

COLOMBIAN FOREIGN TRADE BANK (Banco de Comercio Exterior de Colombia S.A.)  
- BANCOLDEX -  
Notes to the Financial Statements

COLOMBIAN FOREIGN TRADE BANK  
(BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A.) - BANCOLDEX -  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 & 2010

(Figures expressed in thousands of Colombian pesos, except those expressed in US Dollars)

"Currencies in this document are presented under the ISO Standards  
COP is used for Colombian Peso."

1. REPORTING ENTITY

The Colombian Foreign Trade Bank (Banco de Comercio Exterior de Colombia S.A.) - BANCOLDEX, is a publicly and privately owned corporation of the National Order, organized as a banking credit establishment, belonging to the Ministry of Commerce, Industry and Tourism organized under Colombian Law, established as of January 1, 1992, pursuant to the provisions of Law 7<sup>a</sup> and Decree 2505, 1991. Its term of duration is 99 years counted as of December 30, 1992 and, in accordance with Resolution No. 0652 dated April 15, 1996 issued by the Financial Superintendence of Colombia, its term of duration is extended up to December 30, 2091.

Articles 58 and 94 and to Law 795 dated January 14, 2003 confirm the Bank's legal nature, being exempt from obligatory investments and duly authorized to rediscount Leasing operations. Notwithstanding, due to the provisions set forth in articles 44, 46 and 50 of Law 1450 of 2011, the National Government empowers the Bank to administer, under the figure similar to Autonomous Equities, the Modernization and Innovation Fund for Micro, Small and Medium Enterprises (MSMEs), the Development Unit and the Productive Transformation Program.

The Bank is domiciled in the city of Bogotá, D.C., as of December 2011, it operates with 277 employees including 15 employees of the Investment Program Bank of Opportunities and 13 employees of Autonomous Equities and it does not have any branches or agencies.

The most important amendments to the By Laws are as follows:

Public Deeds 1372 dated November 23, 1993; 1578 of December 29, 1993; 520 dated May 19, 1995, 2229 dated May 7, 1996; 3254 dated June 24, 1998; through which several articles of its by laws were modified, relating to the Code of Commerce amendment, an extension of the Bank's authorized capital was made and an extraordinary closing of

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accounts to June 30, 1998; 1254 dated April 30, 1999 and 3798 dated September 3, 2001, through which several articles of the by laws were modified relating to their updates with respect to applicable law; 2904 dated July 9, 2002 through which article 50° of the by laws was amended based upon the recommendation issued by the Financial Superintendence of Colombia with respect to the corporate governance code and, 4568 dated October 6, 2004 through which article 6° was modified with reference to the corporate purpose of the Bank confirming its nature as a second tier bank and 2339 dated June 26, 2008 through which articles 6°, 19°, 21°, 22° and 76° were modified, which refer to the Bank's corporate by laws and 1366 of April 22, 2009 through which a statutory reserve is created.

Its corporate purpose consists mainly but not exclusively in financing activities related to exports and to national industry, acting for such purpose as a discount or rediscount Bank, before acting as a direct intermediary.

It may also perform credit operations, even to finance purchasers of Colombian exports, discount credits granted by other financial entities, grant and receive guarantees and endorsements in local legal currency or foreign currency, as well as to carry out other activities duly authorized by the Legal Structural Organization of the Financial System and by enforceable regulatory provisions.

The Bank has control over Fiduciaria Colombiana de Comercio Exterior S.A. - Fiducóldex - with a share of 89.17%, a mixed economy indirect corporation by shares of the national order, subject to inspection and supervision by the Financial Superintendence of Colombia, organized as of November 3, 1992, with main offices in Bogotá D.C., whose corporate purpose is to enter into a mercantile trust agreement with the Nation, (represented by BANCOLDEX), for the promotion of Colombian exports and to comply with other ends provided for in Decree 663, 1993, such as entering into mercantile trust agreements in every aspect and modes, as well as performing all kinds of operations, business, acts, tasks and services pertaining to the trust activity.

Likewise, as from May 28, 2003, it configured a controlling situation over the corporation "Leasing Bancoldex S.A" having a share of 86.55%, mixed economy corporation indirectly created, not ascribed or related to any Ministry, with the characterization of and Industrial and Commercial State enterprise, with Colombian nationality and domiciled in the city of Bogotá D.C., organized as a company for commercial financing, subject to the inspection and supervision by the Financial Superintendence of Colombia, created through Public Deed 1557 of 1994 granted before the Bogotá Circle 4<sup>th</sup> Notary Public (operation authorization contained in Resolution 718 of 1994 by the Financial Superintendence of Colombia). The two foregoing investments are shown in detail on Note 5.

2. MAIN ACCOUNTING POLICIES

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a) Basic accounting policy

The Bank's accounting policies and the drafting of the financial statements comply with the generally accepted accounting principles in Colombia and instructions by the Financial Superintendence of Colombia.

b) Cash Equivalents

The Bank deems as cash equivalents, for purposes of the statement of changes in the cash flows, the positive positions in monetary market and related operations.

c) Positive and Negative Positions in Operations of the Monetary market and Related Operations

Records Repo Operations, simultaneous operations, interbanking funds and temporary security transfers, carried out by the Bank utilizing liquidity surplus.

Repo Operations: Repo Operations occur when the Bank acquires or transfers securities, in exchange of delivering an amount in cash, assuming by such act and at that time, the commitment of conveying or acquiring the ownership again from its "counterparty" on the same date or in a subsequent date and at a determined price, of securities of the same kind and characteristics. The initial amount may be calculated with a discount over the market price of the securities subject matter of the operation; it may established that, during the enforceability of the operation the securities initially delivered may be substituted by different ones and, restrictions to the mobility of the securities subject matter of the operations may be imposed.

Simultaneous Operations occur when the Bank acquires or conveys securities, in exchange of the delivery of an amount of cash, assuming by such act and at that time, the commitment of conveying or acquiring the ownership again, on the same day or in a subsequent date, for a determined price, securities of the same kind and characteristics. It may not be established that the initial amount is calculated with a discount over the market price of the securities subject matter of the operation; it may not be established that during the enforceability of the operation the securities initially delivered may be substituted by different ones, and restrictions to the mobility of the securities subject matter of the operations are not imposed.

Interbank Funds are deemed as those placed or received by the Bank in another financial entity in a direct manner, without and agreement to convey credit portfolio investments.

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When these are present, it is deemed that the operation counts with guarantees to be carried out. These are operations connected to the corporate purpose which are agreed for a term not greater than thirty (30) calendar days, always provided that these operations are carried out seeking to take advantage of liquidity surplus, or to provide for liquidity shortages. Likewise, they comprise transactions denominated "overnight" carried out with foreign banks utilizing the Bank's funds.

Temporary Securities Transfers: Temporary Securities Transfers are those in which the bank transfers the ownership of certain securities, under the agreement of transferring them again on the same date or in a subsequent date. In turn, the counterparty transfers the ownership of other securities to the Bank or an amount of money equal to or greater than that of the securities subject matter of the operation..

d) Investments

Includes investments acquired by the Bank with the purpose of maintaining a secondary liquidity reserve, to allow enterprises access to alternatives of capital financing, through private equity funds - entrepreneur, to contribute to the development of private equity industry - entrepreneur in Colombia, to induce the participation of more and new institutional national and foreign investors, to acquire direct or indirect control of any corporation of the financial or services sectors, to comply with the legal or regulatory provisions, or with the purpose of eliminating or reducing the market risk to which the assets, liabilities and other elements of the financial statements are exposed.

The way in which the different investment types are classified, appraised and accounted for, is as follows:

*Investments Negotiable in Debt Securities:*

<b>Term</b>	<b>Characteristics</b>	<b>Appraisal</b>	<b>Accounting</b>
Short term	Certificates acquired with the purpose of obtaining profit from price fluctuation.	It is appraised utilizing prices, reference rates and spreads calculated and published daily by the Colombian Stock Exchange of Colombia. This procedure is carried out daily.	The difference between the current market value and that immediately precedent is recorded as a greater or lower value of the investment and its offsetting account affects the results of the period.  This procedure is carried out daily as from the purchase date.

*Investments Negotiable in Share Certificates:*

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<b>Term</b>	<b>Characteristics</b>	<b>Appraisal</b>	<b>Accounting</b>
Long Term	Participation units with the purpose of allowing enterprises to have access to equity financing alternatives through private equity funds and to contribute to the development of private equity industry in Colombia.	The appraisal of portfolios and units of participation of the private equity funds shall have a periodicity defined by the regulations of the same, always provided it is not greater than provided for the submittal of accounts or each time an anticipated distribution of dividends is carried out.	It is accounted for as a profit or loss within the Statement of Results, with a credit or charge to the investment.

*Investments Up to Maturity:*

<b>Term</b>	<b>Characteristics</b>	<b>Appraisal</b>	<b>Accounting</b>
Up to maturity	<p>Are those securities or certificates respect of which there is a serious purpose as well as the legal, contractual, financial and operational means to keep them until expiration of their maturity term or redemption date.</p> <p>These investments do not allow carrying out monetary market and related operations. Notwithstanding, they may be delivered as guarantee with the Counterparty Risk Central Chamber.</p>	<p>In an exponential manner, as from the internal return rate calculated at the time of purchase.</p> <p>This procedure is carried out daily.</p>	<p>The present value is accounted as a greater value of the investment and its offset entry is recorded in the period results.</p> <p>This procedure is carried out daily.</p>

*Available for Sale in Debt Certificates:*

<b>Term</b>	<b>Characteristics</b>	<b>Appraisal</b>	<b>Accounting</b>
One year	After a year has elapsed, the following first business day they may be classified in the former categories.	It is appraised using the internal rate of return calculated at the time of purchase at the prices and rates published daily by the	The difference between the present value on the appraisal date and that of the immediately previous date is recorded as a greater value of the investment credited to the accounts

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Term	Characteristics	Appraisal	Accounting
	These investments allow carrying out money market and related operations and may be delivered as guarantee with the Counter Party Risk Central Chamber	Colombian Stock Exchange. This procedure is carried out daily.	of results. The difference existing between the market value and the present value is recorded as an accumulated profit or loss not realized, in the equity accounts.

*Available for Sale in Share Certificates:* This type of certificates are appraised and accounted for in accordance with their registry with the Colombia Stock Exchange, as follows:

Entry in the Stock Exchange Listing	Appraisal	Accounting
Listed	They are appraised based upon the daily appraisal price published by authorized agents. If such calculated price does not exist for the day of appraisal, such investments are appraised with the last known appraisal value.	Updating of the market value of certificates with high stock exchange negotiability or listed in stock exchanges abroad is accounted as an accumulated profit or loss not realized, in the equity accounts, with credit to the investments.
Not listed	They are appraised through one of the following procedures:  (i) The acquisition cost shall be increased or decreased with the participation percentage corresponding to the investor over the subsequent variations of the equity of the respective issuer.  (ii) By the price determined by a specialized agent during the appraisal of real property assets.  (iii) By a method that reflects adequately the economic value of the investment, which shall be previously authorized through provisions having a general character issued by the Financial	In the event in which the investment value updated with the participation corresponding to the investment is greater than the value for which it was registered, the difference shall affect in first instance the provision or loss of value until exhausting it and the excess shall be recorded as surplus due to appraisalment.

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<b>Entry in the Stock Exchange Listing</b>	<b>Appraisal</b>	<b>Accounting</b>
	Superintendencia of Colombia.	
Listed in Stock Exchanges abroad	These investments are appraised with the closing price or, otherwise, the most recent lifting reported by the stock exchange in which it is negotiated, during the last five (5) days, including the date of appraisal. If the closing or lifting price does not exist, they are appraised through the average listings reported during the last thirty (30) negotiable days, including the date of appraisal.	The updating of the market value of certificates with high stock exchange negotiability or those listed in stock exchanges abroad, is accounted as an accumulated profit or loss not realized, in the equity accounts, with credit or charge to the investment.

*Transfer Rights of Investments:*

Corresponds to restricted investments representing collateral guarantees of repo operations, simultaneous or temporary transfer of securities.

Regarding negotiable investments, they are accounted with the transference value at the time of fund collection and they are updated at the market price; any variation present between the latter and the accounted value is recorded in the account of results as profit or loss, as the case may be.

*Credit Risk Rating of Investments:*

As a result of credit risk assessment, investments, except those carried out in private equity funds, are classified and they shall be provisioned as follows:

<b>Classification</b>	<b>Provision</b>
"A" Normal Risk	-
"B" Acceptable Risk	20%
"C" Considerable Risk	40%
"D" Significant Risk	60%
"E" Non- collectable Investments	100%

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Credit risk of Private Equity Funds investments carried out by Bancoldex within the framework of the Bancoldex Capital program is rated based on an internal methodology duly approved by the Financial Superintendence of Colombia. The foregoing because the regime for rating and provisioning due to credit risk in force is not designed to be applied to participations in private equity funds, taking into account it refers to securities with an expected positive cash flows value as from the beginning of the investment or to those in which the counterparty's capacity of compliance may be estimated with some degree of accuracy, which is not a characteristic of the private equity funds.

Bancoldex methodology is based on qualitative and quantitative criteria and establishes the following scale for the credit risk rating of the private equity funds and establishing their provisions:

<b>Credit risk level</b>	<b>Rating</b>	<b>Provision</b>
Very low	1	2%
Low	2	5%
Moderate	3	10%
High	4	50%
Very high	5	100%

e) Credit Portfolio

Records the credits granted by the Bank under the different modalities authorized. The resources used for granting the credits derive from own resources, from the public under the modality of deposits and from other external and internal financing sources. The loans are accounted by the value of the disbursement, except for the "factoring" portfolio purchases, which are recorded at the discount.

The Bank's credit portfolio includes solely the commercial credits line, which is defined as credits granted to individuals or legal persons for developing organized activities different than micro credits; notwithstanding the foregoing, and in compliance with External Circular letter 054 of 2009 issued by the Financial Superintendence of Colombia, Bancoldex presents a housing and consumption portfolios which exclusively obey to credits granted to ex-officers.

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*Evaluation Intervals:*

Each semester, the Bank evaluates the rating of the total of its credit operations and the result of this evaluation is recorded at the following month.

*Criteria to Evaluate Credit Risk:*

The Bank permanently evaluates credit risk inherent to its credit assets, both at the time when they are being granted as well as through the lifetime of the same, including restructurings. For such effect the Credit Risk Management System - CRMS has been designed and adopted, comprised by credit risk policies and administration procedures.

*Portfolio Credit Risk Evaluation and Classification:*

Credit operations are rated based on the cited criteria and classified in one of the following risk categories:

For commercial portfolio:

<b>Category</b>	
"A" Normal Risk	Credits in force and up to 1 month due
"B" Acceptable Risk	Credits between 1 and 3 months due
"C" Considerable Risk	Credits between 3 and 6 months due
"D" Significant Risk	Credits between 6 and 12 months due
"E" Non Collectable Risk	Credits over 12 months due

For housing portfolio:

<b>Category</b>	
"A" Normal Risk	Credits in force and up to 2 months due
"B" Acceptable Risk	Credits between 2 and 5 months due
"C" Considerable Risk	Credits between 5 and 12 months due
"D" Significant Risk	Credits between 12 and 18 months due
"E" Non Collectable Risk	Credits over 18 months due

For consumption portfolio:

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**Category**

"A" Normal Risk	Credits in force and up to 1 month due
"B" Acceptable Risk	Credits between 1 and 2 months due
"C" Considerable Risk	Credits between 2 and 3 months due
"D" Significant Risk	Credits between 3 and 6 months due
"E" Non Collectable Risk	Credits over 6 months due

Pursuant to the provisions set forth in Chapter II of Circular External Letter 100 of 1995 issued by the Financial Superintendence of Colombia, Bancoldex, being a rediscount Entity, is exempt from submitting internal reference models adopted by such Superintendence of Colombia, notwithstanding it shall constitute provisions to the credit portfolio in accordance with the provisions set forth in Schedule I, Chapter II of such Circular Letter.

Consequently, the Bank constitutes provisions charged to the income statement as follows:

*General provision*

Is the mandatory general provision of 1% over the total gross loan portfolio. Said provision may be greater if so approved by the General Shareholders Meeting with a deciding quorum greater than 85%. The Extraordinary General Shareholders Meeting dated December 14, 2009 adopted an increase of such percentage to 3%.

*Individual Provision*

Individual provisions are constituted in accordance to the modality, for protecting the credits rated in risk categories ("A", "B", "C", "D" and "E") in the following percentages:

For commercial and consumption portfolio:

<u>Category</u>	<u>Capital</u>	<u>Interests and other Items</u>
A - Normal	1	1
B - Acceptable	3.2	3.2
C - Considerable	20	100
D - Significant	50	100
E - Non-collectable	100	100

For housing portfolio:

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<u>Category</u>	<u>Capital</u>	<u>Interests and other Items</u>
A - Normal	1	1
B - Acceptable	3.2	3.2
C - Considerable	10	10
D - Significant	20	20
E - Non-collectable	30	30

*Effect of Qualified Guarantees on Constitution of Individual Provisions:*

Guarantees for credits only endorse capital of the same; consequently, balances for payment of credits covered with securities having qualified guarantees, are provisioned in the percentage corresponding to the credit rating, applying said percentage to the difference between the unpaid balance and seventy percent (70%) of the amount of the guarantee.

In accordance with the nature of the guarantee and the time of default of the credit, in order to constitute provisions, only the percentages of the aggregate appraisal of the guarantee are taken into account as follows:

**Non-Mortgage Guarantee**

<u>Time in default</u>	<u>Coverage Percentage</u>
0 - 12 months	70%
Over 12 months to 24 months	50%
Over 24 months	0%

**Mortgage Guarantee or Mercantile Trust**

<u>Time in default</u>	<u>Coverage Percentage</u>
0 18 months	70%
Over 18 months to 24 months	50%
Over 24 months to 30 months	30%
Over 30 months to 36 months	15%
Over 36 months	0%

Mortgage securities upon commercial or industrial establishments of the debtor where the corresponding establishment operates, as well as guarantees upon real estate property forming part of the respective establishment, will be taken at zero percent (0%).

*Loan Portfolio Write Offs:*

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A loan portfolio is subject to write offs when the Administration deems them as non-recoverable, or with remote or uncertain prospects for recovery, after having exhausted the appropriate collection actions, pursuant to the recommendations given by legal counsels and collection firms approved by the Board of Directors.

f) Acceptances, cash operations and derivatives

*Bank Acceptances:*

Records the amount of bank acceptances created by the Bank on account of its clients and those created by the Bank on account of its correspondents. Bank acceptances have an expiration term of up to six (6) months and may only originate in transactions of purchase and sale of goods.

At the time of acceptance of the drafts, its amount is recorded simultaneously both in assets and liabilities as "debtors, bank acceptances during term" and, if at maturity they are not submitted for collection they are reclassified under the heading "debtors, bank acceptances after term". If they have not been covered by whom acquires the merchandise at the time of payment, they are reclassified in the loans account, "debtors, bank acceptances covered". After maturity, bank acceptances are subject to the float reserve deposit established for callabilities at sight and before thirty (30) days.

*Cash Operations:*

Cash operations are recorded with a term for their compensation and liquidation, as well as the date they were entered into or registered, namely from today for today or until three (3) business days counted as from the day following the registration of the same.

Accounting of these operations is carried out under the liquidation date method, namely the seller maintains the financial assets in its balance until the delivery of the same is made, recording in its accounting the right to receive the money product of the transaction and an obligation of delivering the asset negotiated. On its part, the purchaser accounts a right to receive the financial asset, which shall be assessed at market prices and an obligation of delivering the money agreed in the operation.

*Derivatives:*

Derivative financial instruments are due or liquidated in the future and their fair exchange price depends on one or more underlying instruments. Derivatives may be

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negotiated to obtain risk hedging for other positions, speculation seeking to obtain profits, or carrying out arbitration in the markets. Nevertheless, the operations negotiated by Bancoldex are solely with purposes of speculation.

The accounting record allows distinguishing the type of derivative (forward, swap, future or option) as well as the objective of the same (speculation or hedging). The assessment of derivative financial instruments and of structured products is carried out on a daily basis at a fair exchange price. If such price is positive, namely favorable for the Bank, it is recorded in the assets, separating the value of the right and the value of the obligation, except in the case of options, where the accounting record is carried out in only one account. On its part, those showing negative fair exchange prices, namely unfavorable for the Bank, are recorded in the liabilities, carrying out the same separation.

Derivative financial instruments which are compensated and liquidated through a risk central chamber of counterparty shall be subject to the conditions established in the regulations of operation of such chamber.

In view of the fact that futures have a daily compensation and liquidation, the amount of the obligation is equal to the value of the right. Thus, such amounts are updated daily in accordance with the market price of the respective future and what affect the statement of results is equivalent to the variation of the exchange fair price of the future, namely at daily cash flows.

g) Accounts receivable

Records amounts pending collection such as interests, commissions, advanced payments relating to agreements and suppliers, advanced payments to employees and other. The Bank accrues financial yields in accordance with the conditions agreed, suspending interest accrual over the portfolio of payments having two or more months in default, depending on the credit line and its rating, and all of them are subject to provision. Interests not accrued are controlled through contingency debtor accounts. For their evaluation, the Bank performs a permanent follow-up dealing separately with those deriving from the credit portfolio and others.

h) Goods received as payment

Records the adjusted value of goods received as payment, due to unpaid balances originating in credits in favor of the Bank.

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Goods received as payment represented in real estate property are received based upon a technically determined commercial appraisal and personal property, shares and other interests are received based on their market value.

The following conditions are taken into account for recording goods received as payment:

*Accounting:*

- The initial record is carried out in accordance with the value determined by the court or the value agreed upon with the debtors.
- When the good received as payment may not be alienated, its cost is increased including all the necessary expenses to be incurred for its sale.
- If a balance in favor of the debtor results from the amount for which the good is received and the amount of the credit to be paid, the difference is recorded as an account payable; in the event that the appraisal of the good is not enough to cover the whole debt recorded, the difference is acknowledged immediately in the statement of earnings.
- When the commercial appraisal of the real property is less than the book value of the goods received as payment, a provision is recorded for the amount equivalent to the difference.

*Provisions:*

For calculating the provisions the Bank being a rediscount entity, complies with the general regulations established by the Financial Superintendence of Colombia, pursuant to the provisions set forth under Chapter III of External Circular Letter 100 of 1995, of the Finance Superintendence of Colombia.

For each payment in kind received, the Bank shall immediately constitute the same individual provision already recorded in the credit portfolio.

i) Properties and equipment

Records tangible assets acquired, constructed or going through the process of being imported, constructed or assembled, which are used permanently during ordinary operation of the business and whose economic life is greater than one year. Includes direct and indirect costs and expenditures accrued up to the time when the asset is in operating conditions.

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When an asset is sold or withdrawn, its cost and aggregate depreciation up to the date of withdrawal are cancelled and any loss or profit is included within the results of the period.

Substantial improvements extending the economic life of assets are capitalized and the expenditures for maintenance and repairs that do not extend the useful life of assets are recorded as expenditures, as they occur.

Since the initial capital of Bancoldex originated from the final capital of Proexpo, property and equipment transferred were recorded with their net book value and the depreciation was calculated based on the remaining useful life of each asset. Depreciation is calculated through the linear method, based on the respective estimated assets useful life.

The annual depreciation rates are as follows:

Buildings	5%
Equipment, office furniture and office gear	10%
Computers	20%
Vehicles	20%

The Bank has a maintenance plan for its computer equipment that allows the development of a preventive program for the whole computing system used for information processing. All the adequate security measures have been adopted and the properties as well as equipment are duly insured and covered against risks relating to fire, earthquake, low electric current, theft, larceny and robbery.

j) Advanced expenditures and deferred charges

Advanced expenditures correspond to disbursements incurred by the Bank during the performance of its operation, whose benefit is received during several future periods and may be recoverable. Advanced payments assume successive performance of the services to be received.

Deferred charges correspond to costs and expenditures that benefit future periods and are not subject of recovery. Amortization is acknowledged as starting from the date they contribute to income generation within the terms set forth by the Financial Superintendence of Colombia.

The items included in this category as well as the amortization policies are described as follows:

*Advanced payments*

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- Interest payment of fixed term deposits certificates and bonds during enforceability of the term at which the payment corresponds.
- Insurance policies in force.
- Other advanced expenses in accordance with consumption.

*Deferred charges*

- Computer software up to three (3) years using the linear method.
- Discounts for bond placements during certificates enforceability.
- Tax on equity and overcharge of the same.
- Deferred Income Tax
- Contributions and affiliations\*

\* The Bank amortizes in monthly aliquots the payment value of the policies during the period covered.

k) Letters of credit for deferred payment

Records the amount of the letters of credit used, wherein it is foreseen that the payment shall be made in one or several defined dates. The utilization of the letter of credit for deferred payment constitutes a firm commitment for the Bank, acting as the entity confirming the documentary credit.

l) Appreciations

Records appreciations of investments available for sale of share certificates, specifically real estate, cultural goods and art works.

Increases in value of real estate property, of cultural goods and art works are determined comparing the appreciations against the net adjusted costs; the foregoing based on commercial appraisals performed by independent acknowledged specialized individuals or firms.

In the event of a decrease in value, following standards of prudence, a provision is constituted for each real estate property taken into account

m) Rights in Trusts

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Records the securitization of the credit portfolio, which is a mechanism for mobilizing assets, which consists of grouping present or future goods generating Cash Flows denominated "Underlying Assets", by means of the creation of a self financed structure through a Special Purpose Vehicle (SPV), from which securities are issued; for structuring purposes of Securitization processes the Autonomous (*Patrimonios Autónomos*) or Universalities have the SPV condition exclusively. The exclusive payment source for such securities is the cash flow derived from the Underlying Assets linked to the Securitization.

Bancoldex, as Originator in the securitization process, in October 2010 carried out the transfer between accounts of the asset to the item of Trust Rights, and once the Management Agent issued the securities and transferred the resources to the Bank, the loss was recorded deriving from the transaction and the registries were carried out to decrease both the trust right in favor of the bank as well as the memoranda accounts associated to the credit portfolio.

n) Fixed Term Deposit Certificates

Records the obligations of the Entity by fund raising through issues of fixed term deposit certificates. The liquidity obtained is utilized to attend mainly credit portfolio disbursements. Its redemption is always made on the date of maturity or the following business day.

o) Special Deposits

Records guarantee deposits received by the Bank to attend the payment of obligations in its favor, which for any circumstance they may not be applied forthwith.

p) Bank Credits and Credits from Other Financial Entities

Records obligations acquired by the Bank due to resources obtained originating in banks and other entities, either in the country or abroad, under direct credit lines and use of credit lines established to be applied for specific purposes.

Transactions performed through immediate communication media shall be recorded on the same day they are effective, and shall be supported by agreements entered into between the parties.

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q) Accounts Payable

Registers the amounts accrued and pending payment, such as yields agreed due to the utilization of third party resources, commissions, fees, sums received by virtue of a contractual relationship established in promissory purchase and sale agreements, suppliers, dividends, taxes, withholdings and labor contributions , contributions and affiliations and other amounts payable of like characteristics.

r) Outstanding Investment Certificates

Registers the obligations of the Entity due to funding through the issue of investment certificates or ordinary bonds. This funding is carried out to obtain resources destined to credit portfolio placement.

Maturity dates and financial conditions are indicated in the corresponding issuing prospects. Its redemption is always made on the date of maturity or the following working day, as the case may be.

s) Other liabilities

Records consolidated labor obligations, differed payment letters of credit, income received in advance, differed credits, as well as other diverse liabilities. For income received in advance, the Bank registers the amounts received to attend special financing agreements of credit portfolio operations, with an interest rate differential.

t) Estimated Liabilities and Provisions

The Bank records provisions to cover estimated liabilities taking into account the following:

- An acquired right exists and consequently, an obligation has been acquired.
- Payment is due at call or likely to occur.
- The provision is justifiable, quantifiable and verifiable.

u) Foreign Currency Conversion

Transactions in foreign currency are recorded in dollars and restated in Colombian pesos based on the Market Representative Exchange Rate enforceable on the date of each transaction. Rights and obligations in foreign currency shall be adjusted pursuant to the

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COLOMBIAN FOREIGN TRADE BANK (Banco de Comercio Exterior de Colombia S.A.)

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Notes to the Financial Statements

“Market Representative Exchange Rate” published daily by the Financial Superintendence of Colombia. Operations in foreign currencies other than US Dollars are converted to dollars of the United States and then they are expressed in Colombian pesos.

The Bank used exchange rates of COP 1,942.70 and COP 1,913.98 for the closings of December 31 of 2011 and 2010, respectively.

The Bank’s availability limits as of December 31, 2011 are the following:

	<u>Maximum Amount</u>	<u>Minimum Amount USD</u>
	<u>USD</u>	
Net Availability in Foreign Currency	135,813,648.64	(33,953,412.16)
Net Availability in Foreign Currency in Cash	339,534,121.61	Cannot be negative
Gross Availability for Leverage	3,734,875,337.68	Zero

v) Reserves

Records those amounts that, due to express mandate of the General Shareholders Meeting, have been appropriated from the liquid profits of previous fiscal periods obtained by the Bank, with the purpose of complying with legal and statutory provisions for specific purposes.

Pursuant to the enforceable provisions existing in Colombia, the Bank shall constitute a legal reserve, appropriating ten percent (10%) of the liquid profit of each period, until reaching at least fifty percent (50%) of the subscribed capital.

The statutory reserves shall be mandatory while they are not suppressed through an amendment of the incorporation agreement, or while they do not reach the amount foreseen for the same.

The temporary reserves ordered by the Shareholders Meeting shall solely be mandatory for the fiscal period in which they are decreed and the Shareholders Meeting may change their destination or distribution should they become unnecessary.

w) Income Acknowledgement Through Financial Yield

Income due to financial yield and other items are acknowledged at the time of accrual, except those originating from:

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Commercial, consumption and micro credits rated as "C" considerable risk, or in categories of greater risk, or when they complete ninety one (91) days for commercial credits and sixty one days (61) for consumption credits and thirty one (31) for micro credits.

These financial yields are controlled through contingency debtor accounts and are recorded as income, when effectively collected. With respect to capitalization of interest, the recording is made in the account of deferred partial payment and income is acknowledged as they are effectively collected.

Credits in default, that at any time may have ceased to cause interest, monetary correction, exchange adjustments, charges and income for other reasons, shall cease to cause said income as from the first day of default. Once they become up to date they may return to be accrued.

While their collection occurs, the corresponding record will be kept as contingent accounts.

x) Contingent Accounts

These accounts record operations through which the Bank acquires a right or obligation whose origin is conditioned to a fact that may or may not occur, depending on future events, that may be possible or remote. Likewise, the financial yields are recorded from the time when the accrual in the credit portfolio accounts is suspended. The debtor and credit contingent accounts record the amounts transferred subject matter of the repo or simultaneous operations.

y) Memoranda accounts

These accounts record operations carried out with third parties that by their nature do not affect the financial situation of the Bank. Likewise, it includes the fiscal memoranda accounts which records figures for the drafting of tax returns as well as those used for tax purposes, internal control, or for management information.

z) Net Profit Per Share

For the periods ending December 31, 2011 and 2010 the net profit per share was determined based upon the outstanding shares which represented 855,669,623.

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Notes to the Financial Statements

3. AVAILABILITIES

The detail of availabilities is as follows:

	<u>2011</u>	<u>2010</u>
Legal currency	COP 381	COP 241
Cash	5,066,860	5,805,988
Central Bank (Banco de la República) <sup>(1)</sup>		
Banks and other Financial Entities	7,615,230	3,067,679
Foreign Currency		
Cash	7,324	2,554
Central Bank (Banco de la República)	9,565	9,475
Banks and other Financial Entities	<u>2,184,554</u>	<u>4,648,178</u>
	<u>14,883,915</u>	<u>13,534,115</u>

<sup>(1)</sup> These funds shall be affected in favor of the Nation by virtue of the loan agreement entered into between Bancoldex and the Inter American Development Bank - IADB, through which Bancoldex pledges the income received due to credit portfolio collection up to an amount of 120% of the six-month period debt service.

As of December 31 2011 and 2010 there were no conciliatory items in legal or foreign currency with more than thirty (30) days pending for regularization.

4. POSITIVE POSITIONS IN MONEY MARKET AND RELATED OPERATIONS

The detail of interbank funds sold is as follows:

	<u>2011</u>			<u>2010</u>		
	<u>Int. Rate</u> <u>(%)</u>	Negotiation Term <u>(Days)</u>	Amount	<u>Int. Rate</u> <u>(%)</u>	Negotiation Term <u>(Days)</u>	Amount
<b>Interbanking (1)</b>						
<b>Legal Currency</b>						
Banks		-	-	2.94	13	COP 10,000,000
Other Financial Entities		-	-	2.96	5	1,500,000
<b>Foreign Currency</b>						
Banks		-	-	0.43	5	<u>17,225,820</u>
			-			<u>28,725,820</u>

(1) All transactions performed complied with the payment term established by the Bank and the balances were not subject to any restrictions whatsoever.

5. INVESTMENTS

(Continued)

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Notes to the Financial Statements

The detail of investments is as follows:

	<u>2011</u>	<u>2010</u>
<u>Debt Certificates:</u>		
<i>Negotiable</i>		
Public Debt certificates issued and guaranteed by the Nation	COP 260,824,843	COP 517,010,084
Securities issued, endorsed or guaranteed by Fogafin	-	-
Securities issued by entities under the surveillance of the Financial Superintendence	13,030,191	13,682,906
<i>To keep until maturity</i>		
Public Debt certificates, issued and guaranteed by the Nation	16,395,543	42,208,569
<i>Available for sale</i>		
Public debt certificates issued and secured by the Nation	<u>218,617,795</u>	<u>10,925,700</u>
<i>Rights to repurchase negotiable investments</i>		
Public Debt certificates issued and guaranteed by the Nation	85,664,206	
<i>Negotiable investments delivered as guarantee</i>		
Public Debt certificates issued and guaranteed by the Nation	15,876,900	
<i>Rights to repurchase investments available for sale</i>		
Public Debt certificates issued and guaranteed by the Nation	<u>5,548,895</u>	_____
<u>Total Debt Certificates</u>	<u>615,958,373</u>	<u>583,827,259</u>
<u>Certificates in Share Certificates:</u>		
<i>Negotiable</i>	20,741,485	10,882,740
<i>Available for Sale</i>	<u>170,172,773</u>	<u>164,751,750</u>
<u>Total Certificates in Share Certificates</u>	<u>190,914,258</u>	<u>175,634,490</u>
<i>Provision</i>		
Investments negotiable in share certificates	502,028	217,655
Investments available for sale in share certificates	<u>32,493,146</u>	<u>34,014,647</u>
	<u>773,877,457</u>	<u>725,229,447</u>

Investments in Debt Certificates

(Continued)

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Notes to the Financial Statements

	<u>Int. Rate</u>	<u>2011</u>	<u>Int. Rate</u>	<u>2010</u>
	<u>(%)*</u>	<u>Amount</u>	<u>(%)*</u>	<u>Amount</u>
<u>In legal currency:</u>				
Securities issued by the Nation				
-TRD's - Debt Reduction Certificates	-	COP 8,622,410	-	COP 16,201,412
TES (*) issued by the Ministry of Finance	6.94	594,305,772	6.38	553,942,941
Certificates issued by entities under the supervision of the Finance Superintendence	6.61	<u>13,030,191</u>	4.99	<u>13,682,906</u>
Total investments in debt certificates		<u>615,958,373</u>		<u>583,827,259</u>

\* Refers to the weighted average rate of appraisal.

The maturity of investments negotiable in debt certificates in accordance with the future capital flows and interest is as follows:

	<u>2011</u>	<u>2010</u>
0 - 30 days	54,076	10,633,318
31 - 60 days	105,775	56,135
61 - 90 days	189,634	144,796
91 - 180 days	4,477,187	28,277,268
181 - 360 days	46,156,681	16,458,094
Over 360 days	420,202,239	582,398,225

Investments negotiable in share certificates - Private Equity Funds

(Continued)

COLOMBIAN FOREIGN TRADE BANK (Banco de Comercio Exterior de Colombia S.A.)

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Notes to the Financial Statements

2011

<u>Entity</u>	<u>Credit Risk Rating</u>	<u>Adjusted Cost</u>	<u>Appreciation (Depreciation)</u>	<u>Provision</u>
Aureos	1	7,394,998	179,476	147,900
Escala	1	2,906,622	(84,523)	145,331
Progresa Capital	1	1,637,751	148,406	32,755
Colombia Ashmore	1	<u>8,802,114</u>	<u>2,291,704</u>	<u>176,042</u>
		<u>20,741,485</u>	<u>2,535,063</u>	<u>502,028</u>

2010

<u>Entity</u>	<u>Credit Risk Rating</u>	<u>Adjusted Cost</u>	<u>Appreciation (Depreciation)</u>	<u>Provision</u>
Aureos	1	6,155,233	882,636	123,105
Escala	1	1,544,985	97,904	30,900
Progresa Capital	1	9,953	(47)	199
Colombia Ashmore	1	<u>3,172,569</u>	<u>(30,909)</u>	<u>63,451</u>
		<u>10,882,740</u>	<u>753.776</u>	<u>217,655</u>

*Provision of investments negotiable in share certificates - Private Equity Funds*

The credit risk of Private Equity Fund investments carried out by Bancoldex within the framework of the Bancoldex Capital Program is rated based on an internal methodology duly approved by the Financial Superintendence of Colombia.

The foregoing is due to the fact that the rating and provision for credit risk regime in force is not designed to be applied in participations in equity funds, taking into account it refers to certificates or securities with a positive cash flow expected as from the initiation of the investment or in those in which the capacity of compliance of the counterparty may be estimated with some degree of accuracy, which is not a characteristic of the capital funds.

Bancoldex methodology is based on qualitative and quantitative criteria and establishes the following scale for the credit risk rating of the equity funds and the constitutions of provisions:

Credit Risk Level	Rating	Provision (%)
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(Continued)

COLOMBIAN FOREIGN TRADE BANK (Banco de Comercio Exterior de Colombia S.A.)

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Notes to the Financial Statements

Very low	1	2
Low	2	5
Moderate	3	10
High	4	50
Very High	5	100

Investments available for sale in share certificates

<u>Entity</u>	<u>Credit risk rating</u>	<u>2011</u>		<u>Adjusted Cost</u>	<u>Equity value</u>	<u>Appreciation</u>	<u>Provision</u>
		<u>Capital</u>	<u>% Part</u>				
Banco Latinoamericano de Exportaciones S.A. BLADEX <sup>(1)</sup>	A	USD363,291	1.3448%	COP 6,794,172	COP 15,394,406	COP 8,600,235	-
C.F.C.Leasing Bancoldex S.A. <sup>(4)</sup>	A	26,870,948	86.5544%	22,891,945	30,251,185	7,359,240	-
Fiduciaria Colombiana de Comercio Exterior FIDUCOLDEX <sup>(2)</sup>	A	22,681,847	89.1731%	20,654,968	27,216,243	6,561,275	-
Fondo Nacional de Garantías S.A.	B	315,444,890	30.2157%	101,587,144	105,248,332	-	20,742,248
Segurexpo de Colombia S.A. <sup>(3)</sup>	C	33,231,225	49.57%	<u>18,244,544</u>	<u>9,880,276</u>		<u>11,750,898</u>
				<u>170,172,773</u>		<u>22,520,749</u>	<u>32,493,146</u>

(1) The Bank received dividends in cash from Banco Latinoamericano de Exportaciones S.A.- BLADEX for COP 720,012 during 2011.

(2) The Bank received dividends in shares from Fiduciaria Colombiana de Comercio Exterior S.A. for COP 3,589,494 during 2011.

(3) During 2011 no dividends were received from Segurexpo de Colombia S.A.

(4) The Bank received dividends in shares from Leasing Bancoldex for COP 1,731,087 during 2011.

2010

(Continued)

COLOMBIAN FOREIGN TRADE BANK (Banco de Comercio Exterior de Colombia S.A.)

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Notes to the Financial Statements

<u>Entity</u>	<u>Credit risk rating</u>	<u>Capital</u>	<u>% Part</u>	<u>Adjusted Cost</u>	<u>Equity value</u>	<u>Appreciation</u>	<u>Provision</u>
Banco Latinoamericano de Exportaciones S.A. BLADEX <sup>(4)</sup>	A	USD363,291	1.3448%	COP 6,693,730	COP 17,261,377	COP 10,567,648	-
C.F.C.Leasing Bancoldex S.A. <sup>(3)</sup>	A	24,870,949	86.5544%	21,160,858	26.970,035	5,809,177	-
Fiduciaria Colombiana de Comercio Exterior FIDUCOLDEX <sup>(4)</sup>	A	18,669,584	89.1108%	17,065,474	23,921,779	6,856,305	-
Fondo Nacional de Garantías S.A. <sup>(2)</sup>	B	315,444,890	30.2157%	101,587,144	84,487,429	-	23,742,248
Segurexpo de Colombia S.A. <sup>(1)</sup>	C	33,231,225	49.57%	<u>18,244,544</u>	<u>7,972,144</u>	<u>0</u>	<u>10,272,400</u>
				<u>164,751,750</u>		<u>23,233,129</u>	<u>34,014,648</u>

Notes:

- (1) The Bank received dividends in cash from Segurexpo de Colombia for COP 1,187,897 during 2010.
- (2) The Bank received dividends in shares from Fiduciaria Colombiana de Comercio Exterior S.A. for COP 3,926,819 during 2010.
- (3) The Bank received dividends in cash from Banco Latinoamericano de Exportaciones S.A.-BLADEX for COP 579,730 during 2010.
- (4) During 2010 no dividends were received from Leasing Bancoldex

Investments as of December 31, 2011 and 2010, do not report restrictions or liens.

The detail of provisions of investments in share certificates is as follows:

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the period	COP 34,232,302	COP 23,830,059
Constitutions (charges to results)	1,762,872	10,404,571
Write-offs	-	-
Recoveries (credits to results)	<u>(3,000,000)</u>	<u>(2,328)</u>
-Balance at period closing	<u>32,995,174</u>	<u>34,232,302</u>

Qualitative Information

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COLOMBIAN FOREIGN TRADE BANK (Banco de Comercio Exterior de Colombia S.A.)

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Notes to the Financial Statements

*Treasury Business Purpose:*

The main objective of the Treasury is to supply liquidity to finance active portfolio in conditions to allow a contribution to profitability and financial sustainability of the Bank, with resources from internal and external capital markets with optimum conditions of price, rate and timeliness. Likewise, the Treasury administers the Bank's cash flow, following short, medium and long term strategies defined by the management. All the foregoing within the framework of the regulations issued by the Financial Superintendence, the Central Bank and the guidelines established by the Bank's Board of Directors.

On the other hand, the Treasury operates the Bank's trading position for some products in pesos and in foreign currency, seeking to generate profitability that contribute to financial sustainability, acting under the framework of policies, limits and attributions previously approved by the Board of Directors.

*Risk Management in Investments Portfolio:*

The Bank counts with defined policies and mechanisms for measuring and controlling treasury products portfolio risks. All treasury processes include the participation of different levels of the entity and the relevant roles of front, middle and back offices have been defined within the organizational structure.

The Board of Directors, as main responsible of the Bank's risk management, approves the participation in new markets, as well as the negotiation of new products, prior assessment of financial risks, legal matters and operational processes, among others.

As a mechanism to facilitate that the treasury products are negotiated under favorable profitability and risk conditions, the Bank performs a permanent follow up of the markets in which it operates for which it carries out a fundamental and technical analysis. On the other hand, the risk exposure level to market risks is determined as a function of the value under risk (VaR). As from this value the stop loss levels (maximum loss allowed in a period of time) and stock loss (maximum monthly aggregate loss) are fixed for each type of operation.

The Bank counts with tools and reports that allow the daily identification of the market risk level of the consolidated portfolio and of each of the products negotiated.

*Maximum, minimum and average amounts of the investment portfolio:*

(Continued)

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Notes to the Financial Statements

	<u>Maximum Amount</u>	<u>Minimum Amount</u>	<u>Average Amount</u>
Investments to keep until maturity	41,745,412	16,395,501	27,171,132
Investments available for sale	224,166,690	10,777,951	130,507,175
Negotiable Investments	447,940,800	286,535,287	372,137,574

6. LOANS PORTFOLIO

The detail of the loan portfolio by modality is as follows:

	<u>2011</u>	<u>2010</u>
<b>Housing</b>		
Ordinary loans	<u>COP 567,281</u>	<u>COP 653,317</u>
	<b><u>567,281</u></b>	<b><u>653,317</u></b>
<b>Consumption</b>		
Ordinary loans	<u>371,273</u>	<u>159,935</u>
	<b><u>371,273</u></b>	<b><u>159,935</u></b>
<b>Commercial</b>		
Ordinary loans	4,704,702,584	4,501,054,547
Loans with resources of other entities	432,010,116	269,226,651
Discounts	<u>27,754,088</u>	<u>33,815,425</u>
	<b><u>5,164,466,788</u></b>	<b><u>4,804,096,623</u></b>
<u>Total Gross Portfolio</u>	<u>5,165,405,342</u>	<u>4,804,909,875</u>
Minus Provision	207,470,939	194,463,161
<b><u>Total Net Portfolio</u></b>	<b><u>4,957,934,403</u></b>	<b><u>4,610,446,714</u></b>

The result of evaluating the portfolio is as follows:

(Continued)

COLOMBIAN FOREIGN TRADE BANK (Banco de Comercio Exterior de Colombia S.A.)

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Notes to the Financial Statements

2011							
	Capital	Interests	Other items	Guarantee	Provisions		
					Capital	Interests	Other items
<b>Housing Credits</b>							
A - Normal	COP 526,339	614	104	2,718,381	5,263	6	1
B - Acceptable	24,708	2	37	-	791	-	1
E - Non-recoverable	16,234	-	-	-	16,234	-	-
	567,281	616	141	2,718,381	22,288	6	2
<b>Consumption Credits Qualified Guarantee</b>							
A - Normal	COP 89,454	724	124	418,977	894	7	1
	89,454	724	124	418,977	894	7	1
<b>Consumption Credits Other Guarantees</b>							
A - Normal	246,478	1,013	-	-	2,465	10	-
B - Acceptable	21,759	1,455	-	-	696	47	-
E - Non-recoverable	5,325	325	-	-	5,325	325	-
	281,819	2,793	-	-	10,137	382	-
<b>Commercial Credits Qualified Guarantees</b>							
A - Normal	24,342,284	48,471	540	40,388,856	243,423	-	-
	24,342,284	48,471	540	40,388,856	243,423	-	-
<b>Commercial Credits Other Guarantees</b>							
A - Normal	5,139,285,320	24,016	-	388,585,309	51,392,853	240,654	-
E - Non-recoverable	839,184	-	-	-	839,184	-	-
	5,140,124,504	24,016,975	-	388,585,309	52,232,037	240,654	-
<b>General Provision</b>					144,147,296		
	5,165,405,342	24,069,579	805	432,111,523	207,470,939	241,049	3

2010							
	Capital	Interests	Other items	Guarantee	Provisions		
					Capital	Interests	Other items
<b>Housing Credits</b>							
A - Normal	COP 627,272	241	79	2,336,602	6,273	2	1
B - Acceptable	4,116	-	32	68,798	132	-	1

(Continued)

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Notes to the Financial Statements

2010

	Capital	Interests	Other items	Guarantee	Provisions		
					Capital	Interests	Other items
C - Considerable	781	-	32	33,794	156	-	6
D - Significant	-	-	-	-	-	-	-
E - Non-recoverable	21,148	-	15	103,124	21,148	-	15
	653,317	241	158	2,542,318	27,709	2	23
<b>Consumption Credits Qualified Guarantee</b>							
A - Normal	COP 50,295	111	105	178,701	503	1	1
	50,295	111	105	178,701	503	1	1
<b>Consumption Credits Other Guarantees</b>							
A - Normal	109,640	-	-	-	1,096	-	-
	109,640	-	-	-	1,096	-	-
<b>Commercial Credits Qualified Guarantees</b>							
A - Normal	59,413,271	349,702	-	62,641,398	594,134	-	-
	59,413,271	349,702	-	62,641,398	594,134	-	-
<b>Commercial Credits Other Guarantees</b>							
A - Normal	4,742,356,477	15,729,458	-	393,521,597	47,423,565	160,792	-
B - Acceptable	35,541	-	-	-	1,137	-	-
C - Considerable	11,417	-	-	-	2,283	-	-
D - Significant	28,957	-	-	22,635	14,478	-	-
E - Non-recoverable	2,250,960	-	6,037	536,441	2,250,960	-	6,037
	4,744,683,352	15,729,458	6,037	394,080,672	49,692,423	160,792	6,037
<b>General Provision</b>					144,147,296		
	4,804,909,875	16,079,512	6,300	459,443,089	194,463,161	160,795	6,061

The movement of portfolio provisions is as follows:

	2011	2010
Balance at the beginning of the period	COP 194,463,161	COP 219,428,767

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COLOMBIAN FOREIGN TRADE BANK (Banco de Comercio Exterior de Colombia S.A.)

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Notes to the Financial Statements

Constitutions (charge to results) *	38,842,526	16,936,280
Write offs	(432,822)	(5,217,780)
Recoveries (credit to results)	<u>(25,401,926)</u>	<u>(36,684,106)</u>
Balance at the period closing	<u>207,470,939</u>	<u>194,463,161</u>

Composition with creditors and restructuring agreements:

As of December 31, 2011:

		<u>Capital</u>	<u>Interests</u>	<u>Provisions</u>	<u>Guarantees</u>
<i>Clients in Law 550/99</i>					
Commercial	COP	<u>819.245</u>	<u>340.734</u>	<u>819.245</u>	<u>536.441</u>

As of December 31, 2010:

		<u>Capital</u>	<u>Interests</u>	<u>Provisions</u>	<u>Guarantees</u>
<i>Clients in Law 550/99</i>					
Commercial	COP	<u>1.175.353</u>	<u>420.059</u>	<u>1.175.353</u>	<u>536.441</u>

As of December 31, 2011 and 2010, individual and general provisions were recorded pursuant to Chapter II, Annex 1 of the "Circular Básica Contable de la Superintendencia Financiera de Colombia" (Basic Accounting Circular Letter by the Financial Superintendence of Colombia). Likewise, the loans portfolio was assessed 100%.

The maturity of loans portfolio is shown as follows, in accordance with its future capital and interest flows:

<u>Commercial</u>	<u>2011*</u>	<u>2010*</u>
0 - 30 days	COP 359,589,988	COP 375,683,924
31 - 60 days	261,932,300	433,007,904
61 - 90 days	275,930,253	288,892,488
91 - 180 days	623,275,676	670,352,693
181 - 360 days	1,087,812,584	914,584,292
Over 360 days	2,987,763,837	2,277,338,022

During 2010 the Board of Directors of the Bank approved portfolio write-offs for COP 432,823

(Continued)

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The details of the portfolio regarding type of customer as of December 31, 2011 and 2010 are as follows:

2011

Type of customer	Pesos	Foreign currency expressed in pesos	Total Capital	Individual Provision
Local financial intermediary	COP 3,683,839,564	COP 1,196,447,759	COP4,880,287,323	COP48,802,873
Foreign financial intermediary	-	252,941,237	252,941,237	2,529,412
Exporter	2,475,806	6,944,215	9,420,021	94,200
Importer	-	3,091,021	3,091,021	30,910
National Market	8,725,629	2,661,228	11,386,357	678,834
Other	6,443,408	1,835,475	8,278,883	372,550
	<u>3,701,484,407</u>	<u>1,463,920,935</u>	<u>5,165,405,342</u>	<u>52,508,779</u>
<b>General Provision</b>				154,962,160
	<u>3,701,484,407</u>	<u>1,463,920,935</u>	<u>5,165,405,342</u>	<u>207,470,939</u>

2010

Type of customer	Pesos	Foreign currency expressed in pesos	Total Capital	Individual Provision
Local financial intermediary	COP 3,677,838,180	COP 957,230,368	COP4,635,068,548	COP46,350,685
Foreign financial intermediary	-	132,297,313	132,297,313	1,322,973
Exporter	2,595,873	2,816,612	5,412,485	54,125
Importer	223,196	6,787,238	7,010,434	70,104
National Market	13,656,463	10,651,379	24,307,842	2,488,669
Other	813,253	-	813,253	29,309
	<u>3,695,126,965</u>	<u>1,109,782,910</u>	<u>4,804,909,875</u>	<u>50,315,865</u>
<b>General Provision</b>				144,147,296
	<u>3,695,126,965</u>	<u>1,109,782,910</u>	<u>4,804,909,875</u>	<u>194,463,161</u>

Following, is the portfolio detail by geographic zone as of December 31 2011 and 2010:

(Continued)

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Geographic Zone	2011			2010		
	Colombian Pesos	Foreign currency expressed in pesos	Total Capital	Colombian Pesos	Foreign currency expressed in pesos	Total Capital
				COP	COP	COP
Antioquia and Choco	COP 557,076,629	COP 167,705,230	COP 724,781,859	630,412,991	204,720,744	835,133,735
Bogota D.C.	1,737,021,565	560,829,172	2,297,850,737	1,697,508,787	473,546,635	2,171,055,422
Central (1)	296,723,979	24,834,304	321,558,283	254,438,908	28,393,777	282,832,685
Atlantic Coast	251,234,216	287,958,195	539,192,411	276,932,326	122,056,745	398,989,071
Coffee growing zone	125,505,249	14,793,133	140,298,382	124,342,120	17,729,271	142,071,391
Western (2)	394,186,654	195,667,952	589,854,607	401,691,608	115,098,759	516,790,367
Santander	307,649,324	9,634,403	317,283,727	280,797,547	15,502,857	296,300,404
South East (3)	32,086,790	0	32,086,790	29,002,678	-	29,002,678
Abroad	-	202,498,546	202,498,546	-	132,734,122	132,734,122
	3,701,484,407	1,463,920,935	5,165,405,342	3,695,126,965	1,109,782,910	4,804,909,875
<b>Individual Provision</b>			52,508,779			50,315,865
<b>General Provision</b>			154,962,160			144,147,296
	3,701,484,407	1,463,920,935	4,957,934,403	3,695,126,965	1,109,782,910	4,610,446,714

Notes:

- (1) The central region refers to the departments of Boyacá, Cundinamarca, Huila, Meta y Tolima
- (2) The western region refers to the departments of Cauca, Nariño y Valle
- (3) The Southeast region refers to the departments of Amazonas, Arauca, Casanare, Putumayo y Guaviare.

7. BANK ACCEPTANCES, CASH OPERATIONS AND DERIVATIVES

The detail in the Bank's assets of acceptances, cash operations and derivatives is as follows:

	2011	2010
Bank Acceptances	COP 4,378,330	COP 1,101,598
Derivative Operations	<u>25,939,179</u>	<u>55,958,359</u>
	<u>30,317,509</u>	<u>57,059,957</u>

The detail in the Bank's liabilities of acceptances and derivatives is as follows:

	<u>2011</u>	<u>2010</u>
Bank Acceptances	COP 4,378,330	COP 1,101,598
Derivative Operations	<u>41,052,883</u>	<u>39,780,013</u>

(Continued)



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		<u>2011</u>		<u>2010</u>	
<u>Speculation</u>	<u>Forward</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
<u>Agreements</u>			<u>Average</u>		<u>Average</u>
obligations					
<i>Total Forward Agreements</i>		<u>41,052,883</u>		<u>39,780,013</u>	
<i>Positive Position</i>					
<u>Speculation</u>	<u>Future</u>				
<u>Agreements</u>					
Foreign	currency				
purchases	rights	COP 87,185,800	118,422,456	COP	
Foreign	currency	77,666,900	164,196,746	-	-
rights	sales				
Foreign	currency	(87,185,800)	(118,422,456)	=	=
purchase	obligations				
Foreign	currency	<u>(77,666,900)</u>	(164,196,746)	=	=
obligations	sales				
<i>Total Forward Agreements</i>		<u>0</u>		=	=

Following is the detail of the Bank's average monthly yields in derivatives operations:

	<u>2011</u>	<u>2010</u>	<u>Variation %</u>
<b>Speculation Forwards</b>			
Purchase of foreign currency	363,116	(6,024,155)	
Sale of foreign currency	(1,116,809)	6,824,304	
Average yield of Forward operations	(753,693)	800,149	-194%
	<u>2011</u>	<u>2010</u>	<u>Variation %</u>
<b>Speculation Futures</b>			
Purchase of foreign currency	118,572	-	
Sale of foreign currency	18,362	-	
Average yield of Forward operations	136,934	-	100%

(Continued)

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The average term of derivative purchases is 80 days and for derivative sales is 69 days. There are no charges, restrictions or liens of a legal or financial nature over derivatives.

Following is the maturity of bank acceptances and derivatives in accordance with their future capital flows and interests:

	<u>2011</u>	<u>2010</u>
0 - 30 days	COP -10,632,681	COP 15,533,368
31 - 60 days	1,492,570	2,425,170
61 - 90 days	(7,856,259)	(6,313,796)
91 - 180 days	(10,159,542)	(256,183)
181 - 360 days	11,906,843	13,999,735

Qualitative Information

Purpose of Derivatives

Bancoldex may carry out derivative operations in order to cover financial risks of different balance sheet positions or to generate profitability, within the framework of forward trading, in order to contribute to the financial sustainability; provided that the risk management guidelines established are complied with and following the policies fixed by the Board of Directors for this type of operations.

During 2011, Bancoldex initiated operations through the Counterparty Central Risk Chamber (CCRC), which mitigates the credit risk of operations carried out through this mean..

As of the closing on December 31, 2011, Bancoldex does not count with any derivative financial instruments with purposes of hedging, nor with financial instruments denominated in a currency different than the Colombian peso.

*Risk Management of Derivative Operations:*

The general policies for operating with derivative financial instruments are enshrined under the MRMS Manual. The risks assumed with this type of operations are consistent with the general business strategy of the Bank and are established in a structure of limits

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proposed based on the risk profile, the budget of profits established for each business unit and the balance sheet structure.

Forward operations on foreign currency peso - dollar are covered through the closing of the opposite forward operation or through the purchase / sale of the foreign currency on the spot market, with the purpose of mitigating the exchange rate risk. With the purpose of reducing the interest rate risk, operations are carried out at a maximum term of three hundred and sixty (360) days.

In addition, the foreign currency forward operations have different limits for controlling their exposure.

- Maximum open position limit at the end of the day, in order to have an adequate fit between positions, whether with contracts or positions in the spot market.
- Credit exposure limit by counterparty, to mitigate the concentration risk.
- Value at risk limit (VaR), to limit the maximum exposure to market risks.

On the other hand, Bancoldex has the tools and reports to daily monitor and control the risk level of the business, which allows quantifying the contribution of each risk factor and/or the position of the Bank results and counting with a real measure of losses assumed by this business. Likewise, it has the attributions defined for the operators negotiation, which are assigned at the different hierarchical levels of the Treasury.

8. ACCOUNTS RECEIVABLE

The detail of the accounts receivable is as follows:

	<u>2011</u>	<u>2010</u>
Interest:		
Interbank funds sold and resale agreements	COP -	COP 3,442
Loan portfolio (note 6)	24,069,579	16,079,512
Other Interest	<u>0</u>	<u>1,965</u>
	<u>24,069,579</u>	<u>16,084,919</u>
<b>Plus:</b>		
Commission	46,703	62,394
Payments on account of clients (note 6)	805	6,300
Advanced payments to agreements and suppliers	916,459	-
Advanced payments to personnel	-	7,887
Purchase of goods	195,560	80,703
Welfare	406,090	422,847
Inter-administrative Agreement Min Commerce	-	1,954

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Inter American Development Bank	-	142,746
Liquidation of derivative operations	352,245	993,791
Reimbursable expenses of Autonomous Equities	520,573	-
Sales Tax payable	1,782,312	190,302
	<u>174,794</u>	<u>346,540</u>
Miscellaneous	4,395,541	2,255,464
	<u>28,465,120</u>	<u>18,340,383</u>
<b>Less provision accounts receivable</b>		
Credit portfolio (note 6)	(241,052)	(166,856)
Other	<u>0</u>	<u>(20)</u>
	<u>(241,052)</u>	<u>(166,876)</u>
	<u>28,224,068</u>	<u>18,173,507</u>

The movement of provisions of accounts receivable is as follows:

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the period	COP 166,876	COP 720,297
Constitutions (charged to results)	210,268	85,131
Write offs	(6,038)	(61,611)
Recoveries (credits to results)	(130,054)	(576,941)
Balance at the end of the period	<u>241,052</u>	<u>166,876</u>

9. GOODS RECEIVED AS PAYMENT

The detail of goods received as payment is as follows:

	<u>2011</u>	<u>2010</u>
Cost		
Real Estate Property	COP 622,693	COP 622,693
Adjusted Cost	622,693	622,693
Minus: Provisions (*)	<u>(622,693)</u>	<u>(622,693)</u>
	<u>-</u>	<u>-</u>

(\*)The movement of the provisions was as follows:

	<u>2011</u>	<u>2010</u>
Balance at the beginning of the period	COP 622,693	COP 1,401,216
Constitutions (charges to results)	-	1,301
Recoveries (credits to results)	-	(779,824)
Balance at the period closing	<u>622,693</u>	<u>622,693</u>

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The opportunity cost for the Bank has consisted in not receiving yields over these goods approximately for COP 48,927 and COP 45,511, during the periods ending on December 31, 2011 and 2010 respectively.

The appraisals of these goods were carried out during 2009. Generally the real property is well conserved. The commercial management has been developed in different areas, as well as the direct offer to potential clients, publications in the Bank's web page and publication of ads in local and national newspapers.

10. PROPERTIES AND EQUIPMENT

The detail of property and equipment is as follows:

	<u>2011</u>	<u>2010</u>
Land	COP 339,484	COP 339,484
Buildings	5,318,590	5,318,590
Equipment, office furniture and office gear	3,637,598	2,948,173
Computers	2,823,724	2,721,281
Vehicles	<u>680,913</u>	<u>680,913</u>
	12,800,309	12,008,441
Less: Aggregate depreciation	<u>(9,836,446)</u>	<u>(9,051,163)</u>
	<u>2,963,863</u>	<u>2,957,278</u>

The bank has recorded the increases in value corresponding to property and equipment based on technically based acknowledged appraisals. The total depreciation charged to the results was COP 791.659 and COP 571.864 for the periods ended on December 31 2011 and 2010, respectively.

Property and equipment are duly insured and are free of encumbrances or liens. Likewise, they are in adequate conditions for use, since the Bank performs timely maintenance and repair activities.

11. OTHER ASSETS

The detail of other assets is as follows:

<u>2011</u>	<u>2010</u>
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(Continued)

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Notes to the Financial Statements

Permanent contributions <sup>(1)</sup>	COP	92,218	COP	92,218
Advanced payments <sup>(2)</sup>		669,825		713,625
Deferred charges <sup>(3)</sup>		67,280,750		12,294,316
Letters of credit for deferred payment		2,665,291		263,628
Credits to employees <sup>(4)</sup>		10,951,778		4,051,475
Guarantee deposits		70,955		70,955
Cultural goods and art works		111,058		174,398
Goods delivered in commodatum		63,338		-
Rights in Trusts <sup>(5)</sup>		30,337,033		30,018,201
Petty cash		11,000		11,000
Other		<u>6,855</u>		<u>8,242</u>
		112,260,101		47,698,058
Less:				
Provision employees credits		(109,518)		(40,515)
Provision rights in trust		<u>(967,017)</u>		<u>(951,159)</u>
		<u>(1,076,535)</u>		<u>(991,674)</u>
		<u>111,183,566</u>		<u>46,706,384</u>

(1) Permanent contributions correspond of Bank's shareholder in Social Clubs "Club de Ejecutivos" and "El Nogal".

(2) The detail of advanced payments is as follows:

	<u>2010</u>	<u>Charges</u>	<u>Amortization</u>	<u>2011</u>
Interest	COP 353,695	3,168,654	3,088,045	COP 434,304
Insurance	174,496	342,009	403,112	113,393
Other	<u>185,434</u>	<u>2,062,947</u>	<u>2,090,253</u>	<u>122,128</u>
	<u>713,625</u>	<u>5,537,610</u>	<u>5,581,410</u>	<u>669,825</u>

(3) The detail of deferred charges is as follows:

	<u>2010</u>	<u>Charges</u>	<u>Amortization</u>	<u>2011</u>
Software*	COP 11,908,452	4,555,085	711,787	COP 15,751,750
Discount Placement of Investment Certificates	356,215	1,600	356,270	1,545
Tax on Equity and Overcharge **	-	43,952,177	-	43,952,177
Deferred Income Tax**	-	7,575,278	-	7,575,278
Contributions and	<u>29,649</u>	<u>1,295,854</u>	<u>1,325,503</u>	<u>0</u>

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affiliations

12,294,316    57,379,994    2,393,560    67,280,750

\* Comprised mainly by the deferred charge relating to the technological modernization project "Orion", which as of December 31 reaches COP 14.646.164. The program includes software, advisory, training and hardware. During 2011 progress was made in several modules and tests were initiated for the modules supporting the credit portfolio, and credits and financial obligations of the Bank. As a result, as from January 2, 2012 the module managing credits and financial obligations of the Bank shall be operational. As of this date no amortizations of these deferred charges have been registered.

\*\* See detail Note 25

(4) (The detail of credits to employees is as follows:

2011					
Rating	Housing	Vehicle	Free Investment	Total	Provisions
A-Normal	7,766,744	1,177,726	1,996,113	10,951,778	109,518
	<b>7,766,744</b>	<b>1,177,726</b>	<b>1,996,113</b>	<b>10,951,778</b>	<b>109,518</b>

2010					
Rating	Housing	Vehicle	Free Investment	Total	Provisions
A-Normal	2,107,773	421,235	1,522,467	4,051,475	40,515
	<b>2,107,773</b>	<b>421,235</b>	<b>1,522,467</b>	<b>4,051,475</b>	<b>40,515</b>

Credits to employees are assessed applying the same criteria and periodicity as commercial credits

(5) Securitization of the Credit Loans Portfolio

The basic conditions within the portfolio securitization process carried out by the Bank during the month of November 2010 are the following:

*Portfolio Securitization Objective:*

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The portfolio securitization seeks resources to allow Bancoldex offer more credits to Colombian enterprises and continue promoting the transformation and growth processes of the real sector of the country.

*Participating Agents:*

- Bancoldex as originator and manager of the portfolio.
- Fiduciaria Colombiana de Comercio Exterior S.A. – Fiducóldex as Management Agent.
- Alianza Fiduciaria S.A. as Legal Representative of the holders of securities.
- Deceval S.A. as administrator of the issue.
- Fitch Ratings Colombia as rating entity of the issue.
- Nogal Asesorías Financieras as financial arranger.
- Galvis & Asociados as legal arranger.

*Securitized Asset:*

The underlying securitized asset is comprised by the direct portfolio and the rediscount portfolio in pesos of Bancoldex customers (Financial Intermediaries, Colombian Credit Establishments). These credits are rated “A” pursuant to regulations in force issued by the Financial Superintendence of Colombia and the have never shown default

*Amount and term of the securitization:*

The global issue program of certificates originating from the portfolio securitization of Bancoldex is COP 1 Trillion, which shall be placed in the main market within the next three years. As of the date, the Bank has carried out the first issue for an amount of COP 345,700,000.

*Guarantee mechanisms (Collaterals):*

A thorough analysis of the risks associated to the Underlying Asset was performed, and Hedging mechanisms were structured to mitigate them, as follows:

- To cover the credit risk, the hedging mechanism utilized was “Portfolio Over-collateralization” which is a surplus portfolio contribution at the time of the issue.
- For prepayment risk coverage, the “Credit Substitution Commitment” hedging mechanism was created up to a maximum defined for each issue.
- For liquidity risk coverage, additional resources were contributed from the initial cash and additional portfolio to increase liquidity level of the Autonomous Equity at the beginning of the issue. The assets delivered to cover such risk count with a strict regulation for the devolution of “Liquidity Surplus” to the Originator.

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Notes to the Financial Statements

*Impact on the Statements of Results of the Bank:*

The credit portfolio securitization process caused a loss in the sale of portfolio of COP 8,703,261, a recovery of a portfolio provision for COP 15,190,267 and income due to difference in the rates of special lines for COP 809,098

*Characteristics of the first issue of certificates:*

SERIES	TERM	Amount Demand (COP)	Amount Awarded (COP)	Cut margin Annual rate
Series 1	18 months	\$191,400,000	\$117,538,000	DTF + 0.83%
Series 2	36 months	\$143,000,000	\$117,538,000	DTF + 1.13%
Series 3	54 months	\$115,500,000	\$110,624,000	DTF + 1.54%
		<b>\$449,900,000</b>	<b>\$345,700,000</b>	

In accordance with the certificate issued by Fiducoldex, the Autonomous Equity TDX 10-1 shows the following values of the goods in the trust:

	2011	2010
Trust creditors	COP 29,370,016	COP 29,051,184
Results of previous periods	7,591,691	-
Results of the period	<u>4,414,083</u>	<u>7,591,691</u>
Total Equity	<u>41,375,790</u>	<u>36,642,875</u>

The Bank carries out registries in the memoranda accounts to control this operation

The movement of other assets provisions is as follows:

	2011	2010
Balance at the beginning of the period	COP 991,674	COP 1,062,290
Constitutions (charges to results)	112,126	15,025
Recoveries	(27,265)	(85,641)
Balance at the period closing	<u>1,076,535</u>	<u>991,674</u>

12. APPRECIATIONS

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Notes to the Financial Statements

The detail of appreciations is as follows:

	<u>2011</u>	<u>2010</u>
Property and Equipment	COP 18,949,160	COP 18,949,160
Investments	22,520,749	23,233,129
Cultural goods and art works	<u>1,323,946</u>	<u>1,323,946</u>
	<u>42,793,855</u>	<u>43,506,235</u>

The Bank has recorded its increases in value pursuant to appraisals with acknowledged technical value for the Property and Equipment as well as for the cultural goods and works of art carried out on December 15, 2009. For investments, pursuant to appraisal standards applicable to the Bank.

13. DEPOSITS AND CALLABILITIES

The detail of deposits and callabilities is as follows:

*Fixed term deposit certificates:*

	<u>2011</u>	<u>2010</u>
Issued for terms equal to 12months and less than 18 months	COP -	COP 20,000,000
Issued for terms equal to or greater than 18 months	2,154,691,998	1,270,864,367
	<u>2,154,691,998</u>	<u>1,290,864,367</u>
Current Account Deposits	564,895	947,441
Overdrafts in National Banks	235,547	-
Guarantee Deposits	726,782	1,116,289
Callabilities for banking services	-	32,807
Collection Services	<u>138,003</u>	<u>2,542</u>
	<u>2,156,357,225</u>	<u>1,292,963,446</u>

During 2011, the risk rating firm Fitch Ratings of Colombia ratified the rating AAA to BANCÓLDEX for long term issues and F1+ for short term issues.

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Likewise, the rating firm BRC Investor Services ratified the AAA rating for long term liabilities and bonds in local currency and BRC1+ for short term obligations in local currency.

The maturities of fixed term deposit certificates pursuant to their future flows as follows:

	<u>2011</u>	<u>2010</u>
0 - 30 days	COP 8,092,691	COP 15,598,470
31 - 60 days	11,953,694	7,753,554
61 - 90 days	93,405,866	110,788,289
91 - 180 days	369,977,087	156,600,659
181 - 360 days	407,119,474	371,251,648
Over 360 days	1,443,440,303	706,579,466

14. NEGATIVE POSITIONS IN MONEY MARKET AND RELATED OPERATIONS

The detail of interbank funds purchased and repurchase agreements as of December 31, 2011 and 2010 is as follows:

	<u>Int Rate.</u>	<u>2011</u>		<u>Int Rate.</u>	<u>2010</u>	
	—(%)	Negotiati on Term —(Days)	Amount	—(%)	Negotiation Term —(Days)	Amount
<b>Interbanking</b>						
<b>Legal Currency</b>						
Banks	4.6	8	COP 190,000,000	-	-	-
Commercial Financing Institutions	4.6	15	9,000,000	-	-	-
<b>Foreign Currency</b>						
Banks	0.35	1	5,439,560			-
<u>Total negative positions</u>			<u>204,439,560</u>			=
<b>Operations transfers commitments Closed Repo</b>						
<b>Legal Currency</b>						
Central Bank	4.75	1	83,531,874	-	-	-
			<u>287,971,434</u>			=

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15. BANK CREDITS AND OTHER FINANCIAL LIABILITIES

The detail of bank credits and other financial obligations is as follows:

	<u>2011</u>			<u>2010</u>		
	Int. Rate. <u>(%)</u>	Amount <u>USD</u>	Amount <u>Pesos</u>	Int. Rate. <u>(%)</u>	Amount <u>USD</u>	Amount <u>Pesos</u>
<b><u>IN FOREIGN CURRENCY</u></b>						
<b>Short Term</b>						
Toronto Dominion Bank Canada	2.10	20,362	39,557,630	0.99	34,047	65,166,150
Bank of Montreal Canada	1.71	7,995	15,532,629	-	-	-
The Bank Of Nova Scotia Canada	-	-	-	0.67	9,240	17,685,175
Commerzbank A.G.	-	-	-	1.05	10,000	19,139,800
Bank of Tokyo Mitsubishi N.Y. USA	1.25	45,837	89,047,042	-	-	-
Banco del Estado de Chile	2.04	7,436	14,446,265	-	-	-
Standard Chartered Bank USA	-	-	-	1.28	10,000	19,139,800
Citibank USA	1.81	15,655	30,413,094	0.95	15,222	29,134,604
Interamerican Investment Corp.	1.75	6,151	11,949,732	-	-	-
Banca Intesa USA	-	-	-	0.88	26,817	51,326,571
Commerce Bank Mercantil USA	-	-	-	1.82	10,000	19,139,800
Wells Fargo Bank	1.74	73,615	143,010,957	0.98	69,388	132,806,580
Banco Latinoamericano de Exportaciones BLADEX	2.62	72,146	140,158,316	-	-	-
Corporación Andina de Fomento CAF Venezuela	1.35	126,871	246,472,972	0.72	109,000	208,623,820
	<u>1.75</u>	<u>376,068</u>	<u>730,588,637</u>	<u>0.94</u>	<u>293,714</u>	<u>562,162,300</u>
<b>Medium Term</b>						
Dresdner Bank AG Alemania				-	-	-
Toronto Dominion Bank Canada	2.59	7,000	13,598,900	-	-	-
Interamerican Investment Corp.	1.90	15,724	30,546,095	1.59	443	846,936
Mizuho Corporate Bank Ltd USA	-	-	-	1.80	700	1,341,112
JBIC Japan Bank For Int. Cooperation.	-	-	-	2.08	500	956,980
Banco Latinoamericano de Exportaciones Bladex	2.47	1,000	1,942,700	-	-	-
Corporación Andina de Fomento CAF Venezuela	-	-	-	1.91	1,744	3,338,661
	<u>2.08</u>	<u>23,724</u>	<u>46,087,695</u>	<u>1.81</u>	<u>3,387</u>	<u>6,483,689</u>

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	Int. Rate. —(%)—	<u>2011</u>		Int. Rate. —(%)—	<u>2010</u>	
		Amount <u>USD</u>	Amount <u>Pesos</u>		Amount <u>USD</u>	Amount <u>Pesos</u>
<b>Long Term</b>						
Instituto de Crédito Oficial del Reino de España	2.89	47,596	92,465,616	3.10	52,221	99,950,702
Interamerican Investment Corp.	2.45	643	1,250,023	2.03	3,217	6,154,429
Inter American Development Bank USA	1.20	258,531	502,248,174	1.39	219,986	421,048,804
Corporación Andina de Fomento CAF Venezuela	1.91	3,113	6,047,908	1.89	8,549	16,363,407
	<u>1.83</u>	<u>309,884</u>	<u>602,011,721</u>	<u>1.94</u>	<u>283,973</u>	<u>543,517,342</u>
	1.81	<u>709,676</u>	<u>1,378,688,053</u>	1.47	<u>581,074</u>	<u>1,112,163,331</u>

There is no negative pledge\* over these balances\* .

The maturities of bank credits and other obligations pursuant to their future flows of capital and interests are as follows.

	<u>2011</u>	<u>2010*</u>
0 - 30 days	COP 110,176,021	COP 172,913,749
31 - 60 days	242,920,296	196,385,801
61 - 90 days	64,982,405	91,799,116
91 - 180 days	136,097,998	102,302,396
181 - 360 days	227,903,392	18,696,532
Over 360 days	644,428,347	576,030,345

16. ACCOUNTS PAYABLE

The detail of accounts payable is as follows:

	<u>2011</u>	<u>2010</u>
Interest	COP 21,147,028	COP 17,296,811
Commissions and fees	3,427	2,949

\*

<sup>u</sup> Negative Pledge: This type of guarantee (known under the name of the clause that contains it in syndicated credits) consists that an individual or legal person binds itself with the creditor not to constitute any type of pledge or mortgage lien, security trust or any other type of guarantee or lien while obligations in force on its charge and in favor of the creditor exist, over the real property or personal property it owns.

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Taxes*	66,690,992	4,358,378
Dividends	63,883	73,474
Suppliers	1,117,395	227,598
Withholdings and labor contributions	731,593	479,019
Liquidation derivative operations	414,466	2,043,869
F.T. operations pending reimbursement	-	1,030,642
Miscellaneous	<u>569,334</u>	<u>727,106</u>
	<u>90,738,118</u>	<u>26,239,846</u>

- \* Corresponds mainly to the registration of the equity tax and overcharge of the same for COP 66,928,271 payable in annual installments during the years 2012 to 2014.

17. OUTSTANDING INVESTMENT SECURITIES

The detail of outstanding investment securities is as follows:

	<u>2011</u>	<u>2010</u>
Ordinary bonds in local currency, fourth issue 2005 (A) COP	-	COP 95,500,000
Ordinary bonds in local currency, fifth issue 2007 (B)	<u>578,490,000</u>	<u>1,525,020,000</u>
	<u>578,490,000</u>	<u>1,620,520,000</u>

Ordinary bonds issued in 2005 and 2007 registered discounts and premiums, which were amortized with charges and payment to the statement of earnings, as follows:

	<u>2011</u>	<u>2010</u>
For amortization of discounts	COP 356,269	COP 1,495,089
For amortization of premiums	16,400	31,409

The conditions for the bonds are as follows:

<u>Type of bond</u>	<u>Issued Amount</u>	<u>Date of Issue</u>	<u>Term</u>	<u>Amortization</u>	<u>Interest rate</u>
(A) Ordinary inn legal currency issue 2005	Up to 1.000.000.000	22-Sep-05	Up to 7 years	At maturity	Indexed at DTF- IPC-TF pursuant to placement term (1)

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(B) Ordinary inn legal currency issue 2007	Up to 3.000.000.000	19-Sep-07 (Bonds 5em) 22-Abr- 08 12 Feb 09 (Bonds 6em)12 Aug 09 (Bonds 7em) 12 may-10 (Bonds 7em) 12 may-11 (Bonds 7em)	Up to 10 years	At maturity	Indexed at DTF- IPC- UVR -TF pursuant to placement term (1)
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(1) Issued with premium and discount

(2)

There are no guarantees granted on bonds.

Maturities of outstanding securities pursuant to their future flows of capital and interests are as follows:

	<u>2011</u>	<u>2010</u>
0 - 30 days	COP 157,825,060	COP 125,219,906
31 - 60 days	6,572,633	222,539,884
61 - 90 days	-	5,013,417
91 - 180 days	116,928,270	317,225,184
181 - 360 days	214,145,492	547,889,745
Over 360 days	108,767,996	474,858,540

18. OTHER LIABILITIES

The detail of other liabilities is as follows:

	<u>2011</u>	<u>2010</u>
Consolidated labor obligations	COP 1,863,035	COP 1,630,296
Advanced income *	29,433,604	41,945,725
Deferred payments	524,210	702,474
Deferred payment letters of credit	2,665,291	263,628
Deferred Income Tax	7,076,620	-
Miscellaneous *	<u>13,211,759</u>	<u>18,979,457</u>
	<u>54,774,519</u>	<u>63,521,580</u>

All labor obligations contracted by the Bank are under the provisions of Laws 50 of 1990 and 100 of 1993.

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\* These balances correspond basically to resources received for financing lines with rate differentials

19. ESTIMATED LIABILITIES AND PROVISIONS

The detail of estimated liabilities and provisions is as follows:

	<u>2011</u>	<u>2010</u>
Labor obligations	COP -	COP 1,192
Income and supplementary Tax ***	14,425,763	-
Labor suits *	190,974	157,440
Treasury operations commissions provision	30,000	87,000
FNG shared risk provision **	1,331,935	1,545,082
Benefit plan for officers	616,228	772,603
Santos Bank Provision	4,773,466	4,773,466
Miscellaneous	<u>382,921</u>	<u>374,788</u>
	<u>21,751,287</u>	<u>7,711,571</u>

\* There are no provisions resulting from contingencies of probable losses due to litigations, except those constituted during the development of ordinary labor proceedings which are currently under way against Bancoldex whose sum corresponds to the amount of COP 190,974.

\*\* Provision approved by the Board of Directors during meeting dated February 16, 2000 with the purpose that those operations issued under the coverage of the guarantee agreement shared with the National Guarantees Fund count with resources to attend the claims filed by the Fund.

\*\*\* During 2010 it was recorded in accounts payable taking into account that the tax was determined based on presumptive income while for 2011 it was calculated based on ordinary income.

20. CAPITAL

The detail of the capital as of December 31, 2011 and 2010 is as follows:

Ministry of Commerce, Industry and Tourism	COP 786.080.862
Ministry of Finance and Public Credit	67.177.642
Individuals	<u>2.411.119</u>
	COP <u>855.669.623</u>

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The number of subscribed and paid shares as of December 31, 2011 and 2010 is 855,669,623 and there were no shares re-acquired. As of December 31, 2011 and 2010 there were 853,258,504 ordinary shares Series A, 1,498,445 ordinary shares Series B and 912,674 privileged shares denominated Series C.

Privileged shares of series C have a minimum annual preferential dividend equivalent to 3.5% of their equity share value as of the beginning of the year, with charge to those profits whose calculation shall be decreed by the Shareholders Meeting. This minimum preferential dividend shall be enforceable in first instance, during eight (8) years, after which the Bank shall purchase the average value of the share listed in the Stock Exchanges of Bogotá, Medellín and Occidente during the twelve (12) months prior to the date when the comparison against the average equity value of the share during the same period is being made.

If the average Stock Exchange listing is equal or greater than 110% of the average equity value, the privilege shall be extinguished and consequently the minimum preferential dividend shall be suspended; otherwise, the privilege shall be extended for five (5) years, after which the Bank shall carry out a new comparison of average values in the same way. If the average Stock Exchange listing is still less than 110% of the average equity value, the privilege shall be extended during three (3) successive two-year periods, being it understood that at the closing of each of said periods the Bank shall perform the comparison of average values. If the average Stock Exchange listing continues to be less than 110% of the average equity value at the expiration the periods mentioned, the privilege shall be extended for another year, after which it shall extinguish.

Such extinction of the privilege, regardless of the time it occurs, shall give place that the shares are converted into ordinary shares and to the corresponding replacement of certificates. Should the Shareholders Meeting determine the acknowledgement of a dividend greater in value to the minimum preferential, the payment of the former shall prevail over the latter.

In order to liquidate the privilege enshrined in the preceding paragraphs, BANCOLDEX shall proceed in accordance to the following formula:

Minimum Preferential Dividend = Equity value of the Share at the beginning of the year N x 3.5%.

*Where:*

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Equity value of the Share at the beginning of the year N = Total equity as of December 31, of year N - 1 x Nominal value

Total Capital subscribed and paid as of December 31 of year N - 1

*Where in turn N = year with charge to those profits whose calculation of the respective dividend shall be decreed by the Shareholders Meeting.*

Payment of the minimum preferential dividend foreseen is ordered by the General Shareholders Meeting of the Bank, with charge to the liquid profits of the respective period; thus, without prejudice of the provisions set forth under item 2 of Article 381 of the Code of Commerce, the dates of payment of the preferential dividend correspond to those indicated by such body and in the event that during a determined term the Bank does not generate profits, or these may not be enough to attend such payment, the total or partial value of the unpaid dividend shall accumulate to be paid with charge to the liquid profits of the following term; should no profits exist during such term, or they may not be enough, the payment shall be accumulated likewise and thereon successively.

By decision of the General Shareholders Meeting dated August 21, 2002, the privilege had been extended for a five year term, and once more in the ordinary meeting held on March 31, 2008, taking into account that the value of its listing price is only a reference in order to know if the privilege is extended or not, in first instance for five years and afterwards for three successive two-year periods, the General Shareholders Meeting ordered to take as zero (0) the value of the listing price in the stock exchange and continue with the privilege for five additional years.

21. OTHER OPERATIONAL INCOME

The detail of other operational income is as follows:

	<u>2011</u>	<u>2010</u>
Recoveries of provisions		
Loan Portfolio(*)	COP 25,401,926	COP 36,684,106
Accounts Receivable	130,054	576,941
Cables, postage, telephone	47,381	44,474
Loan and credit portfolio prepayments	1,865,876	2,041,660
F.N.G premium devolution	616,986	710,965
Other	<u>5,880</u>	<u>24,970</u>
	<u>28,068,103</u>	<u>40,083,116</u>

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22. OTHER OPERATIONAL INCOME

The detail of other operational expenses is as follows:

	<u>2011</u>	<u>2010</u>
Fees	COP 2,065,021	COP 1,814,144
Taxes (*)	58,344,776	27,118,609
Leasing	867,927	870,098
Contributions and affiliations	2,224,616	2,341,612
Insurance	476,598	532,741
Maintenance and repair	1,786,217	2,015,137
Adapting and fitting of offices	706,447	205,816
Cleaning and Surveillance	570,233	587,139
Temporary Services	761,623	839,819
Advertising and Propaganda	1,729,902,	1,231,421,
Public Relations	61,043	29,440
Utilities	656,623	583,398
Travel expenses and lodging	839,947	830,255
Transportation	757,014	683,235
Stationery and props	57,477	51,870
Photocopying Services	6,237	12,625
Digitalization Services	17,453	16,467
Subscriptions and registrations	122,950	114,064
Consultation books	10,273	6,553
Work lunches	105,940	98,613
Cafeteria elements	94,484	94,292
Cleaning elements	25,869	29,107
Legal and Notarial expenses	3,103	4,245
Mail and delivery postage	180,233	225,162
Telex, Tas, SWIFT data transmission	797,172	515,187
Building Administration	815,698	963,932
Social welfare	1,166,691	1,176,315
Commercial information	273,277	225,502
Custody and Storage of magnetic files	114,995	121,618
Contact Center Bancoldex	317,829	274,280

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	<u>2011</u>	<u>2010</u>
Enrollment in stock exchange	84,500	13,678
Contingencies processing alternate service	124,452	121,541
Public Offer Rights	-	166,310
Negative portfolio prepayment	-	213,701
Other minor	<u>145,303</u>	<u>153,181</u>
	<u>76,311,923</u>	<u>44,281,107</u>

As of December 31, 2011 and 2010, includes the tax on equity (Law 863 of 1993) for COP 43.952.184 and COP 14.914.544 respectively.

23. NON OPERATIONAL INCOME

The detail of non operational income is as follows:

	<u>2011</u>	<u>2010</u>
Profit in sale of property and equipment	COP 1,119	COP 18,264
Leasing goods owned	265,176	327,302
Refund of provisions		
Write-off of goods	108,668	6,580,153
Goods received as payment	-	779,824
Investments	3,000,000	2,329
Other provisions	229,537	1,447,595
Other assets	27,265	85,641
Devolutions	54,477	88,983
Recovery due to Casualties	-	1,170
Other recovery		
Expenses from previous periods	258,295	1,024,498
Suppliers conditioned discount	1,684	5,199
Reimbursement of insurance premium deposit	-	547,478
Other	-	655
Miscellaneous		
Income of goods received as payment	-	20,110
Interest, loan portfolio previous periods	160,648	1,297,130
Reimbursement due to telephone calls	17	4
Other	<u>101,763</u>	<u>29,680</u>
	<u>4,208,649</u>	<u>12,256,015</u>

24. NON OPERATIONAL EXPENSES

The detail of non operational expense is as follows:

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	<u>2011</u>	<u>2010</u>
Loss in sale of goods receives as payment	COP -	COP 1,200,483
Loss in sale of property and equipment	-	3,422
Loss due to casualties in operational risk	340	1,272
Penalties, sanctions, litigations and indemnity	251	-
Expenses of goods received as payment	10,404	19,252
Reversion of income of previous periods	3,351	21,014
Expenses of previous periods	60,888	76,477
Withholdings assumed	96,794	69,471
VAT assumed by Bancoldex	-	27,847
Non-deductible expenses	21,123	-
Miscellaneous	<u>2,829</u>	<u>669</u>
	<u>195,980</u>	<u>1,419,907</u>

25. INCOME AND SUPPLEMENTARY TAXES

The detail of the reconciliation between accounting and fiscal items is as follows:

	<u>2011</u>	<u>2010</u>
Profit before income taxes	COP 41,157,467	COP 113,052,744
<i>Plus or (minus) entries that increase (decrease) fiscal profit:</i>		
Non-deductible provisions that constitute a permanent difference	20,557,434	8,567,560
General Portfolio Provision		
Non-deductible provisions constituting a temporary difference - Provisioned expenses	32,108,333	6,028,388
(Lower) Greater fiscal income for investments accrual	(12,488,505)	21,273,060
Investment provision	1,762,872	10,404,572
Dividends and participations	(5,320,581)	(5,114,717)
Refund of provisions	(12,872,184)	(2,328)
Other	<u>44,545,098</u>	<u>16,630,123</u>
Ordinary liquid income (loss)	<u>109,449,934</u>	<u>153,704,282</u>

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	<u>2011</u>	<u>2010</u>
Compensation due to excess inn presumptive income	(29,549,613)	(142,465,154)
Liquid Income (loss)	79,900,321	11,239,128
Applicable presumptive income	44,046,440	43,125,009
Estimated Taxable Base	<u>79,900,321</u>	<u>43,125,009</u>
Current tax (upon estimated taxable base) Tax expenses	26,367,106	14,231,253
Deferred tax	(498,658)	-
Total Income Tax	<u>25,868,448</u>	<u>14,231,253</u>

The effective income tax rate for years 2011 and 2010 was 62.85% and 12.59%, respectively. Tax returns corresponding to fiscal years 2010, 2009, 2008 and 2006, are within the term to be declared in firm. As of December 31, 2011 the Bank counts with adjusted fiscal credits due to inflation for COP 29,933,417 of which COP 142,465,154 shall be amortized as compensation in the tax return of tax year 2011.

The effective rate of 62.85% for fiscal year 2011, greatly occurs due to the accrual of the equity tax and the corresponding overcharge corresponding to years 2011 and 2012 for COP 43,952,184.

The following temporary differences originate the movement of the deferred tax for year 2011:

Over Provision for Industry and Commerce	(251,645)
Provision estimated liabilities	(2,417,423)
Difference due to appraisal of derivatives	<u>(4,906,210)</u>
Total Deferred Tax receivable	(7,575,278)
Difference due to appraisal if investments	<u>7,076,620</u>
Deferred Tax Payable	<u>7,076,620</u>
	(498,658)

For year 2010 the Bank did not acknowledge deferred tax because the income tax was determined based on presumptive income.

As of December 31, 2011 and 2010 the accounting equity differed from the fiscal equity, due to the following:

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	<u>2011</u>	<u>2010</u>
Accountancy Equity	COP 1,347,976,788	COP 1,382,338,072
<i>Plus or (minus) entries that increase (decrease) the equity for fiscal effects:</i>		
Fiscal adjustments of assets and liabilities and readjustment of fixed assets and other assets	146,831,898	89,914,890
Estimated liabilities and provisions	7,325,524	7,711,571
Accounting appreciation of property and equipment	(18,949,160)	(18,949,160)
Appreciation of Cultural goods and art works	(1,323,947)	(1,323,947)
Deferred Tax payable	<u>(498,658)</u>	
Fiscal Equity	<u>1,481,362,445</u>	<u>1,459,691,426</u>

Equity Tax:

Bancoldex is subject to equity tax and overcharge established for year 2011 through Law 1370 of 2009 and Legislative Decree 4825 of 2010 at a rate of 6% liquidated over the liquid equity as of January 1, 2011. During 2011 the Bank accrued the tax and the overcharge corresponding to 2012, thus, the tax shows the following detail as of December 31, 2011:

Amount of the tax in accordance to the return submitted	COP 87,904,361
Amortized amount in the income statement for year 2011	<u>(43,952,184)</u>
Balance pending amortization in deferred charges	<u>43,952,177</u>

26. CONTINGENT ACCOUNTS

Debtors

The detail of contingent accounts is as follows:

	<u>2011</u>	<u>2010</u>
Amounts in Closed Repo operations	COP 85,664,206	COP -
Credit portfolio interest	342,330	473,155

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Fiscal loss pending amortization	547,345	1,056,140
Presumptive income surplus over ordinary	29,002,268	141,937,084
Litigations under process (*)	20,137,427	19,464,182
Other	<u>117</u>	<u>113</u>
	<u>135,693,693</u>	<u>162,930,674</u>

(\*)The Bank 's civil records proceeding as of December 31, 2011 y 2010.

Creditors

The detail of creditors' contingent accounts is as follows:

	<u>2011</u>	<u>2010</u>
Bank Guarantees	COP 100,818,010	COP 70,643,738
Letters of Credit	8,310,417	41,732,269
Credits approved not disbursed	4,544,129	11,955,447
Other contingencies -creditors -litigations (*)	150,000	150,000
Private Equity Fund commitments	57,220,640	55,752,137
Other	<u>465</u>	<u>465</u>
	<u>171,043,661</u>	<u>180,234,056</u>

(\*) The Bank has both labor and civil proceeding under way as of December 31 2011 and 2010.

27. MEMORANDA ACCOUNTS

The detail of memoranda accounts is as follows:

	<u>2011</u>	<u>2010</u>
<u>DEBTOR</u>		
Goods and Securities given for custody	COP 21,425,795	COP -
Remittances and other items for collection	2,227,436	134,802
Assets reduced in value (Write-Offs)	76,187,790	75,751,577
Non used credits in favor	1,239,683,007	1,951,735,853
Investment certificates not placed	1,000,000,000	1,117,650,000
Amortized Investment certificates	3,240,487,185	3,071,562,761
Assets adjustments due to inflation	6,301,362	6,622,910
Credits for affiliates and subordinates	81,997,021	78,745,546
Property and equipment totally depreciated	8,088,016	7,558,617
Difference between fiscal and accounting value non-monetary assets	5,618,121,825	5,780,891,119

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	<u>2011</u>	<u>2010</u>
<u>DEBTOR</u>		
Negotiable investments debt certificates	375,396,140	530,692,990
Investments to be kept until maturity	16,395,543	42,208,569
Investments available for sale debt certificates	224,166,690	10,925,700
Positive reciprocal operations with subordinates	56,880,423	50,288,036
Reciprocal operations that affect expenses	59,125	116,901
Investment Program Bank of Opportunities	158,105,366	150,664,895
Autonomous Equities*	94,922,302	-
Deceval Master Agreement	1,959,753,002	1,941,230,633
Other	<u>276,255,902</u>	<u>266,221,282</u>
	<u>14,456,423,930</u>	<u>15,083,002,191</u>
 <u>CREDITORS</u>		
Goods and securities received in custody	COP 1,356,947	COP 59
Guarantees pending cancellation	1,263,553	1,177,214
Goods and securities received as admissible guarantee	64,762,559	74,921,208
Goods and securities received as guarantee - other	388,585,309	394,080,672
Equity adjustments due to inflation	895,894,056	895,894,056
Capitalization due to equity revaluation	689,006,072	689,006,072
Yields of fixed income negotiable investments	21,117,797	54,416,625
Difference fiscal and accounting equity value	1,501,612,247	1,471,474,051
Total Commercial Credits Rating Qualified guarantee	25,049,096	60,467,201
Total Commercial Credit Ratings other guarantees	5,164,438,462	4,766,016,913
Reciprocal operations of liabilities with subordinates	-	167
Reciprocal operations affecting income with subordinates	10,593,899	8,786,056
Investment Program Bank of Opportunities	158,105,366	150,664,895
Autonomous Equities	92,033,652	-
Equity adjustment due to inflation	450,359,455	450,359,455
Other	<u>129,245,108</u>	<u>113,760,067</u>
	<u>9,593,423,578</u>	<u>9,131,024,711</u>

\* See Note 30 Events of interest

28. TRANSACTIONS WITH RELATED PARTIES

The following are deemed related parties: economic affiliates such as shareholders with 10% or more of the Bank's equity, managers and members of the Board of Directors. Likewise, shareholders with less than 10% of the equity and representing more than 5% of the technical equity. The items of the financial statements including balances or transactions with related parties are shown in detail as follows:

*Operations with shareholders*

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>Investments</u>		
Ministry of Finance and Public Credit	COP 602,928,182	COP 570,144,353
<u>Deferred Income Tax</u>		
Ministry of Finance and Public Credit	7,076,620	-

(Continued)

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Notes to the Financial Statements

ASSETS	<u>2011</u>	<u>2010</u>
<u>Accounts receivable</u>		
Ministry of Trade, Industry and Tourism	-	1,955
Ministry of Finance and Public Credit	<u>402,545</u>	<u>190,443</u>
	<u>610,407,347</u>	<u>570,336,751</u>
LIABILITIES		
<u>Income received in advance</u>		
Ministry of Trade, Industry and Tourism	16,346,538	32,439,013
<u>Other liabilities</u>		
Ministry of Trade, Industry and Tourism	<u>1,173,887</u>	<u>2,204,593</u>
	<u>17,520,425</u>	<u>34,643,606</u>
EQUITY		
<u>Subscribed and paid capital</u>		
Ministry of Trade, Industry and Tourism	786,080,862	786,080,862
Ministry of Finance and Public Credit	67,177,642	67,177,642
<u>Aggregate profit not realized in investments available for sale</u>		
Ministry of Finance and Public Credit	<u>5,424,045</u>	<u>44,059</u>
	<u>858,682,549</u>	<u>853,302,563</u>
INCOME		
<u>Interest income</u>		
Ministry of Finance and Public Credit	-	9,335
<u>Other interests</u>		
Ministry of Trade, Industry and Tourism	15,075,051	46,573,553
<u>Profit of investments appreciation and sale</u>		
Ministry of Finance and Public Credit	<u>31,798,598</u>	<u>31,592,370</u>
<u>Income other previous years</u>		
Ministry of Finance and Public Credit	<u>46,873,649</u>	<u>78,175,258</u>
EXPENSES		
<u>Loss in appraisals and sale of investments</u>		
Ministry of Finance and Public Credit	1,056,980	1,134,002
<u>Taxes</u>		
Ministry of Finance and Public Credit	44,088,956	16,503,015
<u>Other Expenses</u>		
Ministry of Finance and Public Credit		14
	<u>45,145,936</u>	<u>17,637,031</u>

Balances with shareholders correspond to investments performed by the Bank in treasury certificates TES issued by the Ministry of Finance and Public Credit, which are acquired in the public market and are appraised at market prices. The average rate of the market for the TES was 6.94%.

There were no gratuitous or compensated services between the Bank and the shareholders, or any loans without interests or consideration whatsoever or operations whose characteristics differ from those carried out with third parties.

*Operations with administrators*

(Continued)

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The President, Vice President and Comptroller of the Bank are deemed administrators

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
Accounts receivable		
Other	COP 15,820	COP 8,791
Provisions		
Accounts receivable	(16,140)	(8,187)
Other assets		
Credits for employees	<u>1,613,996</u>	<u>818,725</u>
	<u>1,613,676</u>	<u>819,329</u>
<u>LIABILITIES</u>		
Accounts payable		
Social welfare	887	85,228
Consolidated labor benefits		
Holidays	<u>314,895</u>	<u>302,845</u>
	<u>315,782</u>	<u>388,072</u>
<u>INCOME</u>		
Operational Income		
Loan Interests	7,103	2,886
Other commissions	932	-
Non operational Income		
Leasing	588	450
Other income	<u>40,699</u>	<u>791</u>
	<u>49,322</u>	<u>4,127</u>
<u>EXPENSES</u>		
Personnel expenses	2,587,979	3,301,019
Other	147,426	-
	11,486	-
Non operational expenses	<u>26,328</u>	<u>23,982</u>
	<u>2,773,219</u>	<u>3,325,001</u>

Assets correspond to housing, vehicle credits and free investment to accounts receivable over the same, granted in accordance with the terms and rate conditions enforceable pursuant to the internal regulations for housing, vehicle credits and free investment to employees of the Bank.

*Operations with affiliates*

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
<u>Investments</u>		
Fiducoldex	COP 20,654,968	COP 17,065,474
Leasing Bancóldex	220,891,945	21,160,858

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	<u>2011</u>	<u>2010</u>
<u>Credit portfolio</u>		
Leasing Bancóldex	81,997,021	78,745,546
Credit portfolio provisions		
Leasing Bancóldex	(819,970)	(787,455)
<u>Accounts receivable</u>		
Leasing Bancóldex	235,705	185,626
Provision accounts receivable		
Leasing Bancóldex	(2,357)	(1,856)
<u>Appreciation of investments</u>		
Fiducoldex	6,561,275	6,856,305
Leasing Bancóldex	<u>7,359,239</u>	<u>5,809,177</u>
	<u>138,877,826</u>	<u>129,033,674</u>
 EQUITY		
<u>Appreciation of investments</u>		
Fiducoldex	6,561,275	6,856,305
Leasing Bancóldex	<u>7,359,239</u>	<u>5,809,177</u>
	<u>13,920,514</u>	<u>12,665,482</u>
 INCOME		
<u>Portfolio interests</u>		
Leasing Bancóldex	5,033,364	4,664,715
<u>Commissions</u>		
Leasing Bancóldex	-	6,478
<u>Dividends</u>		
Fiducoldex	3,589,494	3,926,819
Leasing Bancóldex	1,731,087	-
<u>Recovery of provisions</u>		
Leasing Bancóldex	-	196
<u>Other Income</u>		
Leasing Bancóldex	-	24,512
<u>Non operational income</u>		
Fiducoldex	163,626	135,361
Leasing Bancóldex	<u>76,329</u>	<u>33,786</u>
	<u>10,593,900</u>	<u>8,791,868</u>
 EXPENSES		
<u>Interests</u>		
Leasing Bancóldex	26,110	3,756
<u>Provisions</u>		
Leasing Bancóldex	<u>33,016</u>	<u>32,978</u>
	<u>59,125</u>	<u>36,734</u>

Investments correspond to the Bank's share of 89.17% and 86.55% in Fiducoldex S.A. and Leasing Bancóldex S.A., respectively.

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The credit portfolio corresponds to ordinary credits granted to Leasing Bancóldex, which were performed under the general conditions in force in the market for similar operations. The weighted average rate of the portfolio with Leasing Bancóldex is DTF (E.A.) +2.21%.

Other income corresponds mainly to payments of leasing and shared expenses refund, received from Fiducoldex and Leasing Bancóldex.

There were no gratuitous or compensated services between the Bank and the aforementioned affiliates, or any loans without interests or consideration whatsoever or operations whose characteristics differ from those carried out with third parties.

*Operations with members of the Board of Directors*

	<u>2011</u>	<u>2010</u>
<u>LIABILITIES</u>	COP 6,577	COP 0
Accounts payable	<u>6,577</u>	<u>0</u>
<u>EXPENSES</u>		
Fees	72,239	68,369
	<u>72,239</u>	<u>68,369</u>

Corresponds to fees paid and to the attendance to the meetings of the Board of Directors, of the Credit Committee and the Assets and Liabilities Management (GAP) Committee, Audit Committee and Committees of Equity Funds. Between the Bank and the members of the Board of Directors no gratuitous or compensated services, loans without interest or without any consideration whatsoever or operations whose characteristics differ from those performed with third parties

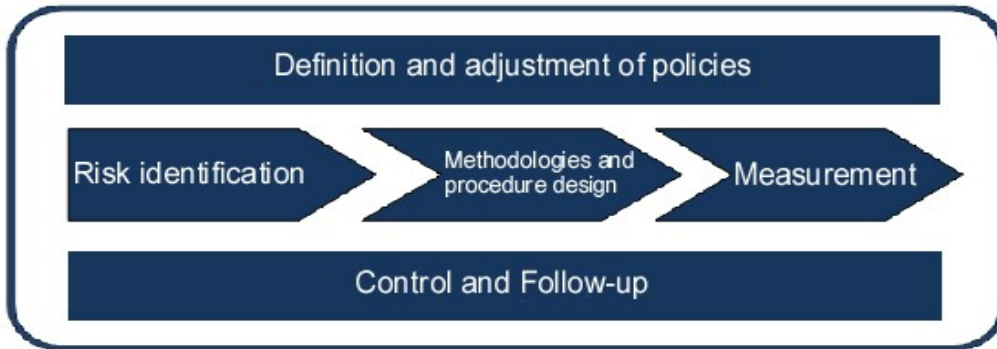
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29. RISK MANAGEMENT

Integral risk management process



Bancoldex Risk Management is a “cross section” process applied throughout the organization and it is performed in an integral manner. It comprises the identification, monitoring, follow-up and the preventive and corrective actions to procure the Bank’s financial sustainability and it is supported in an organizational structure that guarantees independence of functions among front, middle and back office areas. Such management is materialized through the relationships among the Credit Risk Management System (SARC - in Spanish: *Sistema de Administración de Riesgo de Crédito*), the Market Risk Management System (SARM in Spanish: *Sistema de Administración de Riesgo de Mercado*), the Liquidity Risk Management System (SARL in Spanish *Sistema de Administración de Riesgo de Liquidez*), the Operational Risk Administration System (SARO in Spanish: *Sistema de Administración de Riesgo Operativo*), Information Security and Business Continuity System (SGSI in Spanish *Sistema de Seguridad de la Información y Continuidad del Negocio*) and the Asset Laundering and Terrorism Funding Risk Management System (SARLAFT in Spanish: *Sistema de Administración de Riesgos de Lavado de Activos y Financiación del Terrorismo*). Each of these systems contemplates policies, risk measurement and follow-up methodologies and a clear identification of processes and procedures, among others.

**Organizational Structure of Risk Management**

The Board of Directors is the main instance responsible for risk management within Bancoldex and, as such, it leads the process as well as decision taking over this matter. The Board establishes the general policies for risk management, and the structural organization which supports it to carry out the follow-up of each of the systems comprising it in an individual and consolidated manner.

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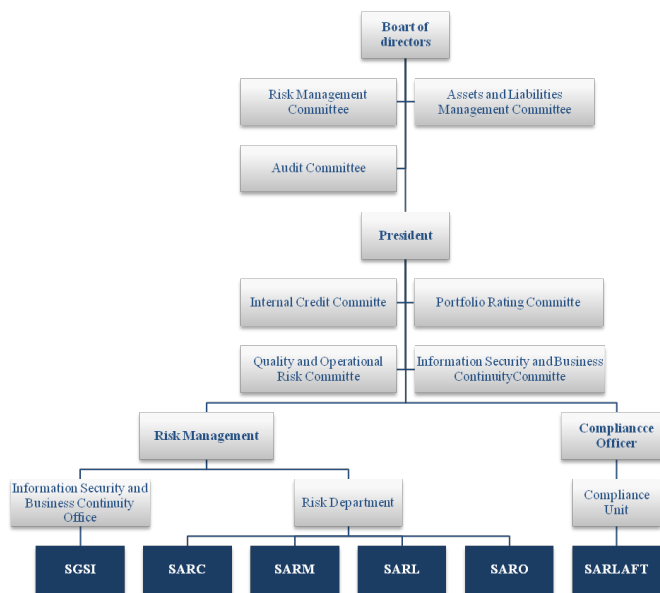
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The organizational structure includes committees and areas dedicated with priority to risk management related activities. This structure clearly defines the independence of the front, middle and back office areas as it may be observed in the following graph:

**Organizational Structure**



The committees are instances of support of the Board of Directors for managing different risk categories, as follows:

<u>Office</u>	<u>Risk Category</u>	<u>Main Functions</u>
Risk Management Committee of the Board of Directors	Credit Risk Operational Risk Liquidity Risk Market Risk	<ul style="list-style-type: none"> <li>Analyze credit, market, liquidity and operational risk policies proposals and submit recommendations to the Board of Directors</li> <li>Approve credit and counterparty limits.</li> <li>Approve general guidelines for credit risk management methodologies.</li> <li>Provide an opinion about the operational risk profile of the Bank.</li> <li>Approve contingency and business continuity plans and to provide the necessary resources for their timely execution.</li> </ul>
Audit Committee	Credit Risk Operational Risk	<ul style="list-style-type: none"> <li>Analyze the results of the audits carried out on processes related to risk management.</li> </ul>

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	Liquidity Risk Market Risk AL/FT Risk	<ul style="list-style-type: none"> <li>Follow-up over the risk exposure levels, their implication for the entity and the measures adopted for control and mitigation</li> </ul>
Internal Credit Committee	Credit Risk	<ul style="list-style-type: none"> <li>Approve credit risk management methodologies.</li> <li>Approve credit limits.</li> </ul>
Portfolio Rating Committee	Credit Risk	<ul style="list-style-type: none"> <li>Approve debtors ratings transmitted to the Financial Superintendence and Risk Centrals</li> <li>Follow up of debtors risk profile</li> </ul>
Assets and Liabilities Management Committee	Market Risk and Liquidity Risk	<ul style="list-style-type: none"> <li>Approve procedures and methodologies relating to market and liquidity risks.</li> <li>Approve placement, fund raising and hedging strategies</li> <li>Follow up of the liquidity situation of the Bank</li> </ul>
Operational and Risk Quality Management Committee	Operational Risk	<ul style="list-style-type: none"> <li>Perform the follow-up of the Bank's operational risk profile</li> <li>Analyze risk events and approve mitigation plans</li> </ul>
Information Security and Business Continuity Committee	Information Security and Continuity	<ul style="list-style-type: none"> <li>Analyze proposals of policies regarding information security and business continuity and recommend them to the Board of Directors.</li> <li>Promote the inclusion of work plans in the bank's offices to attend activities relating to Information Security and Business Continuity</li> <li>Monitor the information security strategy assuring its support to the Bank's strategic objectives.</li> </ul>

**Credit Risk Management System - CRMS**

Credit Risk Management in Bancóldex is aligned with the provisions set forth by the Financial Superintendence of Colombia and comprises four elements: policies, processes and procedures, granting and follow-up methodologies and auditing. The basic principles and rules to manage the credit operations are contained in the CRMS Manual, whose fundamentals also cover treasury operations (namely the counterparts with which interbank and derivative operations are carried out, among others).

The Bank counts with methodologies for credit risk analysis for different segments (local credit establishments, banks abroad, entities oriented towards micro entrepreneurial credit, among others), which are based in the CAMEL methodology and include quantitative and qualitative aspects as well as corporate government evaluation. The Risk Vice Presidency periodically reports the results of the credit risk analyses as well as the evolution of the risk profile of credit and counterparty operations to the Board of Directors and to the different Committees.

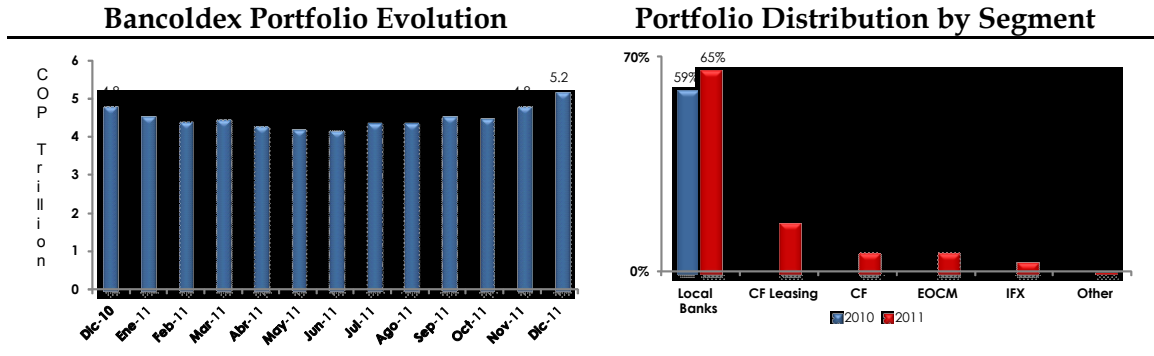
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The following chart shows the credit exposure level evolution, as well as the distribution of the portfolio for each segment:



CF: Financing companies; EOCM: entities oriented towards micro entrepreneurial credit; IFX: Banks abroad

Pursuant to Circular External Letter No. 035 of 2006 by the Financial Superintendence of Colombia, Bancoldex, as a rediscount entity, is not obliged to prepare internal models or to adopt reference models established by the regulating authority. Without prejudice of the foregoing, Bancoldex counts with internal models to calculate the expected loss of some segments supported by an econometric model, transition matrixes and a broad database of financial information and ratings of customers. The results of this model are useful to feed the tools utilized by the bank to fix prices for some products and services offered and they are reported periodically to the Board of Directors and the Committees.

The processes and technology adopted by the Bank allow the administration of any credit operation in the stages of granting, follow up, control and recovery. Credits are granted based on global quotas (maximum exposure amounts) which result from the application of the different methodologies used.

**Market Risk Management System -MRMS**

Besides complying with the regulations, Bancoldex counts with methodologies and mechanisms for the follow-up of market risks generated through the different business lines, in which it has increased its market share. Thus, during 2011, Bancoldex strengthened its risk work team, focused its activities for perfecting the general and specific policies for treasury operations and to adapt the risk measurement and control methodologies for the different products it operates.

Among the achievements in 2011, relating to market risk management, it is worth highlighting the consolidation of the market risk administration and management

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system as well as the definition of general guidelines of the Credit Support Annex (CSA) for financial derivative instruments. Likewise, the related general guidelines were adapted regarding limits and exposures of the different market risks and several processes and procedures were strengthened, which allow the optimization of the market risk management associated to treasury operations. All the foregoing is duly documented in the MRMS Manual.

*Methodologies used to measure market risk*

The Risk Vice Presidency is the area in charge of proposing, developing and overseeing compliance of the policies, methodologies, procedures and general guidelines approved by the Board of Directors and the Risk Management Committee of the Board. To carry out market risk management. It is also responsible of measuring, analyzing and controlling the risks inherent to the business, as well as the periodical revision and evaluation of the appraisal methodologies of the different products negotiated by the treasury.

The Assets and Liabilities Management Committee is the area in which the Board of Directors has delegated the responsibility of approving the maximum market risk exposure levels that can be assumed by the Bank, for each of the treasury products.

In order to measure the risk level assumed in the treasury book operations, Bancoldex uses a standard value in risk (VaR) methodology proposed in chapter XXI of the basic accounting and financial circular letter of the Financial Superintendence of Colombia. Pursuant to Annex I of said circular letter, the calculation of the total value in risk of an investment portfolio results from the sum of the risk exposure of the interest rate, the price of shares and the type of exchange rate. This value is calculated daily by the Risk Department.

In addition, Bancoldex utilizes an internal methodology for measuring the value in risk whose results are utilized as a supplementary analysis mechanism and risk management of the regulatory model. This internal model allows a daily follow-up of the treasury products portfolio market risk exposure, whose results are permanently informed to the areas and Committees involved. The results of the market risk assessment constitute the start point for the daily negotiations. The VaR calculation with the internal model is carried out daily in accordance with the market conditions and with the risk factors defined in the methodology.

*Regulatory Value in Risk (VaR):*

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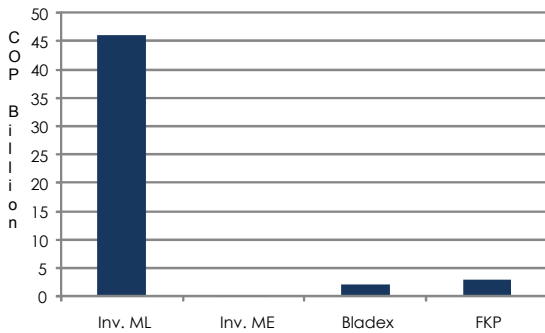
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As of December 31, 2011, the value in risk calculated based on the standard methodology by the Financial Superintendence of Colombia is shown as follows:

\*Figures in COP million

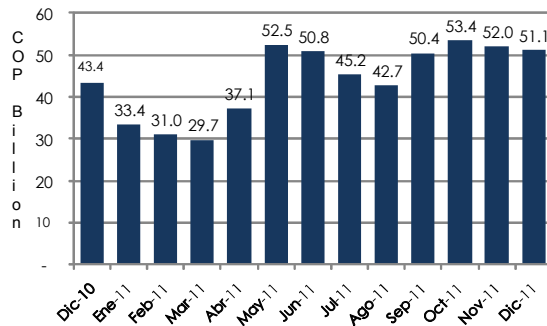
Module in Risk	Amount
Interest Rate	46,011.1
Exchange Rate	98.9
Price of shares	2,025.9
Collective Portfolios	2,919.4
Total Value in Risk	51,055.3

Value in risk by modules



\*FKP= Private Equity Funds

Value in risk monthly evolution



Value in Risk of the internal model:

Results of market risks exposure

\*Figures in COP million

Investment  
Portfolio

VPN

VaR

Duration Years

(Continued)

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Trading	2,457.35	20.6	7.93
Strategic	604,134.54	2,258.8	4.41
	<u>Derivatives</u>	<u>Purchase VPN</u>	<u>Sale VPN</u>
	<u>Portfolio</u>		<u>VaR</u>
			<u>COP million</u>
<i>Forward Trading</i>	623	370.1	32

**Liquidity Risk Management System - LRMS**

The liquidity risk is the contingency of not being able to fully comply in a timely and efficient manner with the cash flows expected or unexpected, in force and future, without affecting the course of the daily operations or the financial condition of the entity.

The Liquidity Risk Management System LRMS is a mechanism through which Bancoldex identifies, measures, controls and efficaciously monitor liquidity risk to which it is exposed during the development of its operations. Such system comprises policies, limits, early alert signals, procedures, organizational structure functions, reports, and a contingency plan in case that the liquidity risk becomes materialized.

For measuring the liquidity risk Bancoldex utilized the reference methodology by the Financial Superintendence of Colombia. This methodology allows to establish the exposure level to such risk through the calculation of the Liquidity Risk Indicator - LRI. Likewise, in order to strengthen the liquidity risk management, the Bank counts with an internal liquidity measurement model, early alarm indicators and stress scenarios.

For the case of the model under reference, the measurement of liquidity risk is carried out through analysis of the mismatch of positive and negative flows, without carrying out any adjustments due to projected behavior, within the following time bands:

- Less than 7 days
- 8 to 15 days
- 16 to 30 days
- 31 to 90 days

When the Liquidity Risk Indicator - LRI for one week is negative, it is deemed that Bancoldex may be subject to a significant exposure to liquidity risk.

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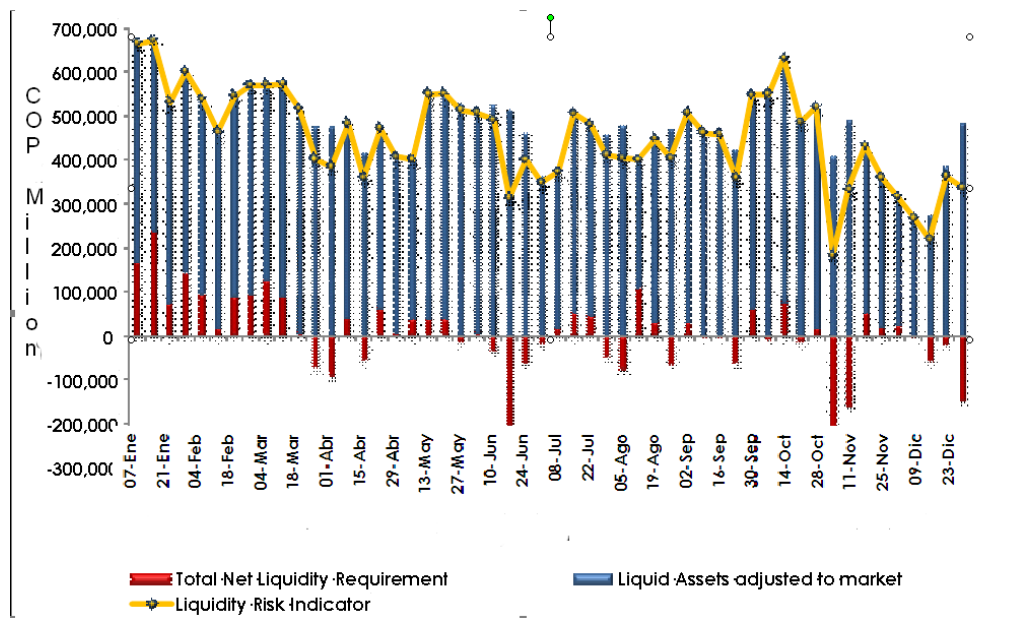
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Results of the Liquidity Risk Indicator (LRI) for one week

As of December 31, 2011, Bancoldex showed a seven day LRI of COP 336,761 million, while the same indicator in the 30 day band showed a result of COP 323,111 million, which allows to infer that there is no significant amount under liquidity risk.

The following graph illustrates the evolution of liquid assets during the last year, as well as the LRI behavior:

Liquidity Risk Indicator Evolution



During 2011 the liquid assets adjusted due to market risk were in average COP 443,784 million, with a maximum level of COP 556,869 million and a minimum level of COP 271,613 million. Likewise, the net liquidity requirement was in average COP 9,724 million, with a maximum of COP 238,927 million and a minimum of COP 227,704 million (negative).

The following graph shows the projection of assets and liabilities maturities, as well as the net liquidity requirement as of December 31, 2011, calculated based on the standard methodology of the Financial Superintendence of Colombia.

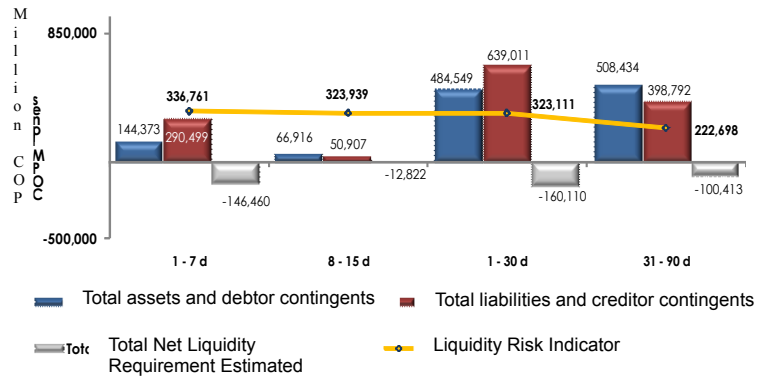
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Assets and Liabilities maturities Projection



During 2011, the liquidity risk management was oriented towards strengthening the measurement of such risk, which is evidenced in the development and implementation of the internal model. Such measurement model, approved by the Board of Directors of the Bank, is an adaptation of the standard methodology of the Financial Superintendence of Colombia, being the main modification the fact of including projections and adjustments of the different flows.

The application of this model allows to meet the following objectives:

- Estimate indicators to reflect a more realistic situation of Bancoldex exposure to liquidity risk.
- Define alarm levels to allow timely actions before possible events of liquidity risk.

The internal model for measuring liquidity risk is based on the calculation of three indicators: survival horizon, coverage indicator and liquidity indicator, which are used as alarm signals as well as in the development of stress testing of the model.

In furtherance of the measurement methodologies, Liquidity Risk Management System is supplemented with:

- Alarm signals that allow a timely detection of potential liquidity risk events in a manner in which the adequate responses are detected in order to mitigate exposure to such risk.

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- A structure of limits based on the best market practices, on the regulations in force and the characteristics inherent to the rediscount business.

In the event of the occurrence of liquidity risk, a contingency plan was designed, Refining a set of actions and strategies to be carried out to minimize the effects of an extreme situation upon the financial structure of the Bank. In this order of ideas, responsibilities inside the Bank were established, including the activation of the plan and the determination of the contingency level in charge of a Assets and Liabilities Management Committee, up to the execution of strategies in accordance with the contingency level declared, tending towards reestablishing normal liquidity conditions, which is in charge of the Liquidity Crisis Group.

### **Operational Risk Management System - ORMS**

In Bancoldex the management of operational risk constitutes an instrument to facilitate the achievement of institutional objectives, in terms of efficaciousness and efficiency. For such reason, it is aligned with the Quality Management System. On the other hand, during 2011 the SARO focused on the adjustment of risk maps, as a result of the modification of processes by virtue of changing the technological platform developed by the Bank.

Likewise, a great part of implantation success and the achievements of the ORMS in the Bank supports the appropriation of a risk culture by each of the Bank's officers. Thus, the Bank periodically develops training programs, carries out Publications about operational risk through the intranet, applies surveys, etc.

Operational Risk Management is carried out from two perspectives: from the qualitative view, which with the help of the self-evaluations allows identifying the risks before they happen, and the quantitative view, which gathers information of risk events occurred within the entity.

The qualitative approach seeks to identify and mitigate risk in a preventive manner, through risk maps. The methodology utilized by the Bank for drafting risk maps of the processes was based on the risk management standard AS/NZ:4360 (Australian Standard) which, among other aspects, includes the identification, appraisal and measurement of risks, with controls and the design and implementation of mitigation plans .

On the other hand, the start point of the quantitative approach is the information generated by operational risk events reported by the officers as from August 1, 2007. Such events are classified pursuant to the regulations (type A, B and C). Type A events

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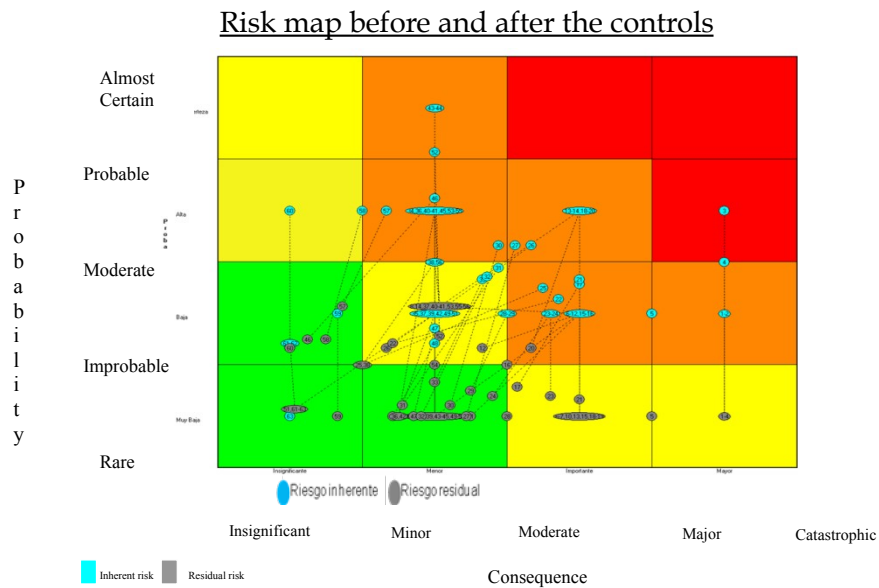
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are reflected in the accounting entries, so its registration allows a future database that could be used to implement measurement methodologies following Basel II guidelines.

The information of events and operational risk matrixes is managed as a technological tool that allows the design of individual and consolidated reports to carry out the risk analysis.

The following figure shows the operational risk level of the Bank:



Since Bancoldex is a second tier bank and due to the nature of its business, the operational risk profile is low; this is reflected in the registry of events of operational risk.

With closing as of December 31, 2011, 96% of the operational risk events reported corresponds to events type B and C. 4% of the events affected the income statement of the Bank. These events generated expenses for COP 2,990 million.

The Bank counts with a Business Continuity Plan – BCP established for the most critical processes, identified in the areas of Treasury, Operations, Portfolio, Accounting and Technology. Such BCP is designed to become activated in accordance with three alarm levels, namely: a) minor contingencies (yellow); b) no access to facilities with option of

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remote operation without damages to local infrastructure (orange) and c) total or partial damages that oblige the remote operation (red).

### **Information Security and Business Continuity System - ISBCS**

The structure of SGSI in Bancoldex is aligned to comply with the Circular Letter 052 of the Financial Superintendence of Colombia and for such purpose the reference is the information security standard ISO /IEC 27001, which provides recommendations on best practices for information security management.

SGSI's current approach covers the following topics:

1. Organization of Information Security: roles and responsibilities
2. Information Asset Management: classification, custody, owners, etc.
3. Security of Human Resources: before, during and after engagement.
4. Physical and Environmental Security: controls and recommendations
5. Communications and Operations Management: technology
6. Information access control
7. Acquisition, maintenance and development of information systems: technology
8. Management of security events: reports, escalation, documentation.
9. Business continuity Management: plan administration.
10. Compliance: regulations and internal and external standards

On the other hand, the Bank has been working and perfecting the schemes that may guarantee the business continuity facing different contingency scenarios, as well as the normal recovery of operations. This task has implied periodic simulations and technological adjustments and processes for such purpose.

Durante 2011 the Bank continued the SGSI developments to be implemented in the new technological platform underway, which shall not only include regulatory requirements, but also the best practices regarding the matter.

### **Asset Laundering and Financing Terrorism Risk Management System - AL-FT**

During 2011, Bancoldex continued improving the Asset Laundering and Financing Terrorism Management System - SARLAFT, to mitigate such risks in the operations it carries out. The methodology to determine homogeneous groups of direct clients was

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revised, allowing a greater coverage for identifying and analyzing unusual operations. Likewise, the risk factors methodology assessment was strengthened, mainly those of international jurisdiction, including criteria and distribution of assessment proportions, as well as the clients factor, with the adjustment of the drivers of such risk factor.

Regarding the monitoring of the Bank's AL/FT risk profile, it remained within the low residual risk level approved by the Board of Directors. All the AL/FT risk maps were migrated and adjusted with the owners of the different processes, under the new scheme of the value chain of the Bank, and a follow up was carried out of the risk profile by risk factor, associated and consolidated risks, both inherent and residual.

Improvements were implemented in the application of prior control of AL/FT, which has allowed a better administration of the database and a permanent monitoring not only of clients, but also of its related parties for the case of legal persons.

Synergies were developed with other processes of the Bank, which have facilitated the information centralization that constitutes an important input for the SARLAFT, such as the documentation and client information. The work team of the Compliance Unit was consolidated, that allowed concentration of some responsibilities that belonged to a different area, rendering an optimization of procedures.

The culture socialization for prevention and control of AL/FT continued in all operations of the Bank, through training journeys regarding an adequate clients and counterparty knowledge, the different stages, elements, policies, procedures and controls of the SARLAFT.

Likewise, the different internal reports were submitted to the Audit Committee and the Board of Directors, including those of Compliance Officer, Internal Control, Statutory, as well as the external regulatory reports and attention to the SARLAFT requirements for the different competent authorities.

### **Private Equity Funds**

During 2011, the investment capital funds program was developed observing the policies, methodologies and procedures approved by the Board of Directors, the Investments Committee and Bancoldex management for such purpose. Several investment opportunities were submitted to the Investments Committee of the Capital Bancoldex Program, of which one was approved by the end of the year.

*Investment commitments*

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During 2011 Bancoldex entered into investment commitments for COP 9,600 million; this new commitment is added to the four commitments entered into by Bancoldex during 2009 and 2010, for a total amount of COP 76,010 million.

*Disbursements*

As of December 2011, disbursements have been carried out for a total amount of COP 18.717 billion to the four capital funds. These disbursements were destined to carry out investments in enterprises, to cover the expenses of the funds and the management commission of the professional managers and administration corporations of each fund. As of December 31 2011 Bancoldex had signed commitments with five capital funds, which have invested in twenty-one (21) enterprises, twelve (12) of which are Colombian. As of the date, Bancoldex has received capital distributions, originating in some of the capital fund portfolio enterprises.

*Analysis, selection and follow up of funds*

The Bank currently counts with a methodology for evaluating funds, which allows the submittal for approval of the instances, the proposals of investment opportunity. This methodology is based on the evaluation of the management team, the investment policy, the historical performance of the manager and its selection processes, analysis and fund investments follow up. Likewise, an analysis and detailed negotiation of the terms and conditions under which the investment commitments are entered into is carried out. Once the resources are committed, Bancoldex team takes care to carry out a continuous follow up of the performance of the funds through reports delivered by the manager, visits, permanent consultation and, if possible, participating in the corresponding surveillance committees.

*Methodology for furnishing credit risk of investments in Equity Funds*

For the evaluation of credit risk of investments in equity funds and the calculation of the corresponding provision, the Bank utilizes a methodology approved by the Financial Superintendence of Colombia. Such methodology is based on the evaluation of criteria of the analysis methodology (previously described), in such a manner that each of the investments may be assigned a rating and a provision percentage. As of the closing of 2011 provisions equivalent to 2% of the total disbursements were carried out, except for the fund Escala Capital which has a provision equivalent to 5%.

*Accounting, investments market risk and counterparty limits*

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The investment commitments in private equity and entrepreneurial funds are accounted for in memoranda accounts. Once the disbursements are made, such amounts are accounted in the assets investments accounts and generate market risk affecting the VaR indicator of the Bank, deemed as positions generating shares price risk(cataloged as non stock market variable income investments). Likewise, the provisions set forth under the Regulations due to the effect of investments credit risk are applied for these positions. On its part, in order to carry out the corresponding disbursements, it is necessary to determine counterparty risk limits with Trust Corporations, Stock Brokers and Investment Administrator Corporations, responsible for the respective collective portfolios.

### CORPORATE GOVERNANCE PORATIVO

#### Board of Directors and Senior Management

The Board of Directors is permanently informed about the Bank's processes and business. Following the General Shareholders Meeting the Board is the highest directing body and generates the general risk policies for the entity, and based thereon, established a delegation arrangement for approval of credit operations in the Risk Management Committee, in the Assets and Liabilities Management Committee, in the Internal Credit Committee and in the Management.

#### Policies and separation of functions

The Board of Directors determines the policies for all activities of the business. The Risk Vice Presidency is the area specialized in identifying, estimating, administering and controlling risks inherent to different types of business.

#### Reports to the Board of Directors

Periodical reports are submitted to the Board of Directors and to the Risk Management Committee, relating to the Bank's credit placements, monitoring of the financial situation of different types of debtors (financial intermediaries, countries, etc.), progress reports regarding the Credit Risk Management System (CRMS), Market Risk Management System (MRMS) Operational Risk Management System (ORMS), Liquidity Risk Management System (LRMS), Asset Laundering and Finance of Terrorism Risk Management System (AL-FT), revision of policies and methodologies for assessment of credit risk, market and liquidity risk, operational risk limits compliance, among others. The Bank's risk exposure is periodically reported to the Board of Directors.

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Likewise, all the significant risk events detected by the different Bank areas are reported to the Board of Directors and to Senior Management.

#### Technological Infrastructure

All of the Bank areas maintain an adequate technological infrastructure for support. The risk control and management area also relies on an adequate technological infrastructure to obtain the information necessary for risk analysis and monitoring of current operations.

#### Methodologies for risk measurement

The Bank relies on methodologies and measurement systems to identify different risk types, being able to determine the risk exposure inherent to the business, as mentioned in the section titled Risk Management, and are documented in the respective manuals.

#### Structural Organization

In Bancóldex the areas that constitute *middle office* and *front office* are clearly defined. Likewise there is adequate segregation of the functions in all levels of the organization and in all the operations.

The Risk Vice Presidency performs the evaluation of credit risk, market risk, liquidity risk, operational risk and country risk. The Legal Vice Presidency -General Secretary performs the legal risk evaluation.

#### Human Resources

Bancoldex is committed to hire highly qualified personnel having a broad professional experience in order to generate value added while developing the tasks that have been assigned. Additionally, a human capital management system has been designed, based on the model of skills seeking to optimize programs such as selection, training, development and evaluation. Such model supports the Bank's challenge for attaining permanent effectiveness.

#### Verification of operations

The Bank counts with verification mechanisms of negotiations carried out such as agreements with the related parties for recording telephone conversations with respect to treasury operations and keeping track of written communications with counterparties attesting to the conditions of each negotiation. Likewise, in order to comply with the operations, funds are received or transferred through systems that provide a high degree

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of security as the “Sebra” of the Central Bank (Banco de la República), SWIFT and Deceval (administers and keeps the custody of the dematerialized funding instruments).

The Bank publishes the credit loan portfolio placement rates on a monthly basis in newspapers with national circulation, as well as through external circular letters disclosing the financial conditions of the credit lines and the requirements of access.

Through the web page ([www.bancoldex.com](http://www.bancoldex.com)) BANCOLDEX credit users may obtain information relating its operations, as well as information of the financial conditions enforceable for the different credit lines.

The Bank counts with transactional systems that register operations of assets and liabilities on the dates they occur, guaranteeing timeliness and precision in the accounting records.

### Audit

The main governing entity of the Internal Control System is the Audit Committee, which watches over the adequate functioning of BANCOLDEX Internal Control System, performing its functions pursuant to the Internal Regulations and with has been established by such Internal Control System both for State entities in general as for Financial Institutions in particular. Complying with its responsibilities, it has carried out meetings to get to know the audit plans of the Comptrollers Office and the Statutory Auditor, the improvement opportunities identified by the internal and external control entities, the progress of the works and the follow up of improvement plans defined by the administration, among others.

Likewise, it has supervised the activity and performance of the Internal Audit function exercised by the Comptrollers Office, which during 2011 it carried out the assessment of the effectiveness of the Internal Control System and the development and compliance of different Risk Management Systems applicable to the Bank in accordance with the Annual Audit Plan approved by the Audit Committee.

The independent assessment process or Audit is carried out by the Internal Comptrollers Office and by an independent Statutory Audit firm; aspects relating to the management of special programs of the Bank which are under the responsibility of the Investment Program Bank of Opportunities (PIBO) as “Non banking correspondents” and “Financial Services Coverage Extension”, were audited by External Audit firms which focus on each specific topic.

The Bank’s Comptroller office adopted the reference of the International Standards for the Professional Exercise of Internal Audits and the Code of Ethics. Pursuant to these

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provisions, it is governed by the principles of Independence, Objectiveness and Authority, and its main objective is to "Provide assurance and consulting services in an independent and objective manner, aimed at contributing with value added and to improve the Bank's operations, evaluating and providing advisory to the internal control system, risk management and corporate government to support the Organization for attaining its goals".

The Bank's Internal Control Model, along with the Quality Management System, have allowed the organization to focus on the continuous improvement of the elements of these systems, which is consistent with the progress in other management systems applicable to the Bank, showing favorable results in the progress and functioning evaluations practiced by different external control bodies, along with the Risk Management Systems enshrined under the regulations of the Financial Superintendence standards and with the Internal Control System regulated by this entity, in Circular Letters 014 and 038 of 2009.

The Bank's Internal Comptroller and the Statutory Auditor were aware of the operations carried out by the Bank and during 2011 and 2010; they carried out audits pursuant to the Annual Audit plan approved by the Audit Committee and the Board of Directors and made recommendations relating to compliance of the limits, closing of operations, relationship among market conditions and the terms under which the operations were carried out. The recommendations made to the management did not register the existence of situations that could significantly affect the internal control system, the institutional objectives or disclosure of financial information.

#### CONTROL APPLIED BY OPERATION OF THE LAW

During 2011 and 2010, the Bank complied with all the legal requirements provided for its operation.

#### 30. EVENTS OF INTEREST

Through Law 1450 of June 16, 2011, the Congress of Colombia created the Modernization and Innovation Fund for Micro, Small and Medium Enterprises, the Productive Transformation and the Development Unit and likewise it assigns the Colombian Foreign Trade Bank- Bancóldex S.A. to manage the resources of each fund through an entity similar to the Autonomous Equities.

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The activities, acts and agreements entered into by the Fund, the Program and the Unit are governed by private law and are subject to the internal procedures and requirements established for such acts and agreements of the Bank. The resources destined for these effects shall be handled through its own accountancy and in accounts different from those utilized for the ordinary activities of the Bank - Memoranda Accounts.

The resources of Bancoldex and those comprising the Fund, the program and the Unit are kept separately regarding the equity, the accounting and the legal issues and such resources do not form part of the general guarantee of the Bank's creditors and only guarantee the obligations acquired in compliance of the purpose sought by the Fund, the Program and the Unit.

31. SUBSEQUENT EVENTS

There are no economic events occurred subsequently to the date of the closing that could affect the financial situation, the perspectives of the Bank or that could set any doubts on the continuity of the same.

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