the holders.

Payments

The Bank will make all payments on the notes exclusively in U.S. dollars or such other currency of the United States as at the time of payment will be legal tender for the payment of public and private debts.

The Bank will make payments of principal of and premium, if any, and interest on the notes to the paying agents. The trustee will initially act as a paying agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, the Bank will also maintain a paying agent in Luxembourg.

The Bank will pay interest on the outstanding principal amount of the notes to the Persons in whose name the notes are registered on the relevant record date (which, in the case of global notes, will be DTC) and will pay principal of and premium, if any, on the notes to the Persons in whose name the notes are registered at the close of business on the fifteenth day before the due date for payment (which, in the case of global notes, will be DTC). Payments of principal, premium, if any, and interest in respect of each note will be made by the paying agents by wire transfer to a U.S. dollar account maintained by the payee with a bank in New York City. The Bank will make payments of principal and premium, if any, upon surrender of the relevant notes at the specified office of the trustee or any of the paying agents.

Under the terms of the Indenture, payment by the Bank of any amount payable under the notes to the paying agents in accordance with the Indenture will satisfy the obligation of the Bank to make such payment; *provided* that the liability of any paying agent will not exceed any amounts paid to it by the Bank, or held by it, on behalf of the holders under the Indenture. The Bank has agreed in the Indenture to indemnify the holders in the event that there is subsequent failure by the trustee or any paying agent to pay any amount due in respect of the notes in accordance with the Indenture as will result in the receipt by the holders of such amounts as would have been received by them had no such failure occurred.

All payments will be subject in all cases to any applicable tax or other laws and regulations, but without prejudice to the provisions of "—Additional amounts." No fees or expenses will be charged to the holders in respect of such payments.

Subject to applicable law, the trustee and the other paying agents, if any, will pay to the Bank upon request any monies held by them for the payment of principal, premium, if any, or interest that remains unclaimed for two years, and, thereafter, holders entitled to such monies must look to the Bank for payment as general creditors. After the return of such monies by the trustee or the other paying agents to the Bank, neither the trustee nor the other paying agents, if any, will be liable to the holders in respect of such monies.

Form, denomination and title

The notes will be issued in fully registered form without coupons attached in minimum denominations of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

Notes sold in reliance on Regulation S will be represented by a permanent global note in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Notes sold in reliance on Rule 144A will be represented by a permanent global note in fully registered form without coupons deposited with a custodian for and registered in the name of a nominee of DTC. Beneficial interests in the global notes will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Except in certain limited circumstances, definitive registered notes will not be issued in exchange for beneficial interests in the global notes. See "—Form of the notes—Global notes."

Title to the notes will pass by registration in the register. The holder of any note will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, writing on, or theft or loss of, the definitive note issued in respect of it) and no Person will be liable for so treating the holder.

Transfer of notes

Notes may be transferred in whole or in part in an authorized denomination upon the surrender of the note to be transferred, together with the form of transfer endorsed on it duly completed and executed, at the specified office of the registrar or any transfer agent. Transfer of beneficial interests in the global notes will be effected only through records maintained by DTC and its participants. See "—Form of the notes." Notes will be subject to certain restrictions on transfer as more fully set out in the Indenture and as described under "Transfer Restrictions."

The trustee will initially act as the registrar and as a transfer agent with respect to the notes. So long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, the Bank will also maintain a transfer agent in Luxembourg.

Transfers will be effected without charge by or on behalf of the Bank, the registrar or the transfer agents, but upon payment, or the giving of such indemnity or security as the registrar or the relevant transfer agent may require, in respect of any tax or other governmental charges which may be imposed in relation to it.

No holder may require the transfer or exchange of any note selected for redemption. No holder may require the transfer of a note to be registered during the period of 15 days ending on the due date for any payment of principal of or premium, if any, or interest on that note.

Additional amounts

All payments by the Bank in respect of the notes will be made free and clear of and without any withholding or deduction for or on account of any present or future Taxes (as defined below), unless the withholding or deduction of such Taxes is required by law or the official interpretation thereof, or by the administration thereof. If the Bank will be required by any law of any Taxing Jurisdiction (as defined below) to withhold or deduct any Taxes from or in respect of any sum payable under the notes, the Bank will (a) pay such additional amounts ("Additional Amounts") as may be necessary in order that the net amounts receivable by holders of any notes after such withholding or deduction equals the respective amounts which would have been receivable by such holders in the absence of such withholding or deduction, (b) make such withholding or deduction, and (c) pay the full amount withheld or deducted to the relevant tax or other authority in accordance with applicable law, except that no such Additional Amounts will be payable in respect of any note:

(i) to the extent that such Taxes are imposed or levied by reason of such holder (or the beneficial owner) having some connection with the Taxing Jurisdiction other than the mere holding (or beneficial ownership) of such note or receiving principal or interest payments on the note (including but not limited to citizenship, nationality, residence, domicile, or existence of a business, permanent establishment, a dependent agent, a place of business or a place of management present or deemed present in the Taxing Jurisdiction);

(ii) to the extent that any Tax is imposed other than by deduction or withholding from payments of principal of or premium, if any, or interest on the notes;

(iii) in the event that the holder (or beneficial owner) fails to comply with any certification, identification or other reporting requirement concerning nationality, residence, identity or connection with the Taxing Jurisdiction if (1) compliance is required by applicable law, regulation, administrative practice or treaty as a precondition to exemption from all or part of the Taxes, and (2) the Bank has given the holders (or beneficial owners) at least 30 days prior notice that they will be required to comply with such requirement;

(iv) in the event that the holder fails to surrender (where surrender is required) the note for payment within 30 days after the Bank has made available a payment of principal or interest, provided that the Bank will pay Additional Amounts to which a holder would have been entitled had the note been surrendered on the last day of such 30-day period;

(v) to the extent that such Taxes are imposed by reason of an estate, inheritance, gift, personal property, value added, use or sales tax or any similar taxes, assessments or other governmental charges;

(vi) where such withholding or deduction of Taxes is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive;

(vii) by or on behalf of a holder who would have been able to avoid such withholding or deduction of Taxes by presenting the relevant note to another paying agent in a member state of the European Union; or

(viii) any combination of items (i) through (vii) above.

In addition, no Additional Amounts will be paid to a holder that is a fiduciary or a partnership or not the sole beneficial owner of such payment to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such partnership or such beneficial owner would not have been entitled to receive the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the holder.

"Taxes" means all taxes, withholdings, duties, assessments or governmental charges of whatever nature (including any penalties, interest and other liabilities relating thereto) imposed or levied by or on behalf of Colombia or the jurisdiction of incorporation of any successor entity to the Bank or the jurisdictions of any paying agents or, in each case, any political subdivision thereof or any authority or agency therein or thereof having power to tax (each, a "Taxing Jurisdiction").

The Bank will provide the trustee with the official acknowledgment of the relevant taxing authority (or, if such acknowledgment is not available, other reasonable documentation) evidencing any payment of any Taxes in respect of which the Bank has paid any Additional Amounts. Copies of such documentation will be made available to the holders of the notes or the paying agents, as applicable, upon request therefor.

The Bank will also pay any present or future stamp, issue, registration, court or documentary taxes or any excise or property taxes, charges or similar levies (including any penalties, interest and other liabilities relating thereto) which arise in any jurisdiction from the execution, delivery, registration or the making of payments in respect of the notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction that is not a Taxing Jurisdiction other than those resulting from, or required to be paid in connection with, the enforcement of the notes following the occurrence of any Default or Event of Default.

All references in this offering memorandum to principal of and premium, if any, and interest on the notes will include any Additional Amounts payable by the Bank in respect of such principal, premium, if any, and interest.

Covenants

The Indenture contains the following covenants:

Mergers, consolidations and transfers of assets

The Bank will not consolidate with or merge into, or sell, lease, convey or transfer, in one transaction or a series of transactions, all or substantially all of the Bank's properties and assets to any Person, unless:

(1) the surviving entity, if other than the Bank, is organized and existing under the laws of Colombia or the United States and assumes under a supplemental indenture all of the Obligations under the notes and the Indenture;

(2) immediately prior to such transaction and immediately after giving effect to such transaction, no Default or Event of Default will have occurred and be continuing; and

(3) the Bank or the surviving entity will have delivered to the trustee an Officers' Certificate and an Opinion of Counsel, in form and substance satisfactory to the trustee, stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the notes constitute legal, valid and binding obligations of the continuing person, enforceable in accordance with their terms.

The trustee will be entitled to rely exclusively on, and will accept, such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent set forth in this covenant, in which event it will be conclusive and binding on the holders.

Maintenance of office or agent for service of process

The Bank will maintain an office or agent for service of process in the Borough of Manhattan, The City of New York, where notices to and demands upon the Bank in respect of the notes and the Indenture may be served. Initially, this agent will be the Banco de Bogotá S.A., New York Agency, and the Bank will agree not to change the designation of such agent without prior notice to the trustee and designation of a replacement agent in the Borough of Manhattan, The City of New York.

Reporting requirements

The Bank will cause to be provided to the trustee (1) in English (or accompanied by an English translation thereof) as soon as available and in any case within 45 days after the end of each first and third fiscal quarters, its unaudited unconsolidated balance sheet and statement of income and its unaudited balance sheet and statement of income consolidated for its banking and other financial institution subsidiaries, in each case, calculated in accordance with Colombian Banking GAAP and as reported to the Superintendency of Finance, and (2) in English (or accompanied by an English translation thereof) as soon as available and in any case within 120 days after the end of each second quarter and fiscal year, its audited consolidated and unconsolidated balance sheet, statement of income, statement of changes in stockholders' equity and statement of cash flow, at and for the six month periods then ended, calculated in accordance with Colombian Banking GAAP and accompanied by a report thereon by an independent public accountant of recognized international standing, together with an English translation of the management report (*informe de gestión*) that the Bank sends to its shareholders.

For as long as the notes are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Bank will furnish to any holder of notes issued under Rule 144A, or to any prospective purchaser designated by such holder of notes, upon request of such holder of notes, financial and other information described in paragraph (d)(4) of Rule 144A with respect to the Bank to the extent required in order to permit such holder of notes to comply with Rule 144A with respect to any resale of its note, unless during that time the Bank is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act, or is exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act and no such information about the Bank is otherwise required pursuant to Rule 144A.

Delivery of such reports, information and documents to the Trustee is for informational purposes only, and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Bank's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

Further actions

The Bank will, at its own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, as may be necessary or as the trustee may reasonably request, in accordance with applicable laws and/or regulations, to be taken, fulfilled or done in order to (i) enable the Bank to lawfully enter into, exercise its rights and perform and comply with its Obligations under the Indenture and the notes, as the case may be; (ii) ensure that its Obligations under the Indenture and the notes are legally binding and enforceable; (iii) make the Indenture and the notes admissible in evidence in the courts of the State of New York and Colombia; (iv) preserve the enforceability of, and maintain the trustee's rights under, the Indenture; and (v) respond to any reasonable requests received from the trustee to facilitate the trustee's exercise of its rights and performance of its Obligations under the Indenture and the notes, including exercising and enforcing its rights under and carrying out the terms, provisions and purposes of the Indenture and the notes.

Events of default

Each of the following is an "Event of Default" with respect to the notes:

(1) failure by the Bank to pay interest on any of the notes when it becomes due and payable and the continuance of any such failure for thirty (30) days;

(2) failure by the Bank to pay the principal on any of the notes when it becomes due and payable, whether at stated maturity or otherwise, and the continuance of such failure for seven (7) days;

(3) the Bank or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law

  (a) commences a voluntary case;

  (b) consents to the entry of an order for relief against it in an involuntary case;

  (c) consents to the appointment of a Custodian of it or for all or substantially all of its assets;

  (d) makes a general assignment for the benefit of its creditors;

  (e) is subject to any other Intervention Measure or Preventive Measure; or

(4) a court of competent jurisdiction or relevant entity enters an order or decree under any Bankruptcy Law that:

  (a) is for relief against the Bank or any Significant Subsidiary as debtor in an involuntary case;

  (b) appoints a Custodian of the Bank or any Significant Subsidiary or a Custodian for all or substantially all of the assets of the Bank or any Significant Subsidiary; or

  (c) orders the liquidation of the Bank or any Significant Subsidiary, and the order or decree remains unstayed and in effect for sixty (60) days.

If the Bank fails to make payment of principal of or interest or Additional Amounts, if any, on the notes (and, in the case of payment of principal such failure to pay continues for seven (7) days, or in the case of interest or Additional Amounts, such failure to pay continues for thirty (30) days), each holder will have the right to demand and collect under the Indenture and the Bank will pay to the holders the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the notes; *provided*, *however*, that to the extent that the SFC has adopted an Intervention Measure in connection with the Bank, under the Bankruptcy Law, the holders will not be able to commence proceedings to collect amounts owed outside the intervention proceeding.

The trustee will not be charged with knowledge of any Default or Event of Default or knowledge of any cure of any Default or Event of Default unless either (i) an authorized officer of the trustee with direct responsibility for the Indenture has actual knowledge of such Default or Event of Default or (ii) written notice of such Default or Event of Default has been given to the trustee by the Bank or any holder.

The Bank will deliver to the trustee, within ten (10) business days after obtaining actual knowledge thereof, written notice of any Default or Event of Default that has occurred and is still continuing, its status and what action the Bank is taking or proposing to take in respect thereof. The Indenture will provide that the trustee may withhold notice to the holders of any Default or Event of Default (except in payment of principal of, or interest or premium (and Additional Amounts), if any, on the notes) if the trustee in good faith determines that it is in the interest of the holders.

Subject to, and to the extent permitted by, the subordination provisions of the notes, no holder shall have any right to institute any proceeding, judicial or otherwise with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy thereunder, unless:

- such holder has previously given written notice to the trustee of a continuing Event of Default with respect to the notes;

- the holders of not less than 25% in principal amount of the outstanding notes shall have made written request to the trustee to institute proceedings in respect of such Event of Default in its own name as trustee thereunder;

- such holder or holders have offered to the trustee an indemnity or security reasonably satisfactory to the trustee against the costs, expenses and liabilities to be incurred in compliance with such request;

- the trustee for 60 days after its receipt of such notice, request and offer of indemnity or security has failed to institute any such proceeding; and

- no direction inconsistent with such written request has been given to the trustee during such 60-day period by the holders of a majority in principal amount of the outstanding notes, it being understood and intended that no one or more of such holders shall have any right in any manner whatsoever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other of such holders, or to obtain or to seek to obtain priority or preference over any other of such holders or to enforce any right under the Indenture, except in the manner therein provided and for the equal and ratable benefit of all such holders;

provided, *however*, that to the extent that the SFC has adopted Intervention Measures in connection with the Bank, under the Bankruptcy Law, holders will not be able to commence proceedings to collect amounts owed outside such Intervention Measures.

There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of the Bank's other obligations under the Indenture or the notes. See "Risk Factors—Risks Relating to the Notes—Holders of the notes will not have the right to accelerate the notes." Notwithstanding the immediately preceding sentence, the holders will have the right to accelerate the payments due under the notes during the occurrence of an Event of a Default; *provided* that there will have been a change, amendment or modification to the Colombian banking laws that would permit such right without disqualifying the notes from Tier Two Capital status and the holders exercise such right in accordance with applicable Colombian banking law.

Subject to, and to the extent permitted by, the subordination provisions of the notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the notes or to enforce the performance of any provision of the Notes or the Indenture, provided, however, that to the extent that the SFC has adopted Intervention Measures in connection with the Bank, under the Bankruptcy Law, holders will not be able to commence proceedings to collect amounts owed outside such Intervention Measures.

Notwithstanding any other provision of the Indenture other than the subordination provisions of the notes, if the holder of any note shall have the right, which is absolute and unconditional, to receive payment of the principal of and premium, if any and interest on such note and to institute suit for the enforcement of any such payment (excluding acceleration, except as provided herein), and such rights shall not be impaired without the consent of such holder, provided, however, that to the extent that the SFC has adopted Intervention Measures in connection with the Bank, under the Bankruptcy Law, holders will not be able to commence proceedings to collect amounts owed outside such Intervention Measures.

Defeasance

The Bank may at any time irrevocably deposit in trust, for the benefit of the holders of the notes, with the trustee money or U.S. government obligations, or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants expressed in a written certificate delivered to the trustee, without consideration of any reinvestment, to pay the principal of and premium, if any, and interest on the notes to redemption or maturity and comply with certain other conditions, including the delivery of an opinion of counsel as to certain tax matters. Consequently, the Bank will be released from all of its obligations with respect to the notes except for certain obligations ("defeasance"), including those regarding any trust established for a defeasance and obligations to register the transfer or exchange of the notes, to replace mutilated, destroyed, lost or stolen notes and to maintain agencies in respect of notes. This will also release the Bank from its obligations under certain covenants set forth in the Indenture, and any omission to comply with such obligations will not constitute a Default or an Event of Default with respect to the notes issued under the Indenture ("covenant defeasance"). Defeasance shall not be construed as an option or right of pre-payment or similar right or option.

Amendment, supplement, waiver

Subject to certain exceptions, the Indenture and the notes may be amended or supplemented with the written consent of the holders of at least a majority in principal amount of the notes then outstanding, and any Default or Event of Default and its consequences may be waived with the consent of the holders of at least a majority in principal amount of the notes then outstanding. However, without the consent of each holder of an outstanding note affected thereby, no amendment may:

(1) reduce the rate of or extend the time for payment of interest on any note;

(2) reduce the principal of or change the Stated Maturity of any note;

(3) reduce the amount payable upon the redemption of any note or change the time at which any note may be redeemed;

(4) change the currency for payment of principal of or premium, if any, or interest on any note;

(5) impair the right to institute suit for the enforcement of any payment on or with respect to any note;

(6) waive a Default or Event of Default in the payment of principal of and premium, if any, and interest on the notes;

(7) amend or modify any provisions of any future guarantee or collateral that may be added in the future with respect to the notes in a manner that could materially and adversely affect the holders;

(8) modify or change the subordination provisions, including related definitions, of the notes or the Indenture in a manner that could materially and adversely affect the holders (except for any modifications that are desirable, or necessary to comply with Decree 2555 of 2010 or its successors including, but not limited to Decree 1771 of 2012);

(9) reduce the principal amount of notes whose holders must consent to any amendment, supplement or waiver; or

(10) make any change in the amendment or waiver provisions which require each holder's consent.

The trustee and the holders of the notes will receive prior notice as described under "—Notices" of any proposed amendment to the Indenture or the notes described in this paragraph.

The consent of the holders of the notes is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

The Bank and the trustee may, without notice to or the consent or vote of any holder of the notes, amend or supplement the Indenture or the notes for the following purposes:

(1) to cure any ambiguity, defect or inconsistency (including, without limitation, any inconsistency between the text of the Indenture or the notes and the description of the Indenture and the notes contained in this "Description of the Notes" section of this offering memorandum);

(2) to comply with the covenant described under "—Covenants—Mergers, consolidations and transfers of assets";

(3) to add guarantees or collateral with respect to the notes;

(4) to add to the covenants of the Bank for the benefit of holders of the notes;

(5) to surrender any right conferred by the Indenture upon the Bank;

(6) to evidence and provide for the acceptance of an appointment by a successor trustee;

(7) to provide for the issuance of additional notes; or

(8) to make any other change that does not materially and adversely affect the rights of any holder of the notes.

After an amendment described in the preceding paragraphs becomes effective, the Bank is required to mail to the holders a notice briefly describing such amendment; however, the failure to give such notice to all holders of the notes, or any defect therein, will not impair or affect the validity of the amendment.

Any notes owned by the Bank or any of their Affiliates will be disregarded for purposes of determining whether holders of the requisite principal amount of notes outstanding have given any request, demand, authorization, direction, consent or waiver under the Indenture.

Notices

For so long as notes in global form are outstanding, notices to be given to holders will be given to DTC, in accordance with its applicable policies as in effect from time to time. If notes are issued in individual definitive form, notices to be given to holders will be deemed to have been given upon the mailing by first class mail, postage prepaid, of such notices to holders of the notes at their registered addresses as they appear in the trustee's records. In addition, so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxembourger Wort*) or on the website of the Luxembourg Stock Exchange (*www.bourse.lu*). Any such notice will be deemed to have been delivered on the date of first publication.

No personal liability of directors, officers, employees and shareholders

No director, officer, employee or shareholder of the Bank will have any liability for any obligations of the Bank under the notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or the creation of such obligations. Each holder by accepting a note waives and releases all such liability. Such waiver and release are part of the consideration for issuance of the notes. The waiver may not be effective to waive liabilities under the U.S. Federal securities laws.

Trustee

Deutsche Bank Trust Company Americas is the trustee under the Indenture.

The Indenture contains provisions for the indemnification of the trustee and for its relief from responsibility. The obligations of the trustee to any holder are subject to such immunities and rights as are set forth in the Indenture.

Except during the continuance of an Event of Default, the trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the trustee. In case an Event of Default has occurred and is continuing, the trustee will exercise such of those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs. No provision of the Indenture will require the trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity or security satisfactory to it against any loss, liability or expense.

The Bank and its Affiliates may from time to time enter into normal banking and trustee relationships with the trustee and its Affiliates.

The trustee may hold notes in its own name.

Registrar, transfer agent and paying agents

The trustee will initially act as registrar for the notes. The trustee will also act as transfer agent and paying agent for the notes. The Bank has the right at any time to change or terminate the appointment of the registrar, any paying agents or any transfer agents and to appoint a successor registrar or additional or successor paying agents or transfer agents in respect of the notes. Registration of transfers of the notes will be effected without charge, but upon payment (with the giving of such indemnity as the Bank and the trustee may require) in respect of any tax or other governmental charges that may be imposed in relation to it. The Bank will not be required to register or cause to be registered the transfer of notes after all the notes have been called for redemption.

For so long as the notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF market, the Bank will maintain a paying agent and transfer agent in Luxembourg. The Bank has initially appointed Deutsche Bank Luxembourg S.A. as Luxembourg paying agent and transfer agent. To the extent that the Luxembourg paying

agent is obliged to withhold or deduct tax on payments of interest or similar income, the Bank will, to the extent permitted by law, ensure that it maintains an additional paying agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings implementing the conclusions of the European Council of Economic and Finance Ministers (ECOFIN) meeting of 26 and 27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive.

Deutsche Bank Luxembourg S.A. has also been appointed as listing agent.

Governing law, submission to jurisdiction and claims

The Indenture, the notes will be governed by, and construed in accordance with, the laws of the State of New York.

Each of the parties to the Indenture will submit to the jurisdiction of the U.S. federal and New York state courts located in the Borough of Manhattan, New York City for purposes of all legal actions and proceedings instituted in connection with the Indenture and the notes. The Bank has appointed Banco de Bogotá S.A., New York Agency, 375 Park Avenue, Suite 3407, New York, New York 10152, as its authorized agent upon which process may be served in any such action.

According to the laws of the State of New York, claims against the Bank for the payment of principal of and premium, if any, and interest on the notes must be made within six years from the due date for payment thereof.

Waiver of immunities

To the extent that the Bank may claim for itself or its assets immunity from a suit, execution, attachment, whether in aid of execution, before judgment or otherwise, or other legal process in connection with the Indenture or notes and to the extent that in any jurisdiction there may be immunity attributable to the Bank or its assets, whether or not claimed, the Bank will for the benefit of the holders irrevocably waive and agree not to claim such immunity to full extent permitted by law.

Currency indemnity

U.S. dollars are the sole currency of account and payment for all sums payable by the Bank under or in connection with the Indenture and the notes, including damages. Any amount received or recovered in a currency other than U.S dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Bank or otherwise) by any holder of a note in respect of any sum expressed to be due to it from the Bank will only constitute a discharge of the Bank to the extent of the U.S. dollar amount that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If that U.S. dollar amount is less than the U.S. dollar amount expressed to be due to the recipient under any note, the Bank will indemnify such holder against any loss sustained by it as a result. In any event, the Bank will indemnify the recipient against the cost of making any such purchase.

For the purposes of the preceding paragraph, it will be sufficient for the holder of a note to certify in a satisfactory manner (indicating the sources of information used) that it would have suffered a loss had an actual purchase of dollars been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of dollars on such date had not been practicable, on the first date on which it would have been practicable, it being required that the need for a change of date be certified in the manner mentioned above). These indemnities constitute a separate and independent obligation from the other obligations of the Bank, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted by any holder of a note and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any note.

Definitions

The following is a summary of certain defined terms used in the Indenture. Reference is made to the Indenture for the full definition of all such terms.

"amend" means to amend, supplement, restate, amend and restate or otherwise modify; and "amendment" will have a correlative meaning.

"asset" means any asset or property.

"Affiliate" means, with respect to any specified Person, (a) any other Person which, directly or indirectly, is in control of, is controlled by or is under common control with such specified Person or (b) any other person who is a director or officer (i) of such specified Person, (ii) of any subsidiary of such specified Person or (iii) of any Person described in clause (a) above. For purposes of this definition, control of a Person means the power, direct or indirect, to direct or cause the direction of the management and policies of such Person whether by contract or otherwise and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Bankruptcy Law" means the provisions of the Financial Statute concerning bankruptcy of financial institutions, Decree 2555, and any other Colombian law or regulation regulating the insolvency of financial entities from time to time.

"Board of Directors" means, with respect to any Person, (i) in the case of any corporation, the board of directors of such Person, (ii) in the case of any limited liability company, the board of managers of such Person, (iii) in the case of any partnership, the board of directors of the general partner of such Person and (iv) in any other case, the functional equivalent of the foregoing.

"business day" means a day other than a Saturday, Sunday or other day on which banking institutions in New York or Colombia are authorized or required by law to close.

"Colombian Banking GAAP" means generally accepted accounting principles as prescribed by the SFC for banks licensed to operate in Colombia, consistently applied, as in effect on the Issue Date.

"Decree 2555" means Decree 2555 of 2010, as amended from time to time**.**

"Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"Default" means any event, act or condition that is, or after notice or passage of time or both would be, an Event of Default.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended.

"Financial Statute" means Decree 663 of 1993, as amended, of the Republic of Colombia.

"holder" means the Person in whose name a note is registered in the register.

"Indebtedness" means, with respect to any Person, any obligation for the payment or repayment of money borrowed or otherwise evidenced by debentures, notes, bonds, or similar instruments or any other obligation (including all trade payables and other accounts payable and including payments relating to bank deposits) that would appear or be treated as indebtedness upon a balance sheet if such Person prepared it in accordance with Colombian Banking GAAP as applicable to financial institutions.

"Intervention Measures" means the measures described in Article 114 of the Financial Statute that allow the SFC to take possession of a financial institution.

"Issue Date" means the date on which the notes are originally issued.

"Obligation" means any principal, interest, penalties, fees, indemnification, reimbursements, costs, expenses, damages and other liabilities payable under any Indebtedness.

"Officer" means any of the following of the Bank: the Chairman of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary.

"Officers' Certificate" means a certificate signed by two Officers.

"Opinion of Counsel" means an opinion from legal counsel, who may be an employee of or counsel for the Bank, who is reasonably acceptable to the trustee, *provided* that an opinion of a nationally recognized legal counsel selected by the Bank will be deemed reasonable.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

"Preventive Measures" means the measures described in Article 113 of the Financial Statute that the SFC can take with respect to a financial institution prior to and in order to avoid having to take an Intervention Measure.

"SEC" means the U.S. Securities and Exchange Commission, or any successor thereto.

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Senior External Liabilities" means any liabilities to third parties that constitute external debt of the Bank (*pasivo externo*) under Colombian banking laws and Colombian Banking GAAP (whether outstanding on the Issue Date or thereafter created, incurred or assumed), unless, the instrument creating or evidencing the same or pursuant to which the same is outstanding expressly provides that such external debt will not be senior in right of payment to the notes. Under Colombian banking laws and Colombian Banking GAAP, "external debt" (*pasivo externo*) means, in the case of the Bank, any and all liabilities to third parties, as reflected in the financial statements of the Bank from time to time or any and all liabilities to third parties in the event of liquidation.

"SFC" means the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*).

"Share Capital" means, with respect to any Person, any and all shares of capital stock, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated, whether voting or non-voting), such Person's equity including any preferred stock, but excluding any debt securities convertible into or exchangeable for such equity.

"Significant Subsidiary" means any Subsidiary, including each of the consolidated subsidiaries of such Subsidiary, that is scheduled as a consolidated subsidiary in note 1(c) (or its equivalent) of the Bank's audited financial statements as of and for the year ended December 31 of the most recently completed fiscal year for which audited consolidated financial statements are available, that meets any of the following conditions:

(i) the Bank's and its other Subsidiaries' investments in and advances to the Subsidiary exceed 20% of the total assets of the Bank and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(ii) the Bank's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Subsidiary exceeds 20% of the total assets of the Bank and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(iii) the Bank's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Subsidiary exclusive of amounts attributable to any non-controlling interests exceeds 20% of such income of the Bank and its Subsidiaries consolidated as of the end of the most recently completed fiscal year

(it being understood that the foregoing definition will be interpreted in accordance with Rule 1-02 under Regulation S-X promulgated by the SEC). Each Subsidiary of a Significant Subsidiary will itself be deemed to be a Significant Subsidiary unless such Subsidiary, including each of the consolidated subsidiaries of such Subsidiary, does not meet any of the above conditions, in which case neither such Subsidiary nor any of the consolidated subsidiaries of such Subsidiary will be deemed to be a Significant Subsidiary. As of December 31, 2011, Corporación Financiera Colombiana S.A and Leasing Bogotá S.A., Panamá are the only Significant Subsidiaries of the Bank.

"Stated Maturity" means, with respect to any security, the date specified in such security as the fixed date on which any principal of such security is due and payable, including pursuant to any mandatory redemption or purchase provision (but excluding any provision providing for the purchase of such security at the option of the holder thereof upon the happening of any contingency unless such contingency has occurred).

"Subsidiary" means any Person of which more than 50% of the total voting power of shares of Share Capital or other interests (including partnership interests) entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by (a) the Bank, (b) the Bank and one or more Subsidiaries or (c) one or more Subsidiaries.

"Technical Capital" means the *patrimonio técnico* of banks consisting of Tier One Capital (*patrimonio básico*) and Tier Two Capital (*patrimonio adicional*) pursuant to Decree 2555 issued by the Ministry of Finance and Public Credit, or any other Colombian law or regulation regulating the *patrimonio técnico* in effect from time to time.

"Tier One Capital" means, as of any date of determination until August 1, 2013, "*patrimonio básico*", as defined in Article 2.1.1.2.5 of Decree 2555 or any other Colombian law or regulation regulating *patrimonio básico* in effect from time to time.

"Tier Two Capital" means, as of any date of determination until August 1, 2013, "*patrimonio adicional*", as defined in Article 2.1.1.2.7 of Decree 2555 or any other Colombian law or regulation regulating *patrimonio adicional* in effect from time to time.

Form of the notes

Notes sold in reliance on Regulation S will be represented by a global note in fully registered form without interest coupons (the "Regulation S Global Note") and will be registered in the name of a nominee of The Depository Trust Company ("DTC") and deposited with a custodian for DTC. Notes sold pursuant to Rule 144A will be represented by a global note in fully registered form without interest coupons (the "Rule 144A Global Note" and, together with the Regulation S Global Note, the "global notes") and will be deposited with a custodian for DTC and registered in the name of a nominee of DTC.

The notes are being offered and sold in this initial offering in the United States solely to "qualified institutional buyers" under Rule 144A under the Securities Act and in offshore transactions to persons other than U.S. persons, as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following this offering, the notes may be sold:

- to qualified institutional buyers under Rule 144A;
- to non-U.S. persons outside the United States pursuant to Regulation S; and
- under other exemptions from, or in transactions not subject to, the registration requirements of the Securities Act, as described under "Transfer Restrictions."

Prior to the 40th day after the date of original issuance of the notes, any resale or transfer of beneficial interests in the Regulation S Global Note to U.S. persons will not be permitted unless such resale or transfer is made pursuant to Rule 144A or Regulation S.

Exchanges between the global notes

Transfers by an owner of a beneficial interest in a Regulation S Global Note to a transferee, who takes delivery of that interest through a note offered and sold in the United States to qualified institutional buyers pursuant to Rule 144A Global Note, will be made only in accordance with applicable procedures and upon receipt by the trustee of a written certification from the transferee of the beneficial interest in the form provided in the Indenture to the effect that the transfer is being made to a qualified institutional buyer within the meaning of Rule 144A in a transaction in compliance with the requirements of Rule 144A. Transfers by an owner of a beneficial interest in a Rule 144A Global Note to a transferee who takes delivery of the interest through a Regulation S Global Note will be made only upon receipt by the trustee of a certification from the transferor that the transfer is being made outside the United States to a non-U.S. person in accordance with Regulation S.

Any beneficial interest in one of the global notes that is transferred to a person who takes delivery in the form of an interest in another global note will, upon transfer, cease to be an interest in that global note and become an interest in the other global note and, accordingly, will then be subject to any transfer restrictions and other procedures applicable to beneficial interests in the other global note.

Global notes

Upon receipt of the Regulation S Global Note and the Rule 144A Global Note, DTC will credit, on its internal system, the respective principal amount of the individual beneficial interests represented by such global note to the accounts of persons who have accounts with DTC. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in a global note will be limited to persons who have accounts with DTC ("DTC Participants") or persons who hold interests through DTC Participants. Ownership of beneficial interests in the global notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of DTC Participants) and the records of DTC Participants (with respect to interests of persons other than DTC Participants).

So long as DTC, or its nominee, is the registered owner or holder of a global note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the notes represented by such global note for all purposes under the Indenture and the notes. Except as described in "Certificated Notes", owners of beneficial interests in a global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of notes in certificated form and will not be considered the owners or holders of the global note (or any notes represented thereby) under the Indenture or the notes. In addition, no beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures (in addition to those under the Indenture referred to herein and, if applicable, those of Euroclear Bank S.A./N.V., as operator of Euroclear System ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream")).

Investors may hold interests in the Regulation S Global Note through Euroclear or Clearstream, if they are participants in such systems. Euroclear and Clearstream will hold interests in the Regulation S Global Note on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositaries, which, in turn, will hold such interests in the Regulation S Global Note in customers' securities accounts in the depositaries' names on the books of DTC. Investors may hold their interests in the Rule 144A Global Note directly through DTC, if they are DTC Participants, or indirectly through organizations which are DTC Participants, including Euroclear and Clearstream.

Payments of the principal of and interest on global notes will be made to DTC or its nominee as the registered owner thereof. None of the Bank or any initial purchaser will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. The Bank anticipates that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a global note representing any notes held by its nominee, will immediately credit DTC Participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note as shown on the records of DTC or its nominee. The Bank also expects that payments by DTC Participants to owners of beneficial interests in such global note held through such DTC Participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC Participants.

Transfers between DTC Participants will be effected in accordance with DTC's procedures, and will be settled in same-day funds. The laws of some jurisdictions require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificated note in respect of such interest. Transfers between accountholders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Subject to compliance with the transfer restrictions available to the notes described above, crossmarket transfers between DTC Participants, on the one hand, and directly or indirectly through Euroclear or Clearstream account holders, on the other hand, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, as the case may be, by its respective depositary; however, such cross-market transactions will require delivery of instructions to Euroclear or Clearstream, as the case may be, by the counterparty in such system in accordance with its rules and procedures and within its established deadlines. Euroclear or Clearstream, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to its respective depositary to take action to effect final settlement on its behalf by delivering or receiving interests in the Regulation S Global Note in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Euroclear and Clearstream account holders may not deliver instructions directly to the depositaries for Euroclear or Clearstream.

Because of time zone differences, the securities account of a Euroclear or Clearstream account holder purchasing an interest in a global note from a DTC Participant will be credited during the securities settlement processing day (which must be a business day for Euroclear or Clearstream, as the case may be) immediately following the DTC settlement date and such credit of any transactions in interests in a global note settled during such processing day will be reported to the relevant Euroclear or Clearstream accountholder on such day. Cash received in Euroclear or Clearstream as a result of sales of interests in a global note by or through a Euroclear or Clearstream account holder to a DTC Participant will be received for value and the DTC settlement date but will be available in the relevant Euroclear or Clearstream cash account only as of the business day following settlement in DTC.

DTC has advised that it will take any action permitted to be taken by a holder of notes (including the presentation of notes for exchange as described below) only at the direction of one or more DTC Participants to whose account or accounts with DTC interests in the global notes are credited and only in respect of such portion of the aggregate principal amount of the notes as to which such DTC Participant or DTC Participants has or have given such direction. However, in the limited circumstances described above, DTC will exchange the global notes for certificated notes (in the case of notes represented by the Rule 144A Global Note, bearing a restrictive legend), which will be distributed to its participants. Holders of indirect interests in the global notes through DTC Participants have no direct rights to enforce such interests while the notes are in global form.

The giving of notices and other communications by DTC to DTC Participants, by DTC Participants to persons who hold accounts with them and by such persons to holders of beneficial interests in a global note will be governed by arrangements between them, subject to any statutory or regulatory requirements as may exist from time to time.

DTC has advised as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code and a "Clearing Agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for DTC Participants and to facilitate the clearance and settlement of securities transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include security brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. Indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("indirect participants").

Although DTC, Euroclear and Clearstream have agreed to the foregoing procedures in order to facilitate transfers of interests in the Regulation S Global Note and in the Rule 144A Global Note among participants and accountholders of DTC, Euroclear and Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither the Bank nor any initial purchaser will have any responsibility for the performance of DTC, Euroclear or Clearstream or their respective participants, indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

Certificated notes

If (1) DTC or any successor to DTC is at any time unwilling or unable to continue as a depositary for a global note and a successor depositary is not appointed by the Bank within 90 days, (2) any of the notes has become immediately due and payable in accordance with "—Events of default" or (3) if the Bank, at its sole discretion, determines that the global notes will be exchangeable for certificated notes and the Bank notifies the trustee thereof, the Bank will issue certificated notes in registered form in exchange for the Regulation S Global Note and the Rule 144A Global Note, as the case may be. Upon receipt of such notice from DTC or a paying agent, as the case may be, the Bank will use its best efforts to make arrangements with DTC for the exchange of interests in the global notes for certificated notes and cause the requested certificated notes to be executed and delivered to the registrar in sufficient quantities and authenticated by the registrar for delivery to holders. Persons exchanging interests in a global note for certificated notes will be required to provide the registrar with (a) written instruction and other information required by the Bank and the registrar to complete, execute and deliver such certificated notes and (b) certification that such interest is being transferred in compliance with the Securities Act, including, if any, an exemption from the registration requirements thereof. In all cases, certificated notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by DTC.

Certificated notes will not be eligible for clearing and settlement through the DTC, Euroclear or Clearstream.

TAX CONSIDERATIONS

Certain U.S. federal income taxation considerations

This disclosure is limited to the U.S. federal tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the U.S. federal tax treatment of the notes. This tax disclosure was written in connection with the promotion or marketing of the notes by us, and it cannot be used by any holder for the purpose of avoiding penalties that may be asserted against the holder under the Internal Revenue Code of 1986, as amended (the "Code"). Prospective investors should seek their own advice based on their particular circumstances from an independent tax adviser.

The following are the material U.S. federal income tax consequences to a "U.S. Holder" (as defined below) of owning and disposing of notes purchased in this offering at the "issue price," which we assume will be the price indicated on the cover of this offering memorandum, and held as capital assets for U.S. federal income tax purposes.

You are a U.S. Holder if for U.S. federal income tax purposes you are a beneficial owner of a note that is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

This discussion does not describe all of the tax consequences that may be relevant to you in light of your particular circumstances, including alternative minimum tax consequences and differing tax consequences that may apply to you if you are, for instance:

- a financial institution;
- an insurance company;
- a regulated investment company;
- a dealer or trader in securities or currencies;
- holding notes as part of a "straddle," hedging transaction or integrated transaction;
- a U.S. Holder (as defined above) whose functional currency is not the U.S. dollar;
- a partnership for U.S. federal income tax purposes; or
- a tax-exempt entity.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax treatment of one of your partners will generally depend on the status of the partner and your activities.

This summary is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury Regulations, changes to any of which subsequent to the date of this offering memorandum may affect the tax consequences described herein. This summary does not address any aspect of state, local, or non-U.S. taxation, any taxes other than income taxes, or the potential application of the Medicare contribution tax. If you are considering the purchase of notes, you should consult your tax adviser with regard to the application of the U.S. federal tax laws to your particular situation, as well as any tax consequences arising under the laws of any state, local or foreign taxing jurisdiction.

Payments of Interest

Stated interest on a note will be taxable to you as ordinary interest income at the time it accrues or is received, in accordance with your method of accounting for U.S. federal income tax purposes. It is expected, and therefore this discussion assumes, that the notes will be issued without original issue discount for U.S. federal income tax purposes.

The amount of interest taxable as ordinary income will include amounts withheld in respect of any Colombian taxes. Interest income earned with respect to a note will generally constitute foreign-source passive category income for U.S. federal income tax purposes, which may be relevant to you in calculating your foreign tax credit limitation. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. Subject to applicable limitations, some of which may vary depending on your particular circumstances, any Colombian income taxes withheld from interest income on a note will be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the availability of foreign tax credits in your particular circumstances.

Any Additional Amounts paid pursuant to the obligations described under "Description of the Notes – Additional Amounts" would be treated as ordinary interest income.

Sale or Other Taxable Disposition of the Notes

Upon the sale or other taxable disposition of a note, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale or other taxable disposition and your adjusted tax basis in the note. Your adjusted tax basis in the note will generally be the cost of your note. Gain or loss, if any, will generally be U.S.-source income or loss for purposes of computing your foreign tax credit limitation. For these purposes, the amount realized does not include any amount attributable to accrued interest, which is treated as described under "Payments of Interest" above.

Gain or loss realized on the sale or other taxable disposition of a note will generally be capital gain or loss and will be long-term capital gain or loss if at the time of sale or other taxable disposition the note has been held for more than one year. Long-term capital gain recognized by non-corporate taxpayers is subject to reduced U.S. federal income tax rates. The deductibility of capital losses is subject to limitations.

Information with Respect to Foreign Financial Assets

Under legislation enacted in 2010, individuals that own "specified foreign financial assets," including debt of foreign issuers, with an aggregate value in excess of $50,000 are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (i) stocks and securities issued by non-United States persons, (ii) financial instruments and contracts held for investment that have non-United States issuers or counterparties, and (iii) interests in foreign entities. The notes may be subject to these rules. Holders that are individuals are urged to consult their tax advisers regarding the application of this legislation to their ownership of the notes.

Backup Withholding and Information Reporting

Information returns may be filed with the Internal Revenue Service (the "IRS") in connection with payments on the notes and the proceeds from a sale or other disposition of the notes unless you are an exempt recipient. You may be subject to backup withholding on these payments in respect of your notes unless you provide your taxpayer identification number and otherwise comply with applicable requirements of the backup withholding rules or you provide proof of an applicable exemption. Amounts withheld under the backup withholding rules are not additional taxes and may be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the IRS.

Certain Colombian taxation considerations

The following summary contains a description of the principal Colombian income tax considerations in connection with the purchase, ownership and sale of the notes, but does not purport to be a comprehensive description of all Colombian tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than those of Colombia.

This summary is based on the tax laws of Colombia as in effect on the date of this offering memorandum, as well as regulations, rulings and decisions in Colombia available on or before such date and now in effect. All of the foregoing is subject to change, which change could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to Colombian tax consequences of the purchase, ownership and sale of the notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Article 25-a(3) and Article 266(3) of the Colombian Tax Code (*Estatuto Tributario*) provide that indebtedness obtained abroad by banks do not generate income for Colombian tax purposes and is not deemed to be held in Colombia. Furthermore, Article 266(6) generally provides that debt securities issued by a Colombian issuer and traded abroad are not deemed to be held in Colombia.

As a result, under current Colombian law, payments of principal and interest on the notes to Holders of the notes who are not resident or domiciled in Colombia are not subject to Colombian income tax, and no income tax will be withheld from payments by us to Holders of the notes not resident or domiciled in Colombia.

In addition, and given that the notes will be deemed to be a loan possessed abroad, gains realized on the sale or other disposition of the notes will not be subject to Colombian income tax or withholdings as long as the Holder of the notes is not a Colombian resident for tax purposes or is not domiciled in Colombia.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a purchase agreement between us and the initial purchasers, we have agreed to sell to the initial purchasers, and each of the initial purchasers has, severally and not jointly, agreed to purchase from us, the principal amount of the notes that appears opposite its name in the table below.

Initial Purchasers	Principal Amount of Notes	
Citigroup Global Markets Inc.	U.S.$	166,800,000
HSBC Securities (USA) Inc.		166,600,000
J.P. Morgan Securities LLC		166,600,000
Total	**U.S.$**	**500,000,000**

The purchase agreement provides that the obligation of the initial purchasers to purchase the notes is subject to certain conditions precedent and that the initial purchasers will purchase all of the notes if any of the notes are purchased. The initial purchasers may offer and sell notes through any of their affiliates.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the initial purchasers may be required to make in respect of any of these liabilities.

The notes have not been registered under the Securities Act. The initial purchasers have agreed that they will offer or sell the notes only (1) to qualified institutional buyers in the United States in reliance on Rule 144A under the Securities Act and (2) outside the United States pursuant to Regulation S under the Securities Act. See "Transfer Restrictions."

Affiliates of Banco de Bogotá will acquire a portion of the notes offered hereby.

New issue of securities

The notes are a new issue of securities with no established trading market. Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the application will be approved. The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

No sales of similar securities

We have agreed that we will not, for a period of 30 days after the date of this offering memorandum, without the prior written consent of Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and J.P. Morgan Securities LLC, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the notes offered hereby, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Stabilization transactions

In connection with the offering of the notes, the initial purchasers may engage in over-allotment and stabilizing transactions but are not required to do so. Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchaser. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If the initial purchasers engage in stabilizing covering transactions, they may discontinue them at any time.

Sales outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Colombia

The notes will be automatically registered in Colombia on the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Superintendency of Finance, however, the notes may not be offered to persons in Colombia except pursuant to a public offering pursuant to Section 6.11.1.1.1. of Decree 2555 of 2010, as amended, or an exemption therefrom under Colombian law.

European Economic Area

In relation to each member state of the European Economic Area (each, a "Member State") which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date"), no offer of the notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and the 2010 PD Amending Directive to the extent implemented, except that it may, with effect from and including the Relevant Implementation Date, make an offer of notes to the public in that Relevant Member State at any time:

- to any legal entity which is a "qualified investor" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented;

- to fewer than (i) 100 natural or legal persons per Relevant Member State (other than "qualified investors" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented) or (ii) if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons per Relevant Member State (other than "qualified investors" as defined in the Prospectus Directive or the 2010 PD Amending Directive if the relevant provision has been implemented); or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive or Article 3(2) of the 2010 PD Amending Directive to the extent implemented.

Each person in a Relevant Member State who initially acquires any notes as a "financial intermediary," as that term is used in Article 3(2) of the Prospectus Directive, will be deemed to have represented acknowledged and agreed that (x) the notes acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, or in circumstances in which the prior consent of the subscribers has been given to the offer or resale, or (y) where notes have been acquired by it on behalf of persons in any Relevant Member State other than "qualified investors" as defined in the Prospectus Directive, the offer of those notes to it is not treated under the Prospectus Directive as having been made to such persons.

For the purposes of the foregoing, the expression ''offer of notes to the public,'' in relation to any notes in any Relevant Member State, means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State; "Prospectus Directive" means Directive 2003/71/EC, and includes any relevant implementing measure in the Relevant Member State; and "2010 PD Amending Directive" means Directive 2010/73/EC.

United Kingdom

The initial purchasers have advised us that:

(a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the United Kingdom Financial Services and Markets Act of 2000 ("FSMA") received by it in connection with the issue or sale of such notes in circumstances in which Section 21(1) of the FSMA does not, or would not, apply to us; and

(b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any notes in, from or otherwise involving the United Kingdom.

Switzerland

The notes may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (''SIX'') or on any other exchange or regulated trading facility in Switzerland.

This document has been prepared without regard to the disclosure standards for issuance prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under article 27 et seq. of the SIX Listing Rules or the listing rules of any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the notes or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the company or the notes have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of notes will not be supervised by, the Swiss Financial Market Supervisory Authority, FINMA, and the offer of notes has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (''CISA''). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of notes.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended, or the "FIEL," and, accordingly, the notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1 A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Relationships with the initial purchasers

In the ordinary course of business, the initial purchasers and their affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

Affiliates of the initial purchasers are lenders under the Term Loan. Banco de Bogotá intends to use the proceeds of this offering (together with cash on hand as needed) to repay all outstanding amounts under the Term Loan. For a description of the terms of the Term Loan, see "Business—BAC Credomatic."

Settlement

Delivery of the notes is expected on or about February 19, 2013, which will be the fifth business day following the date of pricing of the notes. Purchasers who wish to trade notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes on the pricing date or the next succeeding business day should consult their own advisor.

TRANSFER RESTRICTIONS

The notes have not been registered and will not be registered under the Securities Act, any U.S. state securities laws or the laws of any other jurisdiction, except for the registration in the Colombian National Registry of Securities and Issuers which occurs automatically, but which does not enable us to publicly offer or sell the notes in Colombia. The notes may not be offered or sold except pursuant to transactions exempt from, or not subject to, registration under the Securities Act and the securities laws of any other jurisdiction. Accordingly, the notes are being offered and sold only:

- in the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A under the Securities Act; and
- outside of the United States, to certain persons, other than U.S. persons, in offshore transactions in reliance on Regulation S under the Securities Act.

Purchasers' representations and restrictions on resale and transfer

Each purchaser of notes (other than the initial purchasers in connection with the initial issuance and sale of notes) and each owner of any beneficial interest therein will be deemed, by its acceptance or purchase thereof, to have represented and agreed as follows:

(1) it is purchasing the notes for its own account or an account with respect to which it exercises sole investment discretion and it and any such account is either (a) a qualified institutional buyer and is aware that the sale to it is being made pursuant to Rule 144A or (b) a non-U.S. person that is outside the United States;

(2) it acknowledges that the notes have not been registered under the Securities Act or with any securities regulatory authority of any U.S. state or any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except as set forth below;

(3) it understands and agrees that notes initially offered in the United States to qualified institutional buyers will be represented by a global note and that notes offered outside the United States pursuant to Regulation S will also be represented by a global note;

(4) it will not resell or otherwise transfer any of such notes except (a) to the Issuer, (b) within the United States to a qualified institutional buyer in a transaction complying with Rule 144A under the Securities Act, (c) outside the United States in compliance with Rule 903 or 904 under the Securities Act, (d) pursuant to another exemption from registration under the Securities Act (if available) or (e) pursuant to an effective registration statement under the Securities Act;

(5) it agrees that it will give to each person to whom it transfers the notes notice of any restrictions on transfer of such notes;

(6) it acknowledges that prior to any proposed transfer of notes (other than pursuant to an effective registration statement or in respect of notes sold or transferred either pursuant to (a) Rule 144A or (b) Regulation S) the holder of such notes may be required to provide certifications relating to the manner of such transfer as provided in the indenture;

(7) it acknowledges that the trustee, registrar or transfer agent for the notes will not be required to accept for registration the transfer of any notes acquired by it, except upon presentation of evidence satisfactory to the Issuer that the restrictions set forth herein have been complied with;

(8) it acknowledges that the Issuer, the initial purchasers and other persons will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations and agreements deemed to have been made by its purchase of the notes are no longer accurate, it will promptly notify the Issuer and the initial purchasers; and

(9) if it is acquiring the notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each account.

Legends

The following is the form of restrictive legend which will appear on the face of the Rule 144A global note, and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees for the benefit of the issuer that this note or any interest or participation herein may be offered, resold, pledged or otherwise transferred only (1) to the issuer, (2) so long as this note is eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person who the seller reasonably believes is a qualified institutional buyer (as defined in Rule 144A) in accordance with Rule 144A, (3) in an offshore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act, (4) pursuant to an exemption from registration under the Securities Act (if available) or (5) pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with any applicable securities laws of any state of the United States or other applicable jurisdiction. The holder hereof, by purchasing this note, represents and agrees that it shall notify any purchaser of this note from it of the resale restrictions referred to above.**
>
> **This legend may be removed solely at the discretion and at the direction of the issuer."**

The following is the form of restrictive legend which will appear on the face of the Regulation S global note and which will be used to notify transferees of the foregoing restrictions on transfer:

> **"This note has not been registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or any U.S. state securities laws. The holder hereof, by purchasing this note, agrees that neither this note nor any interest or participation herein may be offered, resold, pledged or otherwise transferred in the absence of such registration unless such transaction is exempt from, or not subject to, such registration and in accordance with any applicable securities laws of any other applicable jurisdiction.**
>
> **This legend may be removed solely at the discretion and at the direction of the issuer."**

The resale restriction periods may be extended, in Banco de Bogotá's discretion, in the event of one or more issuances of additional notes, as described under "Description of the Notes." The above legends (including the restrictions on resale specified thereon) may be removed solely in Banco de Bogotá's discretion and direction.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interest in global notes and certificated notes, see "Description of the Notes."

LISTING AND GENERAL INFORMATION

1. The creation and issuance of the notes has been authorized by the resolutions of the Board of Directors of Banco de Bogotá dated January 25, 2013.

2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting Banco de Bogotá or any of its assets and Banco de Bogotá is not aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of Banco de Bogotá since June 30, 2012 (the end the most period for which audited consolidated financial statements have been prepared) that is material in the context of the issuance of the notes.

4. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected during normal business hours at the offices of each of the Luxembourg paying agent, the Luxembourg transfer agent, the Luxembourg listing agent and Banco de Bogotá's principal office, at the addresses listed on the inside back cover page of this offering memorandum.

5. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained during normal business hours at the offices of each of the Luxembourg paying agent, the Luxembourg transfer agent, the Luxembourg listing agent and Banco de Bogotá's principal office, at the addresses listed on the inside back cover page of this offering memorandum:

- the latest published audited year-end financial statements of Banco de Bogotá; and
- the by-laws of Banco de Bogotá.

6. The global notes representing the notes have been accepted into the systems used by DTC. The CUSIP and ISIN numbers, as applicable, for the notes are as follows:

Rule 144A note CUSIP: 059514AB5	Rule 144A note ISIN: US059514AB51
Regulation S note CUSIP: P09252AC4	Regulation S note ISIN: USP09252AC47

7. The Purchase Agreement, the Indenture and the Notes are governed by the laws of the State of New York.

VALIDITY OF THE NOTES

The validity of the notes will be passed upon for the Issuer by Davis Polk & Wardwell LLP, U.S. counsel to Banco de Bogotá S.A. and by Martinez Neira Abogados Ltda, Colombian counsel to Banco de Bogotá S.A.

The validity of the notes will be passed upon for the initial purchasers by Simpson Thacher & Bartlett LLP, U.S. counsel to the initial purchasers, and by Gomez-Pinzón Zuleta Abogados S.A., Colombian counsel to the initial purchasers.

INDEPENDENT AUDITORS

The consolidated financial statements of Banco de Bogotá and its subsidiaries as of December 31, 2011 and 2010, and for each of the years in the three-year period ended December 31, 2011, 2010 and 2009 and as of June 30, 2012 and for the six months ended June 30, 2012 and 2011, have been audited by KPMG Ltda., independent auditors, as stated in their report appearing elsewhere herein.