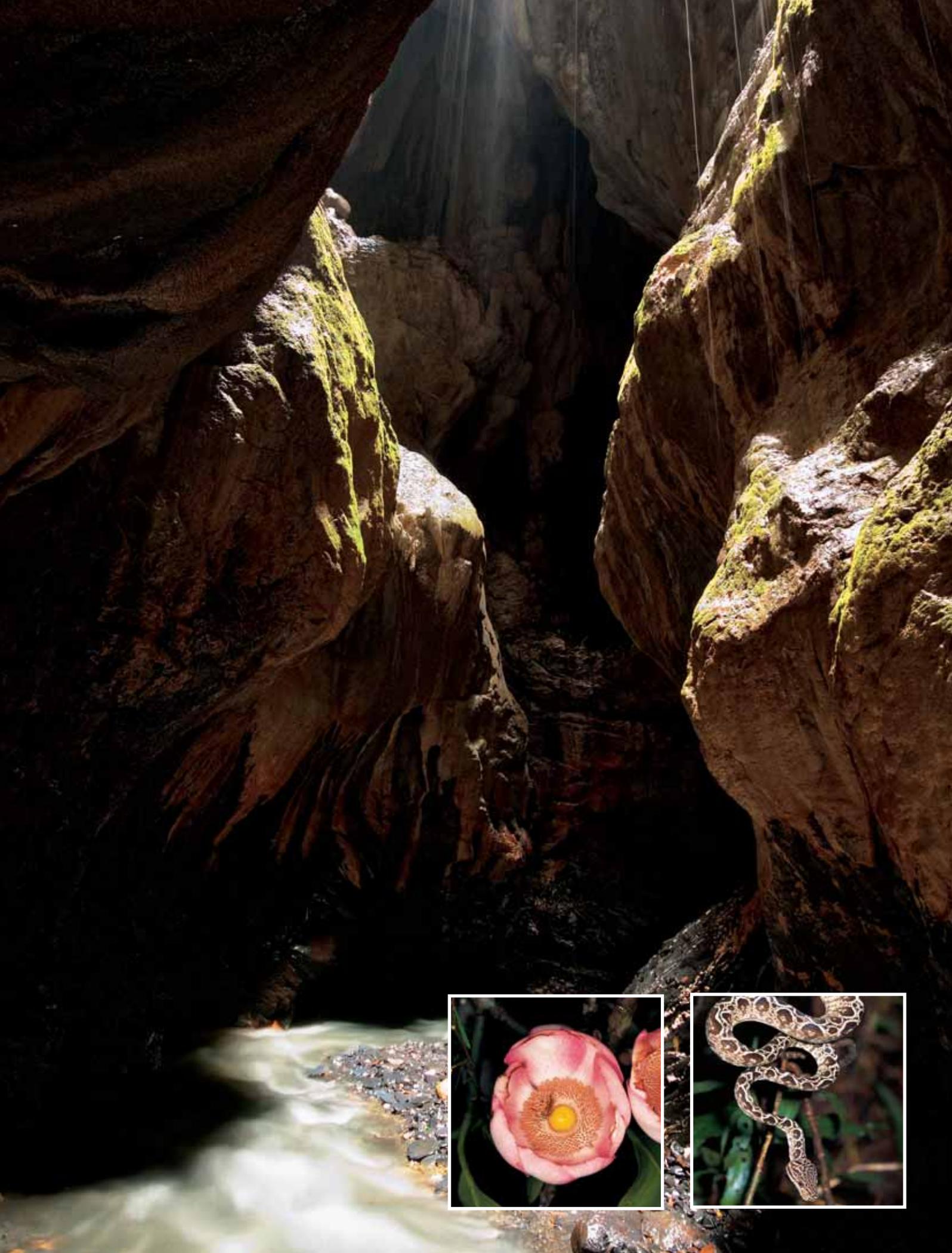


Balance for the Semester ending on June the 30th, 2011

VIGILADO SUPERINTENDENCIA FINANCIERA  
DE COLOMBIA



**Banco de  
Occidente**



## Significant Data

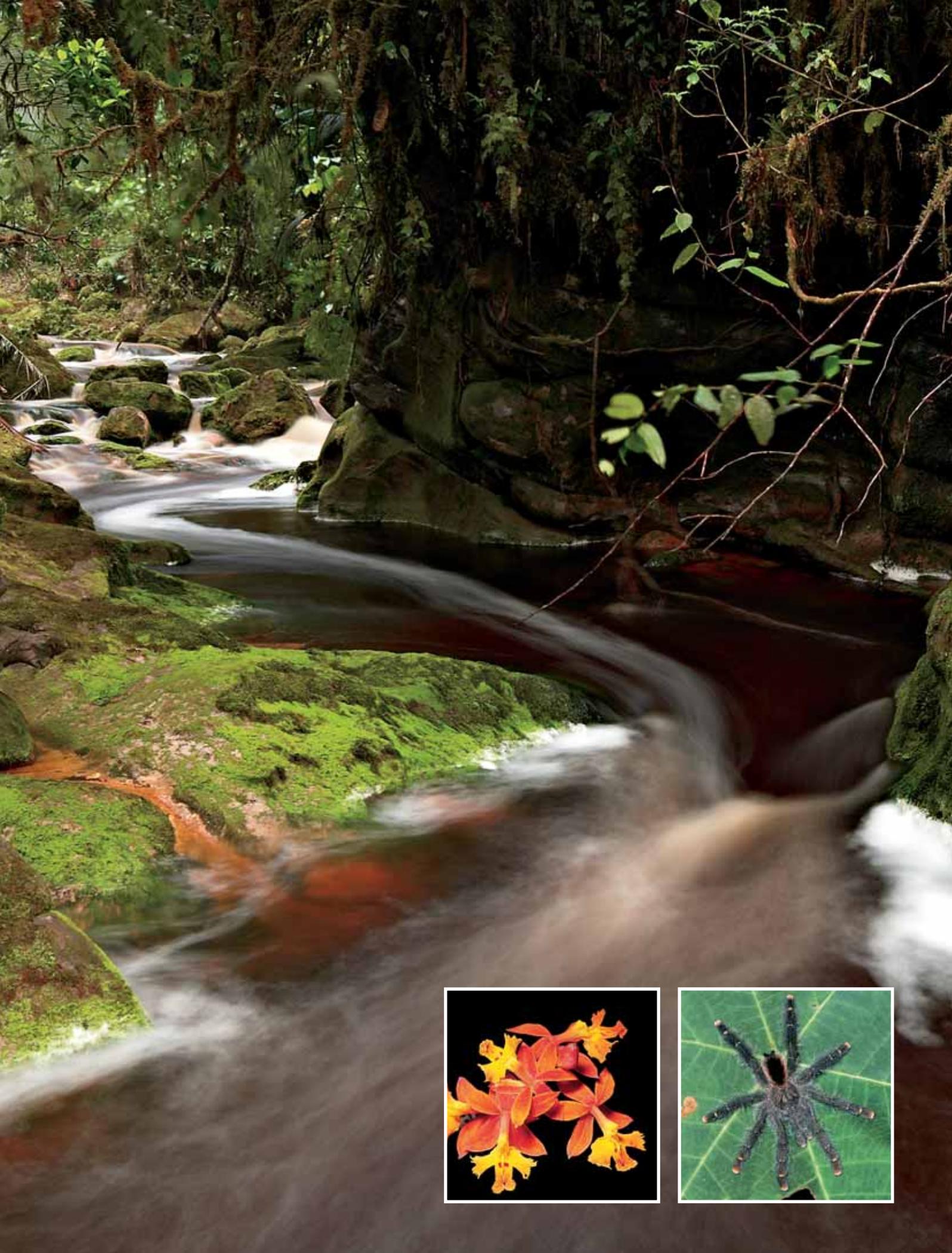
Million Colombian Pesos

	June 07	June 08	June 09	June 10	June 11
Total Deposits 1/	6.951.600	7.832.215	9.676.761	10.690.130	11.978.790
Total Placement 2/	6.559.275	7.911.831	8.583.900	10.951.222	13.254.150
Investment 3/	2.038.259	2.150.179	3.168.131	4.157.904	3.986.276
Capital and Legal Reserve	488.740	687.168	868.473	1.148.577	1.355.179
Total Asset	9.680.541	10.923.225	12.887.172	17.118.440	19.815.136
Half Year Profits	105.175	156.604	182.683	187.451	214.342
Monthly stock dividend	82,50	94,50	94,50	100,50	108,00

### Note

- 1/ Include Current Account deposits, Time Deposit, Saving Deposits, Trust Funds, Bank Collection Services.
- 2/ Include Credit Portfolio, Provisions, Credit to Employees, Accounts Receivable, Credencial Clients L/T, Account Receivable F/C, excepting sundry Accounts Receivable F/C
- 3/ Includes Interbank Ordinary Funds Sold, Sale back and investment commitments





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## Board of Directors

2.011 - 2.012



### Principals

Hector Vesga Perdomo  
Henry Jensen Thorín  
Jorge Herrera Barona  
Iván Felipe Mejía Cabal  
Felipe Ayerbe Muñoz

### Substitutes

Ricardo Villaveces Pardo  
Alfonso Osorno Cújar  
Mauricio Gutiérrez Vergara  
Liliana Bonilla Otoyá  
Gilberto Saa Navia

Luis Carlos Sarmiento Angulo

### Consultant

Efraín Otero Alvarez

### President

Douglas Berrío Zapata  
**Legal Vice President**

Bernardo Escobar Montoya  
**Financial Vice President**

Gerardo Silva Castro  
**Corporate Bank Vice President**

Efraín Velásquez Vela  
**Personal Bank Vice President**

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

Agustín Esguerra Restrepo  
**Leasing Bank Vice President**

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

Carlos Santander Palacios  
**Credit Vice President**

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

Eduardo Correa Corrales  
**Human Resources Vice President**

Ignacio Zuloaga Sevilla  
**Bogotá Region Vice President**

Constanza Sánchez Salamanca  
**Southwest Region Vice President**

Jaime Giraldo García  
**Northwest Region Vice President**

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

María Ligia Cifuentes Zapata  
**External Audit – KPMG Ltda.**

## Report by the President



In compliance with statutory obligations, we are pleased to submit to Stockholders the Results of Bank Operations during first half-year 2011 operational period.

### Legal Standards

Among provisions and regulations issued during the half-year, directly impacting financial sector, the following shall be underlined:

#### • Agribusiness Credit

**Resolution No. 3 and Resolution No. 4, March 23, 2011 by Nationals Agribusiness Credit Commission:** Whereby Resolutions 3/2010, Res. 1/2011 and Res. 2/2011 are amended. This way, provision according to which financial middlemen had to verify by their own means that affectation of agribusiness productive processes are removed, as a result of winter emergency. Additionally, the term to execute the investments of Rural Capitalization (IRC) is extended for two years and amortization of especial credit lines may be by any mature modality of no more than one year.

**Resolution No. 7 April 06, 2011 by National Agribusiness Credit Commission:** Whereby the term of the guarantee of Guarantee Agribusiness Fund (GAF) is regulated for credit granted to debtors suffering damages by winter emergency. This way it is provided that for compliant credits as on June 1, 2010, or otherwise subsequently granted, and that become in default between June 2, 2010 and June 30, 2011, the securities granted by GAF will be for 729 days term, from the date of default indicated by financial intermediary.

#### • Internal Control System

**Circular Letter No. 016 of February 15/2011 by Colombia Finance Superintendence;** whereby directions relative to the compliance of provisions about intellectual property and copyrights provisions are given, for the purposes to ensure its adequation to Internal Control System of the entities controlled by Colombia Finance Superintendence, and copyrights. In this connection, it provided that for with the declaration about the compliance with intellectual property provisions and copyrights contained in the management report submitted to the closing of operational period, the appropriate evidence shall be indicated, ensuring that the software installed, used or in possession of the organization, is supported by the appropriate licenses.

#### • New Credit Establishments

**Resolutions No. 201, February 10/2011, 206 of February 11/2011, 736 of May 12/2011 and 767 of May 20/2011 by Letter Finance Superintendence, External Circular Setter DSP-101 of March 1/ 2011, External Circular Regulatory Setter DSP-155 of April 1/2011, External Circular Regulatory Letter DSP-262 of May 16/2011 and External Regulator Setter DSP-266 of May 18/2011 of Colombia Central Bank:** issued operating permit to Banco Finandina S.A., formerly Finandina S.A. Compañía de Financiamiento with head offices in Bogotá D.C., to Banco Coomeva S.A. with head offices in Santiago de Cali, to Banco Falabella S.A., formerly CMR Falabella S.A. Compañía de Financiamiento with head offices in Bogotá D.C. and to Banco Pichincha S.A., formerly Inversora Pichincha S.A. Compañía de Financiamiento with head offices in Bucaramanga.

#### • Property Tax

**Decree No. 859 of March 23/2011 by the Ministry of Treasury and Public Credit, and Circular Letter No. 43 of April 19/2011 by Colombia Finance Superintendence:** Whereby Tax Statute is regulated, and the Legislative Decree 4825 / 2010. This way it is provided that property tax of corporate bodies, individuals and societies the wealth of which is equal to or higher than one billion pesos, as well as the overcharge to such tax persons which wealth is equal to or higher than three billions, may be authorized against patrimony revaluation account or against results of the operational periods 2011 to 2014, and in no any event the amount paid will be deductible or discountable in the income tax.

#### • Liquidity Transient Support

**External Resolution No. 2 of April 29/2011 by Colombia Central Bank:** Whereby regulations about liquidity transient support of Central Bank are given to credit institutions. This way it is provided that the Central Bank will collect over liquidity transient supports, an interest rate equivalent to that prevailing in the transient counter added in 375 basic points. Additionally, it is made clear that the certificates issued or rediscounted by affiliates, subsidiaries or holding companies of the credit institution applying for the resources are susceptible of discount.



#### • Insolvency Process

**Decree No. 1749 of May 26/2011 by the Ministry of Tourism, Commerce and Industry:** Whereby some articles of Act 1116/2006 are regulated. This way, the conditions to submit the joint application of any insolvency process by any group of companies is established, as well as the procedure to be followed once the process has been approved. Additionally, financing conditions the group of companies will be entitled when entering in the insolvency regime and some specific conditions for transboundary cooperation in the event that the group of companies includes multinational corporations.

#### • National Development Plan

**Act No. 1450 of June 16/2011 by Republic of Colombia Parliament:** Whereby the National Development Plan and Investment Plan 2011-2014: "Prosperidad para Todos" is enacted. Investment Plan and multi-annual budgets are submitted and the mechanisms to implement the Plan. Among the actions the following are highlighted:

- Increment of minimum unified property tax rate, fixed between 5 and 16 per thousand of the respective appraisal.
- Updating of cadastral value in the next 5-year period, where such value will be no less than 60% of real property commercial appraisal.
- Approval of 175% deduction of the investment income tax and development of technology and exclusion of VAT on purchased equipment related to such investment.
- Exemption of taxation to Financial Transactions for factoring operations of companies controlled by Superintendence of Corporations.
- Establishment and identification of an annual premium both for Legal Stability Contracts and the new investments such as for contracts made after subscription of contract.

#### • Banking Correspondents

**External Circular Letter No. 26 of June 30/2011 by Colombia Finance Superintendence:** Whereby instructions related to supply of services through correspondents are given. In this connection, Chapter XV is added to Title I of Legal Circular letter for the purposes to specify the services authorized to be supplied by credit institutions, the broker societies and intermediary societies of the exchange market through their correspondents. In the same way, the risk management conditions, moral idoneity, infrastructure, human resources and information management of clients and users are established to be accomplished by correspondent banks involved in the contracts.

#### Bank's Results

Even though the results evidenced by Colombian economy during the first half-year 2011 are positive, with GDP growth above the expectations for 2010, and the first quarter 2011 with 4.3% and 5.1% annual respectively, the results of world economy is uncertain if the growth will be high or equal considering the US economy failure to solve fiscal deficit and unemployment rate. And on the other hand, In European economy the results are not better due to Greek crisis menace expansion to other countries of the EU such as Portugal which has already received reduction of risk qualification by Moody's

The direct impact of this situation is the reduction of the positive tendency of exports of the country because of the drop of external demand, but indirect effects can be observed in the commodities international price fluctuations, in the diminution of direct foreign investment flows by the increased investors' aversion to risk and in the more restrained credit conditions in the Developed countries.

In this connection, Colombian economy maintains its recovery conditions compared to the preceding year, where GDP reached 5.1% annual growth in the first quarter 2011, fostered by household consumption growth (5.4%) and capital gross formation (13.2%), supported on dollar revaluation and low interest rates. The Central Bank has been implementing liquidity restrictive policy to reduce the fear to an overindebtedness of economy and it is expected that in the following quarter of the year, the dynamics showed of demand will be unchanged although with some deceleration as a result of the increment of interest rates.

At the different economic sectors level, those evidencing higher dynamics are: Mining and Quays (9,4%), Agriculture, Cattle raising, Hunting, , Silviculture and Fishing (7.8%), Commerce, Repairing, , Restaurants and Hotelery (6,7%) and Immovable Property sectors and manufacturing industry (5.1%). On the other hand, the sector Financial Institutions, Insurance, real estate activity, reached 7.5% annual profit as of May 2011. This situation is the result of the high incidence of the negative behavior of investment returns in the portfolio versus a positive dynamics of portfolio reaching 22.98% annual growth.



The positive behavior of Colombian economy has allowed for improving employment rate, and therefore, unemployment rate as of May 2011 is 0.8 points lower than the rate reached in the same period of the preceding year, i.e. 11.3%. Notwithstanding most of the new employment is given in the informal sector, where free-lance worker represent 43.6% increment

Annual inflation recorded at the closing June 2.011 is 3.23%, showing a positive tendency compared to the precedent year, although with controlled levels within Central Bank's expected goal proposed for 2011. Notwithstanding, the potential effect in the second half-year of the new employment resulting from the portfolio positive dynamics at the end 2010 is unknown as yet.

On the other hand, market representative rate of \$1.913,98 pesos on December 2.010, went up to \$1.772.32 pesos on June 2.011, which means during such period 7.40% revaluation

During the first half-year 2011, the availability of liquid resources in financial system transactions remained unchanged, channeled mainly to portfolio placements, given by a volatility in portfolio valuation and the significant dynamics of households consumption and the gross capital formation. On May 2011, total gross portfolio showing increment by 22.98% in annual normal terms, being Microcredit the most dynamic item with 33.37% increase, Commercial portfolio with 23.96% increase and consumption 23.31% increase.

Concerning interest rates, a raising behavior of Central Bank intervention was observed, based on a liquidityrestriction policy, showing a 125pb increment on January 2011 reaching 4.25%. This increment is reflected by a lowerdynamics DTF reference rate, which on December 2010 was 3,47%EA versus 4,19%EA recorded on June 2011. Onthe other hand, Consumption and Ordinary portfolio usurious interest rate recording 21.32%EA on October-December 2010, reached 27,95%EA on July-December 2011 operational period, while interbank Rate showed 2.97%EA increment versus 4.19% recorded at the closing June 2011.

Banking system, as a whole, showed a positive growth on May 2011. The annual growth of credits institutions deposits was 10%, while credit portfolio evolution showed 22.98% growth, the major growth occurred in Microcredit, Commercial portfolio, and consumption portfolio. Banking system reported accrued profit at the closing May 2001 by Col\$3.87MM

Within above environment, Banco de Occidente reported the following results at the closing June 2011:

Total Asset increased by \$2.253.773MM compared to the second-half-year 2.010, representing 12.83% growth reached at the closing June. 2011, total \$19.815.135MM, in annual terms the asset increased by \$2.696.695MM compared to June 2010 equivalent to 15.75% growth.

Legal Tender and Foreign Currency Credit Portfolio increased by \$2.302.928MM compared to June 2010, representing 21.03% annual increase. Placements in Legal Tender represent 20.40% annual increase

Credit Portfolio qualified C, D, and E. showed \$585.025MM representing 4.41% of the total credit portfolio. At the level of Bank System at the closing May 2011, reached 2.89%.

The Balance of Provisions to protect asset, at the closing June 30, 2011 adds up \$553.390MM total with 7.36% annual decrease. At the closing of this operational period, the coverage for portfolio provision related to the amount of credits qualified in C, D, and E is 94.59% compared to system coverage at the closing May 2011, reaching 64.62%.

Total investment reached the amount of \$3.986.276MM, decreasing by 4.13% compared to June 2010 and 2.23% respect of the second half-year 2010.

Total Deposits behavior at the closing June 30, 2010 reached \$11.978.789MM which means \$1.006.444MM growth compared to the second half-year 2.010 and \$1.288.659MM compared to the preceding year, which represents

12.05% annual percent growth and 9.17% half-year growth. Upon the analysis of Deposits composition it is evidenced that this growth is explained mainly by Saving Account increase, which as of June 30, 2011 reached \$5.523.763MM

growing \$928.998MM in respect of the same period of the precedent year, which represents 20.22% annual percent growth

The balance at the closing June 30, 2011 from issue of Ordinary and Subordinate bonds of Banco de Occidente is \$1.760.666MM.

Invoicing of Credencial Credit Card Operations reached \$837.469MM in the first half-year 2011, growing by \$73.241MM compared to the same period in 2010, which is equivalent to 9.58% annual percent growth. The number of cards placed into the market as of June 30, 2011 is 403.153 cards, an increase of 22.975 cards compared to June 30, 2010, which represents 6.04% growth



Bank's Total Net Worth amounted to \$2.689.652MM, growing by \$365.135MM compared to June 2010 and by \$97.029MM compared to the closing of the second-half-year 2010 representing 15.71% annual growth and 3.74% compared to the second half-year 2.010.

At the closing June 30, 2011 the profit was \$214.342MM higher by 14.35% than the profit obtained at the closing June 2010m and 6.10% compared to the closing of the operational period on December 31, 2010.

Annual profit of total Asset is 2.16% and Patrimony 15.94% compared to 2.19% and 16.13% respectively as of June 2010. Such Indexes show levels comparable to those recorded by Bank System at the closing June 2011, the last date available of Asobancaria report recording Total Asset Profitability 2.17% and Patrimony 16.42%.

### Tax and Legal Contributions

Total Tax and Legal Contributions at the closing of first half-year 2011 reached an accumulate increase of \$133.380MM, such amount higher than the amount recorded in the second half year 2011 by 13.803MM, and representing 11.5% half-year growth. Effective rate of Income and Complementary tax, indirect tax and legal contributions increased compared to that prevailing at the closing December 2010, goes from 37.2% up to 38.4% for the first half-year 2011 The table below the itemization of these figures is shown:

Figures (i n Million COL\$)	I Half-Year 2.011	II Half-Year 2.010	Variance (\$)	Variance (%)
<b>A. Income and Complementary Tax</b>	<b>70.463</b>	<b>71.248</b>	<b>-785</b>	<b>-1,1%</b>
<b>B. Patrimony Tax</b>	<b>17.138</b>	<b>3.137</b>	<b>14.001</b>	<b>446,4%</b>
<b>C. Excise Tax</b>	<b>19.705</b>	<b>16.561</b>	<b>3.144</b>	<b>19,0%</b>
VAT	10.994	10.320	674	6,5%
Industry and commerce Tax	7.467	5.003	2.464	49,3%
Real Estate Tax	870	793	77	9,7%
Overcharge and cost	328	353	-25	-7,1%
Registry and annotation	46	92	-46	-50,0%
<b>D. Bank Superintendence Contribution</b>	<b>2.605</b>	<b>2.651</b>	<b>-46</b>	<b>-1,7%</b>
<b>E. Deposit Insurance</b>	<b>16.476</b>	<b>15.583</b>	<b>893</b>	<b>5,7%</b>
<b>F. Financial Transaction Tax (4/1000)</b>	<b>6.991</b>	<b>10.398</b>	<b>-3.407</b>	<b>-32,8%</b>
<b>G. Total Tax and Legal contribution (A+B+C+D+E+F)</b>	<b>133.378</b>	<b>119.577</b>	<b>13.801</b>	<b>11,5%</b>
<b>Decreed Dividend</b>	<b>94.399</b>	<b>90.354</b>	<b>4.046</b>	<b>4,5%</b>
<b>H. Tax / Decreed Dividend</b>	<b>141.3%</b>	<b>132.3%</b>		
<b>I. Effective Rate of Income &amp; Complementary Tax</b>	<b>24.7%</b>	<b>26.1%</b>		
<b>J. Effective Rate Income and Complementary and Indirect Tax and Legal Contributions</b>	<b>38.4%</b>	<b>37.2%</b>		



## Affiliates and Associated Companies

**La filial Banco de Occidente - Panamá S.A.** reached at the closing operational period US \$678.687M, total asset, representing 19.48% annual growth. The profit at the closing on June 30, 2011 was US \$1.810M, which in percent terms indicates decrease of 28.66% compared to the first half year 2010.

**The affiliate Fiduciaria de Occidente S.A.** at the closing of this operational period showed \$110.546MM total asset, which means 5.22% growth compared to June 2010. Semiannual accrued profit at the closing June 30, 2011 was \$15.252MM reaching 10.88% growth compared to second half year of previous year.

**The affiliate Occidental Bank Barbados Ltd.** recorded at the June 30, 2011 US\$163.347M Asset representing 1.90% annual decrease. Semiannual profit for US\$834M, means 15.85% decrease compared to June 2010.

**The associated Corporación Financiera Colombiana S.A.** recorded on June 30, 2011 \$7.346.018MM asset which in percent terms represented 11.36% annual growth. \$367.377MM semi-annual profit was obtained which is 38.66% higher than that obtained on June of the precedent year.

**Fondo de Pensiones y Cesantías Porvenir**, showed at the closing operational period \$762.863MM total asset, reaching 32.0% annual growth. At the closing on June 30, 2011 the profit was \$76.472MM, which means an increase by 9.38% as against the same period in 2010.

## Relationship Bank Underlying Companies

Below the amount of operations made between the Bank and its underlying companies is showed, including the Balance Sheet and Statement of Results of the first half-year 2011 the detail of which is showed in the Note 22.

Account	Banco de Occidente Panamá	Fiduciaria de Occidente	Occidental Bank Barbados Ltd.	Sales and Services	Grupo Aval
Total Asset	64.520	82.731	37.619	2.428	0
Total Liabilities	323.025	767	19.848	935	495.002
Total Income	10.006	12.832	2.982	608	0
Total Expenses	935	0	62	9.426	2.448

Note: Figures in Million Colombian Pesos

## Operations with Stockholders and Directors

As of de June 30, 2011 the Bank had loans for \$246.045,5MM with admissible guarantee, and \$117.722,7MM with other guarantees granted to its stockholders under market conditions. At the same closing date, there were loans granted to Directors for \$53.981,8MM, supported basically on credit card operations and credit operations to purchase house and vehicle, according to conditions stipulated by the Bank to its employees. At the closing date there exist no credits granted to stockholders holding in the Bank any stock participation higher than 10%.

## Bank Foreseeable Evolution

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

## Issue of Banco de Occidente Stocks

Banco de Occidente Board of Directors, during its meeting held on July 8, 2011, passed the issue and placement of stocks to obtain capitalization by Col\$199,909,998,000.00 and empowered Banco de Occidente S.A. management to obtain authorization from the authorities and subscribe all agreements necessary for stock issuance and placements.

Upon the completion of the formalities provided in Resolution No. 1269 of August 5, 2011, Colombia Finance Superintendence authorized the common stock shares issue and subscription rules, and thus, under Resolution No. 1403 of August 23/2011, the same Superintendence authorized the public offer of 6,060,606 common shares stock of Banco de Occidente, released on August 25, 2011.



### **Increasing of the Amount of Issue and Placement of Ordinary and Subordinate Bonds Program**

According to authorization by Banco de Occidente Board of Directors as provided in Minutes N° 1254 dated March 11, 2011, Banco de Occidente application for amendment by Addendum N° 1 to the Brochure of Information and Issuance and placement of Ordinary Bonds and/or Subordinate Bonds of Banco de Occidente to increase by Two Billion Pesos (Col\$2,000,000,000,000.00) the amount authorized to reach a total amount of Three Billion Pesos (Col\$3,000,000,000,000.00) in the global quota of the Program authorized to the Bank and include two additional series, and such proposal was not contested by Colombia Finance Superintendence by writing communication N° No.2010044526-017 dated November 2, 2010.

### **Alter Closing Operational Period**

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

### **Qualification of Risk**

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

### **Disclosing of Financial Information**

In compliance with the provisions in articles 46 and 47 of Act 964/2005, Banco de Occidente hereby certifies that financial statements and other relevant reports do not contain misstatements, or errors preventing from knowing the true patrimonial or operational situation conducted by the entity. Additionally, disclosure and control systems used by the Bank to incorporate the information contained in such financial statements and reports addressed to the public are adequate, based on truthful information and subject to audit made by the Bank and Statutory Auditor under the supervision of Board of Directors' Audit Committee.

### **Evaluation about the Performance of Internal Control System**

According to provisions in title 1, Chapter IX, item 17.7.1.3, paragraph XV, of Basic Legal Circular, Banco de Occidente and its affiliated companies evidenced that its Internal Control System is effective when evaluating the components performance: Environment of Control, Risk Management, Control Activities, Information and communication, Monitoring, Technology Management, Accounting Management, and Internal Bodies.

### **Risk Management**

In compliance with the directives of Finance Superintendence, the report related to the systems of risks is submitted:

- **Liquidity Risk and Market Risk:** During the first half-year 2011, no amendments occurred relative to regulatory framework regulating the Liquidity Risk Management System and Market Risk Management System. In general Bank's Treasury operations reflected an indicator of Liquidity Risk measurement both stable and adequate to the Balance structure, giving 2.1-billion mean indicator. In the same way, market risk measurement made under Colombia Finance Superintendence standard methodology, reflects Col\$68,700MM mean risk equivalent to 4% company's technical net worth. The permanent portfolio level of fixed income continues to be the major component of liquidity risk and market risk, making part of short-term policies, less than 18-month mean term and concentrated on Colombia nation risk (93%). Through the procedures set forth in Liquidity Risk Management System and Market Risk Management System, of mediation, monitoring and control, the Treasury Risk Division produced the defined reports to be disclosed, with the evaluation of the compliance with all policies and limits. Such reports are submitted to and discussed by Finance Committee, Risk Committee and the Board of Directors



- **Asset Laundry and Financing of Terrorism Risk:** The Bank is implementing and fully complying with Risk Management System aimed at preventing Asset Laundry and Financing of Terrorism System regulations, known as "SARLAT", timely submitting to the Board of Directors the reports about risk management and evolution as well as implementing the proper and efficacious efforts in order to prevent the actual occurrence of such risks inside the organization. For such purposes, the Bank is supported by the commitment of all the employees and directors and complies with the opportune submission of the mandatory reports to the Information and Financial Analysis Unit, regulated by Colombia Finance Superintendence and to the other controlling entities. Additionally, the Bank is sported on a proper structure of compliance and an advanced transactional monitoring system and a specialized software for management and qualification of Asset Laundry and Financing of Terrorism Risk. Additionally, the Bank counts on a training program –SARNAT- addressed to all employees. For such purposes, SARLAT program developed by the Bank includes appropriate controls, and this way the entity fully complies with guidelines given by Bank's management and the Board of Directors, as well as to properly meet authorities expectations and those requirements of foreign correspondent banks
- **Operative Risk:** The Bank is in compliance with the provisions set forth in Chapter XXIII of the Basic Accounting and Financial Circular Letter (External Circular Setter 100 de 1995 / 1995) "Provisions Relative to Operative Risk Management", such task confirmed in the reports submitted both to Internal Audit and Statutory Audit to KPMG.

The Operative Risk Management System – ORMS – comprises both operative risks and business continuance risk and is supported on the definition of management policies, procedures and methodologies through the identification and qualification of risks, the registry and tracking of operative risk events and the development of action plans and mitigation strategies. According to the last evaluation made, Bank's operative risk profile includes a low risk qualification.

#### **Minimal Requirements of Security and Quality of Information Management**

In compliance with External Circular Letter 052/2007, issued by Colombia Finance Superintendence, according to the report of the last operational period, the Bank resumes on July 2011 the Project to refine some initiatives, jointly with Technology Area.

#### **Legality of Software**

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

#### **Certification**

According to provisions in article 57 of Decree 2649/1993 it is certified that statements contained in financial statements of the Banco de Occidente, as of June 30, 2011, have been previously verified, and that the information therein contained has faithfully taken from the company's accounting books, and that they do not contain omission of data, and that all economic facts have been therein recognized.

#### **Personnel**

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



## Dividends

Duly authorized by Colombia Finance Superintendence the payment of a monthly dividend by \$ 108.00 is submitted to the stockholders consideration and approval.

Upon the revision of President's report, the Directors stated their approval as well as the report to be submitted by the Board of Directors to the Stockholders General Meeting as the Report issued by the President and the Board of Directors to the Stockholders.

**Efraín Otero Alvarez**

President

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

Héctor Vesga Perdomo  
Henry Jensen Thorín  
Jorge Herrera Barona  
Iván Felipe Mejía Cabal  
Felipe Ayerbe Muñoz

Ricardo Villaveces Pardo  
Alfonso Osorno Cújar  
Mauricio Gutiérrez Vergara  
Liliana Bonilla Otoya  
Gilberto Saa Navia

## Opinion by External Auditor



TO.

**Stockholders**

Banco de Occidente S.A.  
Ciudad

I have audited Banco de Occidente S.A. Balance Sheets as of June 30, 2011 and December 31, 2010 and the appropriate Statements of Results, changes of stockholders equity and cash flows, the summary of accounting policies and the other explanatory notes, for the semi-annual periods ended on the dates above.

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

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

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

In my opinion, financial statements aforementioned, taken from the books and attached to this report, reasonably represent all the relevant material issues, Banco de Occidente S.A. financial situation as of June 30, 2011 and December 31, 2010 operational periods, the results of its operations and the cash flows for semi-annual periods ended in the dates above, according to accounting principles generally accepted in Colombian and the instructions by Colombia Finance Superintendence, applied in a uniform and consistent manner.

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

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

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

María Ligia Cifuentes Zapata  
Banco de Occidente S.A. External Auditor  
T. P. 30070-T  
Member of KPMG Ltda.

July 25, 2011

# Profit Distribution Project

## Second Half-year of 2010

**1- Operational Profit** 214.342.396.111,00

### 2- Release of Reserve

Releasing Reserve by fixed Assets deferred depreciation  
(Art. 130 Tax Statute (Decree 2336/95))

15.723.414.961,99

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**Total at the Stockholder General Meeting Disposal**

**230.065.811.072,99**

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## Distribution Project

### 1.1 Cash Dividend

A Cash Dividend by Col\$108.00 monthly per share is declared, payable monthly during the first ten days , from October , 2011 up to March, 2012, inclusive , on Col\$149.840.314 total stocks subscribed and paid-in capital on June 30, 2011

97.096.523.472,00

### 1.2 Dividends for Stocks to be Subscribed

In order to allocate the resources to pay dividends of the new stocks to be issued in the capitalization process Banco de Occidente is requesting and which placement brochure is underway, a cash dividend for Col-108.00 monthly per stock over 6.060.606 total stocks to be subscribed will be declared according to and in compliance with the following rules: (i) there will be a dividend as from the month following the subscription of the stock in the first of the second round (ii) payable within the first 10 days each month, from October 2011 up to March 2010, inclusive.

3.927.272.688

Dividends decreed in the items 1.1 and 1.2 above will be paid to bank stockholders registered in the shareholders book of the bank at the time each payment is due and according to regulations prevailing

### 2. Creation of Reserve for deferred depreciation Fixed Asset (Art. 130 Tax Statute).

7.641.608.928,03

### 3. For Legal Reserve

121.400.405.984,96

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**Equal Sums**

**230.065.811.072,99 230.065.811.072,99**

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# Comparative Balance Sheet as of June, 2011

(Given in Million Pesos)

<b>Asset</b>	<b>June 30, 2011</b>	<b>December 31, 2010</b>
<b>Available</b> (Notes 5 & 25)	1,578,175.9	894,538.7
<b>Active positions in Monetary and Related Market Operations</b> (Notes 5 & 25)	200,488.1	280,437.0
<b>Investments</b> (Note 6)	3,785,788.2	3,796,677.4
Negotiable Investments in Certificates of Indebtedness	1,027,385.6	959,030.6
Negotiable Investment in Certificates of Participation	-	6.9
Investment to maintain up to maturity	675,123.4	722,128.1
Investments Available for Sale in Certificates of Indebtedness	471,715.0	1,074,236.6
Investments Available for Sale in Certificates of Participation	1,069,160.8	1,035,516.0
Rights of Investment Transfer negotiable in securities or certificates of indebtedness	113,365.2	-
Rights of Investment Transfer available for sale in securities or certificates of indebtedness	416,550.6	-
Negotiable investment delivered as guarantee in operations with derivatives financial instruments and other in securities of indebtedness	-	5,759.2
Available investment delivered as guarantee in operations with derivatives financial instruments and other in securities of indebtedness	12,487.6	-
<b>Credit Portfolio and Financial Leasing Operations</b> (Notes 8 & 25)	12,640,944.2	11,214,448.4
Credits and Consumption Financial Leasing Operations, Fit Guarantee	953,933.5	876,004.3
Category A, Norma Risk	908,205.3	839,576.6
Category B, Acceptable Risk	24,706.5	16,509.8
Category C, Appreciable Risk	13,120.6	11,910.4
Category D, Significant Risk	29,240.1	26,957.4
Category E, Uncoverability Risk	13,685.4	13,323.4
Less: Provision	(35,024.4)	(32,273.3)
Credits & Operations of Financial, Consumption, Other warranties	1,473,649.7	1,304,572.3
Category A, Normal Risk	1,424,393.3	1,268,834.9
Category B, Acceptable Risk	47,017.4	32,226.4
Category C, Appreciable Risk	20,086.2	18,208.6
Category D, Significant Risk	22,767.1	22,880.9
Category E, Uncoverability Risk	41,601.9	46,550.8
Less: Provision	(82,216.2)	(84,129.3)
Credits and Operations of Commercial Financial Leasing, Fit Guarantee	5,472,840.7	4,923,388.8
Category A, Normal Risk	4,895,912.2	4,332,922.5
Category B, Acceptable Risk	401,401.5	420,569.7
Category C, Appreciable Risk	106,468.5	83,058.4
Category D, Significant Risk	130,320.3	148,066.1
Category E, Uncoverability Risk	40,364.3	37,852.9
Less: Provision	(101,626.1)	(99,080.8)
Credits and Operations of Commercial Financial Leasing, Other Guarantees	4,846,752.6	4,202,909.3
Category A, Normal Risk	4,643,384.3	4,073,011.5
Category B, Acceptable Risk	264,288.4	206,169.4
Category C, Appreciable Risk	60,591.5	28,665.7
Category D, Significant Risk	46,030.2	70,582.1
Category E, Uncoverability Risk	60,749.3	51,825.2
Less: Provision	(228,291.1)	(227,344.6)
Less: Contra-Cyclic Individual Provision	(106,232.3)	(92,426.3)
<b>Spot Operations Acceptances and with Derivative Financial Instruments</b> (Note 9)	68,064.2	56,883.5
Debtors for Bank Acceptances	19,946.4	18,964.1
Spot Operations	-	3.0
Operations with Derivative Financial Instruments – speculation	48,117.8	37,916.4
<b>Accounts Receivable</b> (Notes 10 & 25)	408,176.4	359,990.9
Interest	97,062.8	86,058.6
Leasing Operations Financial Component	13,832.6	10,868.9
Commissions and Fees	881.3	1,122.1
Rents of Goods Given in Operational Leasing	5,940.1	4,848.9
Payment on Account of Clients	135,699.6	132,934.2
Others	183,512.9	155,009.7
Less: Provision	(28,752.9)	(30,851.5)
<b>Marketable goods received in payment and delivered back goods</b> (Note 11)	8,427.2	11,387.0
Goods Received in Payment	18,087.4	20,661.2
Goods delivered back of Leasing Agreements	8,242.1	8,567.2
Less: Provision	(17,902.3)	(17,841.4)
<b>Property and Equipment</b>	206,933.4	221,677.8
Land, Buildings and Constructions in Progress (Note 12)	202,747.0	201,289.1
Equipment, Office Furniture and Fixture	38,405.8	37,501.9
Computing Equipment	92,898.9	89,182.2
Others (12)	50,446.1	62,323.5
Less: Accrued Depreciation and Amortization	(217,682.2)	(211,443.7)
Plus: Deferred Depreciation	40,432.9	42,945.8
Less: Provision	(315.1)	(121.0)
Goods Given in Operative Leasing (12)	265,538.2	261,318.1
Machinery and Equipment	75,585.6	71,719.1
Vehicles	14,655.7	9,729.5
Computing Equipment	200,404.3	200,247.6
Computer Software	93,631.2	83,578.4
Other	65,246.2	59,741.6
Less: Accrued Depreciation and Amortization	(180,034.1)	(160,036.1)
Less: Provision	(3,950.7)	(3,662.0)
<b>Other Asset</b> (Note 13)	348,141.7	157,180.5
Permanent Contributions	385.8	383.5
Advanced Payments & Deferred Charges	150,627.9	36,993.8
Intangible Asset	26,417.6	27,079.7
Goods to Place in Leasing Agreements	93,728.9	76,061.9
Other	83,562.4	21,085.4
Less: Provision	(6,580.9)	(4,423.8)
Valuations	304,623.7	306,863.5
Investments for Sale in Participation Papers of Low or Minimum market profitability or without Stock Exchange Quotation (Note 6)	95,327.9	111,624.6
Property and Equipment	209,295.8	195,238.9
Devaluations	-	-
Investments for Sale in Participation Papers of Low or Minimum market profitability or without Stock Exchange Quotation (Note 6)	(165.4)	-
<b>Total Asset</b>	<b>19,815,135.8</b>	<b>17,561,402.8</b>
<b>Contingent Credit Accounts per Contra</b> (Note 24)	3,904,185.7	3,791,602.2
<b>Debit Contingent Accounts</b> (Note 24)	4,660,265.8	3,613,855.4
Papers delivered Operation. Repo-Simultaneous –Temporary Transf. Related Papers	529,915.9	-
Interest Credit Portfolio and Financial Leasing Operation	45,613.4	48,378.8
Rents and Sanctions in Operative Leasing Agreements	1,270.6	941.9
Rights in Speculation Options and Coverage	3,490.0	11,873.9
Other	4,079,975.9	3,552,660.8
<b>Debit Memorandum Accounts</b> (Note 24)	22,314,454.5	21,375,874.1
<b>Credit Memorandum Accounts per Contra</b>	27,765,717.7	24,927,577.1
<b>Total Contingent and Memorandum Accounts</b>	<b>58,644,623.7</b>	<b>53,708,908.8</b>
<b>Liabilities and Shareholders Equity</b>	<b>58,644,623.7</b>	<b>53,708,908.8</b>

## Liabilities and Shareholders Equity

	June 30, 2011	December 31, 2010
<b>Liabilities</b>		
<b>Deposits and Payabilities</b> (Notes 25)	12.070.246,4	11.079.543,4
Deposits in Bank Current Account	4.370.036,8	4.970.270,9
Time Deposit Certificates (Nota 14)	1.930.842,0	1.485.091,4
Saving Deposits	5.523.763,7	4.384.781,4
Other (Nota 14)	245.603,9	239.399,7
<b>Passive Positions in Monetary Market and Related Operations</b> (Note 15)	610.612,4	60.694,3
<b>(Bank) Outstanding Acceptances and Derivative Financial Instruments</b> (Note 9)	62.420,6	59.799,0
Bank Outstanding Acceptances	20.502,6	19.166,1
Operations with Derivative Financial Instruments – of speculation	41.918,0	40.632,9
<b>Credits of Banks and other Financial Obligations</b> (Notes 16 & 25)	1.885.991,0	1.785.417,5
Other Entities in the Country	1.217.726,6	1.201.860,9
Overseas Entities	668.264,4	583.556,6
<b>Accounts Payable</b> (Notes 17 & 25)	487.360,8	387.332,4
Interest	37.730,9	43.603,8
Commissions and Fees	1.365,5	1.361,6
Other	448.264,4	342.367,0
<b>Outstanding Investment Papers</b> (Note 18)	1.760.666,9	1.421.077,5
Bonds	1.760.666,9	1.421.077,5
<b>Other Liabilities</b>	129.313,8	141.322,0
Accrued Labor Obligations (Nota 19)	33.364,2	34.582,8
Income Received in Advance	11.320,6	12.522,1
Pension and Retirement	3.732,7	3.705,9
Other	80.896,3	90.511,2
<b>Estimate Liabilities and Provisions</b> (Note 20)	118.871,9	33.594,2
Labor Obligations	526,3	-
Tax	90.359,6	17.485,0
Other	27.986,0	16.109,2
<b>Total Liabilities</b>	<b>17.125.483,8</b>	<b>14.968.780,3</b>
<b>Net Worth</b>		
<b>Capital Stock</b> (Note 21)	4.495,2	4.495,2
Number of Stocks 149.840.314		
Face Value each Stock: \$30		
<b>Reserve</b>	1.550.105,6	1.442.484,9
Legal Reserve (Note 22)	1.350.684,3	1.236.485,6
Statutory and Occasional Reserves (Note 23)	199.421,3	205.999,3
<b>Surplus or Deficit</b>	920.708,8	943.622,4
Cumulated Profit or Loss non-realized in Available Investment for sale	616.250,5	636.758,9
Valuations	304.623,7	306.863,5
Devaluation	(165,4)	-
<b>Profit for the period</b>	214.342,4	202.020,0
<b>Total Net Worth</b>	<b>2.689.652,0</b>	<b>2.592.622,5</b>
<b>Capital Guarantee</b>		
<b>Total Liabilities and Net Worth</b>	<b>19.815.135,8</b>	<b>17.561.402,8</b>
<b>Credit Contingent Accounts</b> (Note 24)	3.904.185,7	3.791.602,2
Sureties and Guarantees	459.193,0	503.509,8
Letters of Credit	109.777,2	110.665,0
Credits Approved and non-disbursed	1.196.899,5	1.138.030,0
Opening of Credit	2.069.614,0	1.948.895,5
Options Obligations – Speculation and Coverage	22.323,3	31.772,7
Other Contingencies	46.378,7	58.729,2
<b>Debit Contingent Accounts per Contra</b> (Note 24)	4.660.265,8	3.613.855,4
<b>Debit Memorandum Accounts per Contra</b>	22.314.454,5	21.375.874,1
<b>Credit Memorandum Accounts</b> (Note 24)	27.765.717,7	24.927.577,1
<b>Total Contingent and Memorandum Accounts</b>	<b>58.644.623,7</b>	<b>53.708.908,8</b>
<b>Profit (Loss) Per Share (in pesos)</b>	<b>1.430,47</b>	<b>1.348,24</b>

Cfr. Notes accompanying financial statements

## Comparative Statements of Results

(Given in Million Pesos)

	Periods	
	From January 1 to June 30, 2011	From July 1 to December 31, 2010
<b>IDirect Operational Income</b> (Note 25)	1.156.395,4	1.114.471,0
Interest and Discount Redeemed Credit Portfolio	488.939,4	458.811,1
Returns in Operations. repo, simultaneous Transient Transfers of values and Other interest	12.545,6	8.413,9
Profit in Valuation of Marketable Investments in en Certificates of Indebtedness	32.639,7	37.365,7
Profit in Valuation of Marketable Investments in Participation Certificates	5,8	1,2
Profit in Valuation of Investments Available for Sale in Certificates of Indebtedness	33.562,4	28.208,5
Profit in Valuations of investments to Maintain up to Maturity	9.728,5	8.119,9
Profits in Positions in closing operations repo-open, simult. and transient transfers of papers	89,3	302,3
Profit made in Investment Available for Sale	2.895,9	1.417,8
Readjustment of Real Value Unit - UVR	2.232,9	2.401,2
Commissions and Fees	84.187,5	85.778,0
Profit on valuation of spot operations	0,5	60,9
Profits in Derivatives Operations - de Speculation (Note 9)	205.864,2	179.914,4
Changes	71.379,0	106.140,5
Profit in sale of investments	4.473,0	931,0
Operations Income - Leasing	207.851,7	196.604,6
<b>Direct Operational Expense</b> (Note 25)	466.711,4	482.659,4
Interest, Deposits and Payabilities	115.338,2	110.281,5
Interest Credits of Bank and Esther Financial Obligations	35.203,7	38.188,6
Loss in Negotiable Investments Valuation in Certificates of Indebtedness	2.989,4	-
Loss in investment valuations Available for sale in Certificates of Indebtedness	-	276,4
Loss in Positions of Operat. Repo Opened, simult. & transf. temp. of Equities of Equities	106,3	367,4
Commissions	50.266,7	58.830,2
Loss in Spot Operation Valuation	3,6	56,7
Loss in Derivatives Valuations - of Speculation	191.253,2	179.467,6
Changes	71.088,0	94.725,9
Loss in Sale of Investments	462,3	465,1
<b>Direct Operational Result</b>	689.684,0	631.811,6
<b>Other Operational Income and Expense – Net</b>	(83.340,1)	(5.844,8)
<b>Other Operational Income</b> (Note 25 & 26)	296.416,6	343.316,3
Dividends & Participations	79.954,0	58.457,5
Recoveries	159.738,5	228.709,5
Other	56.724,1	56.149,3
<b>Other Operational Expense</b>	379.756,7	349.161,1
Personnel Expenses	146.403,6	142.147,2
Other (Note 26)	233.353,1	207.013,9
<b>Operational Result before Provisions, Depreciations and Amortizations</b>	606.343,9	625.966,8
<b>Provisions</b>	282.464,9	307.354,7
Credit Portfolio	171.372,4	188.193,7
Accounts Receivable	20.888,5	23.120,8
Property and Equipment (Note 12)	224,3	124,1
Financial Leasing Operations	31.375,6	39.480,4
Operative Leasing Operations (Note 12)	1.203,1	1.151,3
Contra cyclic Component Individual Provisions	51.306,5	50.979,2
Other	6.094,5	4.305,2
<b>Depreciations</b> (Note 27)	55.969,5	57.517,9
<b>Amortizations</b> (Note 27)	23.646,3	22.123,0
<b>Net Operational Result</b>	244.263,2	238.971,2
<b>Non-operational Income</b>	48.060,1	40.556,0
Profit in Sale of Property Delivered in Payment and Delivered Back	2.095,4	575,2
Profit in Sale of Property, Equipment and other Asset	589,8	11.911,1
Recoveries	37.901,2	25.912,0
Other Non-Operational Income (Note 28)	7.473,7	2.157,7
<b>Non-Operational Expense</b>	7.518,0	6.259,4
Loss in sale of Goods Delivered in Payment and Delivered back	1.196,9	443,7
Loss in Sale of Property, Equipment and other Asset	0,5	-
Loss for Disasters	3.521,0	2.226,2
Other Non-Operational Expense (Note 28)	2.799,6	3.589,5
<b>Non-Operational Net Result</b>	40.542,1	34.296,6
<b>Profit (Loss) before Income Tax</b>	284.805,3	273.267,8
<b>Income and Complementary Tax</b> (Note 29)	70.462,9	71.247,8
<b>Profit (Loss) of the Operational Period</b>	214.342,4	202.020,0

See notes accompanying Financial Statements

## Cash Flow Statements

Semi-annual periods ended on June 30, 2011 and December 31, 2010

(in Million Col\$)

	June 30, 2011	December 31, 2010
<b>Cash Flow of the Operational activities:</b>		
Net Profit	214.342,4	202.020,0
Adjustment to reconcile Net Profit and Net Cash provided by operational activities by operational activities:		
Profit on Sale of Property and Equipment, net	(589,3)	(11.911,1)
Profit on Sale of Goods Received in Payment, net	(898,5)	(131,5)
Profit on sale of non-marketable Investments	(4.010,7)	(465,9)
Dividends Received in Stocks	(38.291,8)	(23.850,9)
Depreciation and Amortizations of Goods given on Operative Leasing and goods for own use	55.969,5	57.517,9
Amortizations	23.646,3	22.123,0
Profit Investment Valuation, net	(75.842,9)	(77.237,9)
Readjustment operations Leasing UVR	(2.232,9)	-
Profit Valuation of Derivatives, Net	(14.611,0)	(446,8)
Credit Portfolio Provisions, financial leasing	251.328,7	277.548,8
Provision Operative Leasing	1.598,2	1.151,3
Provision accounts receivable	23.219,3	25.383,2
Provision for goods in payment and delivered back	4.039,2	2.616,5
Provision for Property and Equipment	224,3	124,1
Provision for other asset	2.053,6	1.688,7
Operative Risk Provision	147,2	575,1
Severance Provision	6.365,4	5.811,3
Refund of Available Provision	1,7	(6,7)
Refund of Provision Credit Portfolio, Financial Leasing	(147.203,1)	(214.307,6)
Refund Operative Leasing Provision	(1.306,5)	(1.119,5)
Refund Provisions Account Receivable	(11.228,8)	(14.401,8)
Refund of provision goods dation in payment and delivered back	(3.814,4)	(1.243,2)
Refund Provision Property and Equipment	(30,1)	(21,5)
Refund and recoveries of Provision Other Asset	(32,4)	-
Refund other provisions	(3.540,5)	(724,9)
<b>Total Adjustments</b>	<b>64.960,5</b>	<b>48.670,6</b>
<b>Changes in Asset and Liabilities</b>		
Accrued Receivable Interest	(11.004,2)	3.961,6
Accrued Payable Interest	(5.872,8)	(7.930,0)
Net Diminution (Augment) other asset	(216.297,9)	30.109,4
Diminution other liabilities	(8.133,6)	(4.793,4)
(Diminution) Augment Income received in Advance	(1.201,7)	2.238,9
Augment (Diminution) estimate liabilities and provisions	88.818,0	(39.251,2)
Severance Paid	(9.038,2)	(2.829,3)
<b>Net cash provided by operational activities</b>	<b>116.572,5</b>	<b>232.196,6</b>
<b>Cash flow of investment activities:</b>		
Diminution in marketable investment	105.071,5	509.283,1
Augment in credit portfolio an financial leasing operations	(1.530.308,2)	(998.459,1)
Diminution (Augment)t in bank acceptances and derivatives	3.430,3	(12.538,7)
Augment in Accounts Receivable	(49.319,0)	(50.553,6)
Augment Goods receive in payment and delivered back	(44.946,7)	(102.560,5)
Augment of the sale of goods dation in payment and delivered back	(1.900,5)	(3.974,2)
Proceeding of the sale of property and equipment	15.879,6	17.838,2
Proceeding of the sale of goods dation in payment and delivered back	5.324,0	-
<b>Net cash used in investment operations</b>	<b>(1.496.769,0)</b>	<b>(640.964,8)</b>
<b>Cash flow of financing operations:</b>		
Augment in deposits and exigibilities	990.703,0	473.753,8
Augment(Diminution) of liability position in market operations	549.918,1	(206.988,4)
Augment in outstanding bank acceptances	2.621,6	20.488,4
Augment (Diminutions) in bank credits & other financial obligations	100.573,5	(66.438,8)
Augment outstanding investment certificates	339.589,4	104.151,8
Augment (Diminution) of Account Payable	94.518,0	(102.631,8)
Dividends paid-in	(94.037,1)	(88.254,0)
<b>Net cash provided in financing operations</b>	<b>1.983.886,5</b>	<b>134.081,0</b>
Net Augment (Diminution) of cash and equivalent to cash	603.690,0	(274.687,2)
Cash and equivalent to cash at the beginning of half-year	1.174.975,7	1.449.662,9
<b>Cash and equivalent to cash at the end of half-year</b>	<b>1.778.665,7</b>	<b>1.174.975,7</b>

See note accompanying financial statements.

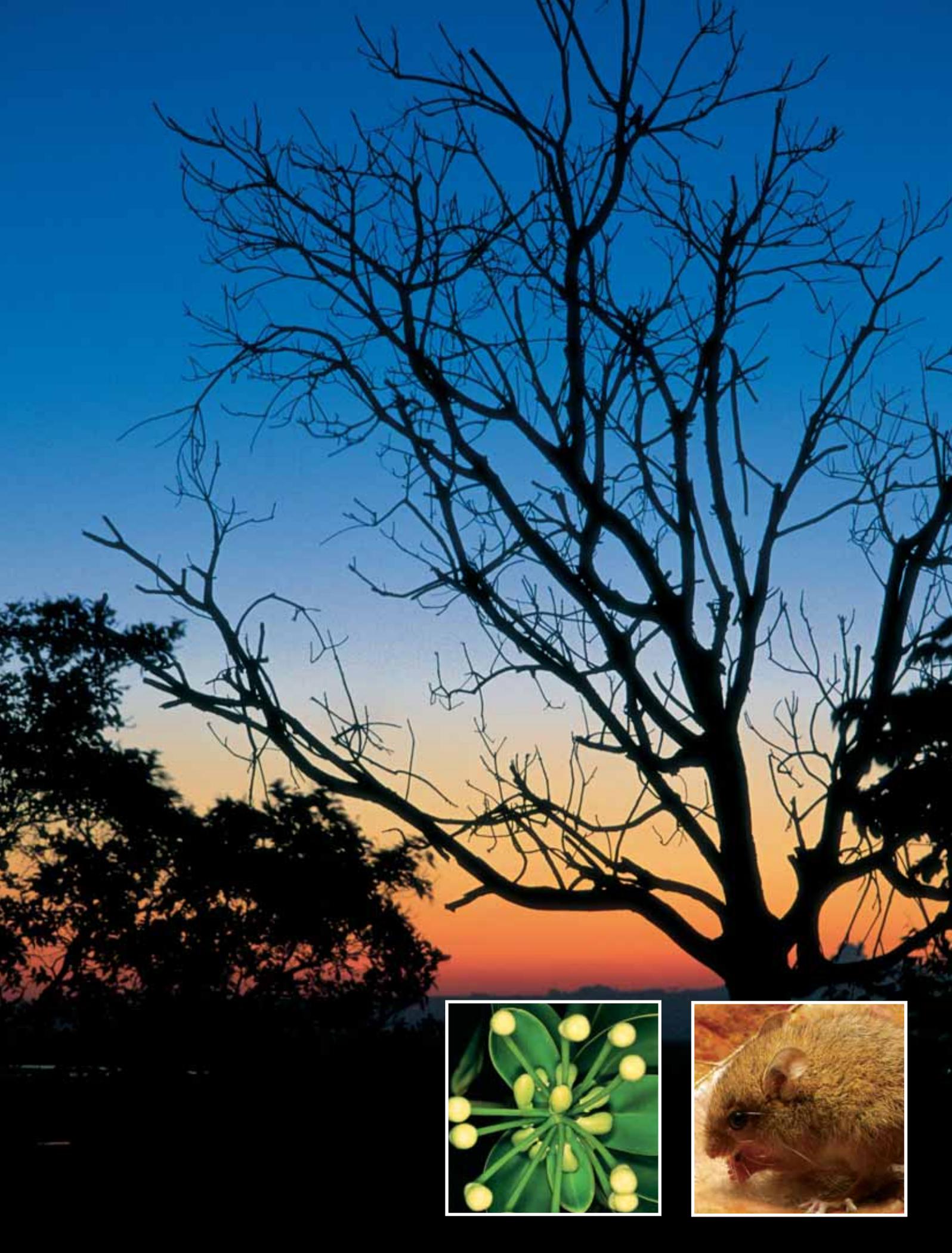
## Statements of change in Stockholders Equity

Half-year periods end June 30, 2011 and December 31, 2010

(In Million Col\$)

Concept	Common Stocks	Legal Reserve	Occasional Reserve (Note 22)	Surplus of Valuations Net	Accrued Profit (Loss). Unrealizable Invest. Available. Sale price.	Profit Prior operational periods	Net Profit	Total stockholders Equity
<b>Balance June 30, 2010</b>	<b>\$ 4.495,2</b>	<b>1.144.081,4</b>	<b>201.305,9</b>	<b>295.165,9</b>	<b>492.016,5</b>	<b>0,0</b>	<b>187.451,3</b>	<b>2.324.516,2</b>
Distribution net profit second halfyear 2010	-	92.404,2	4.693,4	-	-	90.353,7	(187.451,3)	-
Dividend \$ 100.50 monthly per stock, payable within the ten days each month since October 2010 until March 2011, inclusive, on the total 149.840.314 stocks subscribed and paid as of June 30, 2010	-	-	-	-	-	(90.353,7)	-	(90.353,7)
Movement of the operational period	-	-	-	11.697,6	144.742,4	-	-	156.440,0
Net profit as of December 30, 2010	-	-	-	-	-	-	202.020,0	202.020,0
<b>Balance on December 31, 2010</b>	<b>4.495,2</b>	<b>1.236.485,6</b>	<b>205.999,3</b>	<b>306.863,5</b>	<b>636.758,9</b>	<b>0,0</b>	<b>202.020,0</b>	<b>2.592.622,5</b>
Distribution net profit second halfyear 2010	-	114.198,6	(6.578,0)	-	-	94.399,4	(202.020,0)	-
Dividend for \$ 105.00 monthly per stock, payable within the 10 first days each month since April 2011 until September 2011, inclusive, over 149.840.314 total stocks subscribe and paid as of December 31, 2010	-	-	-	-	-	(94.399,4)	-	(94.399,4)
Movement of the Operational Period	-	0,1	-	(2.405,2)	(20.508,4)	-	-	(22.913,5)
Net profit as of June, 2011	-	-	-	-	-	-	214.342,4	214.342,4
<b>Balance as of June 31, 2011</b>	<b>\$ 4.495,2</b>	<b>1.350.684,3</b>	<b>199.421,3</b>	<b>304.458,3</b>	<b>616.250,5</b>	<b>-</b>	<b>214.342,4</b>	<b>2.689.652,0</b>

See notes accompanying financial statements



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## **Notes to Financial Statements**

(Million Pesos)

### **(1) Reporting entity**

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

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

As of June 30, 2011, Banco de Occidente S.A. operates with 6675 employees through 207 offices in the Colombian territory. The Bank has situation of control exercised by the society Grupo Aval Acciones y Valores S.A. and this in turn, registers situation of control on entities overseas, 95.00% in Banco de Occidente Panama S.A. and 100% in Occidental Bank Barbados, as well as in Colombia, 94.98% of Sociedad Fiduciaria de Occidente S.A., and 45% of Ventas y Servicios S.A.

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

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

### **(2) Principal Accounting Policies**

#### **(a) Basic Accounting Policies**

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

#### **(b) Equivalents of cash**

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

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

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

#### **Ordinary Interbank Funds Sold and Purchased**

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

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

**Report or Repo Operations**

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

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

The returns recorded in this item are calculated exponentially during the term of the operation and are recognized in the statement of results. The transferred values of the repo operation must be registered in debt or credit contingent accounts depending on an either open or closed record operation, respectively.

Amounts transferred subject matter of the operation, must become registered in contingent debtor or creditor accounts, depending on if this is an open or closed repo operation, respectively.

**Simultaneous Operations**

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

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

In this item, the returns caused by the purchaser are registered and that the alienating person pays as cost of the simultaneous operation during the term thereof.

The difference between the present value (delivery of cash) and the future value (final price of the transference) constitutes an income by way of financial returns calculated exponentially during the term of the operation and is recognized in the statement of results.

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

**(d) Investments**

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

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

<b>Classification</b>	<b>Term</b>	<b>Characteristics</b>	<b>Appraisal</b>	<b>Accounting</b>
Negotiable-In certificates of indebtedness and participation	Short term	Securities acquired to obtain profit for the price fluctuations.	They use fair exchange prices,; reference rates and determined by using margins, calculated from operations representative of the market, performed in	The difference occurred between the current market value and the immediately previous is registered as higher or lower value of the investment and its counter-account affects the period results.  This procedure is daily made.

Classification	Term	Characteristics	Appraisal	Accounting
			<p>modules or negotiation systems approved by the Financial Superintendent of Colombia and operations performed in the over-the-counter market (OTC) and that are registered on records systems authorized by the superintendent.</p> <p>This procedure will be performed daily.</p>	<p><u>In Certificates of indebtedness.</u> They are recorded by the cost of acquisition of the investments.</p> <p>The payable yields pending to be collected are registered as a major value of the investment. The collect of said yields is recorded as a minor value of the investment.</p> <p>When the sale value is higher than the value recorded of the investment, the difference will be credited as a profit in Sale of Investments Negotiable in Debt Securities. If, on the contrary, the sale value is lower than the recorded value of the investment, the difference will be charged as a Loss in Investment Sale, Negotiable in Debt Securities.</p>
			<p>When just prices of exchange do not exist, they are determined by the present value of the future flows for capital and interests</p>	<p><u>In participating securities:</u> They are registered for the acquisition cost of the investments. The dividends or profits that are distributed in kind, including those derived from the capitalization of the account revalorization of the patrimony, will not be registered as income and, hence, they will not affect the value of the investment. In this case, only the number of social rights will be modified in the respective account books. The dividends or profits that would be distributed in cash will be counted as a minor value of the investment.</p>
To hold up to maturity term	Up to its maturity term	<p>Titles for which the Bank has the serious purpose and the legal, contractual, financial and operational capacity to keep them up to the maturation of their period of maturity or redemption.</p> <p>The securities or titles classified as investments up to maturity date cannot perform liquidity operations nor repurchase operations simultaneous or</p>	<p>Exponentially from the internal return rate calculated at the moment of the purchase.</p> <p>This procedure is daily performed.</p>	<p>The present value is recorded as a major value of the investment and its counter-account is recorded at the period results.</p> <p>This procedure is daily performed.</p>

Classification	Term	Characteristics	Appraisal	Accounting
		temporary transfer of investments, save whether they are forced or obligatory investments subscribed in the primary market, provided that the counterpart is Banco de la Republica, Public Credit and National Treasure General Director or the entities supervised by the Colombian Financial Superintendence		
Available for sale –Debt securities	Minimum one year	<p>Titles for which the Bank has the serious purpose and the legal, contractual, financial and operational capacity to keep them up at least one year from the first day when they were classified in this category.</p> <p>The first business day after the first year, they can be reclassified in the other categories.</p>	<p>They use the just exchange prices, reference rates and determined by employing margins, calculated from the market representative operations carried out in negotiation modules or systems approved by the Colombian Financial Superintendence and operations performed in the over-the-counter (OTC) market and that are registered on records systems authorized by the superintendent.</p> <p>This procedure is daily performed.</p>	<p>Changes that may be present to these securities or titles are counted according the following procedure:</p> <ul style="list-style-type: none"> <li>- Difference between the value present on the appraisal day and the previous one is registered as higher or lower investment value with advance or charge to the result accounts.</li> <li>- The difference between market value and present value is registered as an accumulated not performed profit or loss, within the patrimony accounts.</li> </ul> <p>This procedure is daily performed.</p>
Available for sale – participative securities	Without term	Titles recorded and not recorded at the stock exchange.	<p>Investments in participative titles are valued according to:</p> <ul style="list-style-type: none"> <li>- Participations in collective portfolios are valued according to the unit value calculated by the administration on the previous day.</li> <li>- The participative values inscribed at stock exchange are</li> </ul>	<p><u>Low or minimum bursatility or without any quotation:</u></p> <ul style="list-style-type: none"> <li>- Difference between market or updated investment values, and the value for which the investment is registered is counted as follows:</li> </ul> <p>If it is higher, in first instance, it diminishes the provision or devaluation up to exhaust it and the excess is registered as surplus for valorization.</p> <p>If it is lower it affects the surplus for valorization until running out and the</p>

Classification	Term	Characteristics	Appraisal	Accounting
			<p>value at the daily valuation price published by the authorized agency.</p> <ul style="list-style-type: none"> <li>- Participative values not inscribed at stock exchange are value increasing or diminishing the cost of the acquisitions in the percentage corresponding to the bank over variations over issuer's patrimony accounts.</li> <li>- The financial statements, base to determine the variation are certified with cutting as of June and December every year.</li> </ul>	<p>excess is recorded as a devaluation.</p> <ul style="list-style-type: none"> <li>- When the dividends or profits are allotted in kind, including those from the account capitalization patrimony revalorization, it is registered as income the part that has been counted as surplus for valorization, charged to the investment and it reverts said surplus.</li> <li>- When the dividends or profits are distributed in cash, it is registered as revenue the value counted as surplus for valorization, re-investing such surplus and the sum of the dividends exceeded thereof is counted as a minor investment value.</li> </ul> <p><u>High and Middle Bursatility:</u></p> <p>The actualization of the market value of the high and middle bursatility securities or those quoted in internationally recognize foreign stock exchanges, is counted as accumulated not performed profit or loss within the patrimony accounts, with advance or charge to the investment. This procedure is daily performed.</p> <p>The dividends or profits allotted in kind or cash, including those coming from the capitalization of the account revalorization of patrimony are registered as income up to the sum corresponding to the investment over profits or revalorization of the issuer patrimony counted by the latter since the investment acquisition date, charged to accounts receivable.</p>

### Provisions or Loss for Ranking of Credit Risk

#### a. Securities or titles of emissions or issuers holding external rankings

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

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

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

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

**b. Securities or titles of not rated emissions or issuers**

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

Category	Risk	Characteristics	Provisions
A	Normal	Meets the agreed terms in the security or title and hold adequate capacity of capital and interest payment.	No applicable.
B	Acceptable	Corresponds to emissions with uncertainty factors that might affect the capacity to continue to comply properly with the debt services. Likewise, its financial statements and other available information present weaknesses that may affect the financial situation.	The net value cannot be higher than eighty percent (80%) of the acquisition cost.
C	Perceptible	Corresponds to emissions that present high or middle probability of failure to comply with the opportune capital and interest payment. Likely, its financial statements and other available information show deficiencies in the financial situation that compromise investment recuperation.	The net value cannot be higher than sixty percent (60%) of the acquisition cost.
D	Significant	Corresponds to those emissions that present failure to pay the agreed terms in the title, as well as its financial statement and other available information present marked deficiencies in their financial situation, so that the probability to recover the investment is highly uncertain.	The net value cannot be higher than forty percent (40%) of the acquisition cost.
E	Irrecoverable	Issuers that according to their financial statements and other available information, the investment is deemed irrecoverable. Likewise, if financial statements are not available with less than six (6) months counted from the valorization date	The value of these investments must be fully provisioned.

Not subject to this adjustment are the values or securities of internal or external public debt issued or endorsed by the nation, those issued by Banco de la Republica and those issued or backed up by the Guarantee Fund of Financial Institutions -FOGAFIN.

**Investments overseas**

The marketable investments and investments available for sale, represented in securities or bonds of public debt issued abroad, and the securities or bonds of private debt issued abroad by foreigner issuers, are appraised based on the dirty price of purchase (IDB) published by Bloomberg BID at 18: 00, official Colombian time.

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

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**(e) Portfolio of Financial Leasing Credits and Operations**

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

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

**Credit Policies**

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

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

Guaranties assuring a payment source, such as rent pledges, security endorsement, currency bills, etc.; also mortgages, bonds, and especially first order foreign bank endorsements.

Once determined the guaranty, it is properly appraised, through the existing mechanisms. For the coverage amount thereof, the coverage deemed appropriate is studied.

**Credit Modalities**

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

**- Consumption**

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

Consumer portfolio is subdivided into segments of general automotive, general others and credit card.

**- Commercial**

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

Business credit portfolio is subdivided into the following portfolios:

<b>Portfolios</b>	<b>Detail</b>
Large companies	More than 15.000 SMMLV* of assets
Medium-size Companies	Between 5.000 and 15.000 SMMLV of assets
Small Companies	Less than 5.000 SMMLV of assets
Natural Persons	Natural persons who are debtors of business credit

\* SMMLV: Legal Minimum Monthly Salary in Force

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## Assessment and requalification of the credit portfolio

The Bank assesses permanently its credit portfolio risk introducing the corresponding modifications in the respective rankings when there are new information analysis that justify such changes. Therefore, the debtor's credit behavior in other entities is considered and, particularly, whether at the moment of the assessment the debtor registers restructured obligations in accordance with the information coming from the risk centrals all any other source.

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

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

## Criteria for Credit Risk Assessment

The Bank assesses business portfolio based on the following criteria: Payment capacity of debtor and co-debtors, as well as the project cash flow, in line with updated and documented financial information; debt service and compliance of the agreed terms; information derived from risks centrals, consolidated with the system and the other business information sources available to the institution, also information related the economic conglomerate is considered.

In assessing the payment capacity of territorial public entities, the Bank verifies the fulfillment of the conditions established in the laws and other regulatory norms.

For potfolio tracking and qualification, the Bank applies the reference model defined by Colombia Finance Superintendence. For commercial portfolio, in the individual qualification process, the Bank uses an automatic qualification methodology for the not individually evaluated portfolio, based on clients qualification models in function of default probability, adjusted with macroeconomic and sectorial factors. Such methodology was implemented from December 2010 and under revision and adjustment process

## Credit Risk Ranking

Commercial portfolio is classified in the respective risk categories, taking into account the following minimum objective conditions:

Homologation with financial statements and indebtedness		Business	
Grouped category	Report category	Definition	Minimum conditions
"A" Normal risk	"AA"	The credits ranked in this category reflect excellent structuring and attention. The financial statements of debtors or the project cash flow, as well as the other credit information indicate optimum payment capacity, in terms of sum and origin of the income held by the debtors to attend the required payments.	Already granted credits between 0 and 29 days overdue.  New credits with ranking "AA" assigned at the moment of granting.
"B" Acceptable risk, Higher than Normal	"A"	The credits ranked in this category reflect appropriate	Already granted credits between 30 and 59 days

Homologation with financial statements and indebtedness		Business	
Grouped category	Report category	Definition	Minimum conditions
		structuring and attention. The financial statements of debtors or the project cash flows, as well as the other credit information, indicate adequate payment capacity, in terms of the sum and origin of the income held by the debtors to attend the required payments.	overdue.  New credits with ranking "A" assigned at the moment of granting.
"B" Acceptable risk, higher than normal.	"BB"	The credits ranked in this category are attended and protected acceptably, but there are weaknesses that can potentially affect transitorily or permanently the debtor's payment capacity or the project cash flow, so that if not corrected opportunely, they would come to affect the normal collection of the credit or contract.	Already granted credits between 60 and 89 days overdue.  New credits with ranking "BB" assigned at the moment of granting.
"C" Perceptible risk	"B"	In this category are ranked the credits or contracts presenting insufficiencies in the debtor payment capacity or the project cash flow, which compromise the normal collection of the obligation on the agreed terms.	Already granted credits between 90 and 119 days overdue.  New credits with ranking "B" assigned at the moment of granting.
"C,D or E" risk C: Perceptible D: Significant E: Uncollectibility	C,D or E "Default"	.	The credits with 150 days or more overdue and credits showing other events of higher risk. The credits with 150 days or more overdue and credits showing other events of higher risk and unfulfilled credits with assigned PDI equal to a hundred percent (100%).

Consumption portfolio is classified in the respective risk categories, taking into account the following:

Homologation with financial statements and indebtedness		Consumption	
Grouped category	Report category	Definition	Minimum conditions
"A" Normal risk	"AA"	The credits ranked in this category reflect proper attention. The risk analysis on the debtors reflects optimum payment capacity and excellent credit behavior that insures the collection of the obligation in the agreed terms.	<ul style="list-style-type: none"> <li>The new credits with ranking "AA" assigned at the moment of granting.</li> <li>The credits with ranking "AA" obtained by applying the reference model.</li> </ul>

Homologation with financial statements and indebtedness		Consumption	
Grouped category	Report category	Definition	Minimum conditions
"A" Normal risk	"A" Delay 0 to 30 days	The credits ranked in this category reflect adequate attention. The risk analysis on the debtor reflects appropriate payment capacity and adequate credit behavior that allows to infer stability in collecting the obligation in the agreed terms.	<ul style="list-style-type: none"> <li>- In this category shall be ranked the new credits with assigned ranking "A" at the moment of granting.</li> <li>- The credits with ranking equal to "A" obtained by application of the reference model.</li> </ul>
"B" Acceptable risk, higher than normal	"BB"	The credits ranked in this category reflect acceptable attention. The risk analysis on the debtor shows weaknesses in his capacity to pay and credit behavior that can potentially affect, temporarily or permanently the normal collection of the obligation on the agreed terms.	<ul style="list-style-type: none"> <li>- In this category shall be ranked the new credits with assigned ranking "BB" at the moment of granting.</li> <li>- The credits with ranking equal to "BB" obtained by application of the reference model.</li> </ul>
"C" Perceptible risk	"B"	The credits ranked in this category reflect deficient attention. The risk analysis on the debtor shows shortcomings in the capacity to pay and deficient credit behavior, affecting the normal collection of the obligation under the agreed terms.	<ul style="list-style-type: none"> <li>- In this category shall be ranked the new credits with assigned ranking "B" at the moment of granting.</li> <li>- The credits with ranking equal to "B" obtained by application of the reference model.</li> </ul>
"C" Perceptible risk.	"CC"	The credits ranked in this category have serious shortcomings in the debtor's capacity to pay and credit behavior, significantly affecting the collection of the obligation in the agreed terms.	<ul style="list-style-type: none"> <li>- In this category shall be ranked the new credits with assigned ranking "CC" at the moment of granting.</li> <li>- The credits with ranking equal to "CC" obtained by application of the reference model.</li> </ul>
C,D or E	C,D or E Non-fulfillment	<p>Credits that are in arrears longer than 90 days and the others classified as defaulted.</p> <p>Loans in arrears longer than 90 days and unfulfilled credits with PDI assigned equal to one hundred percent (100%).</p>	Not applicable.

### Credit Ranking with Territorial Entities

With regards to the ranking of the credits granted to territorial entities, the Bank checks and verifies the compliance with the various conditions laid down in the Laws 358 of 1997, 550 of 1999 and 617 of 2000.

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- Ranked in category "D" are the credits where the territorial entity pledges revenues as collateral, when there are no adequate mechanisms to reasonably verify that they do not have been previously pledged as a collateral of another obligation; the guaranteed credits with pledge of revenues that are insufficient to cover the sum of the obligation and when the territorial entity has given to the resources of the credit a destination other than that prepared by the law.
  - Ranked in category "E" are the credits guaranteed with pledge of revenues if they have previously been the Ministry of Finance and Public Credit, or of the respective department that do not have the same and the credits granted to territorial entities that having adopted performance plans, as it has been established compromised as a collateral of another obligation; the credits that requiring indebtedness authorization of by the Law 358 of 1997, have not obtained the manifestation of conformity. In these cases, provisions must be constituted for the hundred point zero percent (100.0%) of the obligation without taking into account the collateral

#### **Restructured Credits**

Restructured credit means that one which by signing any legal business, aims at modifying the originally agreed conditions in order to allow the debtor to attend appropriately his obligation. To these purposes, novation are deemed restructuring. Prior restructuring a credit, it should be reasonably confirmed that the same will be recovered under the new conditions.

The credit reliefs ordered by laws, such as those laid down in the law 546 of 1999, shall not be considered as restructuring.

Credits improve ranking after having been restructured only when the debtor demonstrates behavior of regular and effective payment to capital, consistent with a normal credit behavior, provided that his capacity to pay remains or improve.

#### **Extraordinary Restructurings**

Credits with extraordinary restructuring are framed, among others, within the following parameters: restructuring terms do not exceed seven (7) years for its total repayment, in the case of territorial entities, the term is up to ten (10) years; the agreements are accompanied by a Management Agreement to ensure compliance with the restructuring agreement and the feasibility of the company; reversing supplies or improving the ranking of the restructured debtors if not duly proven the feasibility or compliance with the restructuring agreement terms, is considered unsafe practice; When a restructuring agreement is not complied with, the debtor shall be ranked immediately in the category he was before restructuring or one of higher risk.

#### **Restructurings under Law 550 of 1999**

The Law 550 of 1999 promotes and facilitates business revival and restructuring of the territorial entities. From the date that the restructuring negotiations starts, the Bank suspends interests accrual over the existing credits and maintains the ranking they had on the negotiation start date.

#### **Restructurings under Law 617 of 2000**

They correspond to restructurings arising from the subscription of Fiscal and Financial Consolidation Programs.

#### **Restructurings under Law 1116 of 2006**

Law 1116 establishes the insolvency legal regime, which aim is credit protection and the retrieval and conservation of the company as unit of economic exploitation and employment generating source, through the processes of reorganization and receivership; the process of reorganization intends, through an agreement, to preserve viable

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enterprises and normalize its commercial and credit relations through its operational, administrative, of assets or liabilities restructuring.

From the date that restructuring negotiation starts, the Bank suspends the interests accrual over the existing credits, and at least maintains the ranking it had on the negotiation start date.

The Law seeks to structurally correct the excesses of operating expenses of the territorial entities. It established that the nation would give guarantees to the obligations undertaken by the territorial entities with financial entities watched over by the Colombian Financial Superintendence, when all the requirements laid down are fulfilled; among others, that fiscal adjustment agreements were signed before June 30, 2001. Such a guarantee would be up to forty point zero percent (40%) for credits existing as of December 31, 1999, and up to a hundred percent (100%) for the new credits intended for the fiscal adjustment.

Among the features of these restructurings, the following are mentioned: provisions made over the obligations subject of restructuring are reverted in the part which has been guaranteed by the nation and the part of the obligations subject to restructuring that do not have guarantee of the nation will be able to keep the ranking they had as of June 30, 2001.

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

Credit portfolio, in the opinion of the Administration unrecoverable or remote or uncertain retrieval, is susceptible of punishment following unsuccessfully attempting collection actions, in accordance with the concepts issued by the collection lawyers and firms previously approved by the Board of Directors.

The write-off does not relieve the Bank from pursuing the steps of retrieval deemed appropriate and it requires for the credits to be 100% provisioned in capital, interests and other concepts.

#### **(g) Provision for Credit Portfolio and Financial Leasing Operations**

##### **Individual Portfolio Provisions under models of reference**

The Bank applies the methodology of calculation of provisions in cumulative phase based on the monthly assessment of the behavior of efficiency, stability and growth indicators impairment:

	Cumulative Stage	De-cumulative Stage
Impairment	< 9%	> = 9%
Efficiency	< 17%	> = 17%
Stability	< 42%	> = 42%
Growth	> 23%	< = 23%

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

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

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

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

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

$$\text{Expected Loss (EL)} = [\text{Probability of default}] \times [\text{Asset exposure at the time of default}] \times [\text{Loss due to default}]$$

Probability of Default (PD) is the probability that, during the timeframe of twelve (12) months the debtors fail to comply, and for such purposes the following matrices are considered:

#### Commercial Portfolio

Qualific.	Big Company		Small Company		Medium Company		Natural Persons	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1,53%	2,19%	4,18%	7,52%	1,51%	4,19%	5,27%	8,22%
A	2,24%	3,54%	5,30%	8,64%	2,40%	6,32%	6,39%	9,41%
BB	9,55%	14,13%	18,56%	20,26%	11,65%	18,49%	18,72%	22,36%
B	12,24%	15,22%	22,73%	24,15%	14,64%	21,45%	22,00%	25,81%
CC	19,77%	23,35%	32,50%	33,57%	23,09%	26,70%	32,21%	37,01%
Default	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

#### Consumption Portfolio

Qualific.	General – Auto motors		General – Other		Credit Cards	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	0,97%	2,75%	2,10%	3,88%	1,58%	3,36%
A	3,12%	4,91%	3,88%	5,67%	5,35%	7,13%
BB	7,48%	16,53%	12,68%	21,72%	9,53%	18,57%
B	15,76%	24,80%	14,16%	23,20%	14,17%	23,21%
CC	31,01%	44,84%	22,57%	36,40%	17,06%	30,89%
Default	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

**Value exposed of the asset** is the balance outstanding of capital, interest, accounts receivable for interest and other accounts receivable, of commercial and consumption portfolio obligations.

**Loss due to default (PDD)** is the economic impairment incurred by the Bank if any default situation actually occurs. PDI is given by type of guarantee, as follows:

#### Commercial Portfolio:

Type of Guarantee	P.D.D.	Days alter default	New PDD	Days alter default	New PDI
Non-admissible Guarantee	55%	270	70%	540	100%
Subordinate Credits	75%	270	90%	540	100%
Financial Collateral admissible	0 – 12%	-	-	-	-
Commercial and Residential Real Estate	40%	540	70%	1080	100%
Goods given in Real Estate Leasing	35%	540	70%	1080	100%
Goods given in leasing other than real estate	45%	360	80%	720	100%
Other collaterals	50%	360	80%	720	100%

Collection Rights	45%	360	80%	720	100%
with no guarantee	55%	210	80%	420	100%

#### Consumption Portfolio

Type of Guarantee	P.D.I.	Days alter default	New PDI	Days alter Default	Nuevo PDI
Non-admissible guarantee	60%	210	70%	420	100%
Admissible financial collateral	0 – 12%	-	-	-	-
Commercial and residential real estate property	40%	360	70%	720	100%
Goods given in real estate property leasing	35%	360	70%	720	100%
Goods given in leasing different from real estate	45%	270	70%	540	100%
Other collaterals	50%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
with no guarantee	65%	180	85%	360	100%

#### Lining up Rules

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

- Following the constitution of provisions and qualification homologation, monthly and for each debtor, the Bank performs the internal lining up, and for such purpose it is carried to the higher risk category the credits of the same modality granted to debtor, safe for enough reasons for its qualification in any Category of less risk.
- As the Bank is under the obligation to consolidate financial statements, it assigns equal qualification to the credits of the same modality granted to a debtor, unless there are enough reasons to be qualified in a lower risk Category.

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

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

#### Bank Acceptances

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

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

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

#### Spot Operations

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

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

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

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

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

### **Derivative Financial Instruments**

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

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

Operations with derivative instruments and operations with derivatives are valued on a daily basis at fair exchange price, depends on one or more subjacent and their maturity of liquidation is subsequently made considering the following:

Exchange fair price of basic derivative financial instruments when there exists market price is that resulting from applying formulae of valuation set forth bay Colombia Finance Superintendence.

Methodology, parameters, and sources of information adopted to value basic derivative financial instruments are consistently used, at least during one (1) year, from the modification. The same methodology is used to value basic derivative financial instruments with similar characteristics, as long as they refer to the same subjacent.

Derivative financial instruments giving fair positive exchange price are recorded in the asset, separating the value of right from the obligation, excepting when the operations where accounting records is made in a single account. Those giving negative exchange fair price, i.e., unfavorable price to the controlled entity are recorded in the liabilities, by doing the same separation. When the fair price of exchange of financial derivative instrument is equal to zero (0), either in the initial date or in any other subsequent date, is accounting records is made in the asset.

Financial derivative products are negotiated in the different Treasury tables, i.e., in the specialized ones and in those of distribution where they cover the Exchange risks and cooperate with the entity to project cash flows so that the entity may become engaged in the main activity; to cover such risks the entity is currently based on Forwards, Futures (TRM Nacional Bunds) and Options

### **Forwards**

A 'forward' is a derivative formalized by an agreement between two parties, made to the measure of the needs, to purchase/sell any specific amount of a given subjacent at any future date, stating, in the date of execution, the basic conditions of derivative financial instrument, between the parties, mainly the price, the delivery date of sunderlying and the modality of delivery.

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### **Futures**

A Future is a standardized agreement about its compliance date, size or par value, characteristics of the respective underlying, price and delivery conditions (in kind or in cash). This future is negotiated in a Stock Exchange with counterparty Central Risk Chamber, by virtue of which two parties become obliged to purchase/sell an underlying in any future date (expiry date) at a price agreed on the date of execution of agreement. At present, the entity enters into Futures Derivatives agreements TRM and Future National Bond under the Counterpart Central Risk Chamber (CCRC)

### **Options**

The options are agreements whereby a right, not just an obligation is established to purchase or sell the underlying, whether it is a call option or a put option, respectively, at a given price, named price of exercise, at any previously established future date, corresponding to the expiry date.

Above definitions are based on the provisions in Chapter XVIII "Derivatives and Futures Financial Instruments" of the CBCF."

### **(i) Current asset, Received in Payment and Delivered back asset**

Records the asset received by the Bank in payment of outstanding balances derived from credits. Asset received in payment represented in immovable property are received based on a commercial appraisal technically determined and the movable property, stocks, and participations, based on market price.

To account for such asset, the following conditions shall be taken into account:

- Initial record is made with the value determined in the judicial award or otherwise, the value agreed upon with the debtors.
- When asset received in payment is not in conditions to be sold, its cost is increased with the expenses necessary for the asset to be marketable.
- If between the value the asset is received and the amount of credit to be paid results a credit balance in favor of debtor, such difference is accounted for as an account payable, if the value of asset is short to cover the whole obligation, a provision equal to the shortage is made.
- Movable goods received in payment corresponding to investment papers, they are valued applying criteria indicated in Note 2(d) for investments.

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

#### **a. Immovable Property**

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

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

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

#### **b. Movable Property**

For movable property, a provision equivalent to thirty five percent (35%) of the acquisition cost of the property

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received is made within the following year the property is received, and increased in the second year by thirty five percent (35%) until reaching seventy percent (70%) of the value booked before provisions. Upon the completion of the legal terms to sell the asset, the provisions will be one hundred percent (100%) of the value of property before provision, unless an extension is obtained, and in such event the additional thirty percent (30) may be made during the extension.

When the commercial value of property is less that the booked value of the goods received in payment, a provisions shall be accounted for equivalent to the difference.

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

If goods received in payment are placed in portfolio or in financial leasing operations, the profit derived as a result of the transfer of good to the accounts of the group, shall be deferred in the term where operation was agreed on.

#### **(k) Property and Equipment**

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

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

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

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

As from 1997 the Bank adopted the method of balance reduction in depreciation of buildings, for tax purposes. The system of balance reduction consists of depreciating a fixed rate on an annual basis, the not depreciated balance of the precedent years; the rate is equal to the *n*th square root of balance over the cost.

For the calculation a residual value was established making part of total amount in the last useful-life of the asset for it to be totally depreciated.

#### **(l) Asset given in Operative Leasing**

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

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

#### **(m) Branch Offices and Agencies**

Accounts for the transactions of the operations made between Top Management and the Offices.

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

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

#### **(n) Prepaid Expenses and Deferred Charges**

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

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

Amortization is made as indicated below:

##### **Prepaid Expenses**

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

##### **Deferred Charges**

- Organization and preoperational expenses during a period no longer than two (2) years.
- Restructuring during a time period no longer than two (2) years.
- Studies and project, a time period no longer than two (2) years.
- Computing software during a time period no longer than two (2) years
- Improvements to property leased during the shorter period between the term of the respective lease agreement, overlooking the extensions, and the probable useful-life of the property.
- Stationery according to actual consumption.
- Commissions placed in long-term securities of bond redemption.
- Deferred income tax "debit" for temporary differences at the time the legal and regulatory requirements are complied as provided in the tax regulations.
- Patrimony tax during a 4-year time period
- Real Estate Tax during 1-year time period
- Contributions and affiliations during the prepaid time period.
- Deferred charges during a time period no longer than three (3) years.

#### **(o) Goods to be placed in Leasing Agreements**

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

#### **(p) Intangible Goods**

Under Resolution 0828, of May 19/2006, Colombia Finance Superintendence authorized the take-over of Banco Unión Colombiano S.A. The mercantile credit resulting from the difference between the value paid and net

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patrimony as of the date of the take-over, of Banco Union Colombiano, is redeemed by exponential system in 237 month, the difference between 20-year term and the time already redeemed according to provisions in the External Circular Letter N° 034/2006 of Colombia Finance Superintendence . In any case, the Bank may voluntarily elect a shorter period.

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

#### **(q) Valuations**

##### **Asset subject to valuation**

- Investments available to sale in certificates of participation (low or minimum marketability or with no market quotation).
- Property and Equipment, specifically immovable property and vehicles.
- Art and Culture goods.

##### **Booking**

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

Valuations of real estate property are determined by comparing the net cost to the value of commercial appraisals made recognized and independent persons or firms.

If any devaluation will occur, considering the Standard of reasonable prudence,, for each real estate property, a provision is made.

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

Valuations over goods received in dation of payments and delivered back are not recorded.

#### **(r) Prepaid Income**

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

#### **(s) Estimate Liabilities and Provisions**

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

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

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

#### **(t) Retirement Pensions**

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

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Retirement pension payments are charged against the provision made

**(u) Legal Reserve**

According to legal provisions, any bank institution must make a legal reserve no less than 50% of the subscribed capital, made up by the liquidated profit from every operational period.

The reduction of reserve under the minimum limit will be reasonable when such reduction is aimed at wiping off loss in excess of undistributed profit. The reserve can be used neither to pay dividends nor to cover expenses or loss during the time when the entity has undistributed profit.

**(v) Recognition of Income by Financial Returns and Financial Leasing**

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

- Commercial credits overdue more than 3 months
- Consumption credits overdue more than 2 months.

Therefore, the statement of results will not be affected until they are actually collected. While collection is actually made, the corresponding record is made in the memorandum accounts.

In those events that, as a result of restructuring agreements or any other modality of agreement, interest capitalization recorded in memorandum accounts of written-off portfolio is suggested, including capital, interest, and other concepts, they will be booked as deferred credit in the code 272035 and its amortization to the statement of results will be made commensurately to the values actually received.

**(w) Related-Parties**

Related-parties are considered:

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

**(x) Conversion of Transactions in Foreign Currency**

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

Operations in foreign currency other than dollar, are converted into American Dollars, and then re-converted to Colombian Pesos, using the market representative exchange rate (MRR) calculated on a daily basis and certified by Colombia Finance Superintendence. At the closing of the respective operational period on June 20, 2011 and December 31, 2011, the exchange rates were \$1,772.32 (in pesos) and \$1,913.98 (in pesos), respectively

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

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

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Leverage gross position is defined as the summation of i) the rights and obligations in fixed term and future contracts in foreign currency; ii) spot operations in foreign currency with compliance between on banking day (t+1) and two bank days (t+2), and iii) the exchange exposure to debit contingencies and credit contingencies acquired in options and derivatives negotiations over the type of exchange.

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

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

Arithmetic average of three (3) business days of leverage gross position will not exceed five hundred percent (500%) of the amount of technical patrimony.

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

As of June 30, 2011 and December 31, 2010, the asset in foreign currency amounted to US\$ -458,702,648.87 (Dollars) and US \$769,027,719.46 (Dollars) and liabilities to US\$458,115,084.92 (Dollars) and US \$773,657,536.18 (Dollars), respectively

#### **(y) Contingent Accounts**

In these accounts the operations whereby the Bank acquires any right or assume an obligation are recorded, which effectiveness is conditioned to the occurrence or non occurrence of any Fact, depending on the future, eventual or remote factual conditions.

In the same way, monthly rent least are recorded from the time of causation in the lease accounts receivable.

Among those accounts lease agreements about to expire are primarily included, as current portion is recorded the rents and call options expiring during the next year, and as non-current, the portion of such agreement which will expire after the first year.

Among the debtor contingencies financial returns are recorded from the time the causation is suspended in the accounts of portfolio credits.

#### **(z) Memorandum Accounts**

In these accounts the operations made with third parties are recorded, that by its nature will not influence Bank's financial situation. In the same way, fiscal memorandum accounts are included, where the figures are recorded to draw up tax returns; in the same way, it includes those accounts of record used for tax purposes, of internal control or management information.

#### **(aa) Net profit per Stock**

As of June 30, 2011 and December 31, 2010 net profit per stock was computed according to the weighed average of outstanding stocks that was 149.840.314.

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

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

#### Property, Plant and Equipment

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

#### Premium of Stock Placement

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

#### (4) Available

Below the detailed available	Jun. 30-11	Dec. 31-10
<b>Legal Tender</b>		
Cash	\$ 219.598,8	272.432,6
Central Bank	1.263.580,8	514.215,7
Banks and other Financial Entities	4.604,8	47.271,8
Conversion	1.118,1	738,0
In Transit Remittances	242,4	483,3
	<b>\$ 1.489.144,9</b>	<b>835.141,4</b>
<b>Foreign Currency Conversion to Legal Tender</b>		
Cash	26.346,7	29.440,8
Central Bank	274,8	296,7
Banks and other Financial Entities	61.413,4	28.300,5
In Transit Remittances	\$ 997,8	1.359,3
	<b>89.032,7</b>	<b>59.397,3</b>
	<b>1.578.177,6</b>	<b>894.538,7</b>
<b>Provision for Available</b>		
Legal Tender	\$ (1,7)	0,0
	<b>\$ 1.578.175,9</b>	<b>894.538,7</b>

The balance in cash and deposits in the Central Bank in legal tender, as of June 30, 2011 and December 31, 2010, include value computed for bank reserve to be maintained over the deposits received from clients, according to legal provisions.

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

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

Below the detail of active positions in market transactions:

	Interest Rate	Jun. 30, 2011	Interest Rate	31 Dec. 31-10
<b>Ordinary Inter-bank funds sold:</b>				

Banks (Legal Tender)	4,10%	\$ 45.000,0	2,92%	190.000,0
Banks (Foreign Currency)	0,49%	154.214,1	0,13%	50.841,2
Ordinary Inter-bank Funds sold		199.214,1		240.841,2
Commitment of investment transfer in Simultaneous Transactions:				
Banks (Foreign Currency)			0,51%	5.315,1
Soc. Comisionista de Bolsa	4,75%	1.274,0	3,54%	34.280,7
		1.274,0		39.595,8
		<b>\$ 200.488,1</b>		<b>280.437,0</b>

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

Below mean returns are detailed:

Inter-Bank Funds Sold L/T				
	Average	Valuation	Rate	
Jul - 10	3.593,2	37,0	0,40%	USD
Jul - 10	44.366,5	8,9	0,21%	EUR
Aug - 10	167.524,9	0,6	0,01%	USD
Aug - 10	51.133,7	10,9	0,24%	EUR
Sep - 10	37.314,6	11,7	0,37%	USD
Sep - 10	41.729,5	8,5	0,24%	EUR
Oct - 10	26.033,0	8,2	0,36%	USD
Oct - 10	34.693,2	12,8	0,42%	EUR
Nov - 10	76.259,9	38,1	0,56%	USD
Nov - 10	34.430,0	12,0	0,37%	EUR
Dec - 10	70.241,6	28,4	0,46%	USD
Dec - 10	17.645,4	5,4	0,36%	EUR

Inter-Bank Funds Sold F/C				Foreign
	Average	Valuation	Rate	Currency
Jan-11	19.362,1	224,6	0,42%	USD
Jan-11	4.812,9	56,0	0,42%	EUR
feb-11	34.644,5	353,1	0,37%	USD
feb-11	5.372,8	69,5	0,47%	EUR
mar-11	35.787,5	438,1	0,44%	USD
mar-11	5.471,1	60,4	0,40%	EUR
Apr-11	25.814,4	321,1	0,45%	USD
Apr-11	2.998,4	58,5	0,70%	EUR
may-11	14.329,9	100,1	0,25%	USD
may-11	3.025,8	64,2	0,76%	EUR
jun-11	51.017,5	222,7	0,16%	USD
jun-11	37.842,4	847,8	0,81%	EUR

## (6) Investments

Detail of Investment below:

Marketable in Certificates of Indebtedness Certificates of Domestic Public Indebtedness Issued or backed up by the Nation:	Jun. 30-2011	Dec. 31- 10
Certificates of Treasury L/T	\$ 876.778,7	756.607,8

Peace Solidarity Bonds	-	41,0
Certificates of Treasury in UVRs	101.050,1	107.051,5
Certificates of Indebtedness Reduction	7.795,9	5.516,6
Agricultural Bonds	1.995,9	2.131,1
Pension Bonds	2.229,9	4.867,7
	<b>\$ 989.850,5</b>	<b>876.215,7</b>
<b>Certificates of Public Indebtedness Issued or backed up by the Nation:</b>		
EUR Bond Republic of Colombia	-	22.501,2
	-	<b>22.501,2</b>
<b>Certificates of Credit Contents Derived from Mortgage Portfolio Securitization</b>		
Negotiable Mortgage Papers	7.783,8	14.213,5
<b>Papers issued, endorsed, accepted or Backed up by entities controlled by Financial Superintendence</b>		
Time Deposit Certificates	1.064,9	7.084,2
<b>Papers issued by entities non-controlled by Financial Superintendence</b>		
Bonds USD EEBTA	15.217,2	16.801,5
Bonds U SD ISABR	-	-
Bonds Pacific Rubiales	2.023,0	6.540,7
Bonds TGICO	2.008,8	2.192,2
Promissory Note in dollar Cementos Argos	-	-
	<b>\$ 19.249,0</b>	<b>25.534,4</b>
<b>Papers issued by Overseas Banks</b>		
Bancolombia Panama Certificate of Deposit	<b>Jun. 30-11</b> -	<b>Dec. 31-10</b> 3.899,0
<b>Other Papers</b>		
Bonds Bancolombia	9.437,4	9.582,6
<b>Total Negotiable Certificates of Indebtedness</b>	<b>\$ 1.027.385,6</b>	<b>959.030,6</b>
<b>Negotiable in Certificates of Participation:</b>		
Participation in collective portfolios		
Fiduoccidente S.A.	\$ -	6,9
<b>To Maintain Until Maturity</b>		
<b>Papers of domestic public indebtedness issued and backed up by the Nation:</b>		
Certificates of Treasury L/T.	\$ 14.616,6	14.946,3
Peace Solidarity Bonds	1,3	1,2
Certificates of Indebtedness Reduction	175.564,7	183.706,6
Pension Bonds	125,7	2.932,5
	<b>\$ 190.308,3</b>	<b>201.586,6</b>

<b>Papers of External public indebtedness issued and backed up by the Nation</b>		
EURO Bonds Republic of Colombia	-	59.935,6
<b>Certificates issued, endorsed, accepted or backed up by entity controlled by Super.:</b>		
Certificates of Agribusiness Development:		
Class "A"	196.713,1	187.978,2
Class "B"	288.102,0	272.398,2
	<b>\$ 484.815,1</b>	<b>460.376,4</b>
<b>Papers issued by entities non-controlled by Financial Superintendence</b>		
EURO Bonds Republic of Colombia	-	229,5
<b>Total to Maintain Until Maturity</b>	<b>\$ 675.123,4</b>	<b>722.128,1</b>
<b>Available for Sale in Certificates of Indebtedness:</b>		
<b>Certificates of domestic public indebtedness issued or returns backed up by ns Nation</b>		
Certificates of Treasury	\$ 175.616,4	713.913,1
Certificates of Treasury in UVRs	63.139,8	107.694,7
Pension Bonds	85.469,2	65.871,9
Certificates of Indebtedness Reduction	26.119,2	46.337,5
Peace Solidarity Bonds	1.032,3	1.014,6
Agricultural Bonds	515,8	482,6
	<b>\$ 351.892,7</b>	<b>935.314,4</b>
<b>Certificates of credit contents derived from mortgage portfolio securitization</b>		
	<b>June 20-11</b>	<b>Dec 31 - 2010</b>
Tips Titularizadora Colombia	\$ 66.473,5	84.737,9
Davivienda Mortgage Bonds	417,2	739,1
	<b>\$ 66.890,7</b>	<b>85.477,0</b>
<b>Certificates of credit contents derived from underlying proceedings other than mortgage portfolio securitization</b>		
Ingenio Pichincha	1.445,9	1.475,4
UVR Bond Transmilenio - Pauttransm	16.620,0	17.018,4
	<b>\$ 18.065,9</b>	<b>18.493,8</b>
<b>Certificates issued by entities controlled by Financial Superintendence of Colombia</b>		
Bonds other establishments AA B/quilla	1.088,6	1.616,7
Time Deposit Certificate Findeter	26.847,7	26.487,8
	<b>\$ 27.936,3</b>	<b>28.104,5</b>
<b>Certificates issued, endorsed or accepted by Overseas Banks</b>		
Central American Bank for Economic Integration	6.929,4	6.846,9
<b>Total Available for Sale in Certificates of indebtedness</b>	<b>\$ 471.715,0</b>	<b>1.074.236,6</b>

Participation of compulsory and mandatory investment over total portfolio amount to 7% and 13% in TDA and 11% and 8% in TDB at the closing June 30, 2011 and December 31, 2010, respectively.

Report or Repo Transactions:	June 30, 2011	December 31, 2010
<b>Investment Transfer Rights</b>		
<b>Negotiable in Papers of Certificates of Indebtedness:</b>		
<b>Certificates of internal public indebtedness issued or endorsed by the Nation</b>	\$ 93.509,6	-
<b>Certificates of external public indebtedness issued or endorsed by the Nation</b>	19.855,6	-
	<b>113.365,2</b>	<b>-</b>
<b>Rights of investment transfers available for sale or indebtedness papers</b>		
<b>Certificates of internal public indebtedness issued or endorsed by the Nation</b>	416.550,6	-
	<b>\$ 416.550,6</b>	<b>-</b>
<b>Negotiable investments delivered as guarantee in operations with derived financial instruments, structured product and other, in paper of certificates of indebtedness:</b>		
<b>Certificates of internal public indebtedness issued or endorsed by the Nation</b>	-	5.759,2
	<b>\$ -</b>	<b>5.759,2</b>
<b>Investments available for sale delivered in guarantee of operations with derivative financial papers, structured products, and others, in certificates of indebtedness</b>		
<b>Certificates of internal public indebtedness issued or endorsed by the Nation</b>	12.487,6	-
	<b>\$ 12.487,6</b>	<b>-</b>

Consolidated value of investment portfolio in Cert. of Indebtedness per debt by issuer is as follows:

Issuer	Jun. 30-11		Dec. 31-10	
	Market Value	% Participation	Market Value	% Participation
Ministry of Treasury	\$ 2.058.341,1	75,77%	2.101.312,7	76,10%
Banco Sudameris	0,0	0,00%	3.334,8	0,12%
Central American Integration Bank	1.864,5	0,07%	6.846,9	0,25%
Finagro	481.073,1	17,71%	460.376,4	16,67%
Findeter	26.847,6	0,99%	26.487,7	0,96%
Titularizadora Colombiana	74.257,2	2,73%	98.951,5	3,58%
Rubiales Bonds in USD	2.023,0	0,07%	6.540,7	0,24%
Empresa Energía Bogotá	15.217,1	0,56%	16.801,6	0,61%
Bancolombia	9.437,4	0,35%	9.582,6	0,35%
Transmilenio UVR Bonds	16.620,0	0,61%	17.018,4	0,62%
Other	30.946,4	1,14%	13.901,2	0,50%
<b>Total Investment Portfolio</b>	<b>\$ 2.716.627,4</b>	<b>100,00%</b>	<b>2.761.154,5</b>	<b>100,00%</b>

**Income (Expense) of Investment Portfolio, first Half-Year Jun. 30-2011:**

	Inv-Neg L/T	Inv-Neg F/C	Inv. HV & D.V.	Inv. at Sight	Total
January	\$ 3.275,3)	(352,3)	7.918,4	188,9	11.030,3
February	(2.413,2)	1.964,7	10.856,0	285,4	10.692,9
March	7.018,9	(477,8)	11.273,4	70,7	17.885,2
April	6.190,9	(3.246,0)	5.984,0	202,1	9.131,0

May		6.139,7	619,7	4.878,6	31,2	11.669,2
June		11.684,7	(420,2)	5.287,6	277,9	16.830,0
<b>Total</b>	<b>\$</b>	<b>31.896,3</b>	<b>(1.911,9)</b>	<b>46.198,0</b>	<b>1.056,2</b>	<b>77.238,6</b>

### Income (Expense) of Investment Portfolio, Second half-Year Dec. 31-2010

		Inv-Neg L/T	Inv-Neg F/C	Inv. HV & D.V.	Inv. at Sight	Total
July	\$	12.018,2	(1.877,9)	6.367,1	302,2	16.809,6
August		11.901,3	(1.151,7)	3.022,0	81,6	13.853,2
September		5.511,8	941,3	8.530,6	150,8	15.134,5
October		7.090,4	1.533,9	7.363,4	117,4	16.105,1
November		2.128,6	1.921,3	5.716,6	97,0	9.863,5
December		(2.718,1)	498,4	6.446,8	174,5	4.401,6
<b>Total</b>	<b>\$</b>	<b>35.932,2</b>	<b>1.865,3</b>	<b>37.446,5</b>	<b>923,5</b>	<b>76.167,5</b>

Treasury Operations participated with 5.32% and 5.00% of total Bank's operational income as of June 30, 2011 and, December 31, 2010, respectively.

Investments average was \$2,817,361.7, for the half-year period ended on June 30, 2011 reaching its maximum on April for \$2,905,225.3 and its minimum on May with \$2,734,397.2. The average of investments of second half-year 2010 was \$2,950,532.2, reaching its maximum on July for \$3,208,933.6 and its minimum on December with \$2,790,180.7.

The following itemizes Certificates of Participation Available for Sale:

Business Name	June 30, 2011							
	% de Participation	Stock Capital	# Shares Owned	Cost (1) Adjusted	Patrimonial Value	Unrealized Accrued Profit/Loss	Valuation (Devaluation)	Rating
<b>Investment in Colombia</b>								
Fiduciaria de Occidente S.A.	94,98%	13.671,1	12.984.341	39.960,0	75.618,9	-	35.658,9	A
Sociedad Administradora de fondos de Pensiones y Cesantías Porvenir S.A.	23,10%	71.454,6	16.506.743	111.629,9	136.250,2	-	24.620,3	A
Casa de Bolsa S.A.	7,95%	15.223,0	1.210.187	2.583,8	2.418,4	-	(165,4)	A
Corporación Financiera Colombiana S.A.	13,39%	1.863,1	24.944.381	848.108,9	848.108,9	606.467,0	-	A
A Toda Hora S.A.	20,00%	333,3	66.666	263,5	1.259,7	-	996,2	A
Depósito Central de Valores Deceval S.A.	1,26%	12.050,9	6.093	457,0	687,0	-	230,0	A
Ventas y Servicios S.A.	45,00%	577,0	259.657	1.231,5	1.814,4	-	582,9	A
Redeban Multicolor S.A.	7,24%	10.119,5	723.317	1.563,5	4.513,3	-	2.949,8	A
A.C.H. Colombia S.A.	4,79%	6.594,8	315.668	271,9	884,3	-	612,4	A
Cámara de Compensación Divisas de Colombia S.A.	3,19%	2.500,0	79.687.500	79,7	83,2	-	3,5	A
Master Card Int.	0,0010%	-	1.244	67,7	67,7	-	-	A
Gestión y Contacto	1,02%	867,6	884	38,2	55,1	-	16,9	A
Cámara de Riesgo Central de Contraparte de Colombia Pizano S.A.	1,17%	40.000,0	466.763.467	471,9	620,0	-	148,1	A
	0,92%	64.803,1	597.746	1.797,4	1.989,8	-	192,4	A
<b>Overseas Investments:</b>								
Banco de Occidente(Panamá) S.A.	95,00%	US\$10.8	1.099.059	36.650,6	52.333,0-	-	15.682,4	A
Occidental Bank Barbados Ltd.	100,00%	US\$8.1	1.621	23.985,3	37.619,4	-	13.634,1	A



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

About investments there exist no restrictions or pledging.

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

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

On June 30, 2011 and December 31, 2010 and under solvency risk, the Bank was rated "A" in investments available for sale in certificates of participation.

In connection with rating of certificates of indebtedness, and according to the provisions in External Circular Setter 100 by Colombia Finance Superintendence, the certificates of indebtedness were evaluated and rated under credit risk.. From the total certificates of indebtedness belonging to Banco de Occidente, portfolio excluding mandatory investments, 94% of such certificates are invested in Certificates of the Issuer Nation.. The remaining 6% is invested in Certificates with rating AAA, such as mortgage bonds, TD and bond of private indebtedness, inter alia.

In the valuation of legal and credit risk as of June 30, 2011 and December 31, 2010 and, it is determined that the Bank did not require provisions.

#### **(8) Credit Portfolio and Capital Lease Operations**

Below portfolio and Capital Lease operations itemized by credit modality:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Ordinary Loans	\$	9.224.405,8	8.157.384,8
Chattels given in leasing		978.701,4	831.573,3
Machinery & equipment given in leasing		771.636,2	729.952,4
Vehicles given in leasing		630.138,7	530.135,7
Credit Card		489.811,7	459.889,3
Loans with resources from other entities		392.131,3	427.559,2
Immovable property in housing leasing		308.225,5	268.665,7
Overdrafts in Bank current account		72.892,1	38.306,2
Computing equipment given in leasing		62.185,8	66.195,1
Furniture and fixture given in leasing		52.463,6	59.376,0
Letter of Credit Covered		73.554,3	44.556,3
Reimbursement of advance payments		61.219,0	71.020,0
Other goofs given in leasing		41.141,8	41.974,4
Ships, trains, aircraft and the like given in leasing		34.793,3	22.042,5
Discounts operations and factoring		756,7	980,6
Livestock given in leasing		-	91,2
Factoring without resource		277,1	-
	<b>\$</b>	<b>13.194.334,3</b>	<b>11.749.702,7</b>

Below portfolio and Capital Lease operations itemized per economic destination

Wholesale trade and auto motor vehicles	\$	1.714.104,0	1.506.378,5
Salaried		1.990.931,5	1.817.425,2
Transport-related activities (Cargo, passenger, other)		973.232,6	848.441,6
Detail commerce		487.972,7	457.089,5
Manufacturing of food and drinking products		436.724,8	448.659,6
Other business activities		802.146,4	678.345,8
Construction		734.882,2	551.807,4
Manufacture of chemical, rubber and plastic substance / products		398.073,5	363.301,2
Public and defense, social security administration		541.822,0	556.403,8
Activities related to financial sector		504.310,0	302.809,3
Manufacturing of basic metallurgic, non-metal products and others		365.479,4	349.348,9
Manufacture of gear and fur garment – textile sector		343.744,4	320.587,2
Farming, hunting and related-activities		376.188,2	314.059,2
Social health and educational services		462.492,8	430.079,6
Entertainment activities and other cultural activities		199.571,7	263.978,2
Extraction of crude petroleum and natural gas		366.331,3	445.888,0
Activities of service, real estate, entrepreneurial and rent		334.000,9	371.643,8
Generation, capture and distribution of electric, gas energy		277.258,1	226.865,9
Forestry, logging and related service activities		5.509,2	5.610,2
Hotels, restaurants, bars and the like		3.793,4	4.524,1
Capital Annuitant		738.259,3	0,0
Other activities and consumption credit - Other		1.137.505,9	1.486.455,7
	\$	<b>13.194.334,3</b>	<b>11.749.702,7</b>

#### Portfolio and Capital Lease Operations per Modality and Qualification

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

June 30, de 2011						
Risk Category	Capital	Interest	Provision Capital	Provision Interest	Security	
<b>Commercial</b>	\$	10.649.510,5	74.024,4	402.851,3	9.715,5	2.659.599,3
Category A Normal		9.539.296,6	56.934,4	151.584,9	924,3	2.320.416,8
Category B Acceptable		665.689,9	5.752,3	32.198,0	279,6	171.246,2
Category C Appreciable		167.059,9	3.166,1	33.616,5	1.004,1	80.111,3
Category D Significant		176.350,5	5.171,5	94.360,4	4.530,3	62.197,5
Category E Unrecoverable		101.113,6	3.000,1	91.091,5	2.977,2	25.627,5
<b>Consumption</b>		<b>2.544.823,8</b>	<b>31.935,2</b>	<b>150.538,8</b>	<b>5.114,6</b>	<b>932.224,4</b>
Category A Normal		2.332.598,6	25.738,8	51.015,6	701,1	854.811,8
Category B Acceptable		71.723,9	1.711,8	6.704,3	283,5	23.752,2
Category C Appreciable		33.206,8	1.026,3	5.170,6	766,4	12.705,1
Category D Significant		52.007,2	1.763,1	34.946,0	1.685,4	27.822,9
Category E Unrecoverable		55.287,3	1.695,2	52.702,3	1.678,2	13.132,4
<b>Total per Modality</b>	\$	<b>13.194.334,3</b>	<b>105.959,6</b>	<b>553.390,1</b>	<b>14.830,1</b>	<b>3.591.823,7</b>

June 30, 2011						
Portfolio per Geographic Zone	Capital	Interest	Provision Capital	Provision Interest	Security	
<b>Commercial Region</b>	\$ 10.649.510,5	74.024,4	402.851,3	9.715,5	2	659.599,3
Southwest Region	1.897.814,4	13.570,3	93.534,8	2.237,9		549.168,6
Bogotá Region	5.282.086,5	35.139,6	157.811,2	3.755,6	1	130.988,5
Northwest Region	1.673.819,5	10.839,4	67.942,8	1.634,1		413.356,8
North Region	1.754.260,9	13.528,2	78.885,5	1.884,1		566.085,4
Credencial	41.529,2	946,9	4.677,0	203,8		-
<b>Consumption</b>	<b>2.544.823,8</b>	<b>31.935,2</b>	<b>150.538,8</b>	<b>5.114,6</b>		<b>932.224,4</b>
Southwest Region	460.366,8	5.198,5	31.034,9	1.021,4		138.282,7
Bogotá Region	809.417,7	8.885,1	43.472,8	1.534,5		399.281,8
Northwest Region	382.157,2	4.073,4	21.102,3	635,0		202.178,0
North Region	444.599,5	5.448,4	30.911,9	1.115,2		192.481,9
Credencial	448.282,6	8.329,8	24.016,9	808,5		-
<b>Total per Geographic Zone</b>	<b>\$ 13.194.334,3</b>	<b>105.959,6</b>	<b>553.390,1</b>	<b>14.830,1</b>		<b>3.591.823,7</b>
Per Currency	Capital	Interest	Provision Capital	Provision Interest	Security	
<b>Commercial</b>	<b>\$ 10.649.510,5</b>	<b>74.024,4</b>	<b>402.851,3</b>	<b>9.715,5</b>	<b>2.659.599,3</b>	
Legal Tender	10.011.708,6	72.077,9	392.509,0	9.657,1	2.625.618,1	
Foreign Currency	637.801,9	1.946,5	10.342,3	58,4	33.981,2	
<b>Consumption</b>	<b>2.544.823,8</b>	<b>31.935,2</b>	<b>150.538,8</b>	<b>5.114,6</b>	<b>932.224,4</b>	
Legal Tender	2.528.603,7	31.611,8	149.852,8	5.093,4	932.224,4	
Foreign Currency	16.220,1	323,4	686,0	21,2	-	
<b>Total per Currencies</b>	<b>\$ 13.194.334,3</b>	<b>105.959,6</b>	<b>553.390,1</b>	<b>14.830,1</b>	<b>3.591.823,7</b>	

Portfolio per Modality and its qualification

December 31, 2010						
Category of Risk	Capital	Interest	Provision Capital	Provision Interest	Security	
<b>Commercial</b>	<b>\$ 9.452.723,5</b>	<b>65.283,6</b>	<b>389.552,1</b>	<b>10.607,9</b>	<b>2.363.687,3</b>	
Category A Normal	8.405.934,1	49.976,7	137.633,8	849,5	2.020.088,2	
Category B Acceptable	626.739,1	4.379,2	31.247,5	218,2	189.097,4	
Category C Appreciable	111.724,1	948,3	22.044,7	196,8	58.888,2	
Category D Significant	218.648,1	6.416,9	120.520,1	5.845,8	73.237,5	
Category E Unrecoverable	89.678,1	3	562,5	78.106,0	3.497,6	22.376,0
<b>Consumption</b>	<b>2.296.979,2</b>	<b>26.981,1</b>	<b>145.702,2</b>	<b>4.669,0</b>	<b>861.651,9</b>	
Category A Normal	2.108.411,4	21.598,9	46.214,3	562,8	795.028,7	
Category B Acceptable	48.736,2	1.122,0	4.490,3	170,4	16.105,1	
Category C Appreciable	30.119,0	849,7	4.907,1	610,4	11.528,5	
Category D Significant	49.838,4	1.665,0	33.397,2	1.596,1	26.281,5	
Category E Unrecoverable	59.874,2	1.745,5	56.693,3	1.729,3	12.708,1	
<b>Total per Modality</b>	<b>\$ 11.749.702,7</b>	<b>92.264,7</b>	<b>535.254,3</b>	<b>15.276,9</b>	<b>3.225.339,2</b>	

Portfolio per Geographic Zone

June 30, 2010						
	Capital	Interest	Provision Capital	Provision Interest	Security	

<b>Commercial</b>	<b>\$</b>	<b>9.452.723,5</b>	<b>65.283,6</b>	<b>389.552,1</b>	<b>10.607,9</b>	<b>2.363.687,3</b>
Southwest Region		1.800.087,9	12.893,6	87.914,2	3.201,3	543.782,6
Bogotá Region		4.583.459,7	29.911,1	159.030,9	3.460,6	895.337,3
Northwest Region		1.523.652,5	10.545,3	68.804,7	1.966,1	407.999,7
North Region		1.506.060,7	11.078,0	68.737,1	1.754,0	516.567,7
Credencial		39.462,7	855,6	5.065,2	225,9	-
<b>Consumption</b>		<b>2.296.979,2</b>	<b>26.981,1</b>	<b>145.702,2</b>	<b>4.669,0</b>	<b>861.651,9</b>
Southwest Region		400.343,3	4.470,2	30.717,7	946,6	121.119,3
Bogotá Region		723.363,4	7.502,6	41.821,2	1.390,5	360.128,8
Northwest Region		352.067,6	3.559,6	20.392,0	603,7	203.227,9
North Region		400.778,3	4.740,8	29.855,6	1.077,0	177.175,9
Credencial		420.426,6	6.707,9	22.915,7	651,2	-
<b>Total per Geographic Zone</b>	<b>\$</b>	<b>11.749.702,7</b>	<b>92.264,7</b>	<b>535.254,3</b>	<b>15.276,9</b>	<b>3.225.339,2</b>

Per Currency		Capital	Interest	Provision Capital	Provision Interest	Security
<b>Commercial</b>	<b>\$</b>	<b>9.452.723,5</b>	<b>65.283,6</b>	<b>389.552,1</b>	<b>10.607,9</b>	<b>2.363.687,3</b>
Legal Tender		8.896.597,8	63.347,0	379.991,6	10.544,2	2.321.481,5
Foreign Currency		556.125,7	1.936,6	9.560,5	63,7	42.205,8
<b>Consumption</b>		<b>2.296.979,2</b>	<b>26.981,1</b>	<b>145.702,2</b>	<b>4.669,0</b>	<b>861.651,9</b>
Legal Tender		2.278.909,3	26.631,4	144.965,5	4.647,6	861.651,9
Foreign Currency		18.069,9	349,7	736,7	21,4	-
<b>Total per Currencies</b>	<b>\$</b>	<b>11.749.702,7</b>	<b>92.264,7</b>	<b>535.254,3</b>	<b>15.276,9</b>	<b>3.225.339,2</b>

As of June 30, 2011 and December 31, 2010, the Bank made purchases and sales of spot portfolio, firm and at market rates, out of which 95% of sales and purchases are made with Fanalca S.A.

	Jun. 30-11	Dec. 31-10
Purchase	2.753,2	6.686,8
Sales	93.687,7	33.340,9

#### Restructuring, Covenants and Agreement with Creditors

	June 30, 2011				
	Number	Capital	Interest	Provision	Security
<b>Commercial</b>	697	\$ 274.987,0	2.367,8	90.664,1	182.401,9
Act 116	13	11.522,7	159,4	10.940,1	3.103,3
Act 550	32	10.898,0	36,8	9.019,8	3.863,6
Act 617	7	89.972,9	797,7	19.327,2	77.900,9
Ordinary	643	161.471,6	1.374,0	50.361,1	96.719,3
Arrangement with Creditors,	2	1.121,8	0,0	1.015,8	814,7
<b>Consumption</b>	6.179	42.097,2	1.072,3	35.632,9	11.206,4
Ordinary	6.177	42.089,7	1.072,3	35.632,9	11.206,4
Arrangement with Creditors,					
Homologation	2	7,5	0,1	0,2	0,0
Total Modality & Concept	6.876	\$ 317.084,2	3.440,2	126.297,0	193.608,3

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

	June 30, 2011				
Category of Risk	Number	Capital	Interest	Provision	Security
<b>Commercial</b>	697	\$ 274.987,0	2.367,8	90.664,1	182.401,9

Category A Normal	77	66.328,4	295,2	1.128,8	38.310,8
Category B Acceptable	72	32.120,3	238,1	6.296,3	20.900,3
Category C Appreciable	38	72.487,2	842,1	5.002,9	61.987,6
Category D Significant	259	45.974,0	396,2	27.429,6	34.139,0
Category E Unrecoverable	251	58.077,0	596,3	50.806,4	27.064,2
<b>Consumption</b>	<b>6.179</b>	<b>42.097,2</b>	<b>1.072,5</b>	<b>35.633,1</b>	<b>11.206,4</b>
Category A Normal	1350	2.335,6	38,6	100,7	0,0
Category B Acceptable	665	1.146,0	16,5	140,7	0,0
Category C Appreciable	422	730,4	8,9	127,9	0,0
Category D Significant	817	9.063,1	209,2	6.271,5	5.326,1
Category E Unrecoverable	2925	28.822,2	799,3	28.992,3	5.880,4
<b>Total Restructuring, Covenants &amp; Agreement with Creditors</b>	<b>6.876</b>	<b>\$ 317.084,2</b>	<b>3.440,2</b>	<b>126.297,0</b>	<b>193.608,3</b>

#### Restructuring, Agreements and Arrangement with Creditors per Geographic Zone

	Number	Capital	Interest	Provision	Security
<b>Commercial</b>	697	\$274.987,0	2.367,8	90.664,1	182.401,9
Southwest Region	185	89.229,8	613,0	19.271,3	74.606,1
Bogotá Region	224	95.017,0	731,1	28.416,6	58.610,4
Northwest Region	163	34.487,4	308,6	17.531,3	12.148,1
North Region	122	56.248,4	715,0	25.444,4	37.037,3
Credencial	3	4,4	0,1	0,5	0,0
<b>Consumption</b>	<b>6.179</b>	<b>42.097,2</b>	<b>1.072,5</b>	<b>35.633,1</b>	<b>11.206,4</b>
Southwest Region	859	9.942,6	287,4	9.498,4	2.848,6
Bogotá Region	836	10.531,5	264,3	9.708,2	2.464,5
Northwest Region	856	6.302,1	176,7	6.008,0	1.319,9
North Region	794	10.404,8	273,1	9.355,9	4.573,4
Credencial	2834	4.916,3	70,9	1.062,5	0,0
<b>Total Restructured per Geographic Zone</b>	<b>6.876</b>	<b>\$317.084,2</b>	<b>3.440,2</b>	<b>126.297,0</b>	<b>193.608,3</b>

#### Restructuring, Agreement and Arrangement with Creditors per Currency

	Number	Capital	Interest	Provision	Security
<b>Commercial</b>	697	\$ 274.987,0	2.367,8	90.664,1	182.401,9
Legal Tender	697	274.987,0	2.367,8	90.664,1	182.401,9
<b>Consumption</b>	<b>6.179</b>	<b>42.097,2</b>	<b>1.072,5</b>	<b>35.633,1</b>	<b>11.206,4</b>
Legal Tender	6179	42.097,2	1.072,5	35.633,1	11.206,4
<b>Total</b>	<b>6.876</b>	<b>\$ 317.084,2</b>	<b>3.440,2</b>	<b>126.297,0</b>	<b>193.608,3</b>

#### Restructuring, Covenants and Agreement with Creditors

	December 31-10				
	Number	Capital	Interest	Provision	Security
<b>Commercial</b>	<b>725</b>	<b>\$ 294.702,5</b>	<b>2.321,2</b>	<b>86.575,7</b>	<b>207.396,7</b>
Act 116	13	11.275,2	61,3	10.313,7	2.752,3
Act 550	39	14.659,3	287,9	12.899,4	4.454,0
Act 617	7	95.594,3	884,8	15.667,8	84.359,9
Ordinary	664	171.982,0	1.087,2	46.629,0	114.965,8
Arrangement with Creditors,	2	1.191,7	0,0	1.065,8	864,7
<b>Consumption</b>	<b>6.639</b>	<b>44.817,5</b>	<b>1.015,9</b>	<b>37.183,2</b>	<b>11.004,2</b>

Ordinary	6.636	44.809,7	1.015,9	37.183,2	11.004,2
Creditor agreement	3	7,8	-	-	-
Homologated Cred. agreement	7.364	\$ 339.520,0	3.337,1	123.758,9	218.400,9
<b>Total Modality &amp; Concept</b>	<b>725</b>	<b>\$ 294.702,5</b>	<b>2.321,2</b>	<b>86.575,7</b>	<b>207.396,7</b>

#### Structuring, Covenants, and Agreement with Creditors by its Risk Qualification

Category of Risk	Number	Capital	Interest	Provision	Security
<b>Commercial</b>	<b>725</b>	<b>\$ 294.702,5</b>	<b>2.321,2</b>	<b>86.575,7</b>	<b>207.396,7</b>
Category A Normal	42	93.231,9	527,2	996,5	71.365,9
Category B Acceptable	111	37.318,7	246,5	5.724,9	28.387,7
Category C Appreciable	34	49.685,8	519,5	4.073,1	44.410,5
Category D Significant	327	63.140,4	307,3	32.634,9	39.442,5
Category E Unrecoverable	211	51.325,7	720,7	43.146,3	23.790,1
<b>Consumption</b>	<b>6.639</b>	<b>44.817,5</b>	<b>1.015,9</b>	<b>37.183,2</b>	<b>11.004,2</b>
Category A Normal	1785	3.004,8	43,6	69,1	0,0
Category B Acceptable	602	984,6	13,3	59,0	0,0
Category C Appreciable	381	714,0	8,0	75,5	0,0
Category D Significant	803	9.139,6	192,1	6.160,9	6.096,5
Category E Unrecoverable	3068	30.974,5	758,9	30.818,7	4.907,7
<b>Total Restructuring, Covenants &amp; Agreement with Creditors</b>	<b>7.364</b>	<b>\$ 339.520,0</b>	<b>3.337,1</b>	<b>123.758,9</b>	<b>218.400,9</b>

#### Restructuring, Agreements and Arrangement with Creditors per Geographic Zone

	Number	Capital	Interest	Provision	Security
<b>Commercial</b>	<b>725</b>	<b>\$ 294.702,5</b>	<b>2.321,2</b>	<b>86.575,7</b>	<b>207.396,7</b>
Southwest Region	193	101.007,5	627,8	19.577,4	84.625,6
Bogotá Region	240	100.305,2	702,2	30.820,9	64.542,6
Northwest Region	174	37.090,7	209,5	15.901,4	18.376,2
North Region	117	56.297,5	781,7	20.274,7	39.852,3
<b>Consumption</b>	<b>1</b>	<b>1,6</b>	<b>0,0</b>	<b>1,3</b>	<b>0,0</b>
Southwest Region	<b>6.639</b>	<b>44.817,5</b>	<b>1.015,9</b>	<b>37.183,2</b>	<b>11.004,2</b>
Bogotá Region	937	11.697,7	295,3	10.637,9	3.682,0
Northwest Region	809	10.199,8	221,4	9.743,7	1.584,9
North Region	860	6.753,0	154,9	6.315,2	1.263,2
Credencial	756	10.448,4	268,3	9.330,1	4.474,1
<b>Total Restructured per Geographic Zone</b>	<b>3277</b>	<b>5.718,6</b>	<b>76,0</b>	<b>1.156,3</b>	<b>0,0</b>

#### Restructuring, Agreement and Arrangement with Creditors per Currency

	Number	Capital	Interest	Provision	Security
<b>Commercial</b>	<b>725</b>	<b>\$ 294.702,5</b>	<b>2.321,2</b>	<b>86.575,7</b>	<b>207.396,7</b>
Legal Tender	725	294.702,5	2.321,2	86.575,7	207.396,7
<b>Consumption</b>	<b>6.639</b>	<b>44.817,5</b>	<b>1.015,9</b>	<b>37.183,2</b>	<b>11.004,2</b>
Legal Tender	6639	44.817,5	1.015,9	37.183,2	11.004,2
<b>Total</b>	<b>7.364</b>	<b>\$ 339.520,0</b>	<b>3.337,1</b>	<b>123.758,9</b>	<b>218.400,9</b>

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

	Jun. 30-11	Dec. 31-10
Legal Tender	8,83%	8,89%
Foreign Currency	2,55%	2,40%

On June 30/2011 and December 31/2010 the Bank had loans granted to stockholders and directors; such operations are made under general conditions prevailing in the market of similar operations, as follows:

<b>Admissible Security</b>		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Shareholders	\$	243.558,4	89.991,5
Directors		2.487,1	1.542,4
		<b>246.045,5</b>	<b>91.533,9</b>
<b>Other Securities</b>			
Shareholders		66.228,0	16.022,1
Directors		51.494,7	40.150,3
		117.722,7	56.172,4
	\$	<b>363.768,2</b>	<b>147.706,3</b>

As of June 30, 2011 and December 31, 2010 the Bank had made active credit operations exceeding 10% of technical equity.

<b>Client</b>	<b>Capital</b>	<b>Interest</b>	<b>Other</b>	<b>Total</b>
Bienes y Comercio S.A	182.171,50	1.050,50	27,00	183.249,00

#### **Provision for Credit Portfolio and Capital Lease Operations**

Portfolio and Capital Lease Operations provision movement per modality is as follows:

		<b>Commercial</b>	<b>Consumption</b>	<b>Total Provision</b>
<b>Balance portfolio provision</b>				
<b>June 30, 2010</b>	\$	<b>442.481,4</b>	<b>154.852,3</b>	<b>597.333,7</b>
Plus:				
Provision charged to expense		187.766,9	88.630,6	276.397,5
Less:				
Written-off Loans		(74.624,5)	(50.664,3)	(125.288,8)
Reimbursement of provisions		(166.025,6)	(47.162,5)	(213.188,1)
<b>Balance Portfolio Provision December 31, 2010</b>		<b>389.598,2</b>	<b>145.656,1</b>	<b>535.254,37</b>
Plus:				
Provision charged to expense		161.865,0	89.463,7	251.328,7
Less:				
Written-off Loans		(44.391,9)	(41.597,9)	(85.989,8)
Reimbursement of provisions		(104.220,0)	(42.983,1)	(147.203,1)
<b>Balance Portfolio Provision June 30, 2011</b>	\$	<b>402.851,3</b>	<b>150.538,8</b>	<b>553.390,1</b>

		<b>June 30, 2011</b>		
		<b>Commercial</b>	<b>Consumption</b>	<b>Total</b>
<b>Contra-Cyclic Individual Provision</b>				
Individual Provision	\$	402.851,3	150.538,8	553.390,1
Procyclic Individual Provision n		329.917,2	117.240,6	447.157,8
<b>Contra-Cyclic individual Provision</b>	\$	<b>72.934,1</b>	<b>33.298,2</b>	<b>106.232,3</b>

		<b>December 31, 2010</b>		
		<b>Commercial</b>	<b>Consumption</b>	<b>Total</b>
<b>Contra-Cyclic Individual Provision</b>				
Individual total provision	\$	389.598,2	145.656,1	535.254,3
Individual Provision		326.425,4	116.402,6	442.828,0

<b>Contra-Cyclic individual Provision</b>	<b>\$</b>	<b>63.172,8</b>	<b>29.253,5</b>	<b>92.426,3</b>
<b>(9) Bank Acceptances and Derivatives</b>				
Bellow acceptances and derivatives itemized:				
<b>Bank Acceptances</b>				
		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>	
Under term	\$	19.946,4	18.479,1	
After term		-	485,0	
	<b>\$</b>	<b>19.946,4</b>	<b>18.964,1</b>	
<b>Spot Operations</b>				
Rights of purchase on foreign currency	\$	587,2	861,3	
Rights of sale on foreign currency		878,7	-	
Purchase obligations of foreign currency		(587,8)	(858,3)	
Sale obligations on foreign currency		(878,1)	-	
	<b>\$</b>	<b>0,0</b>	<b>3,0</b>	
<b>Derivatives</b>				
<b>Forward Contracts</b>				
Rights of foreign currency purchase	\$	215.110,5	1.224.933,6	
Rights of sale on foreign currency		2.104.927,0	683.771,7	
Rights of legal tender purchase		61.158,1	35.286,6	
Rights of sale on legal tender		76,2	10.282,1	
Purchase obligations of foreign currency		(214.683,9)	(1.200.409,0)	
Sale obligations on foreign currency		(2.058.484,8)	(671.165,5)	
Purchase obligations of legal tender		(59.939,3)	(34.983,7)	
Sale obligations on legal tender		(74,7)	(10.037,2)	
	<b>\$</b>	<b>48.089,1</b>	<b>37.678,6</b>	
<b>Future Contracts</b>				
Rights of sale on foreign currency		-	3.932,6	
Rights of purchase over securities		2.037,6	6.672,6	
Rights of sale over securities		2.629,2	987,6	
Sale obligations on foreign currency		-	(3.803,8)	
Purchase obligations on securities		(2.037,6)	(6.669,9)	
Sale obligations on securities		(2.629,2)	(986,6)	
		-	<b>132,5</b>	
<b>Profit for valuation of Options</b>				
Calls on foreign currency	\$	-	31,7	
Puts on foreign currency		28,7	73,6	
	<b>\$</b>	<b>28,7</b>	<b>105,3</b>	
	<b>\$</b>	<b>48.117,8</b>	<b>37.916,4</b>	

On June 30/2011 and December 31/2010 the Bank had recorded forward in Legal Tender and foreign currency with terms agreed upon laws than one year.

For derivative operations specific indebtedness levels are established by each counterparty, which are defined based on financial analysis and rating qualification assigned by the model.. Such levels are prevailing for no more than one year and allow for limiting the operations with counterparties according to the specific risk.

The following is the itemization of profit or loss in the valuation of spot operations and derivatives for the semi-annual operational periods ended on June 30, 2011 and December 31, 2010:

<b>Derivatives</b>		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Foreign currency purchase contract	\$	-	5,5
Foreign currency sale contract		0,5	55,4
<b>Profit for valuation of Spot Operations</b>	<b>\$</b>	<b>0,5</b>	<b>60,9</b>
Forwards contract of foreign currency purchase (COP/USD)	\$	37.007,0	106.973,5
Forwards contract of foreign currency sale (COP/USD)		167.289,3	70.157,3
Forwards contract of foreign currency purchase (different COP/USD)		1.143,0	326,4
Forwards contract of foreign currency sale (different COP/USD)		-	260,8
Forwards contract of foreign currency purchase		-	1.738,6
Forwards contract of foreign currency sale		96,2	-
Forward contract of securities purchase		140,7	73,9
Forwards contract of securities sale		-	39,3
Purchase of Call Options on currency		18,3	-
Emissions or sale call options over foreign currency		169,7	-
Emissions or sale put options over foreign currency		-	344,6
<b>Profit for valuation of derivatives</b>	<b>\$</b>	<b>205.864,2</b>	<b>179.914,4</b>
<b>Derivatives</b>		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Foreign currency purchase contract	\$	3,6	56,7
Foreign currency sale contract		-	-
<b>Loss for valuation of Spot Operations</b>	<b>\$</b>	<b>3,6</b>	<b>56,7</b>
Forwards contract of foreign currency purchase (COP/USD)	\$	161.100,7	78.063,3
Forwards contract of foreign currency sale (COP/USD)		24.390,6	98.461,8
Forwards contract of foreign currency purchase (different COP/USD)		-	200,9
Forwards contract of foreign currency sale (different COP/USD)		953,0	442,0
Forwards contract of foreign currency purchase		4.221,7	1.516,6
Forwards contract of foreign currency sale		-	127,8
Forwards contract of security purchase		-	-
Forwards contract of security sale		411,9	76,9
Purchase of call operations		-	136,1
Purchase of put operations over foreign currency		39,9	147,6
Emissions or sale call options		-	264,2
Emissions or sale put options over foreign currency		135,4	30,4
<b>Loss for valuation of derivatives</b>	<b>\$</b>	<b>191.253,2</b>	<b>179.467,6</b>

On June 30/2011 and December 31/2010 accrued net income was \$ 14,611.0 and \$446.8, respectively.

Such contracts are entered within the framework of policies established by the Board of Directors of the Banks, in line with External Circular Setter 004/2010 issued by Colombia Finance Superintendence .

In connection with bank acceptances and derivatives, there exists no any restriction.

**Below the passive acceptances and derivatives are itemized:**

<b>Bank Acceptances</b>	<b>30 June 11</b>	<b>31 Dec 10</b>
At maturity	\$ 20.478,1	18.519,4
After maturity	24,5	646,7
	<b>20.502,6</b>	<b>19.166,1</b>
<b>Derivatives:</b>	<b>30 June 11</b>	<b>31 Dec 10</b>
Right of Currency Purchase	\$ (1.787.816,2)	(627.671,0)

Right of Currency Purchase		(142.902,7)	(1.359.990,3)
Rights of Foreign Currency Purchase		-	(9.604,9)
Right of currency sale		(15.918,0)	(26.781,6)
Obligation of currency purchase		1.828.150,0	637.727,9
Obligations of currency sale		143.151,1	1.388.331,0
Obligations of foreign currency purchase		-	9.828,2
Obligations of foreign currency sale		17.028,0	27.184,9
<b>Profit on derivative valuation</b>	<b>\$</b>	<b>41.692,2</b>	<b>39.024,2</b>
<b>Futures Contracts</b>			
Right of currency purchase		(35.525,0)	(42.537,3)
Obligations of currency purchase		35.673,5	44.069,2
<b>Profit in derivative valuation</b>	<b>\$</b>	<b>148,5</b>	<b>1.532,0</b>
<b>Speculations Options</b>			
Calls on currency	\$	15,6	9,4
Puts on currency		61,7	67,3
	<b>\$</b>	<b>77,3</b>	<b>76,7</b>
	<b>\$</b>	<b>41.918,0</b>	<b>40.632,9</b>
<b>(10) Accounts Receivable</b>			
Below the detail of interest and other account receivable:			
<b>Interest:</b>		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Interbank funds sold	\$	23,9	44,0
Commercial credit, consumption credit and microcredit portfolio		92.105,2	81.395,9
Others		4.933,7	4.618,7
	<b>\$</b>	<b>97.062,8</b>	<b>86.058,6</b>
<b>Financial Component of Leasing Operations</b>		<b>13.832,6</b>	<b>10.868,9</b>
<b>Commissions and Fees</b>		<b>881,3</b>	<b>1.122,1</b>
<b>Rent Payment of Goods in Operating Lease</b>	<b>\$</b>	<b>5.940,1</b>	<b>4.848,9</b>
<b>Payment per Customer Account</b>			
Consumption		118.415,9	115.362,5
Commercial		16.926,8	17.191,6
Other		356,9	380,1
<b>Payment on Account Commercial Customers</b>	<b>\$</b>	<b>135.699,6</b>	<b>132.934,2</b>
<b>Other</b>			
Dividends and participations	\$	14.290,9	17.226,0
Rent		71,7	14,1
Sale of goods and services		1.355,2	3.191,1
Advances of contracts and suppliers		129.559,4	99.347,8
Advances to personnel		125,7	99,0
Sundry:			
Shortage of cash		65,2	69,8
Shortage of swaps		106,5	54,3
Claims to insurance companies		15.434,6	10.149,9
Sales tax receivable		56,1	560,0

Other sundry debtors:			
Servibanca and other networks		3.280,2	2.474,1
Credencial devolutions		2,6	21,7
Disabilities		252,1	158,8
Internal Sales – Credencial		9,1	18,0
Master Card F/C		70,1	82,3
Master Card pending drafts		444,4	344,9
Other		18.389,1	21.197,9
		<b>\$ 183.512,9</b>	<b>155.009,7</b>

**Provision to Accounts Receivable:**

The movement is as follows:

Initial balance	\$	30.851,5	37.602,7
Plus: provisions charged to operational expense		23.219,3	25.383,2
Value Provision Operative Risk		147,2	575,1
		<b>54.218,0</b>	<b>63.561,0</b>
<b>Less:</b>			
Written-off accounts receivable		(14.236,3)	(18.307,7)
Reimbursement to contra-cyclic provision		(2.279,0)	(2.198,4)
Reimbursement to income and recoveries		(8.949,8)	(12.203,4)
<b>Closing balance</b>	<b>\$</b>	<b>28.752,9</b>	<b>30.851,5</b>

**(11) Goods Received in Payment and Returned Goods**

The detail is as following:

Immovable property for housing	\$	375,5	375,5
Immovable property different from housing		16.738,7	19.123,5
Returned Property		8.242,1	8.567,2
Chattels		973,2	1.162,2
		26.329,5	29.228,4
Provision		(17.902,3)	(17.841,4)
	<b>\$</b>	<b>8.427,2</b>	<b>11.387,0</b>

The cost includes indexation for \$ 2,099.7 make up to December 31, 2000.

The following is the list of securities received as Movable Goods on June 30, 2011 and December 31, 2010:

Entity	Description of Security		Indexed Cost	Provision
Country Club	1 corporate stock	\$	36,9	36,9
Fiduciaria "Fidufes"	1.4353% of Calima Resort Project		323,3	323,3
Palacio de Exposiciones "Acryglas S.A."	28.65% over 10.000 stocks		1,7	1,7
Promotora La Alborada S.A.	642.744.545 stocks		205,0	205,0
Promotora La Enseñanza S.A.	317.710 stocks		123,6	123,6
Soc. Palmeras del Humea S.A	70.319 stocks		7,0	7,0
		<b>\$</b>	<b>697,5</b>	<b>697,5</b>

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**Provision for goods received in payment and returned goods**

The movement is as follows:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Initial Balance	\$	17.841,4	16.468,1
<b>Plus:</b>			
Provision charged to operating expenses		4.039,2	2.616,5
	\$	<b>21.880,6</b>	<b>19.084,6</b>
<b>Less:</b>			
Recovery of Provisions during period		(3.814,4)	(1.243,2)
Loss versus provision		(163,9	)
<b>Closing balance</b>	\$	<b>17.902,3</b>	<b>17.841,4</b>

Bank management is doing the procedures of sale within the terms provided in the provisions; when alienation is not possible, the appropriate extension is requested.

For alienation purposes, the detail has been periodically supplied to the administrative personnel, and press releases have been made, or letters offering to individuals or entities potentially interested in the acquisition and a direct offer to the clients is also forwarded.

Appraisals were made by persons knowledgeable of the specific mater, to determine the commercial value of marketable goods, received in payment at the time of receipt the goods.

**(12) Property, Equipment and Goods given on Operating Lease**

Below the detail for Property and Equipment:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Land	\$	19.925,2	20.140,1
Constructions in Progress		424,9	2.045,0
Buildings		182.396,9	179.104,0
	\$	<b>202.747,0</b>	<b>201.289,1</b>
<b>Other</b>			
Vehicles		1.045,2	1.045,0
Imports in Progress		49.400,9	61.278,5
	\$	<b>50.446,1</b>	<b>62.323,5</b>

Below the detail for goods given on operating leasing:

Machinery and Equipment	\$	75.585,6	71.719,1
Vehicles		14.655,7	9.729,5
Computer Equipment		200.404,3	34.807,5
Computer Software		93.631,2	200.247,6
Furniture and Fixture		40.312,1	24.934,1
Real Estate Property		24.934,1	83.578,4
		449.523,0	425.016,2
Less: Accumulative Depreciation		(180.034,1)	(160.036,1)
Provision goods given in operating lease		(3.950,7)	(3.662,0)
	\$	<b>265.538,2</b>	<b>261.318,1</b>

The Bank holds insurance policies to Project its property and equipment for \$366,673.5 and \$357,677.4 On June 30, 2011 and December 31, 2010 respectively, covering theft, fire, lighting, explosion, earthquake, strike, riot, and other risks.

For immovable property, the Bank records valuations which are determined based on the commercial appraisals made by experts in this area. Most of the appraisals of goods shared with other entities were made in 2008; the appraisals of the goods owned by the Bank were made between 2009 and 2010.

On Bank's property and equipment there are neither mortgages nor pledges,. On June 30, 2011 and December 31, 2010 the Bank has provision to cover buildings for \$315.1 and \$121.0, respectively.

The following is the itemization of the goods given in Operative Leasing:

The classification of asset given in operative leasing according to modality and qualification, is as follows:

<b>June 30,2011</b>				
<b>Category of Risk</b>	<b>Capital</b>	<b>Operating Rent</b>	<b>Provision Capital</b>	<b>Provision Operating Rent</b>
<b>Commercial</b>				
Category A Normal	\$ 257.144,2	4.647,7	2.887,0	62,3
Category B Acceptable	10.155,2	755,6	257,6	14,9
Category C Appreciable	1.232,4	25,0	281,6	11,3
Category D Significant	879,4	202,2	450,7	196,5
Category E Unrecoverable	77,7	309,6	73,8	309,6
	<b>\$ 269.488,9</b>	<b>5.940,1</b>	<b>3.950,7</b>	<b>594,6</b>
<b>December 31, 2010</b>				
<b>Category of Risk</b>	<b>Capital</b>	<b>Operating Rent</b>	<b>Provision Capital</b>	<b>Provision Operating Rent</b>
<b>Commercial</b>				
Category A Normal	\$ 252.875,7	3.967,7	3.021,3	57,5
Category B Acceptable	11.244,9	358,6	347,5	10,9
Category C Appreciable	505,4	3,5	38,1	3,1
Category D Significant	268,0	199,5	177,7	197,6
Category E Unrecoverable	86,0	319,6	77,4	319,7
	<b>\$ 264.980,0</b>	<b>4.848,9</b>	<b>3.662,0</b>	<b>588,8</b>

**Per geographic zone:**

<b>June 30, 2011</b>				
<b>Commercial</b>	<b>Capital</b>	<b>Operating Rent</b>	<b>Provision Capital</b>	<b>Provision Operating Rent</b>
Southwest Region	\$ 92.368,6	1.081,6	938,2	84,5
Bogotá Region	103.526,9	3.485,8	2.033,7	269,3
Northwest Region	47.709,6	785,8	622,0	208,4
North Region	25.883,8	586,9	356,8	32,4
	<b>\$ 269.488,9</b>	<b>5.940,1</b>	<b>3.950,7</b>	<b>594,6</b>

Per geographic zone:		December 31, 2010			
Commercial	Capital	Operating Rent	Provision Capital	Provision Operating Rent	
Southwest Region	\$ 92.070,3	920,1	992,3	76,2	
Bogotá Region	107.712,7	2.686,6 1.	712,4	270,1	
Northwest Region	43.141,9	836,3	629,0	218,7	
North Region	22.055,1	405,9	328,3	23,8	
	<b>\$ 264.980,0</b>	<b>4.848,9</b>	<b>3.662,0</b>	<b>588,8</b>	

		June 30, 2011			
Commercial	Capital	Operating Rent	Provision Capital	Provision Operating Rent	
Legal Tender	\$ 269.488,9	5.940,1	3.950,7	594,6	

Per currency:		December 31, 2010			
Commercial	Capital	Operating Rent	Provision Capital	Provision Operating Rent	
Legal Tender	\$ 264.980,0	4.848,9	3.662,0	588,8	

**Restructuring, Covenants and Agreement with Creditors:**

		June 30, 2011			
Commercial	Capital	Operating Rent	Provision Capital	Provision Operating Rent	
Ordinary	\$ 5.491,2	121,4	244,8	2,7	

		December 31, 2010			
Commercial	Capital	Operating Rent	Provision Capital	Provision Operating Rent	
Ordinary	\$ 7.163,2	234,1	162,4	7,5	

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

		June 30, 2011			
Category of Risk	Capital	Operating Rent	Provision Capital	Provision Operating Rent	
<b>Commercial</b>					
Category A Normal	\$ 5.080,2	119,6	51,4	1,3	
Category C Appreciable	411,0	1,8	193,4	1,4	
	<b>\$ 5.491,2</b>	<b>121,4</b>	<b>244,8</b>	<b>2,7</b>	

		December 31, 2010			
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<b>Category of Risk</b>	<b>Capital</b>	<b>Operating Rent</b>	<b>Provision Capital</b>	<b>Provision Operating Rent</b>
<b>Commercial</b>				
Category A Normal	\$ 5.936,6	135,9	105,7	2,4
Category B Aceptable	482,5	3,0	36,5	3,0
Category C Appreciable	<b>7.163,3</b>	<b>234,1</b>	<b>162,4</b>	<b>7,5</b>

**Restructuring, Agreements and Arrangement with Creditors per Geographic Zone:**

**June 30, 2011**

<b>Commercial</b>	<b>Capital</b>	<b>Operating Rent</b>	<b>Provision Capital</b>	<b>Provision Operating Rent</b>
Bogotá Region	\$ 605,5	4,1	195,9	1,4
Southwest Region	4.885,7	117,3	48,9	1,3
	<b>\$ 5.491,2</b>	<b>121,4</b>	<b>244,8</b>	<b>2,7</b>

**December 31, 2010**

<b>Commercial</b>	<b>Capital</b>	<b>Operating Rent</b>	<b>Provision Capital</b>	<b>Provision Operating Rent</b>
Bogotá Region	\$ 5.936,6	135,9	105,7	2,4
North Region	1.226,7	98,2	56,7	5,1
	<b>\$ 7.163,3</b>	<b>234,1</b>	<b>162,4</b>	<b>7,5</b>

**Restructuring, Agreement and Arrangement with Creditors per Currency:**

**June 30, 2010**

<b>Commercial</b>	<b>Capital</b>	<b>Operating Rent</b>	<b>Provision Capital</b>	<b>Provision Operating Rent</b>
Legal Tender	\$ 5.491,2	121,4	244,8	2,7

**December 31, 2010**

<b>Commercial</b>	<b>Capital</b>	<b>Operating Rent</b>	<b>Provision Capital</b>	<b>Provision Operating Rent</b>
Legal Tender	\$ 7.163,3	234,1	162,4	7,5

**Provision for goods given in operative leasing:**

The movement is as follows:		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Initial Balance Leasing Occidente		3.662,0	3.288,0
<b>Plus:</b>			
Provision charged to operating expenses		1.203,1	1.493,5
Contracyclic operative provision		395,1	
	<b>\$</b>	<b>5.260,2</b>	<b>4.781,5</b>
<b>Less:</b>			
Recovery of Provisions during period		(1.034,5)	(1.119,5)
Contracyclic operation reimbursement		(272,1)	-
Reclassification of operational period		(2,9)	-
<b>Closing balance</b>	<b>\$</b>	<b>3.950,7</b>	<b>3.662,0</b>

### (13) Other Assets

#### Prepaid Expenses and Deferred Charges

The detail is as follows:

	Dec. 31-10	Additions	Reclassif.	Amortization	Jun. 30-11
<b>Prepaid Expenses:</b>					
Interest	\$ 14,4	8,1	-	20,0	2,5
Insurance	11,2	4.107,4	-	2.428,2	1.690,4
Other	641,9	558,2	-	933,0	267,1
	<b>\$ 667,5</b>	<b>4.673,7</b>	<b>-</b>	<b>3.381,2</b>	<b>1.960,0</b>
<b>Deferred Charges:</b>					
Organization & Preoperative	3.614,2	719,7	30,7	1.743,0	2.560,2
Rebuilding	4.856,7	744,4	14,6	2.279,0	3.307,5
Studies and Projects	22.858,1	22.932,5	13.831,3	4.792,1	27.167,2
Computer Software	137,7	690,0	35,4	722,2	70,1
Improvement leased property	2.336,2	632,6	1,0	1.264,3	1.703,5
Stationery	461,9	805,0	-	794,3	472,6
Deferred income tax	2.061,5	389,7	-	894,2	1.557,0
Real Estate Tax	-	125.323,3	-	14.352,0	110.971,3
Property Tax	953,2	-	280,2	673,0	-
Contributions & Affiliations	-	2.102,8	-	1.950,7	152,1
Other deferred charges	-	33,4	-	-	33,4
	<b>36.326,3</b>	<b>155.326,6</b>	<b>13.913,0</b>	<b>29.072,0</b>	<b>148.667,9</b>
	<b>\$ 36.993,8</b>	<b>160.000,3</b>	<b>13.913,0</b>	<b>32.453,2</b>	<b>150.627,9</b>

The detail is as follows:

	Jun. 30-10	Additions	Reclassif.	Amortization	Dec. 31-09
<b>Prepaid Expenses:</b>					
Interest	\$ 11,0	106,4	-	103,0	14,4
Insurance	1.197,2	978,3	-	2.164,3	11,2
Equipment Maintenance	115,0	-	-	115,0	-
Other	854,5	794,0	-	1.006,6	641,9
	<b>\$ 2.177,7</b>	<b>1.878,7</b>	<b>-</b>	<b>3.388,9</b>	<b>667,5</b>
<b>Deferred Charges:</b>					
Organization & Preoperative	3.428,9	2.011,2	68,9	1.757,0	3.614,2
Rebuilding	6.927,3	883,7	451,9	2.502,4	4.856,7
Studies and Projects	19.362,3	10.885,3	4.223,4	3.166,1	22.858,1
Computer Software	387,3	975,8	249,7	975,7	137,7
Improvement leased property	3.160,1	717,3	17,9	1.523,3	2.336,2
Stationery	337,5	1.455,6	-	1.331,2	461,9
Commissions invests in securities	1.588,9	143,0	-	1.731,9	-
Deferred income tax	1.218,9	1.715,4	-	872,8	2.061,5
Property Tax	656,1	78,6	-	734,7	-
Contributions & Affiliations	175,6	2.559,1	-	2.734,7	-
Other deferred charges	202,1	-	-	202,1	-
	<b>37.445,0</b>	<b>21.425,0</b>	<b>5.011,8</b>	<b>17.531,9</b>	<b>36.326,3</b>
	<b>\$ 39.622,7</b>	<b>23.303,7</b>	<b>5.011,8</b>	<b>20.920,8</b>	<b>36.993,8</b>

**Intangible Assets – Mercantile Credit:**

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

<b>Percentage acquired</b>		<b>39,28%</b>
<b>Date Purchased</b>		<b>Jun de 2006</b>
Equity	\$	32.795,9
Investment Banco de Occidente S.A.		74.730,8
Vr. Mercantile Credit		41.934,9
Balance to redeem as of June, 2010		27.734,7
Amortization 2 <sup>nd</sup> half-year 2010		655,0
Balance to redeem as of December, 2010		27.079,7
Amortization 1 <sup>st</sup> half-year 2011		662,1
<b>Unamortized balance at June, 2011</b>	<b>\$</b>	<b>26.417,6</b>

Following the detail of mercantile credit initial distribution acquired to each business line and valuation as of September 30, 2010:

<b>Banco Unión Colombiano</b>	<b>Value mercantile credit per line of business</b>	<b>Participation % in mercantile credit line</b>	<b>Sep 30-10</b>		
			<b>Line of Business</b>	<b>Valuation Banco Unión (USD rates)</b>	<b>Acquisition</b>
<b>Allocation mercantile credit per line of business</b>			<b>14,13%</b>	<b>13,11%</b>	<b>12,09%</b>
Ordinary Portfolio	\$ 13.076,5	31,2%	113.876,0	123.873,0	135.605,0
Treasury Credit	12.044,0	28,7%	16.675,0	18.307,0	20.231,0
Unidirecto	4.073,6	9,7%	55.039,0	60.014,0	65.861,0
Vehicles	2.449,9	5,8%	41.459,0	45.109,0	49.397,0
Loans to personnel	3.887,1	9,3%	49.160,0	53.660,0	58.952,0
Credencial & Visa	1.372,5	3,3%	38.251,0	41.703,0	45.762,0
Crediunión plus	1.437,9	3,4%	0,0	0,0	0,0
Overdrafts Current Account	961,8	2,3%	7.750,0	8.418,0	9.202,0
Development Portfolio	247,2	0,6%	1.834,0	1.985,0	2.162,0
Debtor F/C Colombia	2.384,4	5,7%	3.658,0	4.059,0	4.535,0
	<b>\$ 41.934,9</b>	<b>100,0%</b>	<b>327.702,0</b>	<b>357.128,0</b>	<b>391.707,0</b>

**Other Assets – Goods to Place in Leasing Contracts:**

Below the detail:

	<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Machinery and Equipment	\$ 16.807,2	11.741,
Vehicles	35.819,4	27.935,9
Furniture and Fixtures	2.445,8	1.017,8
Computer Equipment	5.890,1	11.290,6
Software	1.066,6	1.143,9
Real Estate Property	31.687,5	22.884,5
	<b>\$ 93.716,6</b>	<b>76.013,7</b>

**Delivered back to be placed**

Machinery and Equipment	6,0	5,4
Computer Equipment	6,3	41,6
Software	-	1,2
	<b>12,3</b>	<b>48,2</b>

	\$	93.728,9	76.061,9
<b>Other Assets– Others:</b>			
<b>Below the detail:</b>			
		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Loans to employees	\$	16.816,0	16.462,6
Species Valued		8,1	32,5
Art Work and Culture Goods		698,1	674,1
Trust Rights		2.016,5	-
Sundry:			
Income tax prepaid		44.001,3	-
Withholdings at source		15.781,3	-
Remittance in transit unconfirmed		35,7	20,5
Furniture and fixtures in warehouse		12,7	12,7
Commerce and Industry tax prepaid		3.768,7	3.259,2
Petit cash		22,7	23,0
Other		401,3	600,8
	\$	<b>83.562,4</b>	<b>21.085,4</b>
<b>Provision for other asset</b>			
The movement is as follows:			
Initial balance	\$	4.423,8	2.735,1
Plus: Provision charged to operational expense		2.053,6	1.688,7
Less: Reimbursement of period provisions		(32,4)	-
Reclassification employees credits		135,9	
	\$	<b>6.580,9</b>	<b>4.423,8</b>

#### (14) Deposits and Payabilities

Below Time Deposits itemized by maturity :

		Jun. 30-11	Dec. 31-10
Less than 6-month issued	\$	602.561,8	603.339,9
Equal to 6-month and less than 12-month issued		535.423,0	496.648,5
Equal or more than 12-month issued		792.857,2	385.103,0
	\$	<b>1.930.842,0</b>	<b>1.485.091,4</b>

Below the detail of other deposits and payable items:

		Jun. 30-11	Dec. 31-10
Trust funds	\$	75.745,7	44.593,9
Banks and correspondents		19.332,0	13.575,4
Especial deposits		18.753,5	14.590,5
Payabilities for bank services		131.772,7	166.639,9
	\$	<b>245.603,9</b>	<b>239.399,7</b>

On June 30, 2011 and December 31, 2010 the deposits in Legal Tender have and ordinary cash position as follows

	Cash position
Deposits and at sight and before 30-day payable	11,0%
Deposits of public national entities	11,0%
Deposits after 30-day payable	11,0%

Certificates of Time Deposit less than 540 days	4,5%
Ordinary saving deposits	11,0%
Savings time deposits	11,0%
Fiduciary deposits and creditors	11,0%
Bonds of general guarantee and other less than 540 days	4,5%
Commitments of negotiated investment repurchase and negotiated portfolio	11,0%

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

#### (15) Passive Positions in Monetary and Related Market

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

	Interest Rate	Jun. 30-11	Interest Rate	Dec. 31-10
<b>Inter-banking purchased funds:</b>				
Banks L/T	4,11%	\$ 48.000,0		-
Banks F/C	0,04%	42.714,3	0,45%	60.694,3
		90.714,3		60.694,3
<b>Operations of Report or Repo:</b>				
Banco de la República	4,25%	500.057,0		-
Other		19.841,1		-
		\$ 519.898,1		-
		\$ <b>610.612,4</b>		<b>60.694,3</b>

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

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

The following is the detail of Credit of Bank and other Financial Obligations

Entity	June 30, 2011				
	Interest Accrued	Securities	Short-term	Long-term	Total
Banco de Comercio Exterior L/T	\$ 2.312,3	700.353,0	229.711,4	470.641,6	700.353,0
Banco de Comercio Exterior F/C	35,7	-	18.056,4	20.036,3	38.092,7
Finagro	788,2	120.364,3	28.520,7	91.843,6	120.364,3
Financiera de Desarrollo Territorial					
Findeter S.A.	573,3	358.916,6	39.556,4	319.360,2	358.916,6
Other					
Overseas Banks:					
Citibank NA	124,9	45.498,9	-	45.498,9	
Corporación Andina Fomento (CAF)	135,5	74.070,9	-	74.070,9	
Banco de Occidente Panamá	156,3		270.519,1	9.792,1	280.311,2
Standard Charterd Bank	66,3		38.886,5	-	38.886,5
JP Morgan Chase Bank NY.	75,5		22.079,7		22.079,7
Bank of America	82,3		38.799,9		38.799,9

<b>June 30, 2011</b>					
<b>Entity</b>	<b>Interest Accrued</b>	<b>Securities</b>	<b>Short- term</b>	<b>Long-term</b>	<b>Total</b>
Wells Bank	391,5		115.654,3		115.654,3
HSBC Bank Usa NY	66,4		42.661,4	-	42.661,4
Sumito	12,0	-	10.301,6	-	10.301,6
	<b>\$ 4.820,2</b>	<b>1.179.633,9</b>	<b>974.317,2</b>	<b>911.673,8</b>	<b>1.885.991,0</b>

<b>December 31, 2010</b>					
<b>Entity</b>	<b>Interest Accrued</b>	<b>Securities</b>	<b>Short-term</b>	<b>Long-term</b>	<b>Total</b>
Banco de Comercio Exterior L/T	\$ 2.484,4	739.616,9	242.808,3	496.808,6	39.616,9
Banco de Comercio Exterior M/E	29,3	-	11.808,2	28.791,9	40.600,1
Finagro	1.093,3	120.638,4	27.145,6	93.492,8	120.638,4
Financiera de Desarrollo territorial Findeter S.A.	568,1	300.973,6	40.883,3	260.090,3	300.973,6
Other	-	31,9	31,9	-	31,9
Overseas Banks:					
Citibank NA	122,4	-	57.882,7	-	57.882,7
Corporación Andina Fomento (CAF)	88,8	-	61.671,6	-	61.671,6
Banco de Occidente Panamá	50,1	-	214.258,9	18.405,8	232.664,7
Standard Chartered Bank	70,6	-	42.240,0	-	42.240,0
JP Morgan Chase Bank NY	59,1	-	47.807,1	-	47.807,1
Bank Of America	92,1	-	41.331,3	-	41.331,3
Wells Bank	123,9	-	60.300,7	-	60.300,7
HSBC Bank Usa NY	49,0	-	28.705,6	-	28.705,6
Helm Bank Panamá	10,4	-	10.952,9	-	10.952,9
	<b>\$ 4.841,5</b>	<b>1.161.260,8</b>	<b>887.828,1</b>	<b>897.589,4</b>	<b>1.785.417,5</b>

No sole rates are specified as there are several different modalities of credit.

Bank guarantees in Legal Tender correspond to promissory notes of credit portfolio.

The maturities of bank credits and other long-term financial obligations as from January 1, 2013 are as follows:

<b>Year</b>	<b>Legal Tender</b>	<b>Foreign Currency</b>	<b>Total</b>
2013	\$ 341.383,5	13.379,1	354.762,6
2014	156.412,4	13.516,5	169.928,9
2015	117.213,1	2.016,4	119.229,5
2016	81.455,6	527,1	81.982,7
2017	56.174,9	389,2	56.564,1
2018	33.991,7	-	33.991,7
2019	23.987,2	-	23.987,2
2020	33.189,5	-	33.189,5
2021	9.213,9	-	9.213,9
2022	19.977,7	-	19.977,7
2023	4.842,7	-	4.842,7
2024	2.203,6	-	2.203,6
2025	1.799,7	-	1.799,7
	<b>\$</b>	<b>29.828,3</b>	<b>911.673,8</b>

#### **(17) Accounts Payable**

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**Interest**

The detail of interest payable is as follows:

	<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Deposits and Payabilities	\$ 15.541,9	24.129,4
Currency market operations	25,7	1,6
Credits of banks and other financial obligations	3.690,6	4.175,1
Investment titles outstanding	10.171,1	6.973,4
Security Bonds	1.486,2	1.486,1
Peace Bonds	6.810,2	6.837,3
Other	5,2	0,9
	<b>\$ 37.730,9</b>	<b>43.603,8</b>

**Others**

Below the detail of other accounts payable

	<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Tax (1)	\$ 112.617,2	5.939,9
Dividends and Surplus	51.892,2	51.529,9
Contribution on Financial Transactions	5.358,4	6.904,4
Promising Purchasers	1.114,1	2.284,1
Suppliers	90.211,0	92.899,3
Withholdings and labor Contributions	53.664,6	48.254,5
Insurance Premiums	7.063,7	6.959,8
Tax collection	78.401,3	87.607,1
Sundry:		
Checks drawn and uncashed	12.817,5	9.275,0
Other	35.124,4	30.713,0
	<b>\$ 448.264,4</b>	<b>342.367,0</b>

(1). The balance as of June 30, 2011 corresponds to net worth tax payable for \$ 111.892.2

**(18) Outstanding Investment Certificates**

Colombia Finance Superintendence approved the issue of ordinary under resolution No. 400/1995 with the following characteristics:

- a. Issue of Subordinate Ordinary Bonds in 2004, 2005, 2006 (two issues), 2007 (one issue) and 2008 (second issue 2007). Issue of Ordinary Bonds in 2006 II, 2007 (one issue), 2008 (one issue), 2009 , 2010 and 2011.
- b. Amount authorized to issue
  - 2004, \$ 80,000
  - 2005, \$ 40,000
  - 2006, \$ 75,000
  - 2006, \$ 48,000
  - 2006 II, \$ 250,000
  - 2007, \$ 80,000
  - 2007, \$ 300,000
  - 2008, \$ 250,000
  - 2009, \$ 500,000
  - 2010, \$ 359,550
  - 2011 \$ 400.000

Note: The issue made in 2007 (\$80,000) was made in two dates, the first was made on August 9, 2007 with cost of \$50,500 and the second issue was made on February 25, 2008 for \$29,500 total

Similarly, the issue made in 2010 ( for was made in two spans, the first on November 25, 2010 for \$359.500 placed and the second one made on May 10, 2011.

- c. Holders' legal representative  
 Fiduciaria de Bogotá S.A.  
 Fiduciaria la Previsora S.A.  
 Helm Fiduciaria S.A.
- d. For 2004 issues (\$80.000), 2005 (\$40.000), 2006 (\$75.000), 2007 (\$80.000), 2010 (\$550.000) y 2011 (\$400.000) the par value and minimum investment is for \$10.000.000 and \$10.000.000 (in Col\$)
- e. Series, term and maturity

Year	Series	Term (months)	Return		Jun. 30-10	Dec. 31-10
2004	One-time	84	IPC + 6.19	\$	80.000,0	80.000,0
2005	One-time	84	IPC + 5.09		40.000,0	40.000,0
2006	One-time	84	IPC + 5.58		75.000,0	75.000,0
2006	C	85	IPC + 5.75		44.680,0	44.680,0
2006	B	85	DTF + 3.00		8.730,0	8.730,0
2007	One-time	84	IPC + 5.90		50.500,0	50.500,0
2007	B	48	DTF + 2.90		39.299,4	39.299,4
2007	B	60	DTF + 3.10		81.564,4	81.564,4
2007	C	85	IPC + 6.60		53.841,1	53.841,1
2008	One-time	84	IPC + 5.90		29.500,0	29.500,0
2008	B	36	DTF + 2.70		3.502,8	3.502,8
2008	B	60	DTF + 3.10		112.983,4	112.983,4
2008	C	85	IPC + 5.90		21.023,9	21.023,9
2008	C	121	IPC + 7.00		52.902,5	52.902,5
2009	A	36	FIXED 5.2 E.A.		39.307,8	39.307,8
2009	B	18	DTF + 0.70		-	46.000,0
2009	B	24	DTF + 0.70		51.507,0	51.507,0
2009	B	24	DTF + 1.30		80.054,2	80.054,2
2009	B	36	DTF + 1.60		22.595,3	22.595,3
2009	C	60	IPC + 5.00		50.086,1	50.086,1
2009	C	121	IPC + 5.75		1.000,0	1.000,0
2009	C	85	IPC + 6.00		123.449,6	123.449,6
2010	B	36	IPC + 2.72		242.660,0	149.550,0
2010	B	60	IPC + 3.15		134.500,0	122.000,0
2010	C	60	DTF + 1.35		6.000,0	6.000,0
2010	D	36	IBR + 1.42		166.840,0	82.000,0
2011	B	36	IPC + 2,49		61.900,0	-
2011	B	60	IPC + 3,05		39.300,0	-
2011	D	36	IBR + 1,50		298.800,0	-
					<b>\$ 1.760.666,9</b>	<b>1.421.077,5</b>

#### (19) Other Liabilities

Below the detail of other liabilities:

#### Consolidated Labor Obligations:

		Jun. 30-11	Dec. 31-10
Consolidate Severance	\$	6.395,1	9.068,2
Interest on severance		435,9	1.203,9
Consolidate vacations		9.285,5	8.507,8

Other labor benefits		17.247,7	15.802,9
	<b>\$</b>	<b>33.364,2</b>	<b>34.582,8</b>

<b>Income received in advance:</b>					
		<b>Dec. 31-10</b>	<b>Debits</b>	<b>Credits</b>	<b>Jun. 30-11</b>
Interest	\$	6.847,6	17.062,8	16.391,8	6.176,6
Commissions		3.036,4	14.457,6	14.244,4	2.823,2
Rents		568,3	2.263,8	2.233,8	538,3
Others		2.069,8	1.393,8	1.106,5	1.782,5
	<b>\$</b>	<b>12.522,1</b>	<b>35.178,0</b>	<b>33.976,5</b>	<b>11.320,6</b>
Interest	\$	4.373,2	13.703,4	16.177,8	6.847,6
Commissions		3.023,5	14.489,9	14.502,8	3.036,4
Rents		453,0	1.845,7	1.961,0	568,3
Others		2.433,6	1.471,0	1.107,2	2.069,8
	<b>\$</b>	<b>10.283,3</b>	<b>31.510,0</b>	<b>33.748,8</b>	<b>12.522,1</b>

Below the detail of other liabilities – other:

		<b>Jun. 30-10</b>	<b>Dec. 31-10</b>
Deferred credits	\$	14.653,2	11.312,3
Income tax deferred		58.130,6	67.396,4
Accounts cancelled		1.108,7	1.545,6
Sundry:			
Credits to apply Obligations on collection		3.494,6	7.790,7
Surplus of Cash		42,3	74,1
Swap Surplus		40,2	4,8
Other		3.426,7	2.387,3
	<b>\$</b>	<b>80.896,3</b>	<b>90.511,2</b>

Retirement pension for \$ 3,732.7 and \$ 3,705.9 on June 30, 2011 and December 31, 2010 include the actuarial calculation for de 40 employees and currently totally amortized

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Balance to prior half-year	\$	3.705,9	3.147,3
Pensions paid during half-year		(215,7)	(208,7)
Amortization carried to expenses		242,5	767,3
<b>Actuarial valuation at the end half-year</b>	<b>\$</b>	<b>3.732,7</b>	<b>3.705,9</b>

## **(20) Estimate Liabilities and Provisions**

Below estimated tax liabilities detailed:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Income and Complementary Tax	\$	80.864,8	11.943,9
Commerce and Industry		3.865,2	352,0
VAT no deductible		5.499,8	5.189,1
Real Estate tax		129,8	-
	<b>\$</b>	<b>90.359,6</b>	<b>17.485,0</b>

## **(21) Equity Capital**

As of June 30, 2011 and December 31, 2010 the following detail is shown:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Authorized Capital			
Divided into 200,000,000 stocks	\$	6.000,0	6.000,0
Capital to be subscribed			
50.159.686 and 50.159.707 stocks as of June 30, 2011 and Dec. 31, 2010 respectively.		(1.504,8)	(1.504,8)
Subscribed and Paid-in Capital			
149.840.314 stocks as of June 30, 2011			
	<b>\$</b>	<b>4.495,2</b>	<b>4.495,2</b>

## **(22) Legal Reserve**

Legal Reserve is made up as follows:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Appropriation of profit	\$	830.018,3	715.819,6
Premium in placement of stocks		520.666,0	520.666,0
	<b>\$</b>	<b>1.350.684,3</b>	<b>1.236.485,6</b>

Premium in stock investment includes capitalization of patrimony revaluation account, originated on the integral indexation for \$272,018.5.

## **(23) Occasional Reserves**

As of June 30, 2011 and December 31, 2010 occasional reserve balance corresponds to profit appropriations made by decision of the Stockholders General Meeting; the detail is the following:

		<b>Dec. 31-10</b>	<b>Jun. 30-10</b>
Stability of dividend at disposal of the shareholders general meeting	\$	20.841,8	20.841,8
Credit portfolio protection		24,9	24,9
Fiscal Dispositions		151.986,3	158.564,3
To protect Investments		26.568,3	26.568,3
	<b>\$</b>	<b>199.421,3</b>	<b>205.999,3</b>

## **(24) Contingent and Memorandum Accounts**

Below the detail of contingent accounts:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
<b>Debit:</b>			
Interest of credit portfolio	\$	30.784,7	34.501,1
Interest of leasing		14.828,7	13.877,7
Rent Payment and Penalty of Leasing Contracts		1.270,6	941,9
Rights in options – speculation		3.490,0	11.873,9
Rent Payment Receivable (1)		3.884.225,2	3.377.054,9
Call Options Receivable		190.627,5	172.671,2
Values delivered in Repo and simultaneous operations		529.915,8	-
Other debts contingences		5.123,3	2.934,7
	<b>\$</b>	<b>4.660.265,8</b>	<b>3.613.855,4</b>

<b>Credits:</b>		
Values received in Operations Repo and Simultaneous	1.275,2	40.037,5
Bank Guarantee	459.193,0	503.509,8
Letter of Credit	109.777,2	110.665,0
Approved and non-reimbursed credits	1.196.899,5	1.138.030,0
Opening of credit	2.069.614,0	1.948.895,5
Obligations in options	22.323,3	31.772,7
Other creditor contingencies	45.103,5	18.691,7
	<b>\$ 3.904.185,7</b>	<b>3.791.602,2</b>

(1) Qualification of rent receivable:

The following is the itemization of the rating of rent receivable according to provision in external circular setter 100 / 1995 from Colombia Finance Superintendence :

**June 30, 2011**

Category of Risk	Rent receivable		Total
	Capital Lease	Operating Lease	
<b>Commercial</b>	<b>3.587.218,9</b>	<b>289.820,5</b>	<b>3.877.039,4</b>
Category A Normal	\$ 3.168.933,9	278.139,6	3.447.073,5
Category B Acceptable	283.471,8	9.496,2	292.968,0
Category C Appreciable	40.535,1	1.246,9	41.782,0
Category D Significant	76.862,3	916,0	77.778,3
Category E Unrecoverable	17.415,8	21,8	17.437,6
<b>Consumption</b>	<b>7.185,8</b>	<b>-</b>	<b>7.185,8</b>
Category A Normal	\$ 6.815,6	-	6.815,6
Category B Acceptable	84,0	-	84,0
Category C Appreciable	163,2	-	163,2
Category D Significant	72,0	-	72,0
Category E Unrecoverable	51,0	-	51,0
	<b>\$ 3.594.404,7</b>	<b>289.820,5</b>	<b>3.884.225,2</b>

**December 31, 2010**

Category of Risk	Rent receivable		Total
	Capital Lease	Operating Lease	
<b>Commercial</b>	<b>3.098.624,0</b>	<b>273.256,4</b>	<b>3.371.880,4</b>
Category A Normal	\$ 2.690.180,3	261.862,9	2.952.043,2
Category B Acceptable	283.487,0	10.636,2	294.123,2
Category C Appreciable	28.297,1	569,3	28.866,4
Category D Significant	79.909,7	149,4	80.059,1
Category E Unrecoverable	16.749,9	38,6	16.788,5
<b>Consumption</b>	<b>5.174,5</b>	<b>-</b>	<b>5.174,5</b>
Category A Normal	\$ 4.864,8	-	4.864,8
Category B Acceptable	42,3	-	42,3
Category C Appreciable	30,5	-	30,5
Category D Significant	191,5	-	191,5
Category E Unrecoverable	45,4	-	45,4
	<b>\$ 3.103.798,5</b>	<b>273.256,4</b>	<b>3.377.054,9</b>

Below memorandum accounts itemized:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
<b>Debit:</b>			
Goods and values delivered in custody	\$	13,2 13,2	13,2
Goods and values delivered in guarantee		12.487,6	5.759,2
Valuation of goods received in payment		5.742,6	7.503,6
Remittances sent to collection		1.847,3	2.437,5
Unpaid negotiated checks		524,6	524,6
Written-off asset (1)		921.928,2	900.773,5
Unused credits in favor		1.107.295,4	1.309.746,1
Amortized Investment titles		1.477.515,3	1.306.654,7
Assets inflation adjustment		38.044,2	38.313,2
New loans agribusiness portfolio		84.650,8	87.600,5
Property and equipment fully depreciated		66.526,7	65.964,7
Fiscal value of asset		14.891.334,3	13.921.267,7
Provision persons in agreement with creditors		1.159,8	1.104,3
Investments negotiable in certificates of indebtedness		1.585.975,3	1.563.157, 2
Investments to maintain up to maturity		675.123,3	721.898,7
Investment available/via certificates of indebtedness		312.527,7	336.038,2
Recip. Active Oper. with parent companies and subsidiaries		1.016.927,2	997.421,6
Recip. Active Oper. affecting Expenses and cost with parent companies and subsidiaries		3.073,2	3.508,0
Other debit memorandum accounts		111.757,8	106.187,6
	<b>\$</b>	<b>22.314.454,5</b>	<b>21.375.874,1</b>
(1) Written-off assets are itemized below:			
Investment		14.187,1	14.187,1
Credit Portfolio:			
Business Banking		339.121,0	273.647,5
Personal Banking		360.472,9	362.765,0
Accounts Receivable		116.799,8	117.010,2
Other Asset		91.347,4	133.163,7
	<b>\$</b>	<b>\$ 921.928,2</b>	<b>900.773,5</b>
<b>Credit:</b>			
Goods and values received in custody	\$	243.935,3	213.162,1
Goods and values received in guarantee future credits		2.530.595,7	2.522.493,6
Guarantees pending to be paid		295.808,8	298.227,0
Goods and values received fit guarantee		5.886.791,7	5.405.584,2
Goods and values received other guarantees		972.088,1	761.189,7
Collections received		6.851,3	10.551,3
Recovered of written-off Asset		29.034,0	-
Equity indexation before 1/1/01		225.565,1	225.565,1
Capitalization by equity revaluation		225.565,1	225.565,1
Investment returns		87.409,8	.4.575,0
Equity fiscal value		2.378.679,0	1.812.587,1
Ranking of portfolio (Capital Interest and Other)		13.742.514,9	12.279.146,7
Recip. Passive Oper. With Parent Companies and Subsidiaries		382.144,0	420.544,1
Recip. Operations affecting Equity with parent companies and Subsidiaries		631.918,2	642.117,3
Recip. Oper. affecting income with Parent Companies & Subsidiaries		84.742,4	64.590,3

Other creditor memorandum accounts		42.074,3	41.678,5
	\$	\$ 27.765.717,7	24.927.577,1

## (25) Transactions with Related Parties

The balances and transactions with Related-Parties are itemized below, with operations made with associated companies at the market rate for the terms thereof:

### Operations with Affiliated Companies

Asset	Rate	Jun 30, 2011	Rate	Dec 31, 2010
<b>Available – Correspondents</b>				
Banco de Occidente (Panamá) S.A.	-	12.186,7	-	\$ 12.737,3
<b>Commitment of Transfer</b>				
Occidental Bank Barbados	0,00%%	-	0,51%	\$ 5.315,1
<b>Credit Portfolio</b>				
Fiduciaria de Occidente S.A.	DTF + 6	729,7	DTF + 6	946,1
Ventas y Servicios S.A.	-	247,2	-	-
		<b>\$976,9</b>		<b>\$ 946,1</b>
<b>Credit Card</b>				
Ventas y Servicios S.A.	25,93%	\$ 6,6	20,98%	\$ 18,9
<b>Accounts Receivable:</b>				
Fiduciaria de Occidente S.A.	-	6.382,9	-	7.076,0
Ventas y Servicios S.A.	-	360,3	-	911,9
Occidental Bank Barbados	-	-	-	-
		<b>\$ 6.743,2</b>		<b>\$ 7.987,9</b>
<b>Other Assets</b>				
	Rate	Jun 30, 2011	Rate	Dec 31, 2010
Ventas y Servicios	\$	-	-	502,4
<b>Investment Available for sale in certif. of participation</b>				
<b>Investment in Colombia</b>				
Fiduciaria de Occidente S.A.			39.960,0	39.960,0
Ventas y Servicios S.A.			1.231,5	780,4
			<b>\$ 41.191,5</b>	<b>40.740,4</b>
<b>Overseas Investments</b>				
Banco de Occidente (Panamá) S.A.			36.650,5	29.342,3
Occidental Bank Barbados Ltd.			23.985,3	22.916,7
			<b>. \$ 60.635,8</b>	<b>52.259,0</b>
<b>Valuations:</b>				
Banco de Occidente (Panamá) S.A.		\$	15.682,3	25.785,2
Ventas y Servicios S.A.			582,9	782,3
Fiduciaria de Occidente			35.658,9	35.673,7
Occidental Bank Barbados Ltd.			13.634,1	15.022,7
			<b>\$ 65.558,2</b>	<b>77.263,9</b>
<b>Liabilities</b>				
<b>Current Account Deposits</b>				
Fiduciaria de Occidente			404,5	460,9
Ventas y Servicios S.A.			225,5	502,1
Occidental Bank Barbados Ltd.			6,4	2,7

		\$	636,4	965,7
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<b>Saving Account Deposits</b>					
	Rate		Jun 30, 2011	Rate	Dec 31, 2010
Fiduciaria de Occidente S.A.	3,72%	\$	363,3	2,75%	183,0
Ventas y Servicios S.A.	1,75%		11,5	1,35%	29,6
Occidental Bank Barbados Ltd.	0,00%		0,0	1,00%	0,1
		\$	<b>374,8</b>		<b>212,7</b>

<b>Other Payabilities:</b>					
<b>Credit of banks and other financial obligations:</b>					
	Rate		Jun 30, 2011	Rate	Dec 31, 2010
Banco de Occidente (Panamá) S.A.	(1)	\$	280.311,2	(1)	265.814,3
Occidental Bank Barbados Ltd.			-		-
		\$	<b>280.311,2</b>		<b>265.814,3</b>

<b>Interbank Funds Purchased</b>					
Banco de Occidente (Panamá) S.A.	0,04%	\$	42.714,3	0,45%	54.952,4

<b>Transfer Commitments:</b>					
Occidental Bank Barbados Ltd.	2,25%	\$	19.841,8	0,00%	-

<b>Other Accounts Payable:</b>					
Banco de Occidente (Panamá) S.A.			-		1,4
Occidental Bank Barbados Ltd.			-		-
Ventas y Servicios S.A.			698,8		562,7
		\$	<b>698,8</b>		<b>564,1</b>

(1) Interest rate is dependent on the amount and term which range between 0.99% and 2.96% for the first half-year 2011 and 0.61% to 3.20% for the second half-year 2010.

<b>Income</b>			
<b>Ventas y Servicios S.A.</b>			
		Jun. 30-11	Dec. 31-10
Commissions	\$	93,4	89,8
Dividends		451,1	-
Profit of leasing sale		61,6	
Other	\$	2,1	2,1
	\$	<b>608,2</b>	<b>91,9</b>

<b>Fiduciaria de Occidente S.A.</b>			
Dividends		12.744,1	14.122,4
Other		7,9	54,1
Rent		22,8	31,8
Profit of leasing sale		41,1	-
Commissions		16,3	12,3
	\$	<b>12.832,2</b>	<b>14.220,6</b>

<b>Banco de Occidente (Panamá) S.A.:</b>			
Dividends	\$	10.006,1	10.261,5

<b>Occidental Bank Barbados Ltd.</b>			
Dividends		2.926,9	4.794,8
Other		55,8	72,9
	\$	<b>2.982,7</b>	<b>4.867,7</b>

<b>Expense and Cost</b>			
<b>Banco de Occidente (Panamá) S.A.</b>			
Commissions	\$	2,5	2,6
Interests		933,1	891,8
	\$	<b>935,6</b>	<b>894,4</b>

<b>Ventas y Servicios S.A.</b>		
Interests		0,0
Other		9.426,4
	<b>\$</b>	<b>9.426,4</b>
Occidental Bank Barbados Ltd.		
Interests	<b>\$</b>	62,8
		17,3

### Stockholders Operations

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

#### Grupo Aval Acciones y Valores S.A.

<b>Liability:</b>	<b>Rate</b>		<b>Jun. 30-11</b>	<b>Rate</b>	<b>Dec. 31-10</b>
Deposits and Payabilities	4,50%	\$	462.919,5	3,38%	5.147,1
Accounts Payable Dividends			32.083,0		30.708,1
		<b>\$</b>	<b>495.002,5</b>		<b>35.855,2</b>
<b>Expenses:</b>					
Fees		\$	2.448,8		1.420,0

### Operations with Related Companies

<b>Entity</b>	<b>As of June 30, 2011</b>				
	<b>Asset</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Income</b>	<b>Expense</b>
Banco de Bogotá	\$ 1.652,3	3.058,3	-	103,2	366,8
Banco AV Villas	22,2	-	-	815,1	-
Banco Popular	17,3	-	-	-	14,3
ATH	1.259,7	146,9	996,2	-	376,5
Porvenir	139.984,2	734,6	24.620,3	19.907,7	-
Corficol	851.958,2	4.561,8	606.467,0	33.551,2	194,3
Leasing Corficol	-	282,3	-	3,6	-
Fiduciaria Corficol	-	788,3	-	63,4	80,5
Casa de Bolsa S.A.	2.433,6	590,7	-165,4	298,7	38,8
Valora S.A.	-	0,2	-	-	-
Fiduciaria Popular	-	1.000,0	-	0,2	-
Fiduciaria Bogotá	-	2,5	-	-	2,1
Al Popular	300,3	7,7	-	21,9	29,4
Seguros Alfa	-	3.923,8	-	710,0	62,2
Seguros de Vida Alfa	-	23.377,2	-	3.444,9	909,8
Corfi valle Panamá	-	28,0	-	1,3	-
<b>Entity</b>	<b>As of December 31, 2010</b>				
	<b>Asset</b>	<b>Liabilities</b>	<b>Equity</b>	<b>Income</b>	<b>Expense</b>
Banco de Bogotá	\$ 110,7	235,6	-	95,9	300,3
Banco AV Villas	68,8	-	-	804,3	-
Banco Popular	17,3	-	-	-	21,9
ATH	1.255,9	-	991,2	-	780,
Porvenir	129.162,9	1.000,1	26.105,8	16.936,8	-
Corficol	837.552,8	65.237,0	614.989,2	28.165,9	459,4
Leasing Corficol	-	588,6	-	62,4	-
Fiduciaria Corficol	-	271,0	-	111,9	28,4
Casa de Bolsa S.A.	2.628,2	350,3	31,2	322,5	-
Valora S.A.	-	0,1	-	-	-
Fiduciaria Popular	-	-	-	0,1	-

Fiduciaria Bogotá					
Al Popular	508,0	0,1	-	31,9	25,6
Seguros Alfa	-	3.322,5	-	424,1	28,2
Seguros de Vida Alfa	42,3	28.124,0	-	3.352,3	952,5

#### (26) Other Operational Income and Expenses - Net

Income per Dividends and Participations are itemized below:

		Jun. 30-11	Dec. 31-10
Affiliates and Subsidiary companies	\$	26.128,4	14.122,4
Other Corporate Bodies		53.825,6	44.335,1
		<b>79.954,0</b>	<b>58.457,5</b>

#### (27) Depreciations and amortizations

Below the detail of depreciation and amortization: :

##### Goods given in Leasing:

		Jun. 30-11	Dec. 31-10
Machinery and Equipment	\$	9.013,4	8.074,5
Vehicles		836,3	587,3
Furniture and Fixtures		5.058,8	4.454,6
Computer Equipment		28.670,7	31.128,6
		43.579,2	44.245,0
Goods for own use		12.390,3	13.272,9
	\$	<b>55.969,5</b>	<b>57.517,9</b>

##### Amortization:

Software in operating lease	\$	12.183,5	11.341,2
Deferred charges and e Income received in advance		11.462,8	10.781,8
	\$	<b>23.646,3</b>	<b>22.123,0</b>

##### Recoveries

The detail of Operational Income is as follows:

		Jun. 30-11	Dec. 31-10
Reimbursement Provision Accounts Receivable		8.949,8	12.203,6
Reimbursement Provision of Credit Portfolio		86.794,8	150.905,4
Reimbursement Provision of Operating Lease		27.566,8	22.220,8
Reimbursement Contra-cyclic provision		36.427,1	43.379,7
	\$	<b>159.738,5</b>	<b>228.709,5</b>

These refunds in a great extent correspond to the payment of provisions portfolio, change of qualification making up this record.

##### Operational Income and Expenses - Others

The detail of operational income is as follows:

		Jun. 30-11	Dec. 31-10
Checkbook sale	\$	11.918,5	11.816,6
Commercial information		150,2	133,8
Cablegrams, portages, telephone		1.246,0	1.279,3

Credencial management charges	15.598,3	15.390,9
MasterCard management charges	905,6	946,0
National consignment	2.726,5	2.845,6
Study credit projects	61,2	43,8
ATM service	5.833,1	5.228,0
Reimbursement accounts payable	3.869,8	1.475,4
Management charge personal banking	2.108,1	2.136,7
Return insurance policies	4.521,5	3.808,6
Other	7.785,3	11.044,6
	<b>\$ 56.724,1</b>	<b>56.149,3</b>

The detail of operational expenses and other, are given below:

	<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Others interest paid – Repo Operations Return	\$ 60.064,7	47.136,6
Cleaning & Watching Service	4.455,7	4.455,7
Advertising and Propaganda	12.281,1	12.183,1
Public Relations	226,1	263,7
Utilities	12.422,3	12.278,5
Electronic Data Processing	1.902,3	2.249,0
Travel Expenses	3.063,2	3.862,0
Transportation Expenses	4.194,0	3.974,9
Stationery	3.342,5	3.955,9
Grants	3.098,6	1.106,0
Personal Training	1.334,7	860,0
Coffee-house expenses	1.555,9	1.530,6
Minor fixings	178,8	196,2
Cash Preparation	944,5	727,9
Hospitality expenditures to employees	1.084,6	1.115,1
Information and Credit	2.611,8	2.641,7
Photocopies	103,4	107,8
Subscription and Reference Books	93,3	75,4
Petty-cash costs	82,3	83,0
Fees	7.036,5	5.473,1
Contributions and Membership	20.517,3	20.112,7
Maintenance & Repair	2.371,6	2.638,7
Customization and Installation	819,7	1.514,4
Taxes	43.836,0	30.096,2
Rents	13.299,5	14.576,3
Insurance	17.477,4	16.993,7
Marketing - cardholders	6.631,7	6.274,3
Temporary Services	25,0	35,4
Other	8.298,8	10.496,0
	<b>\$ 233.353,1</b>	<b>207.013,9</b>

**(28) Other Non Operational Income**

Below the detail of other non-operational income:

	<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Renting	\$ 1.099,9	1.090,7
Income Goods Received in Payment	136,9	66,0
Reimbursement of deposit insurance	4.409,2	
Other	1.827,7	1.001,0
	<b>7.473,7</b>	<b>2.157,7</b>

Below other operational expenses are detailed

Expenses of goods delivered as leasing	\$	1,8	1,8
Fines and penalties		890,5	1.963,8
Expenses of goods received in payment		835,6	644,6
Fees and other legal expenses		345,9	165,5
Other		725,8	813,8
	\$	<b>2.799,6</b>	<b>3.589,5</b>

### (29) Income and Complementary Tax

The following is the conciliation between accounting unit and net taxable estimated by six-month periods ended on June 30, 2011 and December 31, 2010:

a) Income:		Jun. 30-11	Dec. 31-10
Profit before Income Tax			
Plus (less) items increasing (decreasing) fiscal profit:	\$	284.805,3	273.267,8
Fines and sanctions		890,5	1.963,8
Non-deductible provisions		4.864,5	8.271,2
Amortization deferred depreciation		(10.916,6)	(23.236,3)
Especial deduction in Fixed Asset Investment of 30% for year 2010 and 40% for year 2009, respectively		-	(21.822,9)
Other non-deductible expenses		39.968,4	31.109,7
Net difference, income between accounting valuation and fiscal investment valuation		11.243,4	47.546,1
Forward contract valuation, net		31.281,6	(9.080,4)
Accrued dividends 2010, payable and not registered in 2011		17.226,0	-
Mercantile credit amortized		(3.530,3)	(3.530,3)
Other tax deductions		(9.423,6)	634,2
Dividends and participations non taxed		(97.179,9)	(58.392,9)
Exempt Income		(26.030,0)	(15.736,5)
Taxable Base		243.199,3	230.993,5
Current Income Tax		80.255,8	76.227,9
Deferred Income		(9.072,8)	(4.392,0)
Excess of income tax provision		(720,1)	(588,1)
<b>Total Income Tax</b>	\$	<b>70.462,9</b>	<b>71.247,8</b>

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

Provisions, Net for:		Jun. 30-11	Dec. 31-10
Industry and commerce	\$	235,8	(533,3)
Property Tax		(42,8)	2,0
Forwards Valuation		(10.322,9)	2.996,5
Total deferred tax receivable		(10.129,9)	2.465,2
Amortization Mercantile Credit		1.165,0	1.165,0
Investment Valuation		(3.710,3)	(15.690,2)
Deferred Depreciation		3.602,4	7.668,0
<b>Net deferred tax payable</b>	\$	<b>(9.072,8)</b>	<b>(4.392,0)</b>

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The following is the accounting and fiscal net worth reconciliation:

<b>b) Equity Conciliation</b>		<b>Dec. 31-10</b>
Accounting Equity	\$	2.689.652,0
Plus (less) items increasing (decreasing) equity for tax purpose:		
Fiscal readjustment of fixed asset, net		6.602,0
Estimate liabilities & provisions involving no fiscal liabilities		80.308,3
Provisions of asset involving no fiscal diminution		14.753,8
Accrued deferred tax payable		58.130,6
Other net asset		(38.831,5)
Accounting valuation of net fixed asset		(209.295,8)
Accrued deferred tax receivable		(1.556,9)
Accrued deferred depreciation		(79.824,0)
<b>Fiscal Equity</b>	<b>\$</b>	<b>2.519.938,5</b>

Income tax returns of the tax 2009 and 2010 are within the legal term of revision by National Tax Administration.

### **(30) Disclosure of Risks**

#### **Risk Management**

##### **Liquidity Risk and Market Risk Management**

During the first half-year 2011, did not occur any change to regulatory framework established by regulations relative to Liquidity Risk Management System –LRMS – and Market Risk Management System – MRMS. In general Bank's treasury operations reflected a liquidity risk measurement indicator LRMI stable and adequate to the Balance Sheet structure, reaching \$2.1 billion average. In the same way market risk measurement made under FC standard methodology reflects a mean figure of risk of \$68.700MM equivalent to 4% technical net worth of the company.

The permanent level of portfolio fixed yield securities, structured among the short-term policies, mean term less than 18-month, and concentrated in Colombia nation risk (93%) continues to be the major component of liquidity risk and market risk. Thorough the procedures established in LRMS and MRMS, of measurement, monitoring and control, Treasury Risk Division produced the definite reports for disclosure, with the evaluation of all policies and limits; such reports are submitted and discussed in the Finance Committee, Risk Committee and Board of Directors.

##### **Objective**

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

##### **Legal Framework**

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

- Chapter I: Classification, Valuation and Investment Valuations
- Chapter VI: Criteria and Procedures to Evaluate Liquidity Risk Management – Asset and Liabilities Management (ALM).
- Chapter XVIII: Derivatives Valuation and Booking.
- Chapter XXI: Standards Relative to Market Risk Management System (MRMS)

Liquidity Risk Management System (LRMS) is the basic tool to identify measure, control and monitor Liquidity Risk the company is permanently exposed to. It contains the following elements and definitions: policies, procedures,

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documentation, organizational structure functions, technological support, and information disclosure systems (internal and external reports), used from time back for Liquidity Risk Management which have been updated in line with market, economy and regulations changes.

### **The risks are defined as follows**

#### **Credit and/or Counterpart Risk**

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

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

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

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

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

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

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

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

#### **Liquidity Risk**

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

As from April 1, 2009 the new chapter of “Standards relative to Liquidity Risk Management” began to take force, which derogated the former chapter related to “Criteria and Procedures to Manage Asset and Liabilities”, which makes emphasis mainly on Liquidity GAP indicator.

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

- LRI is calculated on a weekly basis (Friday closing date) and reported the second business day each week.
- Net Liquid Asset corresponds to the sum of available, investments negotiable in certificates of indebtedness, investments negotiable in certificates of participation, the investments negotiable for sale in certificates of indebtedness and the investments until maturity.
- Net Liquidity requirement only may include contractual maturities of asset, liabilities and positions out of balance (does not contain forecasts).
- Withdrawals of deposits at sight will be adjusted by the Net Withdrawal Factor NWF, which is computed as the major monthly withdrawal since December 1996.
- The timeframes are distributed by less than 7 days, 8 to 15 days, 16 to 30 days, 1 to 30 days, and 31 to 90 days.
- It is considered that any credit entity may be producing a significant exposure to liquidity risk when in a given weekly report; Liquidity Risk Indicator LRI at one week is minus.
- If a minus LRI is found at 7 days, the bank must report in writing to Colombia Finance Superintendence the basic reasons giving rise to the fall of indicator under the minimum limit set forth, including the strategies necessary to face with such illiquidity situation.

### **Market Risk**

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

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

### **Finance Superintendence Standard Model**

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

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

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

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

#### **1. Interest Rate Risk Measurement:**

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

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

## **2. Measuring exchange rate risk:**

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

## **3. Measuring stock price risk:**

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

## **4. Measuring Collective Portfolio Risk:**

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

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

### **Calculation of Risk Value – Internal Model**

Calculation of Risk Value of the different portfolios is made using Risk Metrics methodology published by J.P Morgan, the objective of which is to forecast maximum loss level a portfolio may suffer with 95% confidence level. To calculate daily volatilities, EWMA model is used allowing for giving a higher weight to the most recent information.

### **Valuation at Market Prices**

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

### **Structure to Manage Treasury Risk**

In compliance with the provisions in Internal Circular Letter 088 of December 29, 2000 from Colombia Finance Superintendence, Banco de Occidente organized the Structure of Treasury in three organizational and independent

areas, to complete trading activities (Front Office); risk monitoring, control and management (Middle Office) and processing and accounting (Back Office).

## Results of Liquidity Risks

Closing: June 30, 2011

### Liquidity Risk Management System

Banco de Occidente as of June 30, 2011 submitted a LRI at 7 days of \$2.235.762 which allows for determining that there is no any significant value in risk of liquidity. Net fixed assets added up \$2.363690 versus \$-127.927 negative Net Requirement of Liquidity.

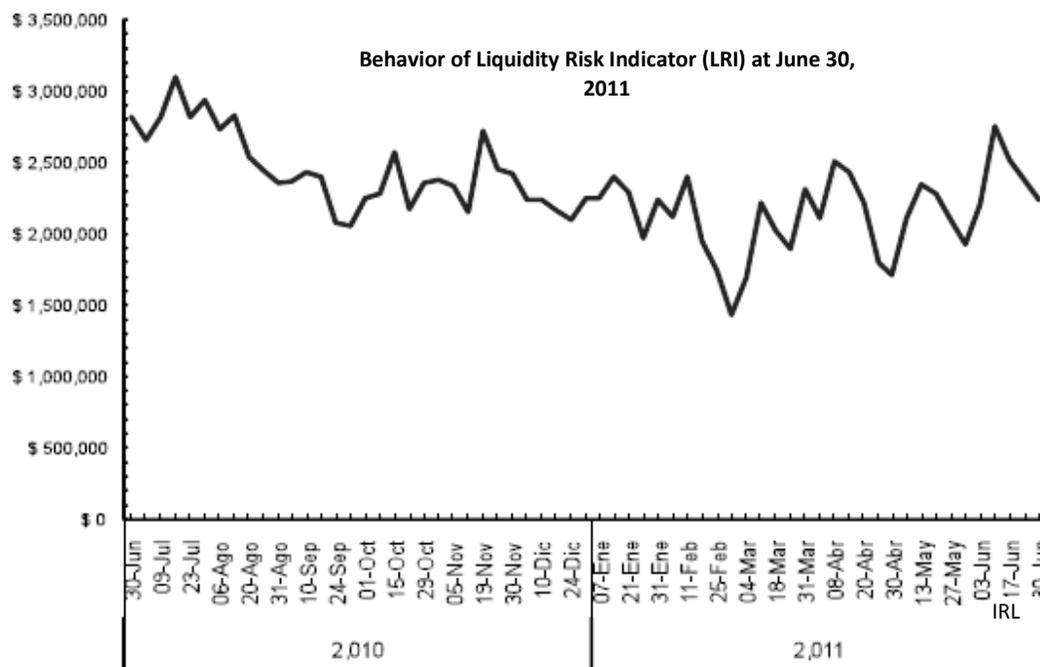
#### LRI Behavior as of June 30, 2011 (Col\$ Thousand)

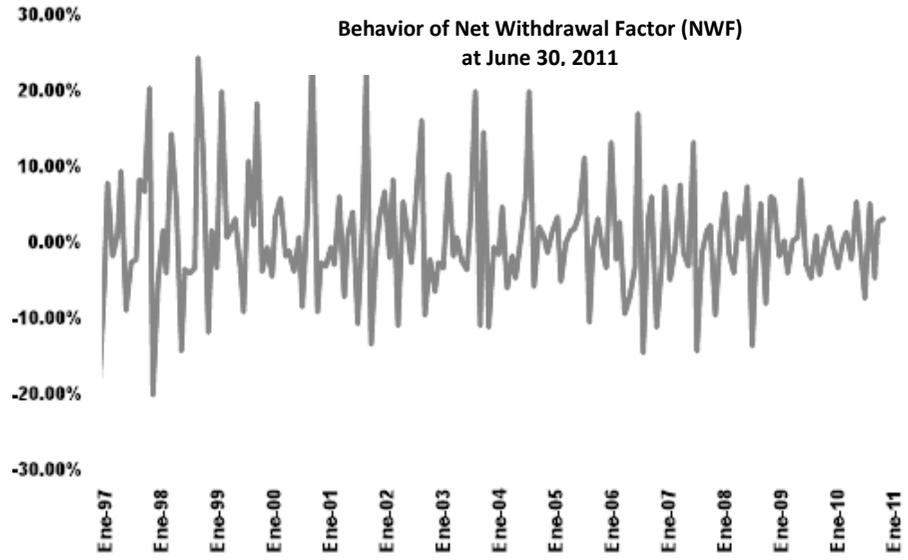
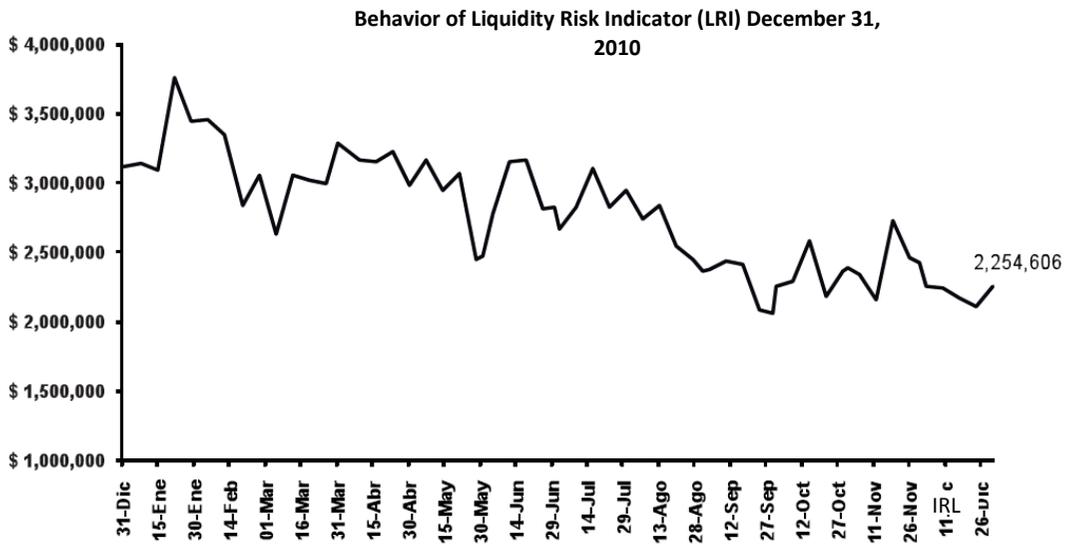
Description	Balance	Band 1 Days 1 - 7	Band 2 Days 8 a 15	Band 3 Days 16 a 30	Band 4 Days 1 a 30	Band 5 Days 31 a90
<b>Available</b>	\$ 1.574.080	-	-	-	-	-
Int. Funds, Repos Simult. & TTV	-	200.488	-	-	200.488	-
Investment	1.985.518	1.032	8.919	65.203	75.154	100.227
Certif. in securing Transfer Rights Portfolio	-	519.363	-	10.745	530.107	-
Derivatives	-	222.666	301.707	726.804	1.251.177	1.596.004
Accounts Receivable	-	750.838	542.110	881.529	2.174.476	892.953
Other Asset & Debtor Accounts	-	95.241	108.847	204.088	408.176	204.088
	-	-	-	-	-	5.793.765
<b>Active Positions</b>	<b>3.559.599</b>	<b>1.789.628</b>	<b>961.584</b>	<b>1.888.368</b>	<b>4.639.579</b>	<b>8.587.038</b>
Current Accounts	4.370.037	-	-	-	-	-
TDs	-	45.422	70.425	139.219	255.067	627.565
Saving Deposits	5.523.764	-	-	-	-	-
Payables	245.604	-	-	-	-	-
Int. Funds, Repos Simult. & TTV	-	530.000	6.000	12.000	548.000	-
Derivatives	-	751.883	525.134	877.766	2.154.782	855.429
Bank Credits	-	26.633	35.300	106.297	168.230	317.899
Accounts Payable	-	104.914	119.901	224.815	449.630	83.660
Outstanding Inv. Papers	-	1.311	-	1.699	3.010	21.914
Other Liabilities & Credit Cont.	-	-	-	-	-	2.475.310
<b>Passive Positions</b>	<b>10.139.404</b>	<b>1.460.162</b>	<b>756.760</b>	<b>1.361.797</b>	<b>3.578.719</b>	<b>4.381.777</b>
Net flow, Contractual maturity - Adjusted	-	326.318	193.038	454.574	973.930	4.102.214
Net flow withdrawals not subject to contractual maturities	-	454.245	519.139	973.383	1.946.766	-
<b>Net Liquidity Requirement</b>		<b>(127.927)</b>	<b>(326.099)</b>	<b>(518.809)</b>	<b>(972.836)</b>	<b>4.102.214</b>
Available less Reserve	378.171	-	-	-	-	-
Total Liquid Asset Investment	1.985.518	-	-	-	-	-
<b>Total Net Liquid Asset</b>	<b>2.363.690</b>	<b>-</b>	<b>2.235.762</b>	<b>1.909.663</b>	<b>-</b>	<b>-</b>
<b>Liquidity Risk Indicator (LRI)</b>		<b>2.235.762</b>	<b>1.909.663</b>	<b>) 1.390.854</b>	<b>-</b>	<b>-</b>

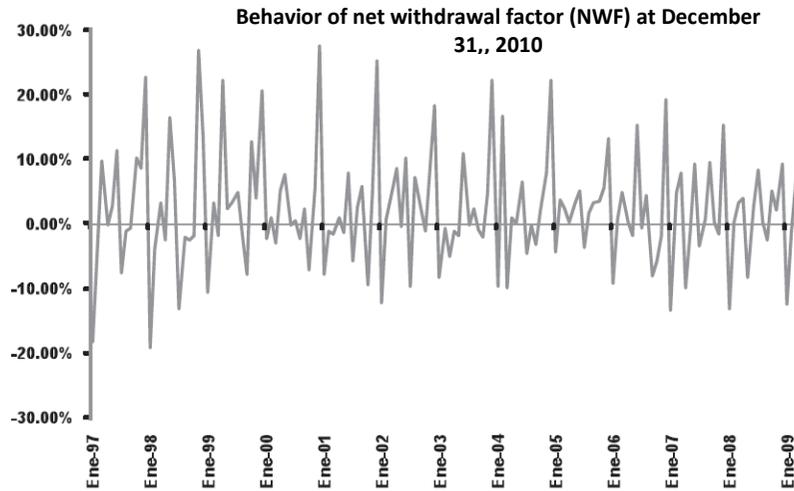
#### IRL Behavior as of December 31, 2010 (Col\$ Thousand)

Description	Balance	Band 1 Days 1 - 7	Band 2 Days 8 a 15	Band 3 Days 16 a 30	Band 4 Days 1 a 30	Band 5 Days 31 a90
<b>Available</b>	894.539	-	-	-	-	-
Int. Funds, Repos Simult. & TTV	-	308.028	5.315	-	313,343	-
Investment	2.478.338	1.263	10.233	159.966	171.461	41.766
Certif. in securing Transfer Rights Portfolio	-	-	-	-	-	-
Derivatives	-	345.812	392.350	749.485	1.487.647	1.599.754
Accounts Receivable	-	492.565	828.351	1.028.847	2.3497.62	947.857
Goods given in Leasing	-	40.788	46.615	87.403	174.806	174.806
Other Asset & Debtor Accounts	-	905	1.314	7.040	9.258	27.410
	-	-	-	-	-	4.509.543

<b>Active Positions</b>	<b>3.372.877</b>	<b>1.189.361</b>	<b>1.284.177</b>	<b>2.032.740</b>	<b>4.506.278</b>	<b>7.301.136</b>
Current Accounts	4.970.271	-	-	-	-	-
TDs	-	87.033	81.180	284.124	452.337	552.369
Saving Deposits	4.384.781	-	-	-	-	-
Payables	239.400	-	-	-	-	-
Int. Funds, Repos Simult. & TTV	-	111.366	30.000	-	141.366	-
Derivatives	-	487.457	824.677	1.033.068	2.345.203	947.202
Bank Credits	-	32.801	22.502	79.747	135.050	249.760
Accounts Payable	-	65.826	75.230	141.057	282.113	-
Outstanding Inv. Papers	-	-	-	297	297	86.310
Other Liabilities & Credit Cont.	-	-	-	-	-	3.795.399
<b>Passive Positions</b>	<b>9.594.452</b>	<b>784.484</b>	<b>1.033.589</b>	<b>1.538.294</b>	<b>3.356.367</b>	<b>5.631.039</b>
Net flow, Contractual maturity - Adjusted	- 399.118	235.254	325.287	959.660	1.607.946	-
Net flow withdrawals not subject to contractual maturities	-	429.831	491.236	921.067	1.842.135	-
<b>Net Liquidity Requirement</b>	<b>-</b>	<b>(30.713)</b>	<b>(255.982)</b>	<b>(595.781)</b>	<b>(882.475)</b>	<b>1.608</b>
Available less Reserve	-193.019	-	0.0	0.0	-	-
Total Liquid Asset Investment	2.478.338	-	0.0	0.0	-	-
<b>Total Net Liquid Asset</b>	<b>2.285.319</b>	<b>-</b>	<b>2.254.606</b>	<b>1.998.624</b>	<b>-</b>	<b>-</b>
<b>Liquidity Risk Indicator (LRI)</b>	<b>-</b>	<b>2.254.606</b>	<b>1.998.624</b>	<b>1.402.844</b>	<b>-</b>	<b>-</b>







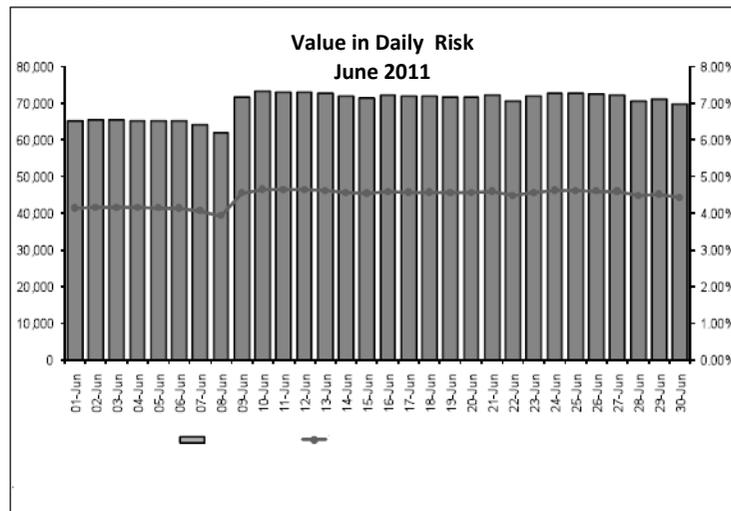
**Result of Market Risk  
Closing June 30, 2011**

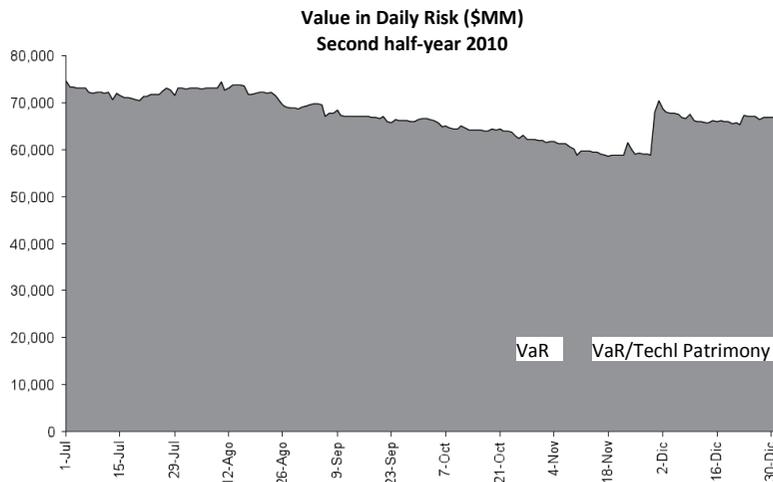
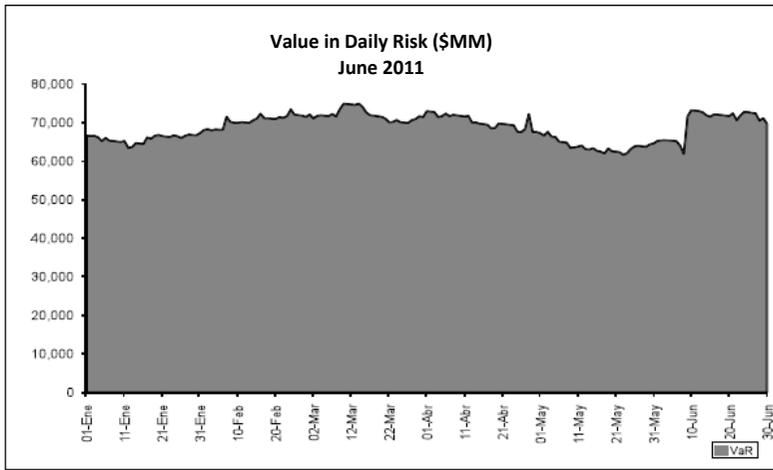
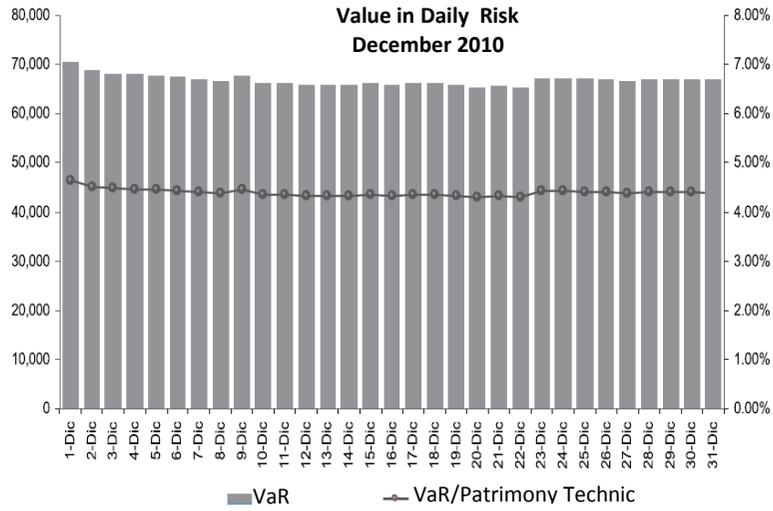
At the closing operational period June /2011 risk value of Banco de Occidente, calculated by using a new methodology provided in the Circular Letter 042, 2010 (Risk Value standardized in blocks of risks, as suggested by Basle Committee) \$69,810.6 result was obtained. The Figure below shows the recent evolution of Risk Value:

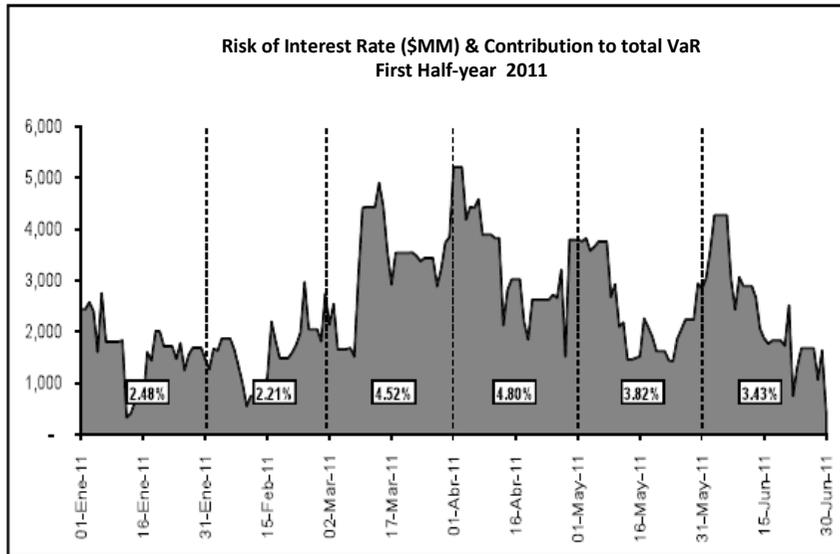
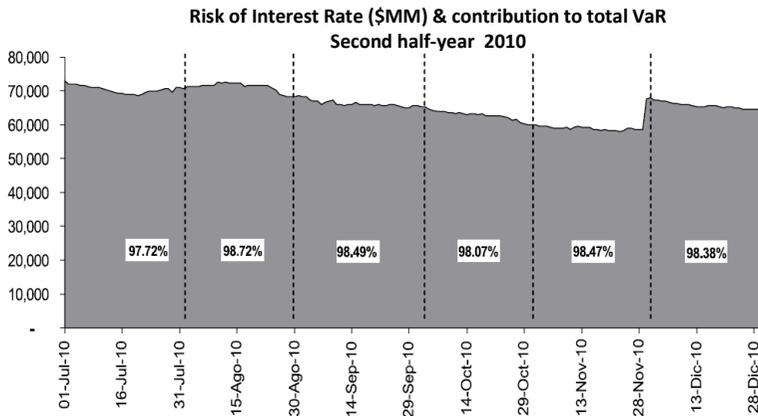
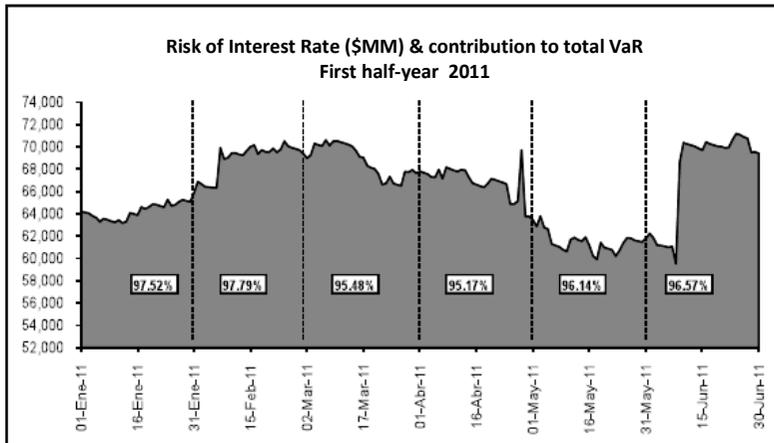
Risk Value per Modules

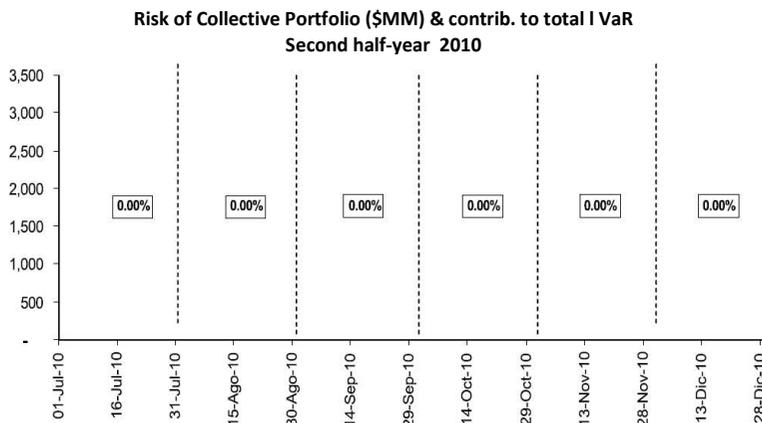
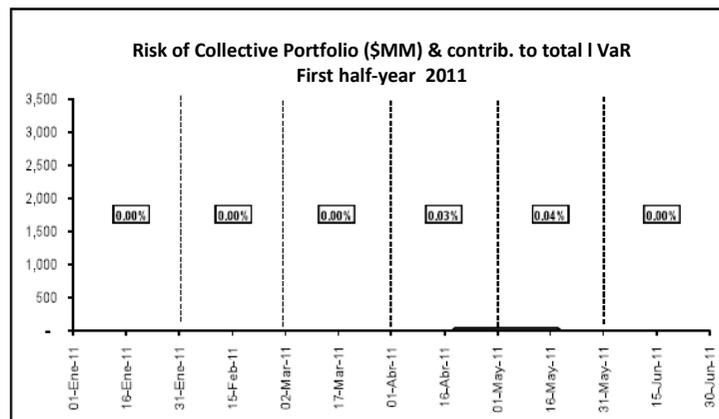
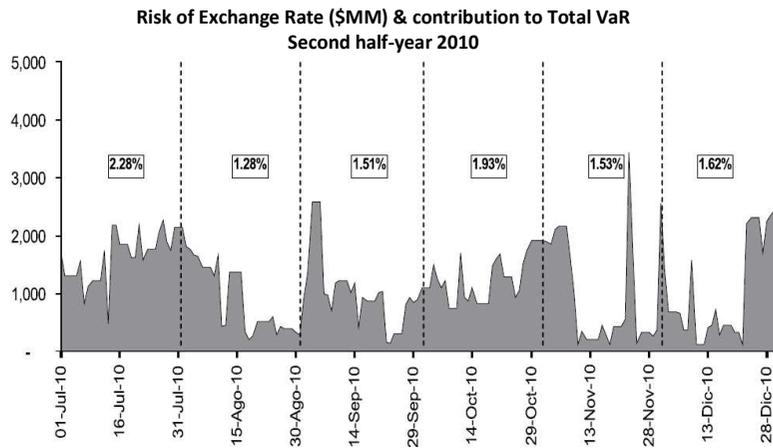
		Jun. 30--11	Dec. 3110
Interest Rate	\$	69.387,2	64.317,8
Exchange Rate		423,4	2.440,0
<b>Total Risk Value</b>	<b>\$</b>	<b>69.810,6</b>	<b>66.757,8</b>

Below the results of value in regulatory risk daily transmitted:









**Risk of collective portfolio (\$MM) & contrib. to total VaR  
First half-year 2010**

**Solvency Ratio**

Calculation of solvency ratio corresponding to the closing periods June 30, 2011 December 31, 2010 is follows:

		<b>Jun. 30-11</b>	<b>Dec. 31-10</b>
Total VeR (*)	\$	69.811	66.758
Technical Patrimony (*)	\$	1.591.906	1.530.556
Assets Weighed by Risk Level (*)	\$	15.333.098	13.832.990
Solvency Ratio		10.38%	11.06%
Solvency Ratio (VeR 100% )		9.88%	10.50%
VeR / P TECN. (Legal Required)		4.39%	4.36%

At the closing operational period June 30, 2011 the value under market risk represents 4.39% of Technical Patrimony, compatible to Bank asset and liabilities structure and to investment and risk policies established, as well as to the use of capital and historical behavior of those risks.

### **Operational Risk**

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

On a monthly basis and in an itemized manner ORMS Committee and the Board of Directors are informed about the most relevant aspects of the events related to operative risk, such report including the tracking of corrective actions implemented, aimed at mitigating the qualified risk in the external and high zones, the evolution of loss by this type of risk , the analysis of which allows for prioritizing the materialized events in the Bank, among others.

In the same way, the changes in risk profile, the identification of new risks and control of the current and new processes are reported to such entities

The Bank has available a database where operative risk events are recorded, such database is permanently fed with the reports submitted by Operative Risk Managers and by the concentrating areas. Such database is reconciled on a monthly basis with PUC accounts assigned, ensuring a proper accounting tracking. Tracking operative risk event records allows for feedingback ORMS, i.e., to identify new risks, reclassify risks and controls, prioritize those processes where development of action plans are required, among others

### **Business Continuity Plan**

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

During the first half-year 2011, the refining and strengthening of Management Plan pursued by continuity risk identification, measurement, control and monitoring schemes. This includes, inter alia, permanent updating of Business Impact Analysis, adjustment to plan documentation, considering business dynamics, tests to documentation from technological and operative standpoint, and permanent monitoring of the compliance with service level agreements for strategies updating and adjustment.

On the other hand, and to comply with the requirements in External Circular Letter No. 022 by Colombia Finance Superintendence concerning third critical parties supplying services to Banco de Occidente, it was pursued with the management by the owners of processes for tracking of continuity tests by such third parties. Additionally, new suppliers to tracking were incorporated and the procedures established were implemented for control (Continuity Clause in the contracts, certification of the possession of PCN implemented and completion of tests.

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### **Risk of Asset Laundry and Financing of Terrorism**

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

For such purposes, the Bank has been properly implementing the Laundry Asset and Financing of Terrorism Risk Management System LAFTRMS, based on COSO ERM methodology.

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

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

### **Finance Consumer Service System (FCS)**

This provision defines the service and protection of finance consumer, The Bank has defined activities and processes the purposes of which are to promote an environment of financial users' protection and respect, in line with the provisions in Act 1328/2009 and regulated by Circular Letter 015, 2010 by Colombia Finance Superintendence.

For the service, protection and respect of finance consumer, the Bank implemented schemes and processes aimed at identification, control and monitoring optimization..

- To use the due diligence when services are offered and actually supplied to users in order them to receive the information and/or service in a proper and respectful manner thereby developing relationships with the Bank.
- To strive for a proper finance consumer education and politeness.
- To supply finance users true, sufficient, accurate and opportune information allowing for them to properly know their rights, obligations and cost of the several different services offered.

### **(31) Corporate Governance**

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

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### **Board of Directors and Top Management**

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

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

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

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

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

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

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

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

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

### **Technology Infrastructure**

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

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

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

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

### **Risk Measurement Model**

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

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

### **Organizational Structure**

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

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

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

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

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

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

### **Human Resources**

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

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

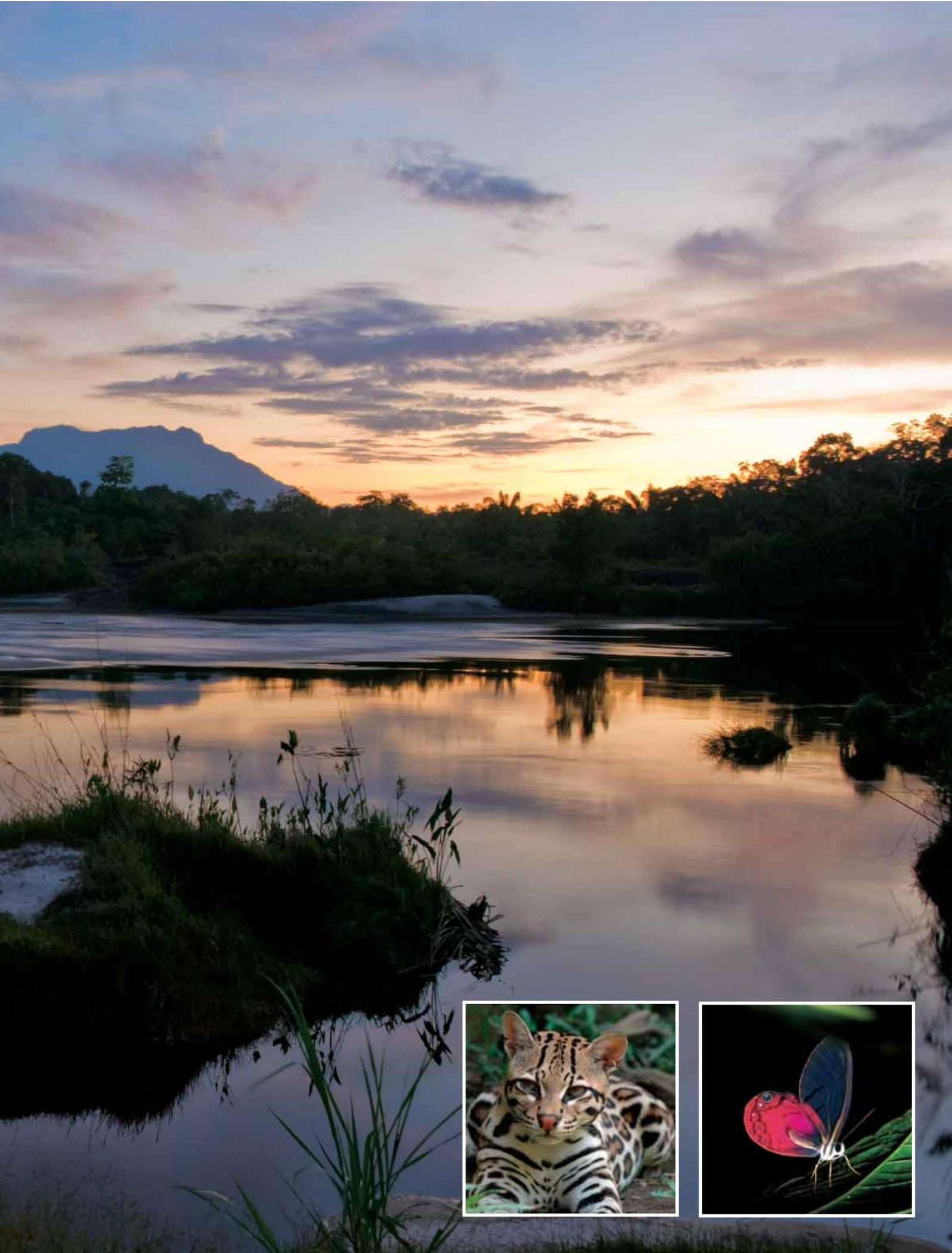
Specifically it is intended to combine a demanding professional training in financial area and a recognized honesty and human quality.

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

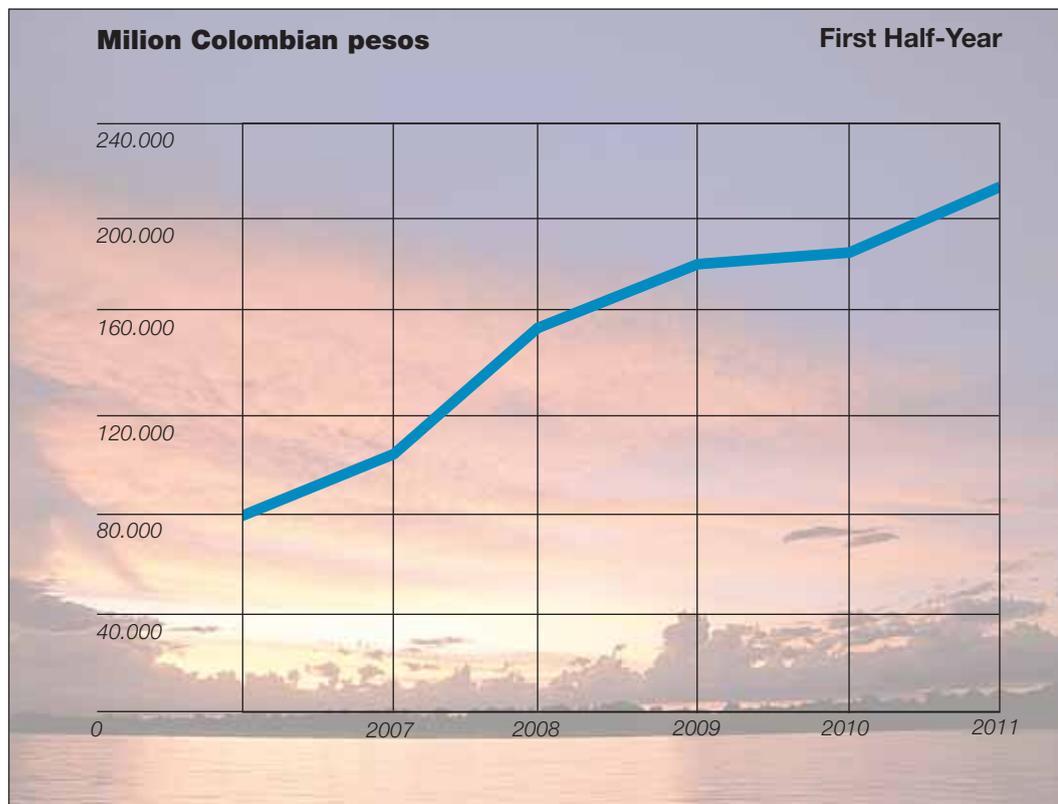
### **Verification of Operations**

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

At present, there are in place several security mechanisms such as telephone call recording, security cameras located in strategic points, electronic control of physical access to the units, contingency plans and assistance in the event of systems failures or interruptions, restricted access areas; control of access to systems, as well as



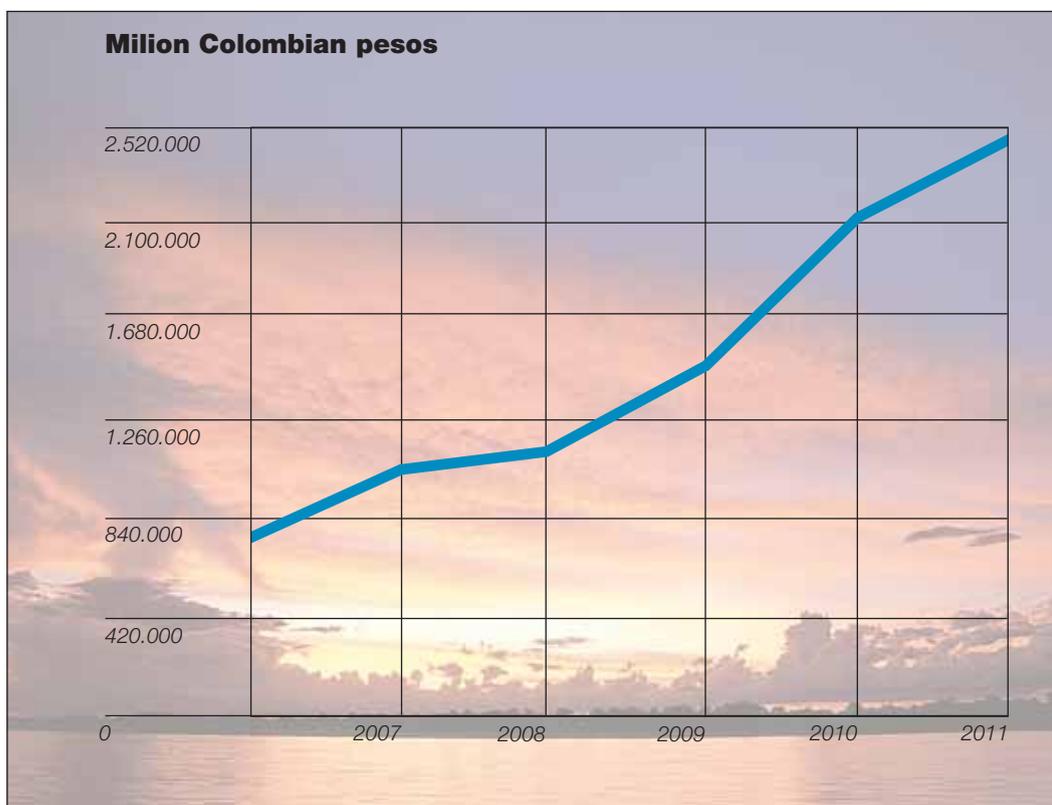
# Profits



<b>Year</b>	<b>First Semestre Year</b>	<b>Second Half-Year</b>	<b>Total</b>
2007	105.175	135.127	240.302
2008	156.604	180.212	336.816
2009	182.683	177.844	360.527
2010	187.451	202.020	389.471
2011	214.342	0	214.342

million pesos

## Equity, Reserves and Surplus

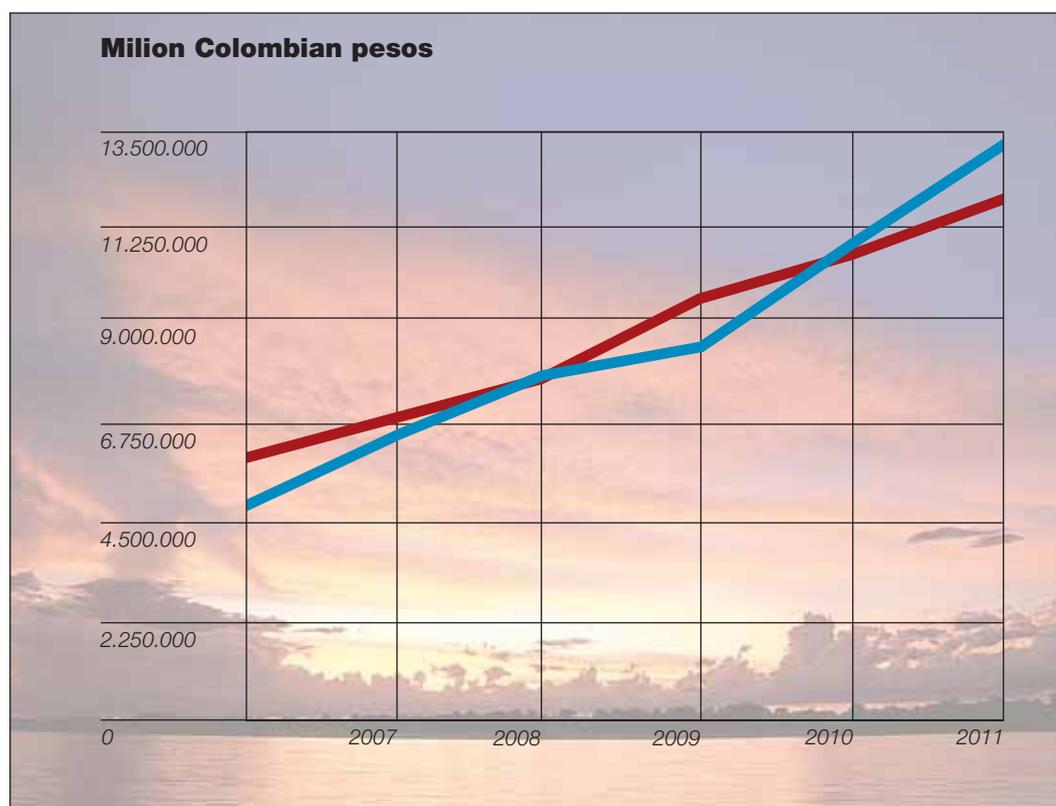


Períod	Paid Equity	Legal Reserve	Occasional Reserves	Surplus	Total
Jun. 2007	4.060	484.680	180.101	386.446	1.055.287
Jun. 2008	4.111	683.057	105.124	340.018	1.132.310
Jun. 2009	4.111	864.362	105.272	526.791	1.500.536
Jun. 2010	4.495	1.144.081	201.306	787.182	2.137.065
Jun. 2011	4.495	1.350.684	199.421	960.709	2.475.310

million pesos

# Deposits and Placements in Legal Tender and Foreign Currency

■ *Depósitos Totales*  
■ *Colocaciones Totales*



Period	Total Deposits (1)	Total Placements (2)
Jun. 2007	6.951.600	6.559.275
Jun. 2008	7.832.215	7.911.831
Jun. 2009	9.676.761	8.583.900
Jun. 2010	10.690.130	10.951.222
Jun. 2011	11.978.790	13.254.150

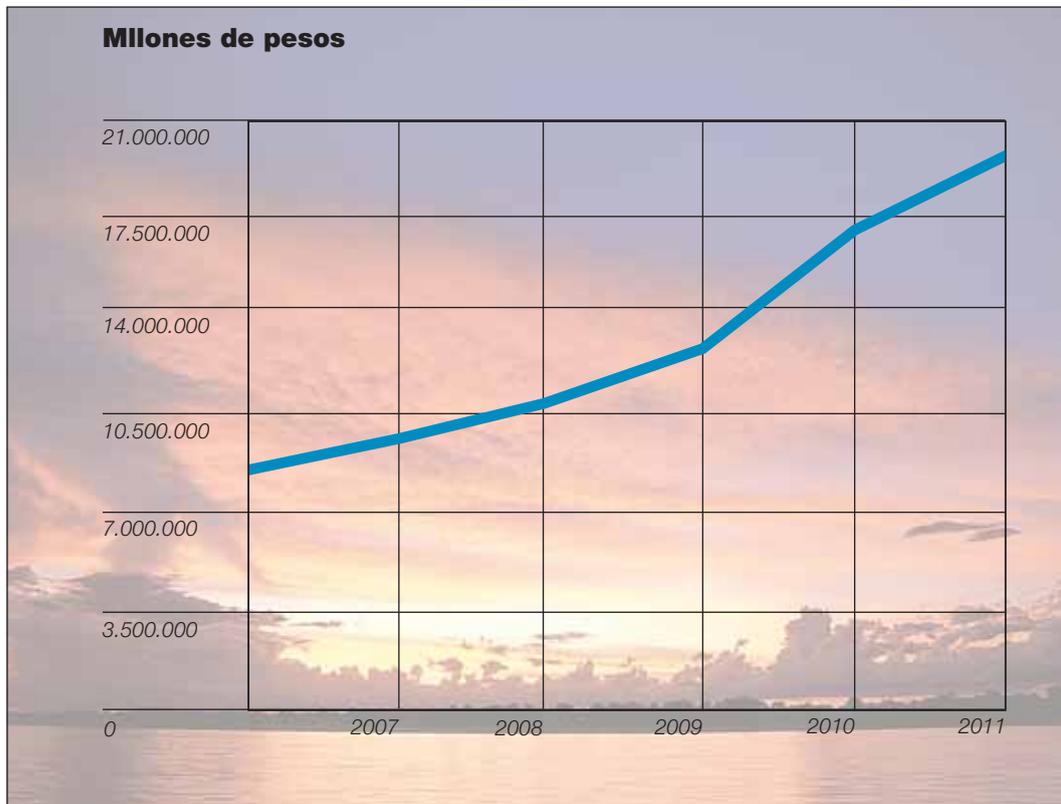
millions Colombian pesos

Notes:

(1) Includes in Legal Tender, Deposits in Current Account, and Certificates of Time Deposits, Saving Deposits, Trust Funds and Collection Bank Services.

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

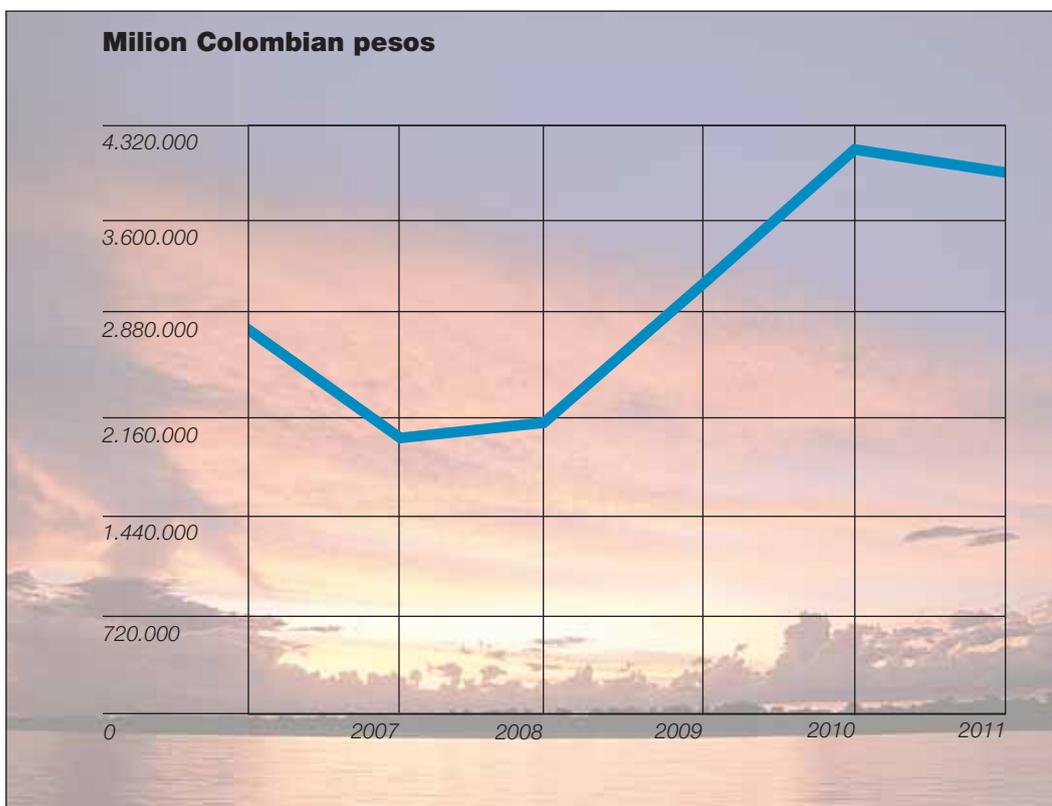
# Total Asset



Period	Total
Jun. 2007	9.680.541
Jun. 2008	10.923.225
Jun. 2009	12.887.172
Jun. 2010	17.118.440
Jun. 2011	19.815.136

million Colombian pesos

# Investments



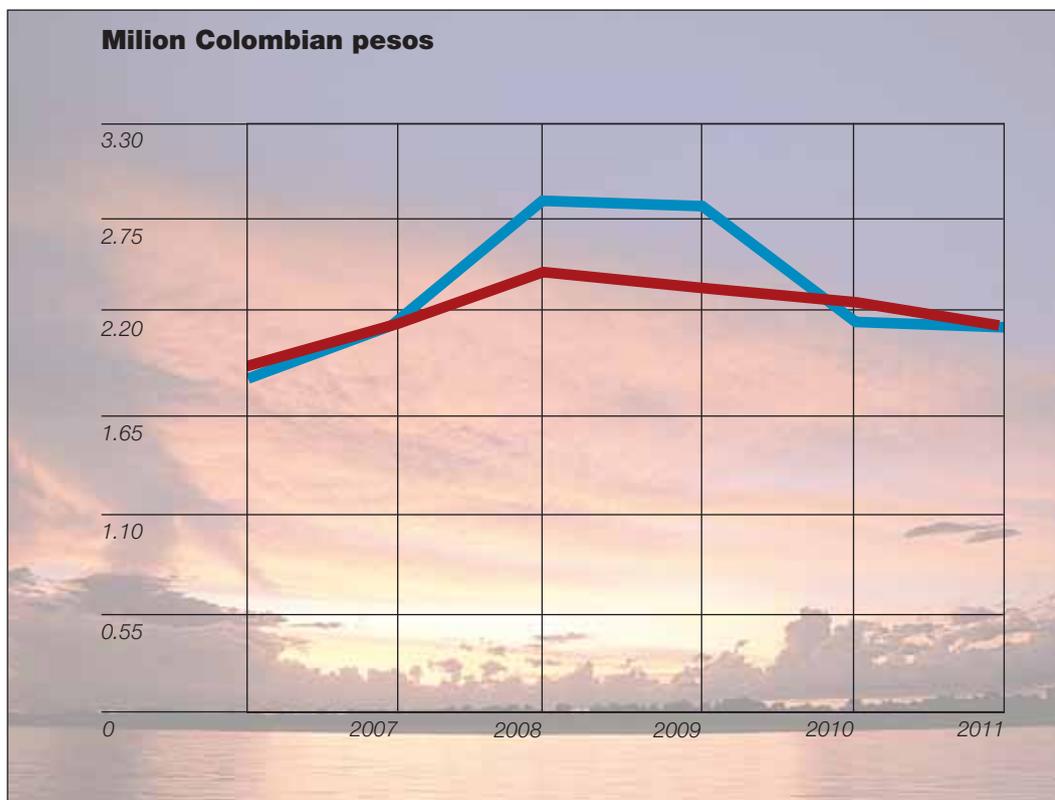
Period	Total
Jun. 2007	2.038.259
Jun. 2008	2.150.179
Jun. 2009	3.168.131
Jun. 2010	4.157.904
Jun. 2011	3.986.276

millions Colombian pesos

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

# Return on Total Assets

■ Banco de Occidente  
■ Sistema Bancario



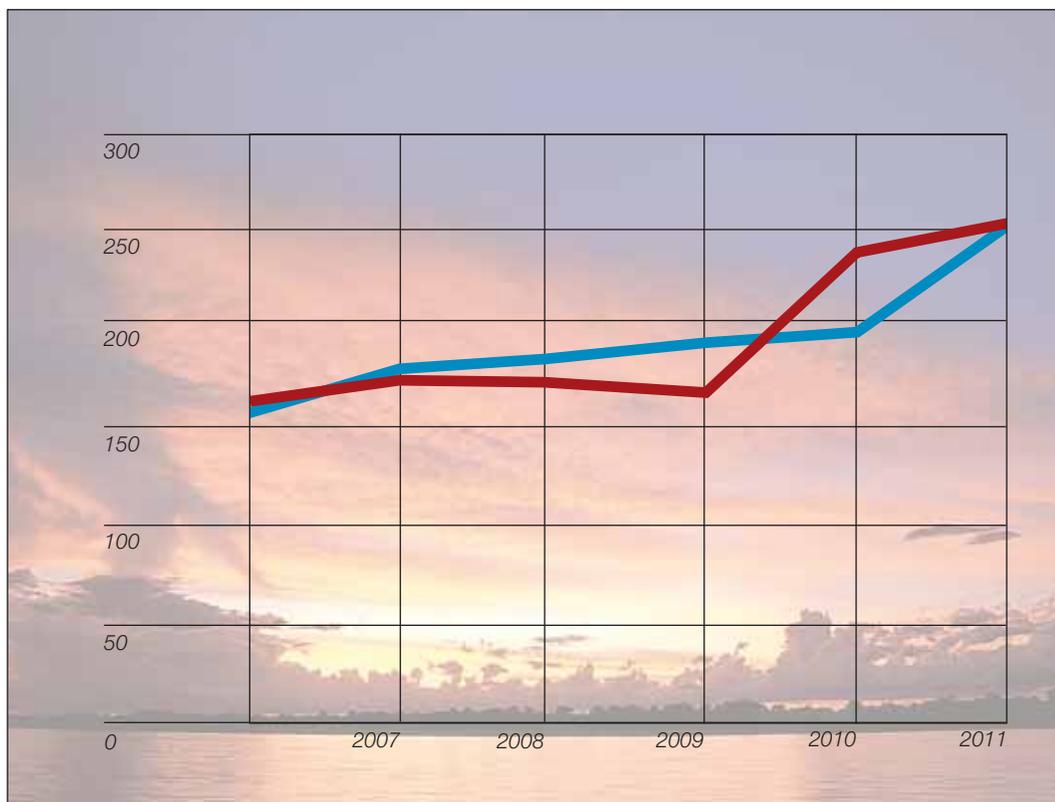
Períod (*)	Banco de Occidente	Total System
Jun. 2007	2,17%	2,18%
Jun. 2008	2,87%	2,47%
Jun. 2009	2,84%	2,38%
Jun. 2010	2,19%	2,30%
Jun. 2011	2,16%	2,17%

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

Profitability  
 Over Total Asset =  $\frac{\text{Half-year annualized profit}}{\text{Total Asset}}$

# Intermediation Gross Margin

■ *Banco de Occidente*  
■ *Sistema Bancario*

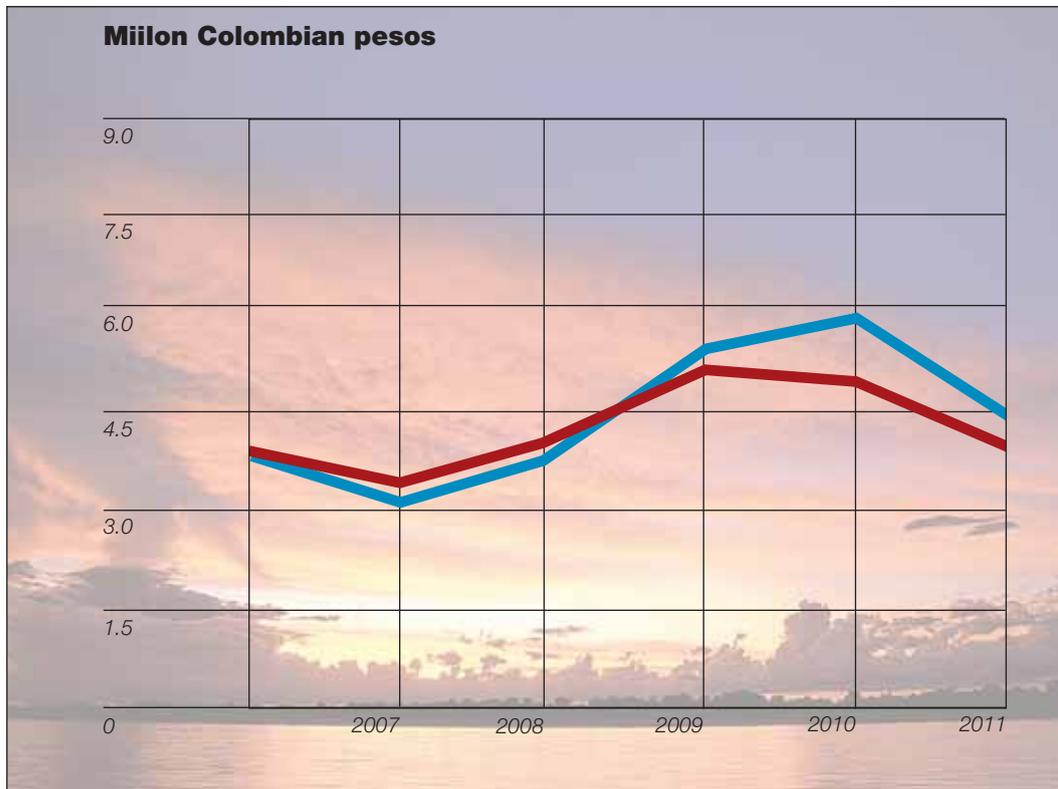


Períod	Banco de Occidente (%)	Total System (%)
Jun. 2007	180,67	174,52
Jun. 2008	185,84	173,83
Jun. 2009	194,02	168,53
Jun. 2010	199,41	240,04
Jun. 2011	253,97	254,95

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

# Portfolio Quality by Rating

■ Banco de Occidente  
■ Sistema Bancario

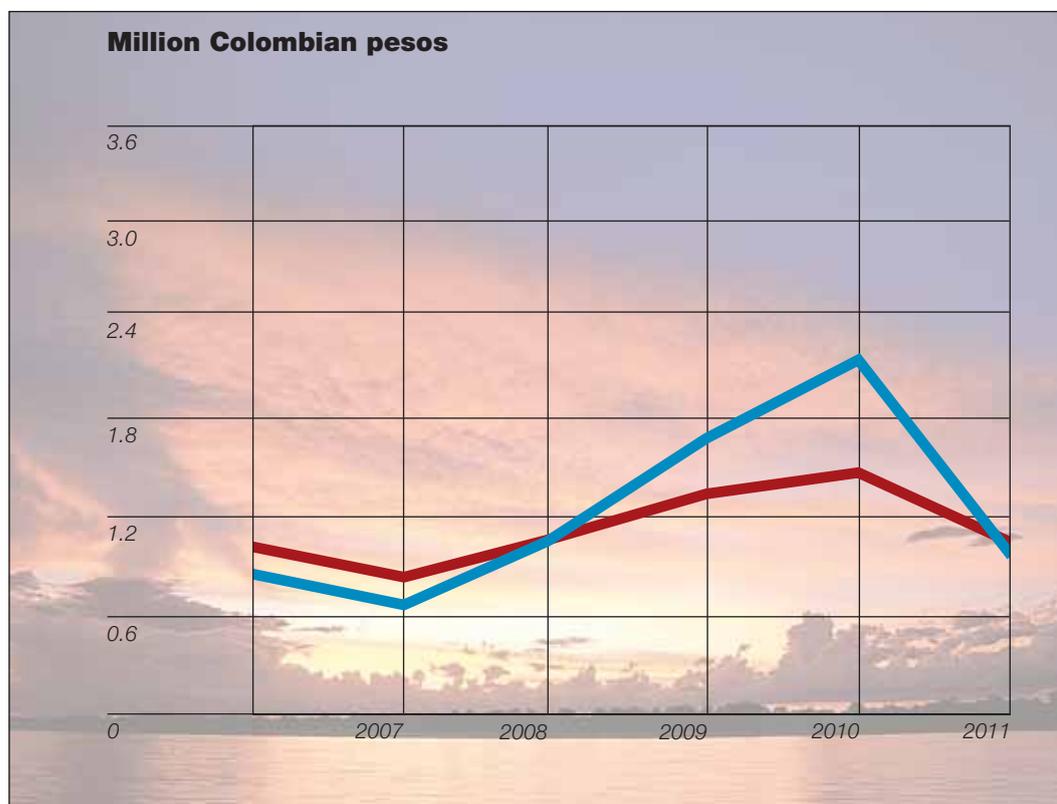


Períod	Banco de Occidente (%)	Total System (%)
Jun. 2007	3,12	3,42
Jun. 2008	3,76	4,03
Jun. 2009	5,47	5,15
Jun. 2010	5,94	4,97
Jun. 2011	4.43	3.97

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

# List of Due Portfolio

■ Banco de Occidente  
■ Sistema Bancario



Períod	Banco de Occidente (%)	Total System (%)
Jun. 2007	0,70	0,87
Jun. 2008	1,09	1,10
Jun. 2009	1,72	1,38
Jun. 2010	2,20	1,51
Jun. 2011	1,00	1,08

Overdue Portfolio Ratio =  $\frac{\text{Overdue more than 6 months Admissible Guarantee \& Other Guarantees}}{\text{Credit Portfolio} + \text{Provision Credit Portfolio}}$

# Branch Bank Network

<b>Región Suroccidental</b>	<b>Región Bogotá</b>	<b>Región Noroccidental</b>	<b>Región Norte</b>
<b>Cali</b> 29 Oficinas 2 Credicentros	<b>Bogotá</b> 54 Oficinas 1 Credicentro 2 Centros de Pagos y Recaudos	<b>Medellín</b> 20 Oficinas 1 Credicentro 1 Centro de Pagos y Recaudos	<b>Barranquilla</b> 10 Oficinas 1 Credicentro 1 Centro de Pagos y Recaudos
<b>Andalucía</b> <b>Buenaventura</b> <b>Buga</b> <b>Cartago</b> <b>Espinal</b> <b>Florencia</b> <b>Girardot</b> <b>Ibagué</b> 2 Oficinas 1 Credicentro <b>Ipiales</b> <b>La Victoria</b> <b>La Unión</b> <b>Neiva</b> 2 Oficinas <b>Palmira</b> 2 Oficinas <b>Pasto</b> 2 Oficinas 1 Credicentro 1 Centro de Pagos y Recaudos <b>Puerto Tejada</b> <b>Popayán</b> 2 Oficinas <b>Tuluá</b> <b>Santander de Quilichao</b>	<b>Chía</b> <b>Duitama</b> <b>Facatativa</b> <b>Sogamoso</b> <b>Tunja</b> 1 Oficina 1 Credicentro <b>Zipaquirá</b>	<b>Armenia</b> 2 Oficinas 1 Credicentro <b>Dosquebradas</b> <b>Envigado</b> <b>Itagüí</b> <b>Manizales</b> 2 Oficinas <b>Montería</b> 2 Oficinas 1 Credicentro <b>Pereira</b> 3 Oficinas 1 Credicentro <b>Rionegro</b> <b>Sabaneta</b>	<b>Bucaramanga</b> 6 Oficinas 1 Credicentro 1 Centro de Pagos y Recaudos <b>Barrancabermeja</b> <b>Cartagena</b> 6 Oficinas 1 Credicentro 1 Centro de Pagos y Recaudos <b>Cúcuta</b> 2 Oficinas <b>Girón</b> <b>Riohacha</b> <b>San Andrés (Isla)</b> <b>Santa Marta</b> 2 Oficinas 1 Centro de Pagos y Recaudos <b>Sincelejo</b> <b>Valledupar</b> <b>Villavicencio</b> 2 Oficinas 1 Credicentro <b>Yopal</b>
<b>Banco de Occidente Panamá S.A.</b>	<b>Occidental Bank (Barbados) Ltd.</b>		
<b>Ciudad de Panamá</b>	<b>Barbados</b>		