Superintendencia Financiera de Colombia

Press Release

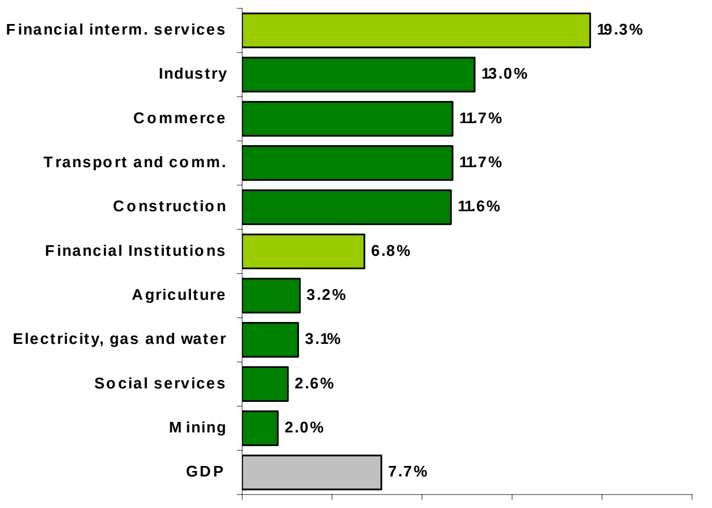
I. Colombian Financial Sector Results (December 2007)[1]

The first section of this report presents aggregate results for the financial sector up to December 2007, including data for institutions supervised by the Financial Superintendence and their managed funds. The second section analyzes risk factors, mainly credit and market risk, followed, in the third section, by a description of recent developments in local financial markets. The fourth section summarizes the main conclusions of this report and the Appendix presents the main financial accounts for each type of financial institution, and shows additional indicators of loan performance.

Aggregate Results

The Colombian financial sector presented positive results in 2007, driven by dynamic economic growth, high internal demand, and higher domestic and foreign investment levels. Figure 1 shows an accumulated annual GDP growth of 7.7% for the third quarter of 2007 (GDP results for the fourth quarter are yet to be published, but forecasts[2] point to an annual growth of 7%). The leading sectors of the economy presented in Figure 1 evidence the role of financial intermediaries in the overall performance of the economy. "Financial intermediation services" grew at an annual rate of 19.3% and "Financial institutions, insurance and others" grew 6.8%.

Figure 1
GDP by Economic Sectors
(Annual growth %, Sep-07)



Source: DANE

Financial statements published by the Financial Superintendence are summarized in Table 1; these are categorized by type of financial intermediary and include all financial institutions as well as their managed funds. As of December 2007, financial sector profits grew at an annual rate of 5.4%, amounting to $10.75 trillion. Profits were especially driven by credit institutions which reported earnings of $4.01 trillion and mandatory pension funds ($3.05 trillion).

Another issue worth noting is the fact that all types of financial intermediaries reported profits in 2007. Even those institutions that were affected by market volatility in 2006 and early 2007, such as stock-brokerage firms and insurance companies, managed to close the previous year with positive results.

[1] Figures are presented in Colombian Pesos. 1 trillion = 1,000,000 x 1,000,000.
[2] Forecasts from the National Department of Planning (DNP).

Table 1

Consolidated Financial Sector Accounts (Institutions and Managed Funds)

Figures in million pesos and percentages

Financial Intermediaries	Dic-2007					Annual growth [1] Dec-2007 / Dec-2006				
	Assets	Investment	Loans [2]	Net worth	Profit [3]	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Credit Institutions	185,444,714	34,954,131	125,062,447	22,476,328	4,011,176	18.9%	-7.2%	27.0%	19.7%	442,096
Insurance Industry [4]	18,216,363	11,845,881	340,936	5,177,925	704,777	10.9%	9.6%	21.8%	6.6%	116,633
Pension and Severance Fund Managers (AFP) [5]	1,160,201	800,366	-	984,906	234,161	13.9%	19.3%	-	13.1%	8,862
Trust Fund Managers	966,761	542,685	-	801,606	150,749	8.3%	1.3%	-	8.8%	22,189
Brokerage Firms [6]	3,874,002	613,215	-	1,022,454	99,695	-8.2%	27.2%	-	32.5%	34,189
Investment Fund Managers [6]	50,652	28,230	-	39,585	2,794	-2.2%	24.9%	-	6.6%	-2,696
Financial Infraestructure Providers [6]	1,257,690	259,371	674	833,761	86,828	2.5%	-6.3%	104.0%	-0.4%	12,128
Specialized State-Owned Institutions (IOE)	29,471,911	11,998,789	14,878,471	6,214,776	334,391	16.5%	5.5%	36.5%	17.2%	-358,299
TOTAL FINANCIAL INSTITUTIONS	**240,442,293**	**61,042,669**	**140,282,528**	**37,551,342**	**5,624,572**	**17.3%**	**-1.2%**	**28.0%**	**16.7%**	**275,102**
Mandatory Pension Funds (FPO)	51,129,622	50,076,573	-	51,119,240	3,052,460	18.0%	17.7%	-	18.0%	248,577
Voluntary Pension Funds (FPV)	6,789,420	4,955,595	-	6,266,695	357,043	6.2%	-14.2%	-	-1.1%	171,092
Severance Funds (FC)	3,826,070	3,740,365	-	3,802,138	115,536	1.1%	0.9%	-	1.7%	25,977
Ordinary Mutual Funds (FCO)	8,849,859	4,328,317	-	8,711,899	574,982	8.1%	14.2%	-	7.7%	185,654
Specialized Mutual Funds (FCE)	2,835,756	1,817,550	-	2,776,974	179,056	4.6%	18.4%	-	3.1%	92,846
Other Trust-Fund Assets [7]	68,787,331	34,565,457	182,511	44,390,453	27,177	15.3%	25.5%	-24.7%	22.5%	24,453
Pension Liability Fund (FPP)	27,837,511	26,963,107	-	27,181,823	599,408	24.3%	23.4%	-	23.9%	-362,257
FPV managed by Trust Funds	800,877	669,498	-	797,986	48,903	-9.5%	-14.0%	-	-9.5%	79,636
Mutual Investment Funds (FMI)	698,060	592,850	-	652,476	48,055	-0.4%	-0.5%	-	-	-133,395
Investment Funds (FI)	597,652	513,142	-	580,395	27,236	17.1%	19.9%	-	15.6%	1,706
Value Funds (FV)	2,398,967	1,836,379	-	2,376,684	95,662	-6.2%	0.7%	-	-6.5%	-61,265
TOTAL FINANCIAL FUNDS	**174,551,125**	**130,058,834**	**182,511**	**148,656,764**	**5,125,518**	**15.5%**	**17.8%**	**-24.7%**	**17.7%**	**273,025**
CONSOLIDATED FINANCIAL SECTOR	**414,993,418**	**191,101,502**	**140,465,040**	**186,208,106**	**10,750,089**	**16.5%**	**11.0%**	**27.9%**	**17.5%**	**548,127**

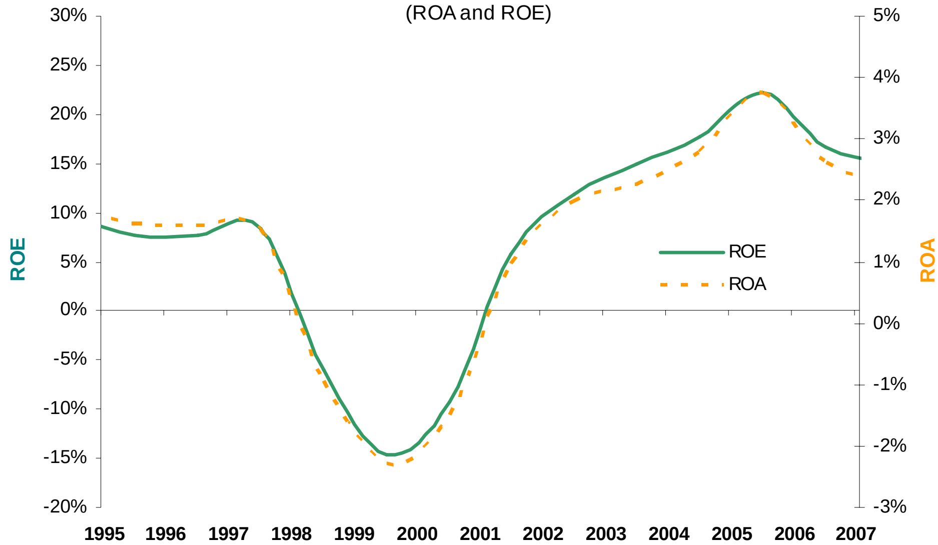
Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(2) Gross loans = Net loans + Provisions
(3) Profits correspond to PUC account 5700 ("expected return") for pension funds, FCO, FCE, and other trust fund assets; for the remaining institutions profits correspond to PUC account 5900 ("profits and losses").
(4) Insurance companies report financial statements on a quarterly basis, figures here presented correspond to December 2007 and December 2006.
(5) Pension fund financial statements excludes information for the "defined-benefit" pension regime.
(6) Investment data corresponds to PUC account 1200, excluding derivatives.
(7) Other Trust-Fund Assets report financial statements on a quarterly basis, figures here presented correspond to December 2007 and December 2006.

Profitability

The fact that most financial institutions reported higher profits in 2007 was also reflected in positive profitability ratios. Historic series of ROA (return-on-assets) and ROE (return-on-equity) are presented in Figure 2. As of December 2007, the ROA for financial institutions (excluding their managed funds) was 2.3% and the ROE reached 15.0%. Even though these figures lay slightly below those of December 2006 (2.6% for the ROA and 16.6% for the ROE), they still reflect adequate levels of profitability for the financial sector.

Table 2 shows profitability ratios discerning by type of financial intermediary. Most institutions show similar levels of profitability in 2007 when compared to a year before, the only exception being specialized state-owned institutions (IOEs) and investment-fund managers.

Figure 2
Financial Sector Profitability
(ROA and ROE)



Note: As of December 2007. Doesn´t include funds.
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

In 2006, market volatility had a significant impact on investments, generating losses for some intermediaries whose core business consists of managing investment portfolios. Other institutions, such as credit intermediaries, mitigated their losses by substituting a portion of their investments for loan assets. In previous reports, the Financial Superintendence had reported an apparent relationship between profitability ratios (ROA and ROE) and what we have called the ROI (return-on-investment), a measure of the performance of investments as reported by the income statement of financial institutions (see Table 2). Such is the case of stock-brokerage firms who exhibited a high correlation between ROA and ROI ratios in 2006, but in 2007 reported improvements in profitability, despite a drop in investment returns.

Table 2
Financial Sector Profitability Indicators
Percentages

Financial Intermediaries	Dic-2007			Dic-2006		
	ROA	ROE	Return on Investment (ROI)	ROA	ROE	Return on Investment (ROI)
Credit Institutions	2.2%	17.8%	8.4%	2.3%	19.0%	9.4%
Insurance Companies [1]	3.9%	13.6%	6.7%	3.6%	12.1%	7.4%
Pension and Severance Fund Managers (AFP) [2]	20.2%	23.8%	5.1%	22.1%	25.9%	6.8%
Trust Fund Managers	15.6%	18.8%	10.6%	14.4%	17.4%	7.8%
Brokerage Firms	2.6%	9.8%	67.4%	1.6%	8.5%	87.7%
Investment Fund Managers	5.5%	7.1%	4.2%	10.6%	14.8%	22.7%
Financial Infraestructure Providers	6.9%	10.4%	7.2%	6.1%	8.9%	8.2%
Specialized State-Owned Institutions (IOE)	1.1%	5.4%	0.9%	2.7%	13.1%	2.6%
TOTAL	**2.3%**	**15.0%**	**7.1%**	**2.6%**	**16.6%**	**8.4%**

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
Indicators are calculated as follows:

$$ROA = \left(\frac{profits}{assets} + 1\right)^{12/month} - 1 \quad , \quad ROE = \left(\frac{profits}{net\ worth} + 1\right)^{12/month} - 1$$

$$ROI = \left(\frac{inv.rev. - inv.exp.}{gross\ investment} + 1\right)^{12/month} - 1$$

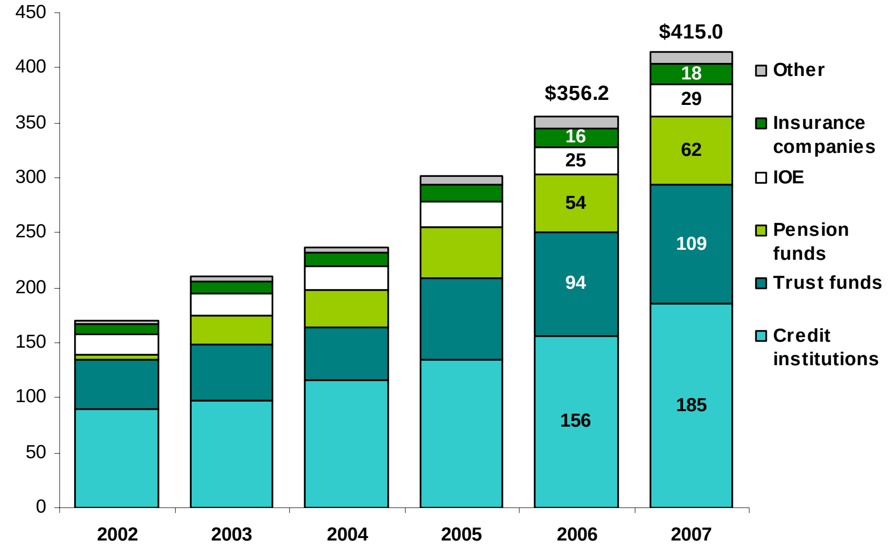
where *inv. rev. = investment revenues*
inv. exp. = investment expenditure
gross investment = net investment + provisions

(3) Insurance companies report financial statements on a quarterly basis, figures here presented correspond to December 2007 and December 2006.
(2) Pension fund financial statements excludes information for the "defined-benefit" pension regime.

Assets

Total assets for the financial sector show an overall increase for most institutions. Figure 3 displays the evolution of total assets and its distribution among financial institutions. The aggregate financial sector reported a 16.5% annual increase of total assets, reaching $415 trillion. Of this total, financial institutions sum $240.4 trillion and the remaining $174.5 trillion are assets managed by financial funds. The graph shows the important role of credit institutions, trust funds and pension funds that account for 85% of total assets. In recent years, trust funds and pension funds have become increasingly important players in the financial system.

Figure 3
Financial Sector Total Assets
(Figures in trillion pesos)

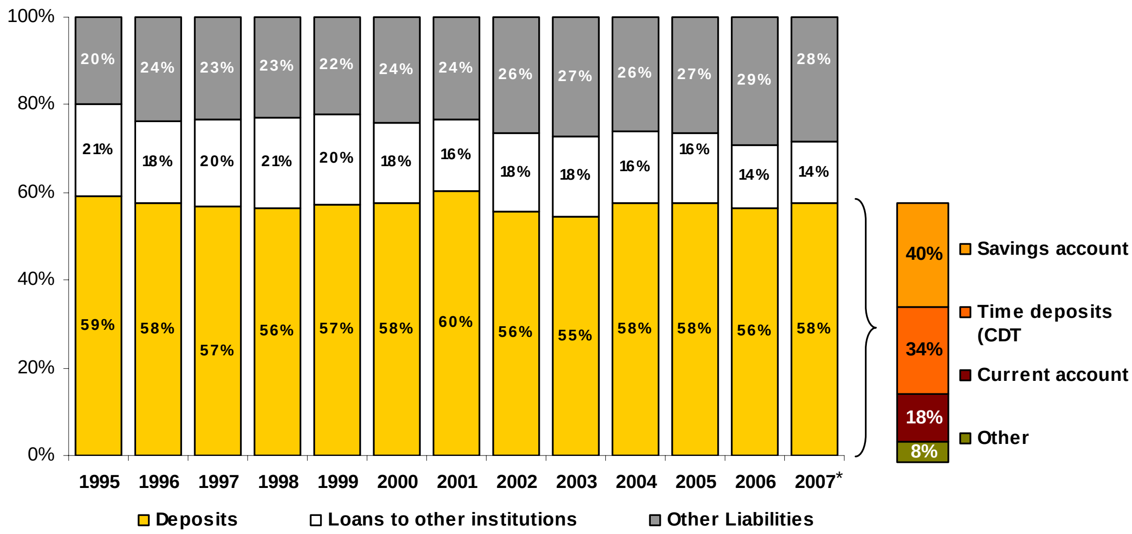


Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Liabilities

Total liabilities for financial institutions increased 16.1% to $228.8 trillion. Figure 4 shows the distribution of liabilities for the aggregate financial sector: deposits amount to $131.5 trillion (58% of total liabilities), and $24 trillion correspond to loans to other institutions (14% share). Deposits are distributed in savings accounts (40%), 34% are time deposits (CDT) and 18% are checking accounts. Recently, there has been a gradual replacement of checking account deposits for time deposits, partly due to measures set by the Central Bank which increased reserve requirements for checking account deposits.

Figure 4
Financial Sector Liabilities Composition
Composition shown in percentages (bars)

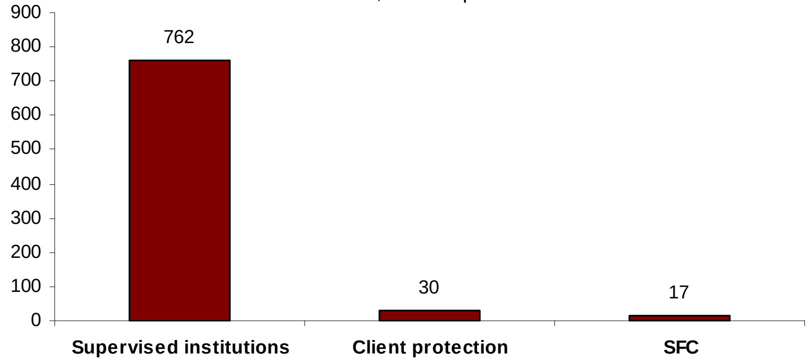


* As of December 2007.
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Registered Complaints

A total of 808,729 complaints were reported by financial institutions' customers in 2007. Most of them (94%) were directly filled within the financial institutions supervised by the Financial Superintendence. Credit cards (42.64%) and savings accounts (19.45%) are the financial products with the most complaints. When analyzed by type of institution, commercial banks received the majority of the complaints with 702,848, representing 87% of the total.

Figure 5
Registered Complaints
(2007; figures in thousands)
Total 808,729 complaints



Source: Financial Superintendence. Financial statements subject to revision by the SFC.

II. Financial Sector Risks

1. Credit Risk

As previously mentioned, 2007 was a positive year for the financial sector, as well as for loan growth. Gross loans of the financial sector (including leasing operations) increased at an annual rate of 27%, driven by high levels of internal demand and general growth in most economic sectors. Even though this growth rate has recently begun to slow down (in 2006 loans grew at an annual rate of 33%), loan activity remains very dynamic if compared to the contraction of the late 1990s (see Figure 6).

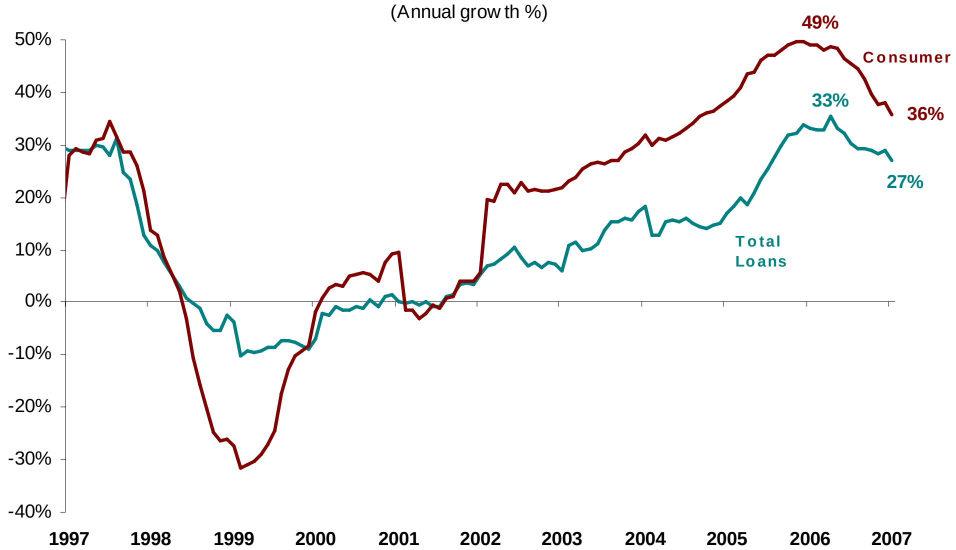
Table 3
Indicators of Loan Performance [1]
Figures in million pesos and percentages

Dec-2007	LOAN TYPE				
	Commercial	Consumer	Mortgage	Microfinance	Total
Gross loans	77,566,541	36,441,778	9,074,790	1,979,338	125,062,447
Market share (%)	62.0%	29.1%	7.3%	1.6%	100.0%
Annual growth (%)	24.4%	35.6%	20.4%	17.5%	27.0%
Past-due loans	1,569,592	2,040,738	371,207	137,525	4,119,062
Market share (%)	38.1%	49.5%	9.0%	3.3%	100.0%
Annual growth (%)	67.9%	70.1%	10.3%	52.5%	60.8%
Provisions [2]	2,824,313	1,628,043	283,467	80,593	5,304,089
Annual growth (%)	69.3%	87.0%	3.0%	73.4%	37.8%
LOAN RATIOS (%)					
Loan Quality [3]					
Traditional	2.0%	5.6%	4.1%	6.9%	3.3%
Traditional (Dec-2006)	1.5%	4.5%	4.5%	5.4%	2.6%
By rating	5.5%	8.6%	8.5%	7.7%	6.6%
By rating (Dec-2006)	5.9%	6.7%	9.6%	6.2%	6.4%
Loan Coverage [4]					
Traditional	179.9%	79.8%	76.4%	58.6%	128.8%
Traditional (Dec-2006)	178.5%	72.6%	81.8%	51.5%	150.3%
By rating	66.1%	52.2%	36.7%	53.1%	63.8%
By rating (Dec-2006)	45.5%	48.5%	38.0%	44.2%	61.2%

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Loan and leasing operations of credit institutions and credit unions. Doesn't include specialized state-owned institutions (IOE).
(2) Total provisions includes other provisions.
(3) Traditional Loan Quality = Past-due loans / Gross loans; Calidad por calificación = Loans rated B, C, D y E / Gross loans.
(4) Traditional Loan Coverage = Provisions / Past-due loans; Coverage by Rating = Provisions / Loans rated B, C, D y E

Consumer loans is the segment with the most rapid annual growth (35.6%), but has begun to decelerate in recent months (take for example December 2006 when consumer loans exhibited growth rates of almost 50%). Commercial loans currently grow at an annual rate of 24.2% and microfinance loans 17.5% (loans within this segment are the ones that are decelerating more rapidly).

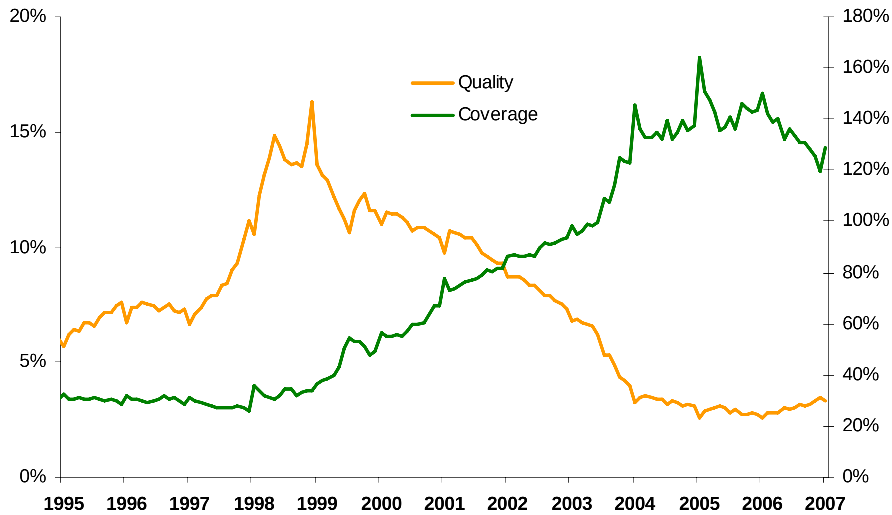
Figure 6
Loans by Type
(Annual growth %)



Note: As of December 2007. Loans including leasing operations. Doesn´t include state-owned institutions (IOE).
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

This recent deceleration in loan growth has been accompanied by a slight weakening in most indicators of loan quality. Loan quality, defined by the ratio of past due loans to gross loans reached a level of 3.3% in December 2007, slightly below the level of 3.4% of November but much higher than the 2.6% reported a year earlier. The bottom-half of Table 3 shows loan quality indicators by segment. Microfinance loans report the highest indicator of loan quality (6.9%), followed by consumer loans (5.6%).

Figure 7
Loan Quality and Coverage
(Quality = NPL's / Gross loans; Coverage = Provisions / NPL's)



Note: As of December 2007. Loans including leasing operations. Doesn´t include state-owned institutions (IOE).
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Even though credit institutions have been showing a weakening of indicators of loan quality, this must be looked at simultaneously with loan coverage ratios. Loan coverage (defined as the ratio of provisions to past due loans) has been increasing in the past year, reaching a level of 128.8% in December 2007, mainly driven by an annual increase of 37.8% of total provisions. Provisions have increased not only responding to loan market dynamics but also due to regulatory changes set forth by the Financial Superintendence in mid-2007 demanding higher provisioning for commercial loans (SARC).

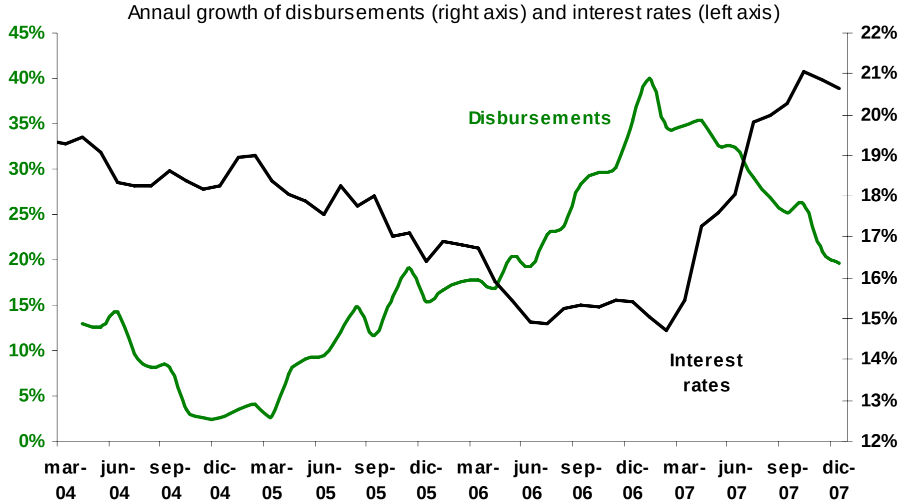
Table 4
Loan Disbursements and Interest Rates [1]
Figures in million pesos and percentages

	Dec-2007	Dec-2006	Annual growth [2]
Disbursements	24,659,808	20,008,898	23.2%
Commercial [3]	21,154,790	16,881,742	25.3%
Consumer [4]	2,973,057	2,601,573	14.3%
Mortgage	466,120	473,211	-1.5%
Microfinance	65,841	52,372	25.7%
Interest Rates [5]	20.63%	15.41%	5.2%
Commercial	19.78%	14.70%	5.1%
Consumer	27.65%	20.64%	7.0%
Mortgage	13.18%	10.95%	2.2%
Microfinance	31.13%	21.62%	9.5%

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Loan and leasing operations of credit institutions and credit unions. Doesn't include state-owned institutions (IOE). Loan disbursements and interest rate data is taken from information provided to the SFC (Formato 88).
(2) Annual variation of loan disbursements are shown as percentage growth, whereas interest rates are shown as an absolute variation.
(3) Commercial loans include: ordinary, treasury and preferential loans, overdrafts and business credit cards.
(4) Consumer loans include: personal loans and credit cards.
(5) Interest rates are a weighted average of loan amounts and according rates.

The deceleration of loan growth becomes even more evident when looking at loan disbursements (these represent new loans that are different from the stock of loans described at the beginning of this section). Figure 8 shows a seasonal-adjusted series for loan disbursements which showed a peak towards the end of 2006 and started to fall in 2007. This deceleration has been associated to increases in interest rates.

Figure 8
Loan Disbursements and Interest Rates*
Annaul growth of disbursements (right axis) and interest rates (left axis)



Note: As of December 2007. Loans including leasing operations. Doesn´t include state-owned institutions (IOE).
* Loan disbursements and interest rate data is taken from information provided to the SFC (Formato 88). Interest rates are a weighted average of loan amounts and according rates. The annual growth of disbursements is an annual accumulated variation in order to account for seasonal effects.

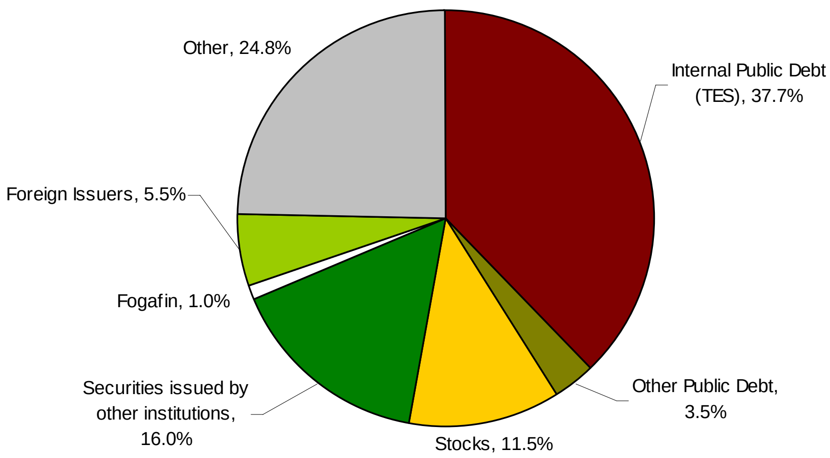
2. Market Risk

Investment

In December 2007 the financial sector reported total investments amounting to $191.1 trillion, showing an increase of 4% with respect to November 2007, and an increase of 11% with respect to December 2006. In Table 1 we reported investments discerning by intermediary type. Credit institution investments decreased considerably in 2007 (-7.2%), partly due to an asset substitution, increasing loans and reducing their portfolio in government bonds (TES). The decrease in investments of financial institutions (-1.2%) is mainly due to the effect of this substitution. On the other hand, managed funds have increased their investments in 17.8%, driven by investments of mandatory pension funds (FPO) and trust funds.

Figure 9 shows the investment portfolio composition for the aggregated financial sector. Data up to December 2007 shows that the financial sector holds 37.7% of its investments in Colombian government domestic bonds (TES), and 3.5% in other government bonds (such as Yankees). Securities issued by other private institutions make up 16% of the portfolio. A look at this composition over recent years shows that government domestic bonds and equity have increased their share.

Figure 9
Financial Sector Investment Portfolio
(Dec-2007, Total invesment = $191,1 trillion)



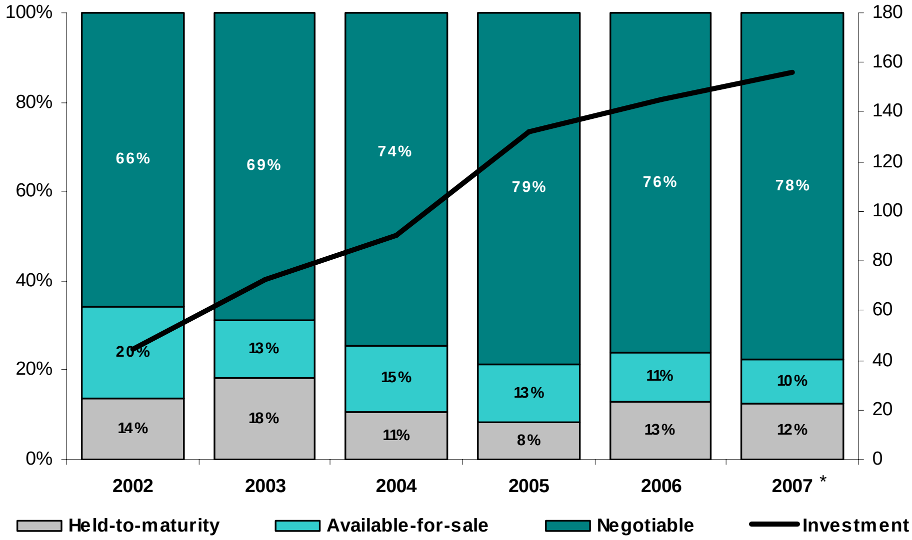
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Figure 10 shows the accounting composition of the portfolio. The share of negotiable securities showed a small increase in 2007, whereas securities available for-sale and held-to-maturity decreased. Nevertheless, credit institutions have increased their concentration in securities held-to-maturity which enabled lower exposure to market risk.

Figure 10

Investment Portfolio by Financial Instrument

Composition show n in percentages (bars) and total investment in $ trillion (line, right axis)



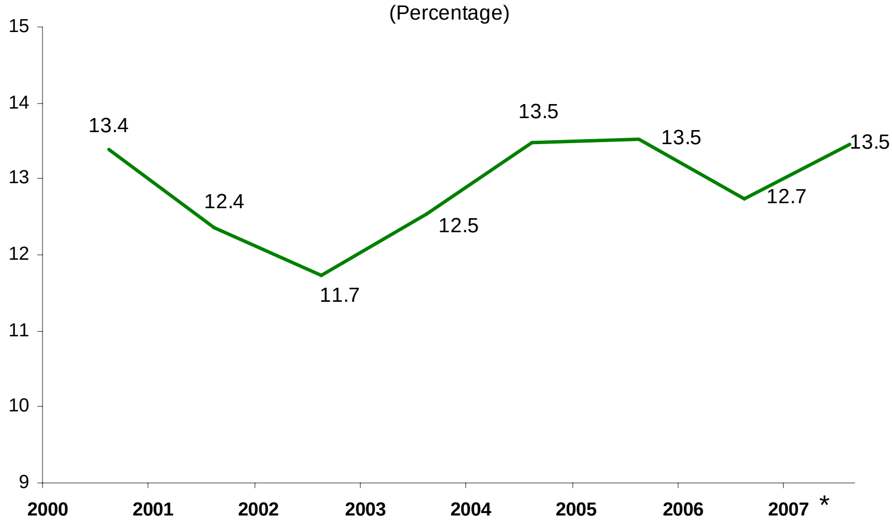
* As of December 2007.
Source: Superintendencia Financiera. Financial statements subject to revision by the SFC.

Leverage Ratio and Capital Adequacy

Figure 11

Credit Institutions' Solvency Ratio

(Percentage)



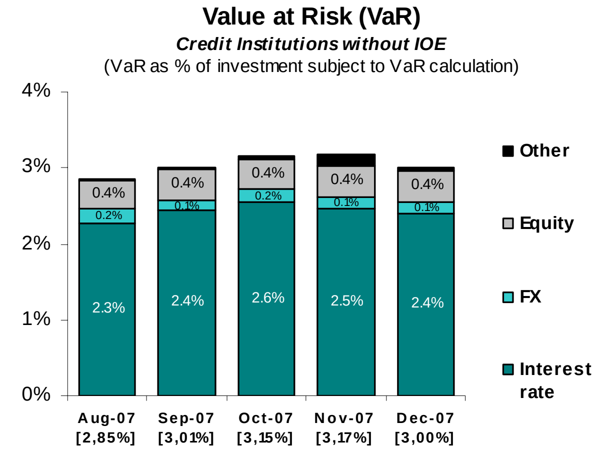
* As of December 2007.
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Figure 11 shows the capital adequacy ratio of credit institutions which reached 13.5% in December 2007, slightly above the level observed in December 2006 (12.7%) and significantly superior to the 9% minimum level imposed by the financial supervisor. This increase in capital adequacy is the result of a substitution between negotiable and available for-sale securities and securities held-to-maturity, this in order to meet the capital requirement. A higher amount of securities held-to-maturity decreases the value-at-risk of credit institutions, and increases the capital adequacy ratio.[3]

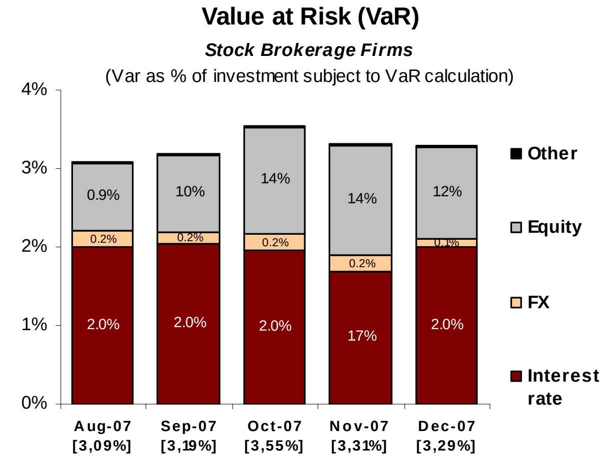
Value-at-Risk (VaR)

Since April 2007, the Financial Superintendence adopted a new methodology in its collection of value-at-risk data from credit institutions and brokerage firms; this follows the new standard model of market risk approved on January 31 2007.

Figure 12



Note: VaR data is only available from April 2007 and is reported in Formato 386.
Source: Financial Superintendence.



Note: VaR data is only available from April 2007 and is reported in Formato 386.
Source: Financial Superintendence.

Figure 12 shows risk assets as a percentage of total investments[4]. It is calculated as the percentage of value at Risk over total investment. At the same time, it describes the weight of the main risk factors. The risk value for credit institutions in December 2007 was 3.00% of total investment, which represents a decrease with respect to November. Brokerage firms' VaR was 3.29% in December, quite smaller than the result for November. Among risk factors, interest rate was the one with the greatest incidence for both types of intermediaries.

High volatility in government bonds' market slightly increased the interest rate risk in past months. Interest rate VaR of credit institutions decreased in 6 bps, due to an aforementioned substitution between negotiable securities and securities held-to-maturity. Brokerage firms, on the other hand, presented an increase in its interest rate VaR of 31 bps.

[3] $CAR = \frac{PT}{APR + (100/9\ RM)}$ where PT is the regulatory capital, APR are risk-weighted assets and RM is market risk (VaR).

[4] According to the new Standard Model of market risk measurement, only investments that are classified in treasury-books are considered in the calculation of Value-at-Risk. These positions include negotiable securities and securities available for sale. Securities denominated in foreign currency that are registered in banking-books are also taken into account in the VaR.

III. Financial Market Developments

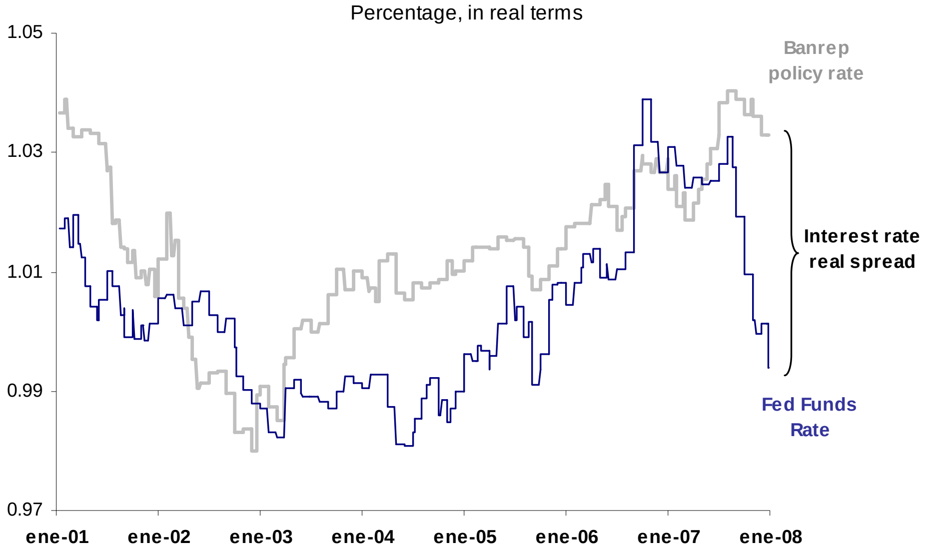
Financial market stability decreased during December 2007 as a result of concerns of a recession in the United States' economy and the strains on the relationship with Venezuela. Although the Colombian economy still shows signs of solid economic growth (market consensus foresees a GDP growth close to 7% for 2007), uncertainty in local markets prevails.

Furthermore, uncertainty surrounds the course that inflation will take in the following months. Inflation in 2007 reached 5.68%, well above the Central Bank's target of a 3.5%-4.5% range. In an attempt to slow demand pressures on prices, the Central Bank increased its policy interest rate in 200 bps during 2007. The last interest rate increase was carried out on November 26, with a rise of 25 bps, leaving the policy rate at 9.50%.

Figure 13

Interest rate spread between Colombia and the US

Percentage, in real terms

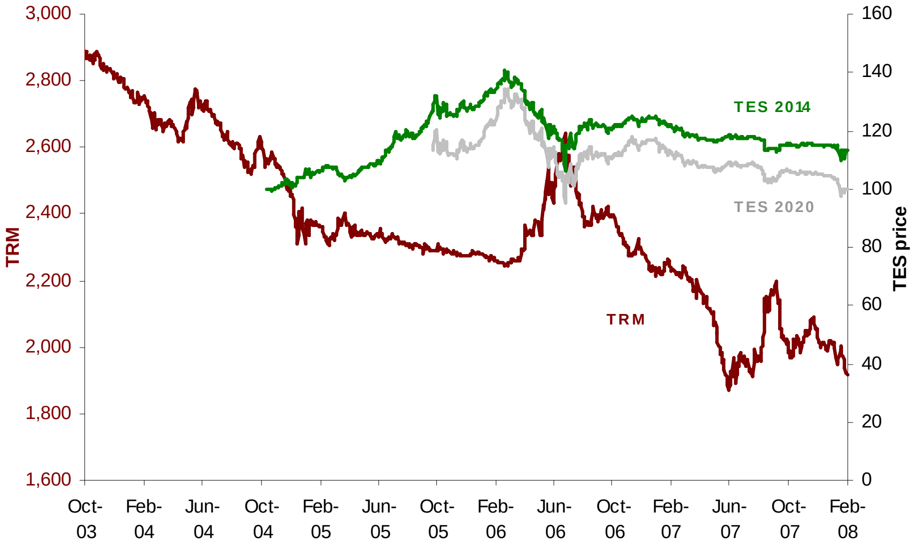


Source: Bloomberg, Banco de la República.

Meanwhile, the Federal Reserve (Fed) in the United States has decided to reduce its policy interest rate in 2007, trying to perform a "soft-landing" of the economy. In December the Fed cut its rate by 25 bps and in January 2008 it reduced their rate yet again in 125 bps reaching 3.0%. The fact that Colombia's interest rates increased during 2007 at the same time when the Fed Funds Rate was cut has increased interest spreads. Figure 13 shows the path that real interest rates have taken in both countries and how the interest rate real spread has widened at the beginning of 2008.

The increase in the interest rate spread could motivate further capital inflows to local markets. This in part has caused an appreciation of the Colombian peso which has reached levels below $1,900 COP/ USD at the beginning of February.

Figure 14
Colombian Financial Markets
Exchange rate (TRM) and TES (right axis)



Source: Bloomberg.

On the other hand, the prices of Colombian government bonds (TES) showed high stability in December with a small decrease that coincides with the tendency in 2007. This decrease in price is explained by the raise of local interest rates since mid 2007. In addition, fiscal revenue increased substantially because of the efficiency in treasury funds' management and a significant increase in tax revenue.

The Colombian stock exchange general index (IGBC), decreased during December 2007 affected by the general contagion that has sprung from the subprime crisis in the US. The fall of the IGBC was sharp during January, especially taking into account the fact that it had reached a historical maximum of 11,440 points in November 2007.

Figure 15
Colombian Stock Exchange Index (IGBC)

Source: Bloomberg

IV. Conclusions

- The Colombian financial sector presented positive results in 2007, driven by dynamic economic growth, high internal demand, and higher investment.

- Financial sector profits grew at an annual rate of 5.4%, amounting to $10.75 trillion. Profits were especially driven by credit institutions and mandatory pension funds.

- In December 2007 the ROA reached 2.6% and the ROE 15%, and even though these figures lay slightly below those of December 2006, they still reflect adequate levels of profitability for the financial sector.

- Loans have been growing at a slightly slower pace than in previous years: in 2006 loans grew at an annual rate of 33% and have slowed down to 27% in 2007. Nevertheless, loan activity remains very dynamic.

- Total investments in December 2007 reached $191.1 trillion, equivalent to an increase of 10.8% when compared to December 2006. Credit institution investment has decreased as a result of an asset substitution favoring loans.

- Capital adequacy of credit institutions increased in 2007 and lays 450 bps above the minimum requirement imposed by the Financial Superintendence. This increase is partly due to a larger amount of securities held-to-maturity which in turn reduces the measure of value at risk (VaR).

- Local financial markets’ volatility increased during December 2007 and the first months of 2008, as a result of concerns of a recession in the United States’ economy. Because of this, TES yields have become more volatile, the exchange rate has appreciated, and the stock exchange has declined.

APPENDIX 1: FINANCIAL STATEMENTS BY INSTITUTION

Financial Accounts of Credit Institutions

Figures in million pesos and percentages

Financial Intermediaries	Dec-2007					Annual growth [1] Dec-2007 / Dec-2006				
	Assets	Investment	Loans [2]	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Commercial Banks	159,787,916	31,380,798	106,237,172	18,220,744	3,456,448	16.7%	-8.9%	24.1%	18.9%	808,107
Financial Corporations	3,845,208	2,888,735	-	2,153,206	224,162	4.8%	10.0%	-100.0%	14.0%	-463,706
Commercial Financing Companies	19,535,494	569,697	16,778,463	1,800,417	307,492	34.0%	8.5%	38.1%	27.8%	96,408
Financial Credit Unions	2,184,456	110,186	1,973,792	285,400	21,748	216.7%	228.4%	235.9%	98.6%	2,035
Superior Grade Cooperatives (OCGS)	91,640	4,715	73,020	16,562	1,327	23.6%	42.7%	21.1%	7.7%	-748
TOTAL	**185,444,714**	**34,954,131**	**125,062,447**	**22,476,328**	**4,011,176**	**18.9%**	**-7.2%**	**27.0%**	**19.7%**	**442,096**

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(2) Gross loans = Net loans + Provisions

Financial Accounts of the Insurance Industry

Figures in million pesos and percentages

Financial Intermediaries [3]	Dec-2007					Annual growth [1] Dec-2007 / Dec-2006				
	Assets	Investment	Loans [2]	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Capitalization Companies	1,387,727	1,106,639	23,618	508,980	11,150	-7.0%	-1.4%	-21.5%	-8.1%	-12,516
General Insurance	7,215,190	3,620,048	66,794	2,057,804	346,268	10.3%	8.2%	69.7%	3.1%	73,749
Life Insurance	9,105,343	6,955,757	248,290	2,399,075	305,579	14.5%	12.3%	18.0%	14.0%	54,457
Insurance Credit Unions	296,037	149,693	2,233	89,491	7,665	18.6%	20.1%	18049.1%	6.6%	-750
Insurance Brokerage Firms	212,066	13,744	-	122,575	34,115	8.6%	-30.8%	-	4.3%	1,694
TOTAL	**18,216,363**	**11,845,881**	**340,936**	**5,177,925**	**704,777**	**10.9%**	**9.6%**	**21.8%**	**6.6%**	**116,633**

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(2) Gross loans = Net loans + Provisions
(3) Insurance companies report financial statements on a quarterly basis, figures here presented correspond to December 2007 and December 2006.

Financial Accounts of Pension and Severance Funds

Figures in million pesos and percentages

Financial Intermediaries	Dec-2007					Annual growth [1] Dec-2007 / Dec-2006				
	Assets	Investment	Loans	Net worth	Profit [2]	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
TOTAL PENSION AND SEVERANCE FUND MANAGERS (AFP) [3]	**1,160,201**	**800,366**	**-**	**984,906**	**234,161**	**13.9%**	**19.3%**	**-**	**13.1%**	**8,862**
Mandatory Pension Funds (FPO)	51,129,622	50,076,573	-	51,119,240	3,052,460	18.0%	17.7%	-	18.0%	248,577
Voluntary Pension Funds (FPV)	6,789,420	4,955,595	-	6,266,695	357,043	6.2%	-14.2%	-	-1.1%	171,092
Severance Funds (FC)	3,826,070	3,740,365	-	3,802,138	115,536	1.1%	0.9%	-	1.7%	25,977
TOTAL PENSION AND SEVERANCE FUNDS	**61,745,112**	**58,772,533**	**-**	**61,188,073**	**3,525,039**	**15.4%**	**12.9%**	**-**	**14.6%**	**445,646**

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(3) Profits correspond to PUC account 5700 ("expected return") for pension funds, FCO, FCE, and other trust fund assets; for the remaining institutions profits correspond to PUC account 5900 ("profits and losses").
(3) Pension fund financial statements excludes information for "Prima Media" regime.

Financial Accounts of Trust Funds and Mutual Funds

Figures in million pesos and percentages

Financial Intermediaries	Dec-2007					Annual growth [1] Dec-2007 / Dec-2006				
	Assets	Investment	Loans [2]	Net worth	Profit [3]	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
TOTAL TRUST FUND MANAGERS	**966,761**	**542,685**	**-**	**801,606**	**150,749**	**8.3%**	**1.3%**	**-**	**8.8%**	**22,189**
Ordinary Mutual Funds (FCO)	8,849,859	4,328,317	-	8,711,899	574,982	8.1%	14.2%	-	7.7%	185,654
Specialized Mutual Funds (FCE)	2,835,756	1,817,550	-	2,776,974	179,056	4.6%	18.4%	-	3.1%	92,846
Other Trust Fund Assets [4]	27,837,511	26,963,107	-	27,181,823	599,408	24.3%	23.4%	-	23.9%	-362,257
Pension Liability Fund (FPP)	800,877	669,498	-	797,986	48,903	-9.5%	-14.0%	-	-9.5%	79,636
FPV administered by Trust Funds	68,787,331	34,565,457	182,511	44,390,453	27,177	15.3%	25.5%	-24.7%	22.5%	24,453
TOTAL TRUST AND MUTUAL FUNDS	**109,111,334**	**68,343,929**	**182,511**	**83,859,136**	**1,429,525**	**16.3%**	**23.1%**	**-24.7%**	**20.1%**	**20,332**

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(2) Gross loans = Net loans + Provisions
(3) Profits correspond to PUC account 5700 ("expected return") for pension funds, FCO, FCE, and other trust fund assets; for the remaining institutions profits correspond to PUC account 5900 ("profits and losses").
(4) Other Trust-Fund Assets report financial statements on a quarterly basis, figures here presented correspond to December 2007 and December 2006.

Financial Accounts of Brokerage and Investment Intermediaries

Figures in million pesos and percentages

Financial Intermediaries	Dec-2007					Annual growth [1] Dec-2007 / Dec-2006				
	Assets	Investment [2]	Loans	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Stock Brokerage Firms	3,818,889	594,125	-	990,775	96,785	-8.2%	26.5%	-	32.3%	24,932
Agricultural Brokerage Firms	53,983	18,221	-	30,601	2,879	-5.2%	54.4%	-	42.2%	8,828
Independent Brokerage Firms	1,130	869	-	1,077	31	2.2%	13.0%	-	9.7%	429
Investment-Fund Managers	50,652	28,230	-	39,585	2,794	-2.2%	24.9%	-	6.6%	-2,696
TOTAL BROKERAGE AND INVESTMENT-FUND MANAGERS	**3,924,654**	**641,445**	**-**	**1,062,038**	**102,490**	**-8.1%**	**27.1%**	**-**	**31.3%**	**31,492**
Mutual-Investment Funds (FMI)	698,060	592,850	-	652,476	48,055	-0.4%	-0.5%	-	-	-133,395
Investment Funds (FI)	597,652	513,142	-	580,395	27,236	17.1%	19.9%	-	15.6%	1,706
Value Funds (FV)	2,398,967	1,836,379	-	2,376,684	95,662	-6.2%	0.7%	-	-6.5%	-61,265
TOTAL INVESTMENT AND VALUE FUNDS	**3,694,679**	**2,942,371**	**-**	**3,609,555**	**170,954**	**-2.0%**	**3.3%**	**-**	**18.6%**	**-192,953**

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(2) Investment data corresponds to PUC account 1200, excluding derivatives.

Financial Accounts of Financial Infraestructure Providers

Cifras en millones de pesos y porcentajes

Financial Intermediaries	Dec-2007					Annual growth [1] Dec-2007 / Dec-2006				
	Assets	Investment	Loans [2]	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Foreign Exchange Offices	144,419	1,971	-	76,217	-12,386	-17.2%	-30.2%	-	-17.4%	-14,397
General Deposit Stores (AGD)	562,671	91,891	674	402,611	31,979	-6.5%	6.3%	104.0%	-6.8%	12,969
Low-value Payment System Administrator	325,254	59,466	-	169,055	12,960	27.9%	-23.0%	-	6.5%	-3,625
Colombian Stock Exchange (BVC) [3]	101,637	47,420	-	84,132	27,134	12.8%	-20.0%	-	19.9%	610
Agricultural Stock Exchange [3]	36,355	9,097	-	33,522	5,047	30.4%	203.3%	-	28.1%	7,397
Agricultural Stock Clearing-house [3]	9,751	3,124	-	7,131	4,324	28.4%	49760%	-	154.0%	7,060
Risk-Rating Agencies [3]	5,811	272	-	4,210	2,253	-6.3%	120.8%	-	32.3%	758
Centralized Deposit Administrator (Deceval) [3]	69,063	46,132	-	55,158	15,564	12.7%	-3.8%	-	10.0%	1,412
Stock Market Regulator (AMEV) [3]	2,729	-	-	1,725	-47	-21.9%	-	-	6.6%	-57
TOTAL	**1,257,690**	**259,371**	**674**	**833,761**	**86,828**	**2.5%**	**-6.3%**	**104.0%**	**-0.4%**	**12,128**

Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(2) Gross loans = Net loans + Provisions
(3) Investment data corresponds to PUC account 1200, excluding derivatives.

Financial Accounts of Specialized State-Owned Institutions (IOE)

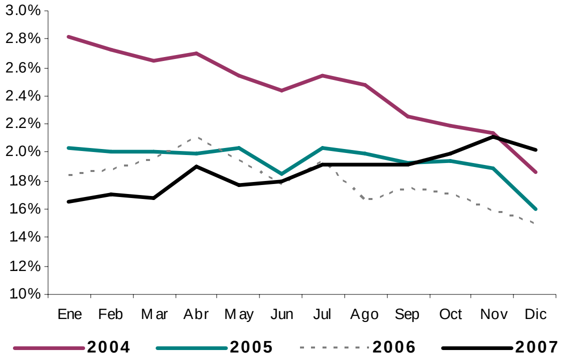
Figures in million pesos and percentages

Institution	Dec-2007					Annual growth [1] Dec-2007 / Dec-2006				
	Assets	Investment	Loans [2]	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Bancoldex	4,840,382	308,448	4,459,855	1,272,078	53,071	43.5%	-26.9%	54.9%	3.8%	-2,846
Findeter	3,241,912	24,317	3,010,799	694,432	31,396	28.9%	-45.7%	27.9%	4.7%	-1,236
FEN	937,871	740,666	428,605	905,490	75,641	4.8%	63.7%	-36.3%	6.9%	-27,238
Finagro	4,011,328	25,416	3,927,075	367,868	29,393	8.6%	-93.4%	20.6%	6.9%	3,955
Icetex	1,087,999	81,944	1,077,408	937,128	11,273	3103%	158%	178935%	14854%	16,681
Fonade	1,380,848	908,650	6,631	99,939	11,794	30.9%	7.2%	-61.4%	5.9%	2,894
Fogafin	7,798,911	5,949,797	4,868	123,276	17,953	-6.8%	3.4%	-66.4%	-69.5%	-298,881
Fondo Nacional del Ahorro	2,823,634	866,676	1,883,190	1,422,147	75,671	13.1%	5.0%	15.5%	5.6%	-26,499
Fogacoop	242,799	188,340	-	56,257	15,685	11.0%	23.5%	-	12.9%	4,402
FNG	341,502	305,686	71,436	231,612	12,515	21.3%	23.7%	29.7%	19.6%	216
Caja de Vivienda Militar	2,764,725	2,598,848	8,605	104,550	0	16.9%	17.8%	-62.4%	-19.3%	-29,748
TOTAL IOEs	**29,471,911**	**11,998,789**	**14,878,471**	**6,214,776**	**334,391**	**16.5%**	**5.5%**	**36.5%**	**17.2%**	**-358,299**

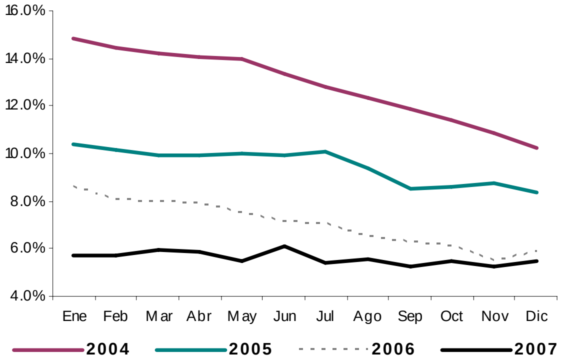
Financial statements subject to revision by the SFC. Figures reported until the 31st of January 2008.
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(2) Gross loans = Net loans + Provisions

APPENDIX 2: ADDITIONAL INDICATORS OF CREDIT RISK
Loan Quality Indicators by Loan Type

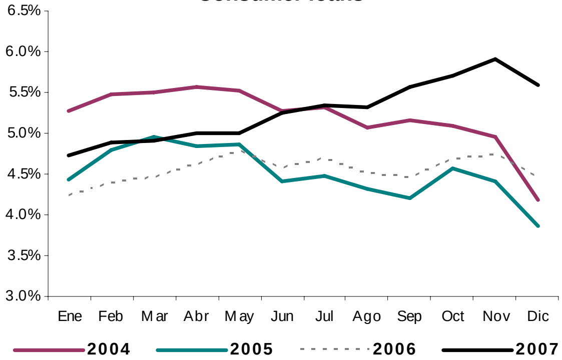
Loan Quality (traditional)
Commercial loans



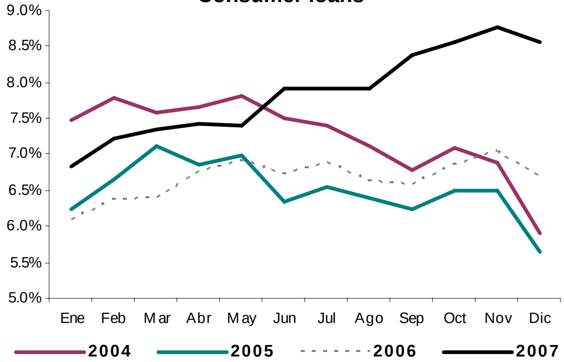
Loan Quality (by rating)
Commercial loans



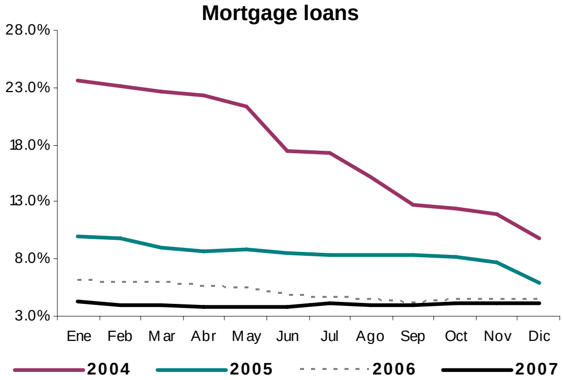
Loan Quality (traditional)
Consumer loans



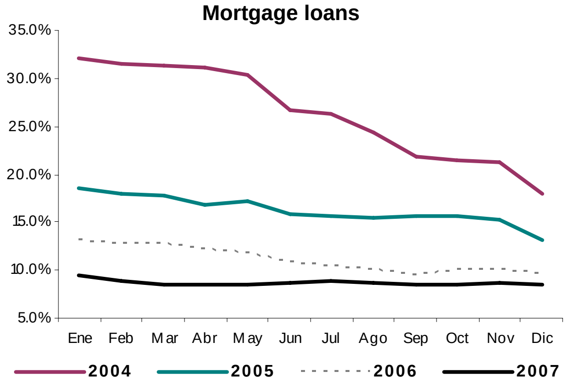
Loan Quality (by rating)
Consumer loans



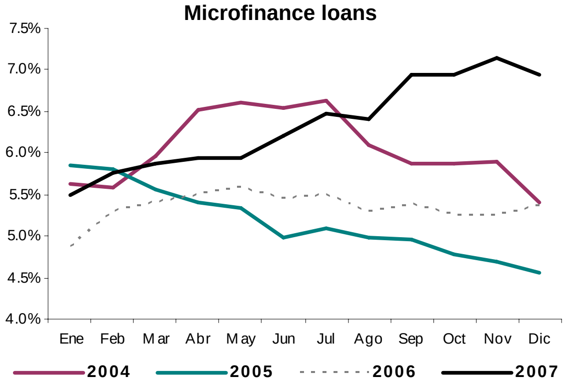
Loan Quality (traditional)
Mortgage loans



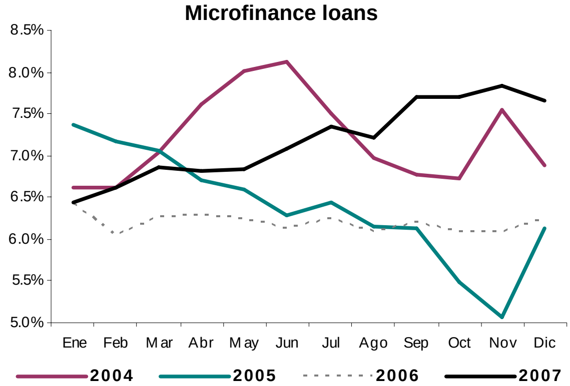
Loan Quality (by rating)
Mortgage loans



Loan Quality (traditional)
Microfinance loans



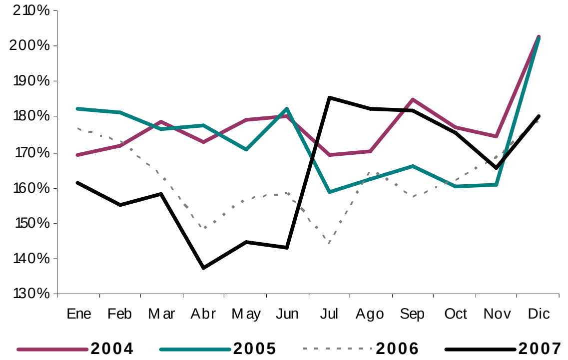
Loan Quality (by rating)
Microfinance loans



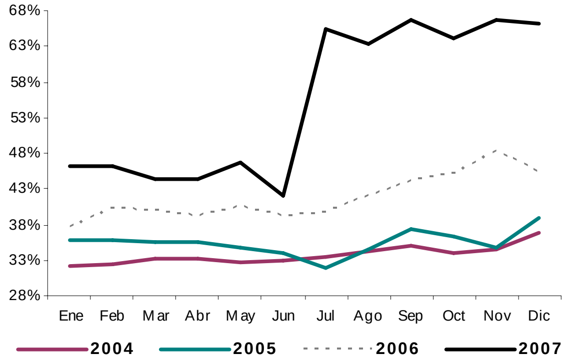
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Loan Coverage Indicators by Loan Type

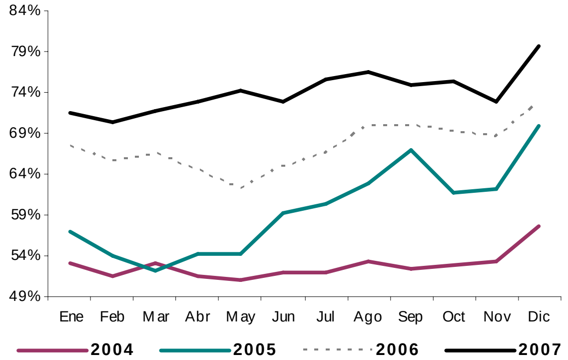
Loan Coverage (traditional)
Commercial loans



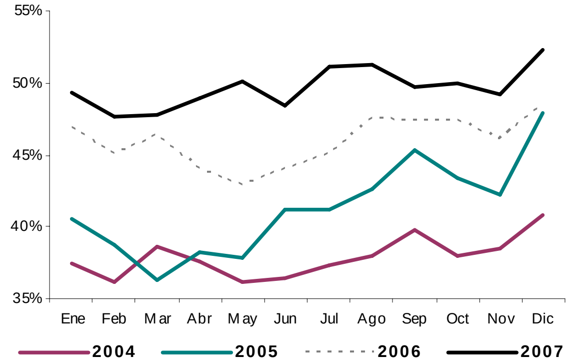
Loan Quality (by rating)
Commercial loans



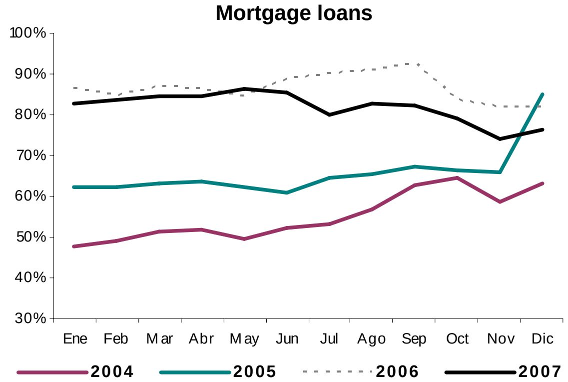
Loan Coverage (traditional)
Consumer loans



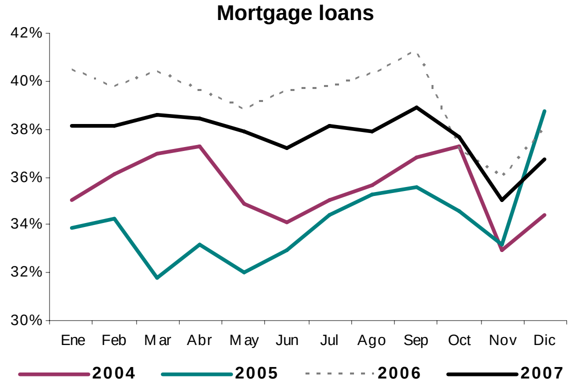
Loan Quality (by rating)
Consumer loans



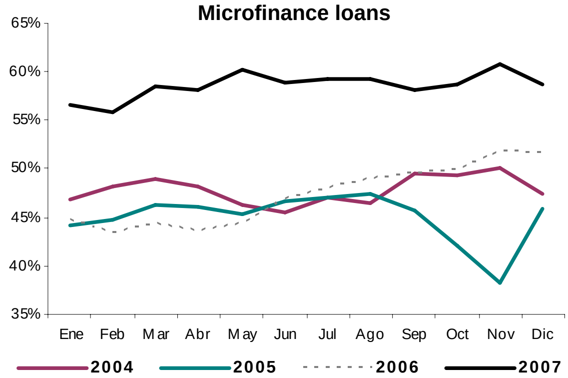
Loan Coverage (traditional)
Mortgage loans



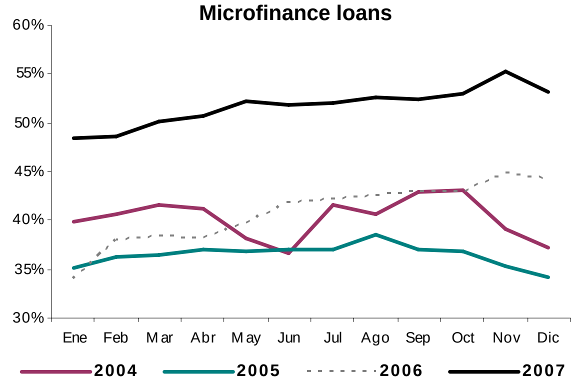
Loan Quality (by rating)
Mortgage loans



Loan Coverage (traditional)
Microfinance loans



Loan Quality (by rating)
Microfinance loans



Source: Financial Superintendence. Financial statements subject to revision by the SFC.