

Report from the Board of Directors and the President to the General Shareholders Meeting

Introduction

2007 was a year with good outcomes regarding macro-economical and financial matters. The economy showed a high growth rate, maintaining the positive trend of previous years. These results are, among other reasons, the outcome of the international community's trust in the country, as well as in the Colombian entrepreneurial sector. This was evidenced through the dynamics of internal demand and particularly by private expenditure and investment. This favorable environment allowed the Bank to successfully deepen its transformation process towards *Multibanking* for the development of Colombian enterprises, offering products supplementary to credit.

In such sense, the access to financial services, designed to be fit for entrepreneur's requirements constitutes a neuralgic variable to achieve their development and to contribute with the wellbeing of Colombian families. Loyal to its commitment as a socially responsible organization, Bancoldex assumed the management of resources supporting the specific actions of the Investment Program of the National Government called "Banca de las Oportunidades", to facilitate the massive access to financial services and thus to contribute to the reduction of poverty and promote social equality.

As a supplement of an integral proposal of development, the Bank emphasized its efforts on strengthening business training programs, confirming once again Bancoldex's commitment with the competitiveness and productivity of the country's enterprises.

Within its transformation process, Bancoldex continued its strategy of offering services oriented towards the attention of all enterprises in general, emphasis on micro, small and medium sized enterprises – Mipymes, due to its great growth support potential and employment generation. Likewise it focused in promoting business modernization and corporate restructuring of the productive system, in response to the need of improving productivity and competitiveness of the country's supply of goods and services.

On the other hand, the offering of medium term financial resources enabled the transformation of payment terms, in such a way that disbursed credits adapt better to the maturity periods of investment projects. Also, Bancoldex continued to strengthen financial support to foreign trade, as a tool to accompany the internationalization process of the economy.

Bancoldex's answer regarding the specific environment difficulties faced by entrepreneurs was also of great importance, among which, due to its special impact, the adverse behavior of the exchange rate for the exporter entrepreneurs stands out.

In conclusion, the main objective of the present document is to inform the General Shareholders Meeting about the relevant aspects that characterized the Bank's operation during 2007, along with the Investment Program of the "Banca de las Oportunidades". The behavior of the economy and of the financial system will be reviewed, as well as the analysis of the results, the achievements of 2007 and the perspectives for 2008. Additionally, the reports required by the provisions regulating the Bank's activity will be included, regarding aspects such as: risk management, quality management, internal control system, legal situation, transactions with parties related to capital, subordinates, intellectual property and copyrights.

Behavior of the economy during 2007

At the end of 2007's third quarter, the economical performance was outstanding reaching a cumulative annual growth of 6.6%. Although the growth rate observed since 2004, was maintained, a slight moderation occurred last year¹.

Higher trust in the country shown by local agents and foreigners, as well as favorable conditions of the world's economy during a big part of the year, allowed an outstanding performance of investment, private consumption and foreign trade. The Gross Capital Formation (investment) grew at rates close to 22% and a good portion of those resources was destined for acquisition of transportation equipment, industrial machinery and construction supplies². From a sectorial perspective, the manufacturing industry continued to lead the growth indexes and showed positive behaviors in 34 out of the 48 sub-sectors which comprise it. Likewise, a very high construction dynamics was recorded (11.8%), as well as in commerce (12.2%) and transportation (11.4%)³. This was finally reflected in a greater utilization of installed capacity in the productive sector. However, and despite of the good results of the industry, some segments from the export sector began to notice the results of the nominal appreciation of the exchange rate and of the announcement regarding trade restrictions by Venezuela.

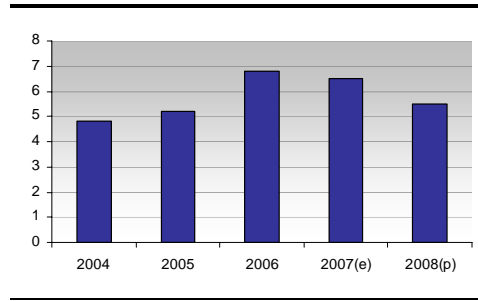
The expectations for 2008 continue to be positive, regardless of the prospect of a more modest growth of the Gross Internal Product between 4% and 5%, given the expected behavior of the economy of the United States, a higher level of interest rates and lower export dynamics of nontraditional products.

¹ Compared with 2006's third quarter's cumulative variation, which was 7.7%.

² With aggregate growths between January and September 2007 of 31.8%, 24.8% and 27.8% respectively, compared to the same period in 2006.

³ Between January and December 2007. Source: DANE, Manufacturing Monthly Sample.

Quarterly GDP (% calendar year – Sept. 2007)

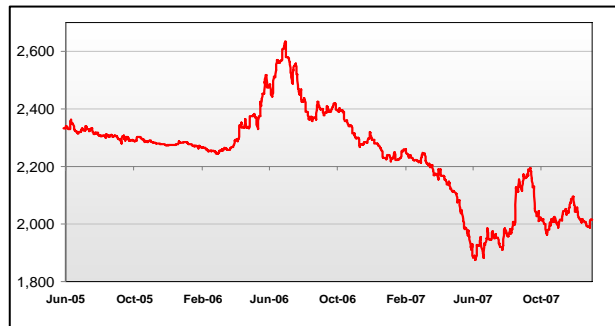


Source: DANE

During 2007 and in January of 2008 some inflationary pressures were present. The Consumer Price Index reported an annual variation of 5.6% (6% in the last 12 months in aggregate, as of January of 2008). The foregoing is explained for the most part by the behavior of the food industry, and in general by the effects of the dynamics of the internal demand. This situation led the Central Bank to implement more restrictive monetary policies, which entailed an important increase of the reference interest rates and the application of other monetary control measures.

On the other hand, and as mentioned above, during the year the market exchange rate (MER) showed an appreciation of 10%, due to a favorable economical environment and to the effect of an important volume of investment flows and remittances. After a strong nominal appreciation during the first months of the year, the peso had a slight weakening, as from the beginning of August, affected by the turbulence of the world's financial markets, which lead it to retake a devaluation path (3% in the last semester). For 2008, most analysts point out a slight devaluation due to the financing conditions of the Colombian balance of payments, and to the measures adopted by the Central Bank regarding the foreign capital entry in order to contain revaluation.

Daily MER (COP/USD)



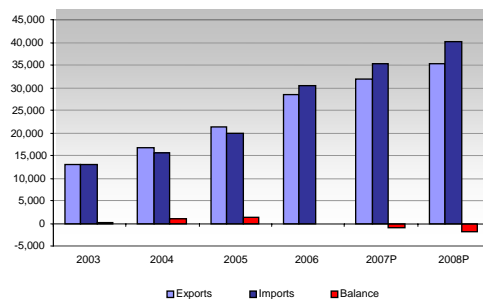
Source: Central Bank

According to public finances, the information as of October 2007 shows an important growth of 20% of tax collection, combined with prudence in the expenditure area. This allowed sound positive fiscal results, in such a way that deficits in the Consolidated Public Sector (CPS) and in the Central National Government (CNG) of 0.7% and 3.3% of the GDP were reported respectively. Looking at the primary balance of the Central National Government it was observed that as from 2006 it showed a surplus, after a 12 year term, trend that continued throughout 2007. The external debt level of the Government was of 31% of the GDP. Nonetheless, such estimate is a sustainable figure in accordance with the current macro economic fundamentals (growth, exchange rate, inflation, and interest rates). For 2008, the expectation is to continue recording advances in the fiscal area, which shall allow the Government to have a better maneuverability in this area, in order to face external shocks.

Regarding the external sector, exports reported during the January-December period of 2007 a 23% growth compared to the same period in 2006, and reached USD29,991 million. This result is attributable to the dynamics of exports of nontraditional products that grew 25.5%, mainly due to sales of the industrial and automotive sectors, of meats and dressmaking to Venezuela, among other destinations. Traditional exports reported a 20.3% variation thanks to better commodities prices.

Imports, reflected the robust growth of consumption and investment. 81% of the purchases were directed to the industrial sector, mainly for the manufacturing of machinery and equipment, chemicals and automotives. By countries, the United States and the European Union represented close to 40% of suppliers, although they yielded participation in favor of Mexico, China and Brazil. The configuration of the imports by product type is consistent with an economy that expands its productive capacity and it becomes more competitive, given the important participation of the capital goods and consumption.

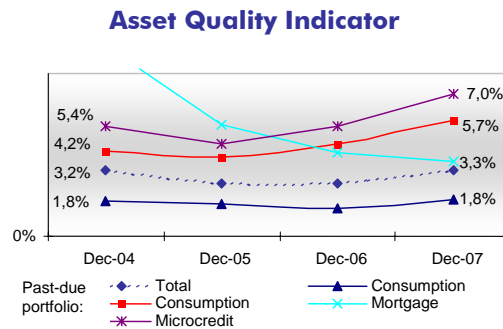
Exports and Imports (USD billion)



Source: DANE

Financial system

During 2007, the financial system showed a significant increase of the loan portfolio, mainly in the consumption and microcredit segments. However, such growth was lower than the rate reported for the previous year⁴. Central Bank's monetary policies actions related to the increase of the intervention rate reference and the modification of the ordinary and marginal float reserve deposits affected the lower dynamics.



Source: Financial Superintendence.

According to the behavior of the loan portfolio, the credit quality portfolio indicator (past-due loan portfolio / total loan portfolio) changed from 2.6% in December of 2006 to 3.3% in December of 2007. The segment that showed the highest default increase was the consumption one.

Likewise, although the past-due loan portfolio coverage indicator including provisions was reduced from 152% in December of 2006 to 130% in December of 2007, as a result for the higher default, most of the entities of the sector significantly increased the level of provisions. The foregoing was a result of the adoption of the reference model set forth by the Financial Superintendence for the commercial portfolio.

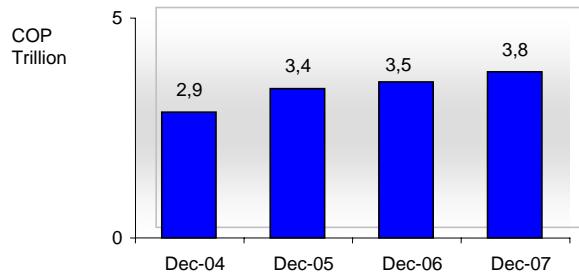
On the other hand, as of December 2007, the income of the financial system reported an increase of 23% compared to the same period in 2006, mainly due to the higher credit volume and higher level of placement interest rates. Nonetheless, the lower investments return obliged the entities to dismantle part of the portfolio, reason why the income of this item decreased. It changed from 4.1 trillion COP in December of 2006 to 3.7 trillion COP in December of 2007.

Despite of the significant increase in incomes, most of the profitability indicators were lower than those reported during the previous year. The system's ROAA decreased, mainly due to the increase in the expenses of portfolio provisions.

⁴ In December of 2007, the growth rate recorded was 25%, while in December of 2008 it was 33%.

As of December 2007, the credit establishments reported an aggregate net profit of 3.7 trillion COP, a figure slightly higher compared to the one reported for the same period of the previous year (3.5 trillion COP).

Profit during of the period



Source: Financial Superintendence

The level of solvency of the system was maintained. It went from 12.7% in December 2006, to 13.4% in the same month of 2007.

Related to risk management, the financial system continued strengthening. The Financial Superintendence issued new regulations and adopted some adjustments to existing provisions, which shall allow financial entities to get closer to international standards relating to operational risks, investment appreciation, and the management of derivative operations. The strengthening of the risk management process tends towards a more capitalized financial system, with greater transparency and with distinct services for the clients.

Management and accomplishments 2007

During 2007, the Bank's transformation towards becoming a development Multibank was deepened, with emphasizing development of products supplementary to credit.

The effort made in the creation of new products was translated into an offer of micro-insurance and an improvement of the existing liquidex-productive chain product.

In such a manner the Bank's management was oriented towards the following areas:

1) Creation of new products

Bancoldex, in alliance with Suramericana de Seguros de Vida S.A., designed the Futurex Microinsurance Program – LIFE INSURANCE. It is an effort of the private and public sector focused on micro-entrepreneurial populations with low resources. The purpose is to provide low cost insurance to reduce social

vulnerability of the micro-entrepreneur and his/her family, through Micro-financial Institutions-IMF with a credit quota in Bancoldex.

Additionally, during 2007, Bancoldex generated new financing alternatives and entered into the scheme of financing of productive chains with an emphasis on productive manufacturing processes and services. This was carried out through placing a new product in the market—as a pilot test—identified as “Liquidex Productive Chains”, designed at the end of 2006. It consists of discount purchase in firm and without resources to local enterprises suppliers of its commercial portfolio.

As mentioned above, the product Liquidex Productive Chain constitutes an additional alternative to the Liquidex Product peso-dollar, which Bancoldex has offered for over ten years and whose target market basically consists of enterprises with an individual credit insurance policy issued by Segurexpo S.A. or Crediseguro S.A.

This new initiative contributes to cover market disequilibrium of large enterprises providers that: (i) do not have access to the financial system credit, (ii) having access to credit, they are using their credit lines with intermediaries and (iii) are obtaining liquidity through the purchase of portfolio, but under schemes that entail responsibility or resources, subject to high discount rates.

Through these two mechanisms during 2007 Bancoldex discounted 21.66 billion COP in productive chains, 69.107 billion COP in *liquidex pesos* and USD 15,148,563 in *liquidex dollars*.

In December 2007 the design of a new product supplementary to both of the aforementioned Bancoldex’s commercial portfolio purchase schemes was accomplished. Thus, *Liquidex Plus* consists of the granting of a credit line to first class purchasing enterprises, whose solely purpose is the advance payment their commercial accounts including terms defined by their suppliers of goods or services.

The design of these new products are aligned with Bancoldex’s strategic Plan as a development multibank, with the strategic Plan of the Trade, Industry and Tourism sector and responds to the guidelines of the CONPES 3484 document dated August 13, 2007.

2) Deepen attention for Mipymes

The management of the Bank has focused in the offer of financial resources to support mipymes development.

In such a way, the Bank continues opening Bancoldex’s Centers of Entrepreneurial Information (CIEB) in the cities of Barranquilla and in Bucaramanga, which have shown a satisfactory impact in the regions as business agents for smaller enterprises.

3) Strengthening of the Bank's regional presence.

The aforementioned was achieved through strategic alliances with labor guilds, chambers of commerce and universities, which allowed the coordination of disclosure activities of products portfolio, training, participation in fairs and advisory for its affiliates. Similarly, the Junior Executives Program was extended with cooperation of the Universities in the city of Neiva. Likewise, the presence of the Bank was strengthened in the cities of Villavicencio, Pereira, Bucaramanga, Pasto and Ibagué.

4) Provide a tool to support sectors with specific problems.

During 2007 incentives were offered for the negatively affected export sector due to the behavior of the exchange rate representative of the market. Thus, through special quotas designed for such purpose, resources were disbursed for USD 1.3 trillion, which benefited more than 1.700 enterprises.

5) Promote and encourage entrepreneurial modernization and the reconversion of the Colombian productive apparatus.

Within the framework of the **aProgresar** program, financing of investment programs for micro-enterprises was promoted in order to improve entrepreneurial productivity and competitiveness. This program, from its beginning, has disbursed resources for over 807.536 billion COP. During 2007, the disbursements reached 545.784 billion COP, which derived in a 129% increase compared to the previous year. Regarding the remaining disbursements (different from **aProgresar**) oriented to entrepreneurial modernization, they reached 626.766 billion COP.

6) Expand and strengthen the financial resources distribution network.

During 2007 Bancoldex included 20 new entities oriented towards micro-entrepreneurial credit as financial intermediaries with credit line allocation. Consequently, the number of entities reached 100, including NGOs, Credit Unions with savings and/or credit activity, employee's funds, family compensation and mutual funds. The network comprising these entities has allowed Bancoldex to attain coverage in 25 of the country's departments.

Additionally, Bancoldex offered training and updating for the existing intermediaries as well as for those recently included. This task was performed focusing the activity on those oriented towards financing of micro, small, and medium business and entrepreneurial modernization. For such purpose, an interactive presentation was designed focused in learning through the contest system. Likewise, a help tool called "Bancoldex Virtual Advisor" was directly implemented in the intranets of the intermediaries in order to guide the executives of the financial intermediaries towards the best credit alternative for the enterprises.

7) Support the purchase of Colombian products and services through financing activities abroad. In 2007, the disbursements amount reached USD 157 million, while the businesses of International Banking Operation (OBI) reached USD 263 million.

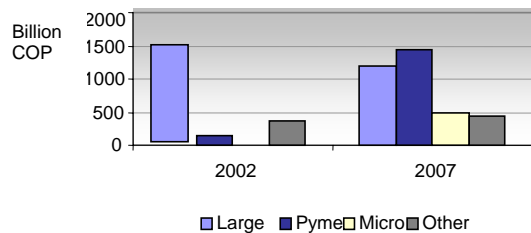
8) To impulse entrepreneurial strengthening through offering “aProgresar – Entrepreneurial Management” programs to form entrepreneurs.

During the year, the Bank offered training and updating programs focused on different entrepreneurial segments: “Management Training Program for Small Enterprises,” “Management Development Program for Micro-enterprises”. Additionally, entrepreneurial workshops took place, the *Semana Bancoldex*, Exchange hedging and means of payment workshops and conferences about non financial themes. These activities were developed in alliance with entities such as chambers of commerce, universities, labor guilds, and foundations. Within the entrepreneurial training program, 192 events took place with the attendance of 7,897 entrepreneurs.

Deepening the transformation process

Mipyme⁵ approach

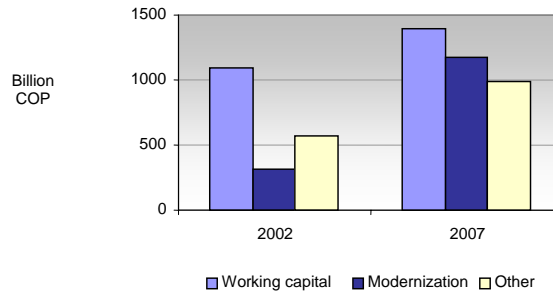
The composition of disbursements by enterprise size has been changing. In 2002, the disbursements performed to the large enterprises represented 74% of the total and to the mipymes only 8.2%. From January to December 2007, 32% of the disbursements carried out by Bancoldex was oriented to large enterprises and 68% to mipymes.



Entrepreneurial modernization

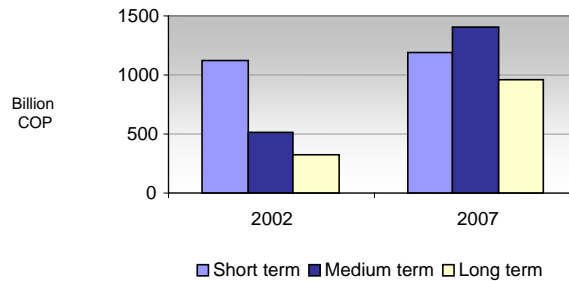
Regarding the destination of the resources, the Bank’s transformation is also evident. In 2002, only 14% of total disbursements was addressed to entrepreneurial modernization while 55% was for working capital. Between January and December of 2007, 40% of the disbursements carried out by the Bank was assigned to entrepreneurial modernization.

⁵ Micro, Small and Medium sized enterprises



Transformation of terms

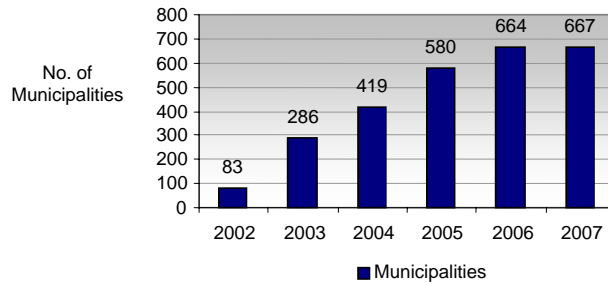
The distribution of disbursements by term was also modified. In 2002, 57% of disbursements was carried out for short term, 26% for medium term and 17% for long term. As from January to December 2007, 34% of disbursements was made for medium and long term operations was 58% of the disbursements in aggregate⁶.



Geographic coverage

In 2007 national coverage of Bancoldex disbursements increased substantially. Operations were carried out in all the departments of the country and after attending enterprises in 83 municipalities in 2002 in 2007 disbursement were carried out in 667 of the country's municipalities.

⁶ 32% of the disbursements was done in medium term operations and 26% in long term.



Total Municipalities: 1.098

Fulfillment of the SIGOB⁷ goals for 2007 (Period from August 2006 - July 2010).

At the beginning of the period between August 2006 – July 2010, Bancoldex increased its attention goals to micro-entrepreneurs and pymes enterprises in a total disbursed amount as well as in number of credits attended.

Moreover, goals were established in new impact indicators such as:

- Disbursements for the modernization of mipymes through the special Quota to Support productivity and competitiveness *aProgresar*
- Number of entrepreneurs trained in entrepreneurial formation programs.

The increase of the goals in SIGOB can be seen as follows:

Indicator	Goal 2002 - 2006	Goal 2006 - 2010
Total disbursements	8.68 trillion	9.00 trillion
Disbursements to micros	0.83 trillion	1.55 trillion
Operations to micros	188.000	380.000
Disbursements to pymes	2.5 trillion	4.0 trillion
Operations to pymes	24.68 million	42 million
Disbursements <i>aProgresar</i>		1.4 trillion
Trained entrepreneurs		30 million

⁷ Management System for Governorship Management. Allows the Government and citizens to monitor in detail the social and economic policies, within the framework of the Development Plan..

For 2007 the goal for total disbursements was defined in 2.25 trillion COP. Throughout the year the disbursements reached 3.55 trillion COP, which allowed a 158% fulfillment of the goal. The foregoing was mainly accomplished due to effect of the lines developed to attend the needs of the businesses affected by the behavior of the Exchange Rate Representative of the Market, which disbursed 1.30 trillion COP throughout the year.

For pymes attention, the SIGOB goals for 2007 were defined in 870 billion COP and 9,100 credits. During the year 1.43 billion COP were disbursed to this segment (enterprises dedicated to the domestic market and linked to Colombia's foreign trade) with a total of 9,107 operations. The foregoing reflected a 162% fulfillment with respect to the budget of the goal and 100% regarding the number of budgeted credits.

In connection with microenterprises, the goals established in SIGOB for 2007 were of 340 billion COP in 77.500 credits. During this period, Bancoldex disbursed 492 billion COP to microenterprises in 129.777 transactions. Thus, the fulfillment of the goal for the amount disbursed reached 144% and 167% for the number of operations.

With regards to the goals for the new indicators proposed in SIGOB, in 2007 Bancoldex projected to disburse 300 billion COP through the Quota to Support Productivity and Competitiveness of the *aProgresar* program and train 6.500 entrepreneurs through the entrepreneurial training program offered by the Bank. The results obtained in 2007 showed disbursements in the Quota to Support Productivity and Competitiveness for 546 billion COP, which represented a 182% fulfillment of the goal. Additionally, 7,897 entrepreneurs were trained throughout the country which allowed a goal fulfillment of 121%.

Likewise, during the year, Bancoldex created various credit lines or special quotas such as the special quota Galeras Volcano for those enterprises affected due the activity of this volcano, and the Putumayo, Risaralda, Dos Quebradas, Norte de Santander, Cúcuta and Gobernación de Antioquia quotas in accordance with the local governments in order to support the enterprises of these regions. Finally, the special Cali – MIO quota was created for micro and small enterprises of the cities affected by the massive transportation projects.

Investment Program “Banca de las Oportunidades”

The investment program of “Banca de Oportunidades” was created by the Decree 3078 of September the 8th of 2006. This initiative emerged as a long term policy from the National Government and is oriented to promote access to financial services for the unbanked population, with an emphasis on low income families, aiming to enhance the country's development and looking for social equity.

Likewise, the goal is to increase the level of banking expansion and the coverage of all municipalities with products and financial services adequate for all segments of Colombia's population.

The program is administered by the Colombian Foreign Trade Bank - Bancoldex, through the mandate of the Ministry of Finance and Public Credit in order to achieve optimization of resources destined for the funding of the program.

The network of the Banca de Oportunidades is comprised by Banks, Credit Unions and Microcredit entities, NGOs, Family Allowance Funds, Commercial Financing Companies, insurance companies. These entities are used as mechanisms to attend and expand the program. The foregoing shall allow it to extend its coverage and bring the financial services to the unbanked population.

Among the main activities developed during 2007 it is important to highlight the development of studies and the establishment of amendments of the regulating framework of matters identified as the main access barriers for the financial services.

Among the results that were obtained in 2007, the most important ones are the following:

Non Banking Correspondents

Decree 2233 of 2006 allowed the financial intermediaries to hire third parties to render determined financial services; for example supermarkets, drugstores, bakeries, etc., seeking to facilitate transactions and payments closer to the clients' locality or neighborhood. As of November 30th 2007 the network had 3,436 Non Banking Correspondents opened by 10 entities in 396 municipalities. With this the coverage was increased to 50 municipalities which did not have any financial presence.

Regarding the results obtained in the credit placement for microenterprises, between August 2006 and November 2007, 1,975,207 transactions were disbursed for 6,3 trillion COP. Such operations were carried out through:

- Banks and CFC: 735,336 credits for 4.05 trillion COP
- NGO: 1,196,936 credits for COP 2,08 trillion
- Credit Unions ⁸: 42.935 credits for 161 billion

With respect to the micro-entrepreneurs who have used credit for the first time, on September 2007 the following were disbursed:

- 186,700 transactions through Banks and CFC⁹
- 17.000 transactions through Cooperative entities¹⁰
- 355.000 transactions through NGOs¹¹

On the other hand, the growth of the balance of the loan portfolio of microenterprises shows the following behavior:

⁸ On June 30, 2007.

⁹ Source: Asobancaria

¹⁰ Source: Confecoop

¹¹ Source: Emprender

Balance Accounts

Assets

During 2007 an excellent dynamic of placement of resources in the Competitiveness lines, in "Mipyme Compite" and in the "aProgresar" program was reported. Likewise, the high disbursement levels in pesos and in dollars, as well as the lowest level of prepayments, located the Bank's assets in 4.8 trillion COP. On the other hand, a lower balance of the investments and interbanking funds was registered in 133 billion COP, as a result of the strategy of portfolio reclassification and sale, in order to release resources for the placement in portfolio.

Liabilities

During 2007, the challenge of funding an enormous growth of the special lines in pesos and dollars, of short and medium term, was fulfilled. The main needs of resources, in pesos as well as in dollars, were reflected in the collection of resources through bonds and CDTs and in the utilization of quotas with correspondents, as well as in the structuring of a syndicated credit.

An approval by the Financial Superintendence to issue bonds was obtained subject to a global quota of 3 trillion COP. From this quota, 400 billion COP were used in the fifth issue. The challenge in dollars was no less and for that the multilateral lines and the traditional subsidiary lines were available, and a syndicated credit was structured for USD 120 millions, from which USD 50 million correspond to a three year term. This placement was very successful, both tranches (one year and three years) remaining over-demanded despite a difficult liquidity situation in the foreign markets deriving from the *subprime* crisis.

Consequently, the liabilities reached 3.6 trillion COP. During 2007 the placement of 1,1 trillion COP - including bonds and CDTs- was achieved with favorable market conditions. A large portion of these issues were given in order to cover maturities of bonds and CDTs for 610 billion COP and 230 billion COP, respectively.

Equity

As of December 2007, the equity reached 1.2 trillion COP, 47 billion COP higher than that of December 2006. All this as a result of the reserves constituted during previous periods.

Statement of Results

Financial margin

During 2007 an increase of 25 billion COP of the gross financial margin was recorded. Such behavior was associated with the contribution of the dollar pesos portfolio business, with the optimization of the funding sources and the *forward* portfolio strategy as well as the net availability in foreign currency.

Perspectives and Management 2008

For 2008 and in accordance with the Plan approved by the Board of Directors, the expectation is that Bancoldex will progressively become a “development multibank” that will include functions of a development agency and of support of entrepreneurial capitalization matters for Pymes, in its traditional credit activity. Furthermore, it shall focus on the offer of activities supplementary to credit.

The foregoing requires concentrating efforts in five areas of strategic action:

1. Deepen the bank’s development role
2. Develop new products
3. Guarantee the Bank’s financial sustainability
4. Optimize the organizational efficiency
5. Perform the transition towards development multibanking

Consequently, the commercial management will be oriented, mainly, towards the improvement and deepening of the current financing schemes, emphasizing the attention of market gaps. Furthermore, ambitious goals are added regarding the development of entrepreneurial training programs, broadening of the credit distribution networks and geographical coverage.

The attention of financing needs for the modernization and transformation of terms will be addressed specially through the “*aProgresar*” program and other lines such as leasing. Regarding short term demand of resources, the Bank will seek to strengthen the supply of discount instruments such as the traditional *Liquidex* and *Productive chain Liquidex*. On the other hand, the efforts to increase and strengthen the network of entities oriented towards the micro-entrepreneurial credit shall continue; as well as in the execution and implementation of “*agreement*” lines with governmental and non governmental entities whose purpose is to support specific sectors or regions and the offer micro-insurance.

According to the support in instruments for financing foreign trade, it will seek to optimize the utilization of quotas of countries and the maximum diversification possible. Additionally, it expects to continue with the offer of services inherent to international banking operation.

For 2008 a strong growth in the placement of resources is not budgeted, but a change in the portfolio composition regarding beneficiaries, credit terms and destination of the resources. The foregoing is the result of the strategies mentioned above.

Finally, with respect to the financial management, 2008 will bring great challenges for Bancoldex’s financial management and Treasury. The demand of resources for 2008 does not seem to be smaller and for such reason it is of vital importance to maintain the entity’s liabilities restructuring processes. Thus, there will be a stronger emphasis on the structuring of Bancoldex’s portfolio securitizations, taking advantage of the appetite of the institutional investors in papers with good risk rating.

Furthermore, the development of treasury's products directed to supply the needs of the Bank's clients as well as the search and implementation of adequate instruments to cover the Bank's risks will continue to be an objective.

Risk Management

During 2007 Bancoldex continued the process of strengthening and consolidation of the Integral Risk Management System. In this manner, it focused its efforts in the development of the Operational Risk Management System (SARO), the Risk Management System of Money Laundering and Terrorism Funding (SARLAFT) and the adjustment of policies, processes and procedures of the Market and Liquidity Risk Management System (SARM), generated by the regulatory changes and the incursion of the Bank's Treasury in new products.

Market and Liquidity Risks

In order to strengthen the skills of the Bank's employees at all levels, a training program about market and liquidity risk management was carried out. Likewise, new indicators and tools were established to improve the liquidity information system. Regarding the technological support to manage the market risk, the Bank updated the software used to measure the liquidity risk and value in regulatory risk as managerial.

Operational Risk

Having the regulatory requirements as the frame of reference, in 2007 Bancoldex started the implementation of the Operational Risk Management System (ORMS). Among the actions that were carried out, the definition of policies and of organizational structure are highlighted, as well as operational risks measurement methodologies, the review and updating of processes, the creation of risk maps by processes, the inventory of events of loss and the acquisition of a technological tool to facilitate management. Simultaneously, there was work done for the development of the operational risk culture in the entity through diverse training meetings, in which all of the Bank's employees participated.

SIPLA - SARLAFT

During 2007 the Bank followed the policies and procedures in the application of the Integral System for the Prevention of Money Laundering and Terrorism Funding. For the foregoing, the following activities were carried out: knowledge about the clients, adequacy of the administrative structure, conferences for all employees, operations monitoring, determination of the risk factors, definition of the methodology to identify laundering and terrorism funding risks, internal and external reports in a timely manner. Among these, the Official Report of Compliance to the Board of Directors and to the Auditing Committee, about the different activities and results of the process that was carried out with respect to the Bank's SIPLA.

The Board of Directors and the Auditing Committee became acquainted with the periodical reports from the External Auditor and from the reports about the

Money Laundering Prevention System submitted by the Administration as well as by Internal Comptroller Office in its auditing process.

Likewise, the diagnostic was performed and the Bank support elements were identified in connection with the new System for the Prevention of Money Laundering and Terrorism Funding - SARLAFT, required by the Official Circular Letter 022 dated April 2007 and amended by Official Circular Letter 061 dated December 2007. All the necessary activities for prevention and administration of these risks in the Bank's businesses, and for the regulatory compliance were scheduled, and different activities for the migration towards the new system were carried out.

MECI- Quality Management

The Board as well as the Management has given a special thrust to the programs and projects relating to organizational efficiency. Consequently, on March 2007 the structuring of the different subsystems that comprise the MECI¹² was concluded with satisfactory results, according to the score obtained (88,7%) in the most recent compliance survey carried out by the Administrative Department of Public Affairs, on February 2007. The MECI is integrated to the Quality Management System.

In May 2007 the implementation project of the Quality Management System was initiated with the following advances: definition of the value chain, quality policy and the objectives deriving from such policy. The characterization of the Bank's 30 processes was carried out, and the creation of the procedures and flowcharts of the mission processes was completed. The Bank's expectation is to obtain the certification on the NTC-GP 1000: 2004 and ISO 9001:2000 standards by the first semester of 2008.

Internal Control System

Bancoldex's Internal Control System (ICS) maintained high progress levels with low risk levels by virtue of the fulfillment of the Bank's specific control policies.

The self-evaluations of the (ICS) have reflected, in a sustained manner, important advances in different subsystems, elements and components that are part of the State's Internal Control Standard Model (ICSM). These have been integrated, in a systematic manner, to similar management systems applicable to the Bank: The Quality Management System and the Operational Risk Administration System.

The strengths observed in the ICS through the annual evaluations carried out under the methodology defined by the Advisor Council of the National Government in terms of the Internal Control, and the Administrative Department of Public Affairs has been reflected on favorable, external, independent opinions.

As one of the significant results, it is important to highlight the "Report and Opinions regarding Internal Control System of the State Entities" published by the National Comptroller's Office in September 2007, directed to the Congress and

¹² MECI: Standard Model of the Internal Control System.

the President of the Republic, and as a consequence of its auditing procedure for the 2006 period.

In this study of 182 entities audited by the Comptroller's Office, Bancoldex maintained its position among the entities with a risk rating in the "LOW" range (0.07)¹³, in a continuous manner over the last four periods subject of evaluation. The former was translated to a clean and favorable opinion with the corresponding account closing. Within the Public Management Sector and the Financial Institutions, the Bank was the entity with the second, lowest risk score among 28 entities.

This means that Bancoldex was able to maintain its rating during a year of special transition and progress towards the implementation of the ICSM Model, whose subsystems, elements and components were subject to revision by the Control Entity which, in its report, emphasizes that *"Through the Bank's Internal Comptroller's Office, the ICSM was evaluated in accordance to the Department of Public Affairs surveys that positioned the entity in a 4.0-5.0 range, equivalent to satisfactory"*.

Especially, the Report of the National Comptroller's Office draws attention to Bancoldex among the entities with ratings of zero (0) risk in components such as:

- Risk appraisal: *"because they maintain mechanisms that allow their identification and analysis in a satisfactory manner". (...) "Generally, the Bank has a structure to mitigate and control the main risks deriving from its mission purpose, implementing methodologies, models, schemes and procedures and acknowledging the provisions of the Financial Superintendence. (...)*
- Control activities: *"their policies and procedures correspond to the necessary ones to attain their objectives"*. Among the general aspects of the control activities, the performance regarding *"the general participation of the ICO (Internal Control Office) in the promotion of the self-control culture"* stands out, where the risk rating obtained was zero (0).
- Monitoring: *"the entity counts with corrective actions in its improvement plan, with the participation of the employees in the feedback given to the senior management team and support of the Internal Control Office in the processes of the offices"*.
- Information and communication: *"The Administration has adopted mechanisms that allow the acquisition of information about the environment; it has communication channels between the offices, adopted a system of duly updated information which supports the monitoring of the main figures and indicators of the Bank, facilitating the managerial decision making and keeps the organization informed"*.

¹³ See pages 32, 170, 176, 177 and 199 of the report below:
http://www.contraloriagen.gov.co:8081/internet/central_doc/Archivos/336/Control_interno.pdf

Bancoldex´s legal situation

At the closing of the economic period 2007, Bancoldex maintains its legal regime as a mixed economy corporation of the national order, ascribed to the Ministry of Trade, Industry and Tourism, and organized as a credit-banking establishment not subject to the regime for State Industrial and Commercial enterprises, independently from the state interest in its capital.

Due to this characterization, Bancoldex maintains a legal regime of Private Law with respect to its acts and contracts, pursuant to the legal provisions and regulations that govern the matter, in that allows its competitiveness with regard to financial support activities for entrepreneurs.

Transactions with Related Parties

As of the date of this report, the Bank maintains its operations duly instrumented and complies with the governing regulations. Similarly, as from 2001 Bancoldex operated under a Code of Good Governorship, including the policies and procedures of corporate government oriented towards the protection of its shareholders and the general public.

The Bank did not perform any transactions or operations with partners or administrators whose characteristics differed from those carried with third parties, neither did it supply gratuitous or compensated services, or loans without interests or any consideration whatsoever. The details of the executed transactions are on note 27 of the Financial Statements.

Subordinates

Bancoldex configures a control situation with the Fiduciaria Colombiana de Comercio Exterior S.A., FIDUCOLDEX, with a share of 89.11%, indirect mixed economy corporation of the national order, organized as from October 31, 1992, as well as with Leasing Bancoldex S.A., with a share of 86.55%, mixed economy corporation organized indirectly, not ascribed or related to any Ministry, and subject to the regime governing Industrial and Commercial State enterprises.

During the period 2007 the Bank performed directly with Fiducóldex administrative operations such as lease and contracting of the global banking policy; additionally, it received dividends from the Fiduciary.

On the other hand, it carried out credit portfolio, treasury and administration operations with Leasing Bancoldex, relating to the bank´s global policy and leasing.

As a result, Bancoldex has entered into a macro agreement of shared services with Fiducoldex and Leasing Bancoldex, with which it intends to take advantage of the synergies of the entities that form part of the "Bancoldex

Group”, provided that the same does not imply in any case a delegation of professional standards.

It is important to point out that the independence in the businesses and decision making management, constitutes a premise of its relationship, which is limited by the benefit that may be obtained by the client, from the products and services offered by each entity.

Other Capital investments

At the closing of 2007, Bancoldex maintained investments in the “Aseguradora de Comercio Exterior” -SEGUREXPO - (48.86%), and in the “Banco Latinoamericano de Exportaciones” -BLADEX (1.34%). During 2007, Bancoldex capitalized 25 billion COP in the National Fund of Guarantees, which meant an increase of its share to 21.03%.

Intellectual Property and Copyrights

The Colombian Foreign Trade Bank S.A.. – Bancoldex - acts pursuant to Law, through policies defined with respect to the acquisition of technology and the use of licensed software. Similarly, it counts with internal control procedures that seek to ensure due compliance of said regulations.

Performance of the Disclosure and Control Systems

In order to comply with the provisions set forth under articles 46 and 47 of Law 964 of 2005 – the Colombian Foreign Trade Bank S.A. – Bancoldex, certifies that the financial statements and other reports relevant for the public do not contain any vices, inaccuracies or errors which may hamper the knowledge about the real equity situation or about the operations carried out. Additionally, the disclosure and control systems used by the entity to include information contained in said financial statements and reports relevant for the public are adequate, based on truthful information, and subject to audits practiced by the Internal Control Office of the Bank and by the External Auditor, under the supervision of the Audit Committee.

Subsequent events

The Management is not aware of any important event that may have occurred between the date of closing of the economic period 2007 and the date in which this report is submitted, that could affect its scope or interpretation.

Gustavo Ardila Latiff
President