

## I. Colombian Financial Sector Results (June 2008) <sup>1</sup>

The first section of this report presents aggregated results for the financial sector until month-end June 2008, 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 sums up 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 credit loans.

### Aggregate Results

**Table 1**  
**Consolidated Financial Sector Accounts (Institutions and Managed Funds)**  
Figures in million pesos and percentages

Financial Intermediaries	Jun-2008					Annual growth <sup>1</sup>				
						Jun-2008 / Jun-2007				
	Assets	Investment	Loans <sup>2</sup>	Net worth	Profit <sup>3</sup>	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit (\$m)
<b>Credit Institutions</b>	196,949,585	35,457,724	134,680,327	23,574,550	2,407,050	16.9%	2.3%	20.8%	20.0%	536,845
Insurance Industry <sup>4</sup>	18,150,485	12,515,904	351,004	4,205,635	129,987	4.9%	13.7%	18.3%	-15.6%	-37,518
Pension and Severance Fund Managers (AFP) <sup>5</sup>	1,298,588	845,490	-	1,047,760	123,169	16.7%	21.0%	-	16.9%	17,443
Trust Fund Managers	1,053,119	593,161	-	812,158	92,420	17.0%	12.2%	-	12.1%	22,286
Brokerage Firms <sup>6</sup>	3,660,831	343,794	-	758,332	2,298	14.3%	4.3%	-	0.3%	38,747
Investment Fund Managers <sup>6</sup>	52,963	32,495	-	40,588	1,928	23.8%	23.3%	-	16.8%	1,643
Financial Infrastructure Providers <sup>6</sup>	1,113,331	195,512	883	815,690	34,840	-8.5%	-22.9%	84.0%	-2.4%	3,422
Specialized State-Owned Institutions (IOE)	31,238,674	12,813,345	15,670,699	6,307,544	244,562	13.9%	6.7%	21.7%	5.1%	32,431
<b>TOTAL FINANCIAL INSTITUTIONS</b>	<b>253,517,576</b>	<b>62,797,425</b>	<b>150,702,914</b>	<b>37,562,256</b>	<b>3,036,255</b>	<b>15.4%</b>	<b>5.5%</b>	<b>20.9%</b>	<b>10.9%</b>	<b>615,299</b>
<b>Mandatory Pension Funds (FPO)</b>	53,317,454	52,190,622	-	53,266,455	-207,015	16.8%	20.1%	-	16.8%	-204,820
<b>Voluntary Pension Funds (FPV)</b>	6,578,480	5,254,849	-	6,285,813	123,523	10.3%	22.6%	-	6.7%	142,515
<b>Severance Funds (FC)</b>	4,558,454	4,358,359	-	4,530,435	26,672	3.2%	4.2%	-	4.3%	53,409
<b>Ordinary Mutual Funds (FCO)</b>	9,974,581	5,600,838	-	9,827,612	396,778	22.6%	52.5%	-	22.2%	135,797
<b>Specialized Mutual Funds (FCE)</b>	2,856,371	2,050,626	-	2,790,024	121,205	2.6%	27.7%	-	0.8%	46,242
<b>Other Trust-Fund Assets <sup>7</sup></b>	68,549,872	31,635,086	922,441	43,829,972	21,220	8.2%	1.2%	100%	6.8%	5,362
<b>Pension Liability Fund (FPP)</b>	30,161,421	29,228,039	-	29,171,034	351,657	28.4%	27.7%	-	25.8%	194,857
<b>FPV managed by Trust Funds</b>	885,877	765,753	-	881,127	31,336	10.6%	34.5%	-	10.3%	15,878
<b>Mutual Investment Funds (FMI)</b>	633,455	527,972	-	610,947	10,657	-3.9%	-5.9%	-	-3.9%	2,805
<b>Investment Funds (FI)</b>	701,875	578,755	-	673,802	-1,894	33.1%	34.1%	-	30.7%	-2,679
<b>Value Funds (FV)</b>	2,449,742	1,534,687	-	2,396,060	39,284	9.6%	5.3%	-	8.4%	724
<b>TOTAL FINANCIAL FUNDS</b>	<b>180,667,580</b>	<b>133,725,587</b>	<b>922,441</b>	<b>154,263,280</b>	<b>913,423</b>	<b>14.3%</b>	<b>16.9%</b>	<b>387.0%</b>	<b>14.2%</b>	<b>390,089</b>
<b>CONSOLIDATED FINANCIAL SECTOR</b>	<b>434,185,157</b>	<b>196,523,012</b>	<b>151,625,355</b>	<b>191,825,536</b>	<b>3,949,677</b>	<b>15.0%</b>	<b>13.0%</b>	<b>21.5%</b>	<b>13.5%</b>	<b>1,005,388</b>

Financial statements subject to revision by the SFC. Figures reported until the 31th of June 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 June 2008.

(5) Pension fund financial statements excludes information for the "defined-benefit" pension regime.

(6) Investment data corresponds to PUC account 1200, excluding derivatives and repurchase operations.

(7) Other Trust-Fund Assets report financial statements on a quarterly basis, figures here presented correspond to June 2008.

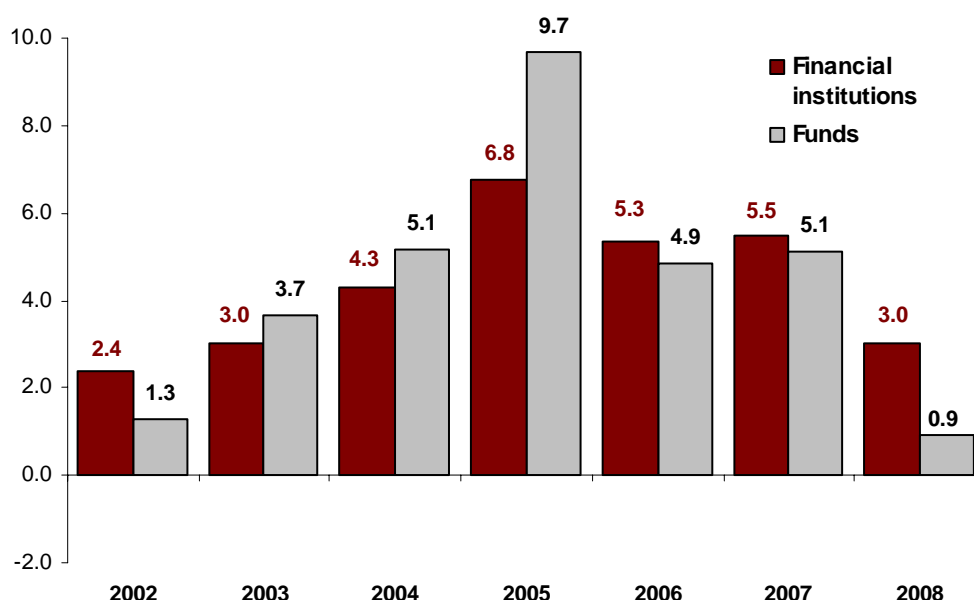
Financial statements published by the Financial Superintendence are summarized in Table 1; these are categorized by type of financial intermediary and include all financial institutions as well as their managed funds. Despite lower market volatilities observed in April and May 2008, growing uncertainty implied several difficulties for most financial intermediaries during June. At the beginning of the second quarter of 2008 a slight recovery on the financial sector's performance was evident. However in June 2008 the consolidated financial sector's profits reached \$3.9 COP billion, which lie well below profits from May 2008 (\$4.6 billion).

<sup>1</sup> All figures are presented in Colombian Pesos (COP). In Colombia, 1 COP Billion = 1,000,000 COP million. Official Exchange Rate as of June 30, 2008 = \$1923,02 COP / USD.

**Figure 1**

## Financial Sector Profits

(Figures in billion pesos)



2008: As for June 2008

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

As market volatility and risk aversion increased, portfolio investments value weakened, affecting financial funds. Funds profits decreased substantially from \$2.1 COP billion on May 2008 to \$913 thousand million on June 2008. Mandatory pension funds suffered losses worth \$217 thousand million. Even with smaller profits, situation of funds has improved when compared to the first quarter of 2008. On the other hand, financial institutions profits increased from \$1.5 billion on the first quarter of 2008 to \$3 billion in June.

## Profitability

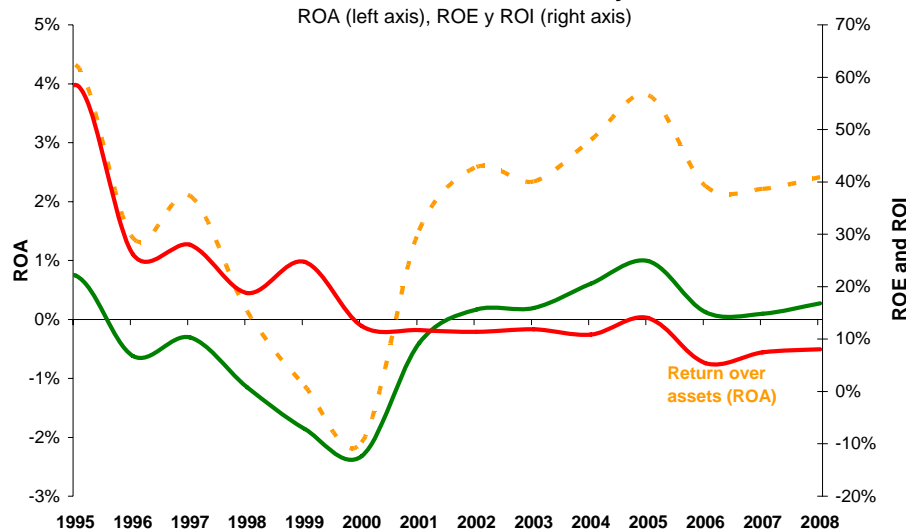
The overall profitability of the financial sector has been negatively affected by losses suffered by financial funds. In contrast, financial institutions profitability increased during the second quarter of 2008. Financial institutions' ROA<sup>2</sup> reached 2.4% (compared with 2.2% on June 2007) and ROE<sup>3</sup> reached 16.9% (compared with 14.8% on June 2007). Figure 2 presents the historical trend of these profitability ratios, showing a profitability boom during the period 2003-2005, followed by a slight decrease in 2007 and a recent improvement during the first quarter of 2008.

Although profitability for the aggregate financial sector increased during the first quarter of 2008, the situation for managed funds was quite different. Table 2 shows profitability ratios discerning by type of financial intermediary. Pension funds profitability during June lies below zero (ROA and ROE reached -0.2%). However, managed funds' profitability is superior, compared to the first quarter of 2008, when total financial funds reported negative ROA and ROE.

<sup>2</sup> ROA = Return on Assets. Net Accumulated Results / Total Assets

<sup>3</sup> ROE = Return on Equity. Net Accumulated Results / Total Equity

**Figure 2**  
**Financial Sector Profitability**  
ROA (left axis), ROE y ROI (right axis)



**Table 2**  
**Financial Sector Profitability Indicators**  
Percentages

Financial Intermediaries	Jun-2008			Jun-2007		
	ROA	ROE	Return on Investment (ROI)	ROA	ROE	Return on Investment (ROI)
<b>Credit Institutions</b>	2.5%	21.5%	10.6%	2.2%	20.0%	9.7%
<b>Insurance Companies <sup>1</sup></b>	1.5%	6.6%	6.4%	1.9%	6.8%	5.0%
<b>Pension and Severance Fund Managers (AFP) <sup>2</sup></b>	19.9%	24.9%	2.9%	19.9%	25.0%	-0.1%
<b>Trust Fund Managers</b>	18.3%	24.1%	12.6%	16.2%	20.3%	11.0%
<b>Brokerage Firms</b>	0.1%	0.6%	48.4%	-2.3%	-9.4%	44.0%
<b>Investment Fund Managers</b>	7.4%	9.7%	-3.1%	1.3%	1.6%	0.5%
<b>Financial Infrastructure Providers</b>	6.4%	8.7%	11.7%	5.2%	7.7%	7.2%
<b>Specialized State-Owned Institutions (IOE)</b>	1.6%	7.9%	1.8%	1.6%	7.2%	2.6%
<b>TOTAL FINANCIAL INSTITUTIONS</b>	<b>2.4%</b>	<b>16.9%</b>	<b>8.1%</b>	<b>2.2%</b>	<b>14.8%</b>	<b>7.5%</b>
<b>Pension and Severance Funds</b>	-0.2%	-0.2%	-0.6%	0.3%	0.3%	-0.6%
<b>Funds managed by brokerage firms</b>	2.6%	2.6%	2.9%	2.8%	2.8%	3.4%
<b>Trust Funds</b>	1.7%	2.1%	3.1%	1.1%	1.4%	1.4%
<b>TOTAL FINANCIAL FUNDS</b>	<b>1.0%</b>	<b>1.2%</b>	<b>1.4%</b>	<b>0.8%</b>	<b>1.0%</b>	<b>0.5%</b>

Financial statements subject to revision by the SFC. Figures reported until the 31st of June 2008.

Indicators are calculated as follows:

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

$$ROI = \left( \frac{\text{inv. rev.} - \text{inv. exp.}}{\text{gross investment}} + 1 \right)^{12 / \text{month}} - 1 \quad \text{where} \quad \begin{aligned} \text{inv. rev.} &= \text{investment revenues} \\ \text{inv. exp.} &= \text{investment expenditure} \\ \text{gross investment} &= \text{net investment} + \text{provisions} \end{aligned}$$

(3) Insurance companies report financial statements on a quarterly basis; figures here presented correspond to June 2008.

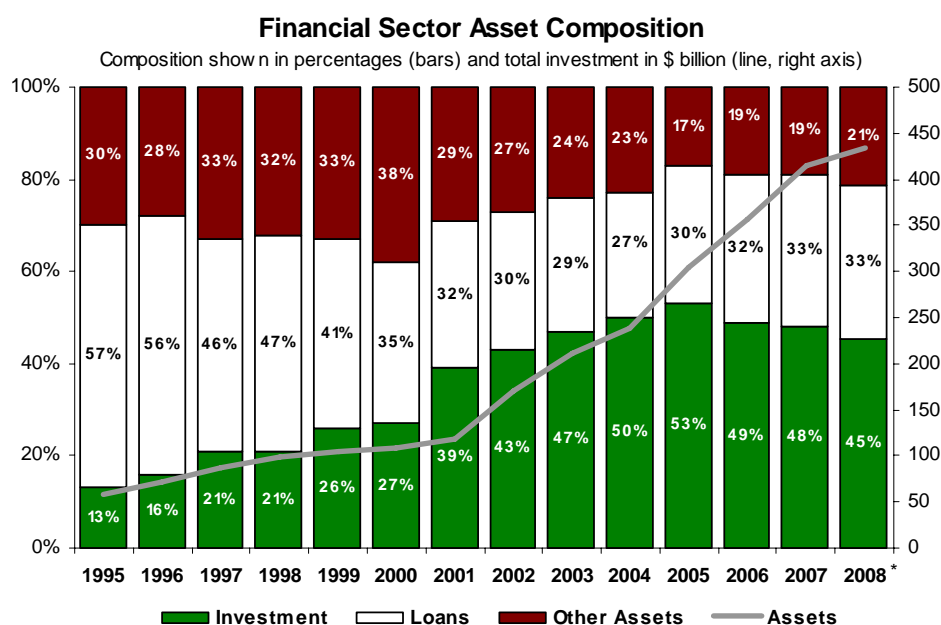
(2) Pension fund financial statements excludes information for the "defined-benefit" pension regime.

Financial Societies' profitability is closely related to the performance of its investments. Figure 2 shows high correlation in recent times, between the ROI<sup>4</sup> and the aforementioned profitability indicators (ROA and ROE). During the second quarter of 2008 the ROI for financial institutions increased from 7.5% last year to 8.1%; the ROI for financial funds increased from 0.5% last year to 1.4% in June 2008.

## Assets and Liabilities

Figure 3 shows the financial sector's total assets, discerned by type of intermediary. Total assets reached \$434.4 billion during the second quarter of 2008, equivalent to a 15.0% annual increase. Total assets of the financial sector are distributed mainly between credit institutions (45%), trust funds (26%) and pension funds (15%).

**Figure 3**



\* As of June 2008.

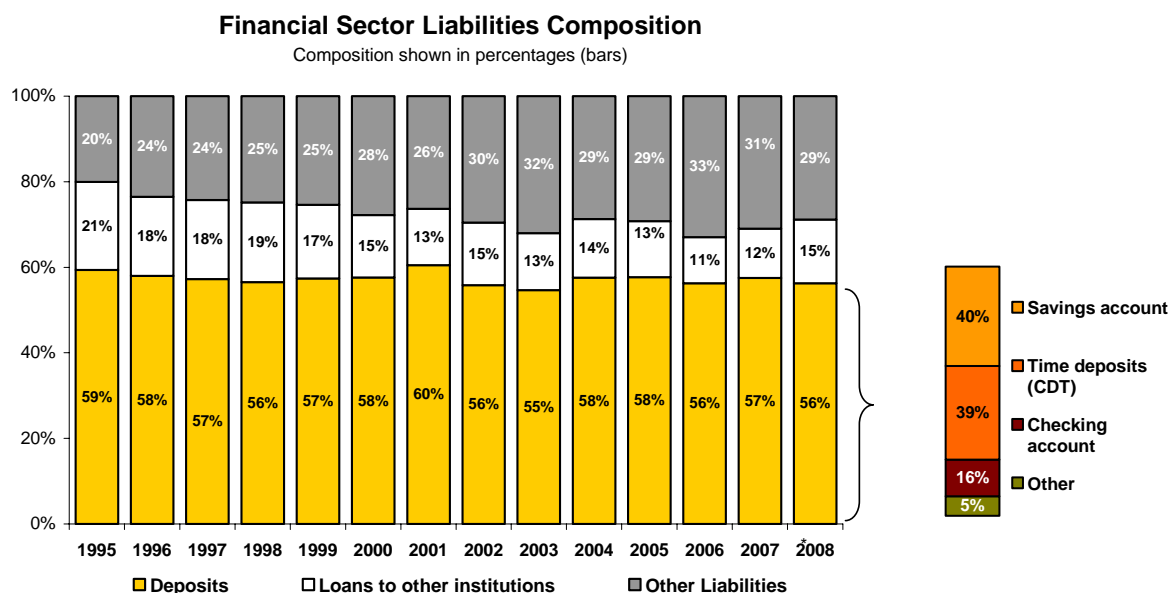
Source: Superintendencia Financiera. Financial statements subject to revision by the SFC.

Financial sector asset composition is presented in Figure 4. The growing pace of market volatility and the subsequent increase on risk aversion among investors have led some institutions to decrease their share of investments in asset composition. On the other hand, dynamism on credit market, despite its slower growth, represents an incentive to increase the share of loans. Nowadays the financial sector holds 45% of its assets in the form of portfolio investments, while total credit loans represent 34%.

Total liabilities for financial institutions increased 16.1% annually to \$242.3 billion on June 2008. Demand deposits adds up to \$128.5 billion, equivalent to 53% of total liabilities as is viewed in Figure 4. Share of term deposits (CDT's) has increased in recent months due to an increase in risk aversion (preference for safer securities) and higher interest rates. As of June 2008 Term Deposits represent 39% of total deposits; saving accounts' share on total deposits composition reaches 40%.

<sup>4</sup> ROI = Return on Investments. Net Investments Income / Gross Investments

**Figure 4**



\* As of June 2008.

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

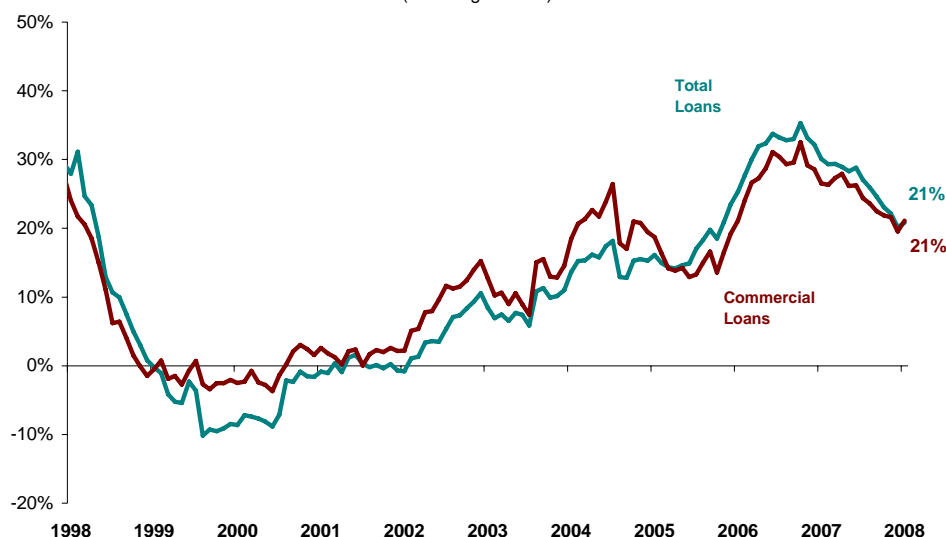
## II. Financial Sector Risks

### 1. Credit Risk

Credit institutions' loans have increased at a slower pace during the second quarter of 2008. Gross loans of the financial sector (including leasing operations) reached \$134.7 billion pesos in June 2008, representing annual growth of 20.8%, inferior to growth rates observed on mid 2007 (35%). Nevertheless the deceleration, gross loans continue to grow at high levels. Figure 6 shows annual growth of gross loans and commercial loans.

**Figure 5**

**Loans by Type**  
(Annual growth %)



Note: As of June 2008. Loans including leasing operations. Doesn't include state-owned institutions (IOE).  
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Table 3 summarizes indicators on loans performance for credit institutions. Although past-due loans had a high annual growth in June 2008 (60.8%), reaching \$5.4 billion, this growth rate is significantly lower than the observed in the first quarter of 2008 (75%). Separating between credit types, commercial past-due loans grew at the highest rate (78.5), followed by consumer loans (57.2%).

**Table 3**  
**Indicators of Loan Performance <sup>1</sup>**  
Figures in million pesos and percentages

Jun-2008	LOAN TYPE				
	Commercial	Consumer	Mortgage	Microfinance	Total
<b>Gross loans</b>	83,955,861	38,696,955	9,811,702	2,215,809	134,680,327
Market share (%)	62.3%	28.7%	7.3%	1.6%	100.0%
Annual growth (%)	21.1%	21.9%	14.7%	20.5%	20.8%
<b>Past-due loans</b>	2,221,420	2,621,861	379,722	164,715	5,387,718
Market share (%)	41.2%	48.7%	7.0%	3.1%	100.0%
Annual growth (%)	78.5%	57.2%	17.0%	44.1%	60.8%
<b>Provisions <sup>2</sup></b>	3,131,072	1,998,264	272,677	93,640	6,023,339
Annual growth (%)	75.6%	64.3%	-1.7%	39.0%	35.0%
<b>LOAN RATIOS (%)</b>					
<b>Loan Quality <sup>3</sup></b>					
Traditional	2.6%	6.8%	3.9%	7.4%	4.0%
Traditional (Jun-2007)	1.8%	5.3%	3.8%	6.2%	3.0%
By rating	6.1%	10.0%	8.6%	8.5%	7.5%
By rating (Jun-2007)	6.1%	7.9%	8.7%	7.1%	6.9%
<b>Loan Coverage <sup>4</sup></b>					
Traditional	140.9%	76.2%	71.8%	56.8%	111.8%
Traditional (Jun-2007)	143.3%	72.9%	85.5%	58.9%	133.2%
By rating	61.0%	51.4%	32.5%	49.9%	59.9%
By rating (Jun-2007)	41.9%	48.4%	37.2%	51.8%	58.4%

Financial statements subject to revision by the SFC. Figures reported until the 31nd of June 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.

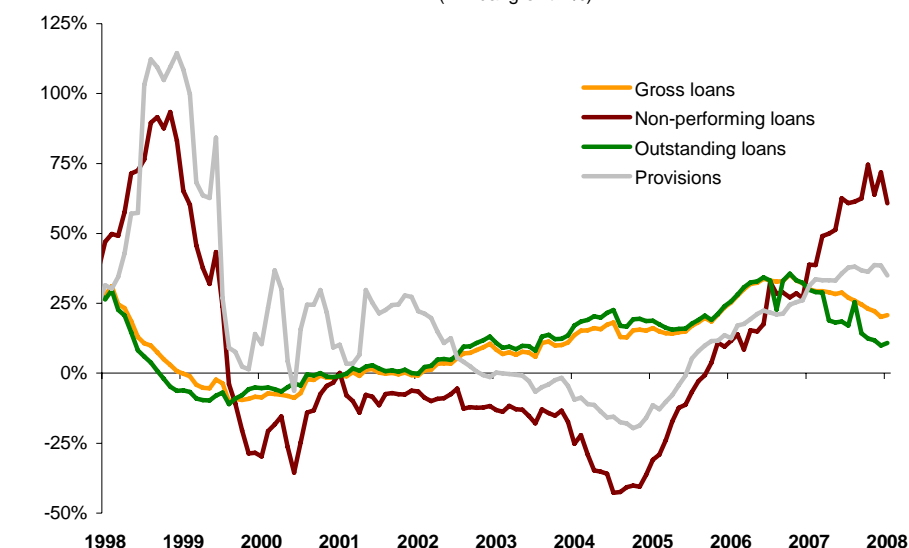
(3) Traditional Loan Quality = Past-due loans / Gross loans; Calidad por calificación = Loans rated B, C, D y E / Gross loans.

(4) Traditional Loan Coverage = Provisions / Past-due loans; Coverage by Rating = Provisions / Loans rated B, C, D y E

**Figure 6**

## Credit Institutions Total Loans

(Annual growth %)

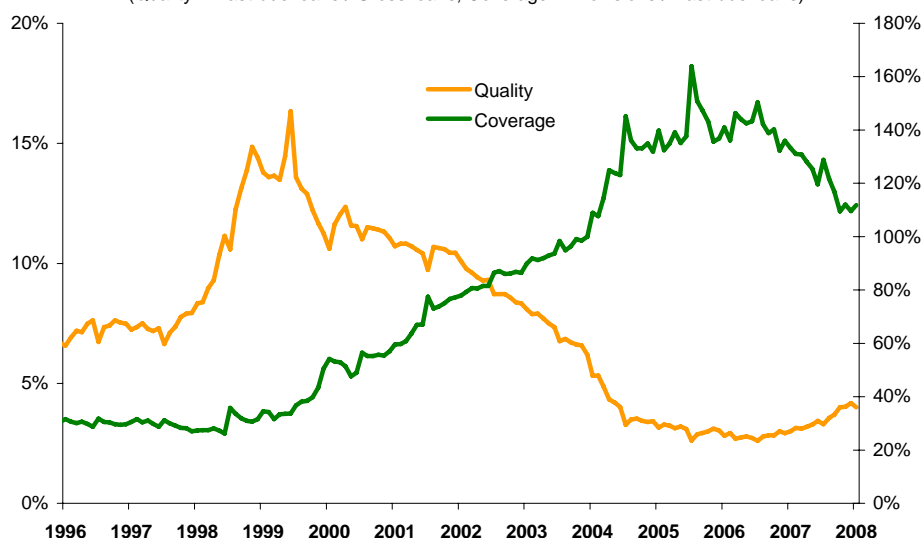


Note: As of June 2008. Loans including leasing operations. Doesn't include state-owned institutions (IOE).  
Source: Superintendencia Financiera. Financial statements subject to revision by the SFC.

Due to the aforementioned lower growth of past-due loans during the second quarter of 2008, the loan quality indicator kept unchanged at 4.0% in June when compared to March 2008. Loan quality level in June 2008 lies above the 3.0% reported in the same month of 2007. On the other hand, loan coverage increased from 109.5% in March 2008 to 111.8% in June.

**Figure 7  
Loan Quality and Coverage**

(Quality = Past-due loans / Gross loans; Coverage = Provisions / Past-due loans)



Note: As of June 2008. Loans including leasing operations. Doesn't include specialized state-owned institutions (IOE).  
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

The deceleration of loans growth becomes more evident looking at loan disbursements during the second quarter of 2008. Figure 8 shows a seasonal-adjusted series for loan disbursements which showed a peak towards mid 2007. Total disbursements increased 18.3% on this quarter, and loan interest rates have stabilized even further around 20%.

**Table 4**

## Loan Disbursements and Interest Rates <sup>1</sup>

Figures in million pesos and percentages

	II-Q-2008	II-Q-2007	Annual growth <sup>2</sup>
<b>Disbursements</b>			
Commercial <sup>3</sup>	72,678,870	61,438,977	18.3%
Consumer <sup>4</sup>	61,725,466	51,564,866	19.7%
Mortgage	9,089,342	8,425,809	7.9%
Microfinance	1,542,378	1,265,074	21.9%
	321,686	183,230	75.6%
<b>Interest Rates <sup>5</sup></b>			
Commercial	20.70%	18.05%	2.7%
Consumer	19.78%	17.40%	2.4%
Mortgage	28.46%	22.88%	5.6%
Mortgage	13.85%	12.94%	0.9%
Microfinance	31.05%	29.56%	1.5%

Financial statements subject to revision by the SFC. Figures reported until the 31st of June 2008.

(1) Loan and leasing operations of credit institutions and credit unions. Doesn't include specialized 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.

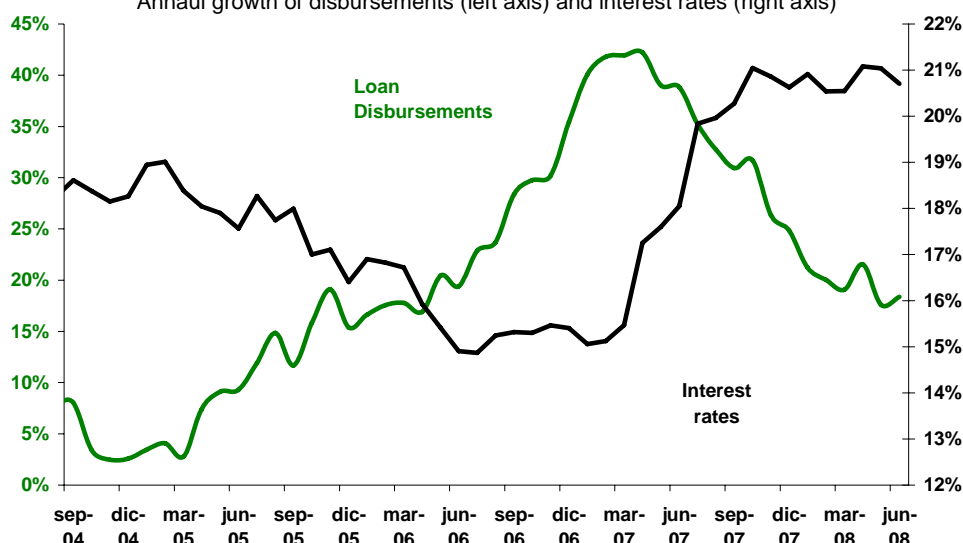
(3) Commercial loans include: ordinary, treasury and preferential loans, overdrafts and business credit cards.

(4) Consumer loans include: personal loans and credit cards.

(5) Interest rates are a weighted average of loan amounts and according rates.

**Figure 8**  
**Loan Disbursements and Interest Rates\***

Annual growth of disbursements (left axis) and interest rates (right axis)



Note: As of June 2008. Loans including leasing operations, including 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.

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

## 2. Market Risk

### Investments

In June 2008 the financial sector reported investments amounting to \$196.5 billion, showing an annual increase of 13.0%. In Table 1 we reported investments discerning by intermediary type. Financial institutions' investments reached \$62.8 billion, representing an annual growth of 5.5%.



Most of these investments are distributed among credit institutions, IOEs<sup>5</sup> and the insurance industry.

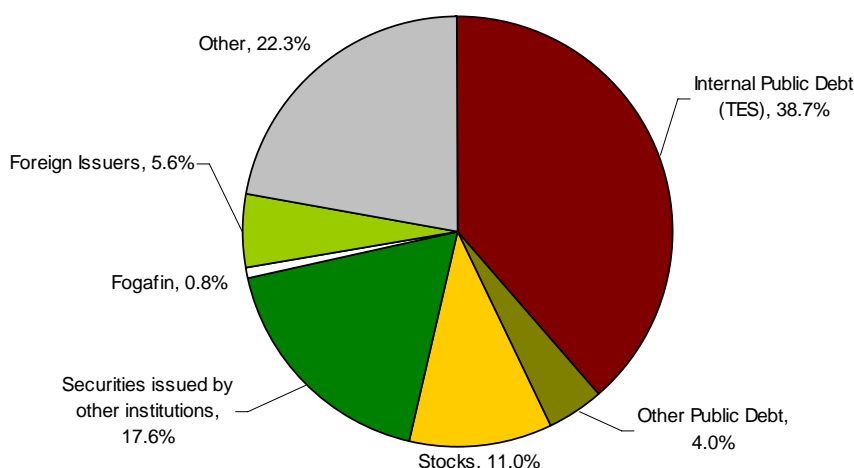
Portfolio investment growth can be explained mainly by a high growth in investments managed by financial funds. In June 2008 financial funds reported investments worth \$133.7 billion (16.9% annual growth). By the end of the second quarter of 2008 mandatory pension funds and severance funds increased substantially their amount of investments (20.2% and 4.2% respectively).

Figure 11 shows the investment portfolio composition for the aggregated financial sector. Data up to March 2008 shows that the financial sector holds 65.9% of its investments in fixed-income securities and 11.0% in stocks, while the share of internal public debt has decreased from 39.0% in March 2008 to 38.7% in June. Despite growth in risk aversion and uncertainty, stocks and corporate bonds have increased their contribution during the second quarter of 2008.

**Figure 9**

### Financial Sector Investment Portfolio

(Jun-2008, Total investment = \$196.5 billion)



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

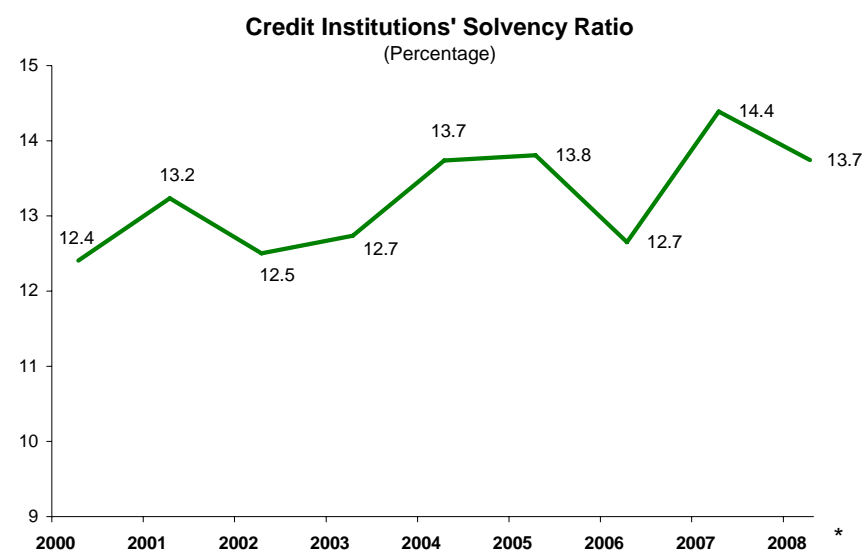
## Capital Adequacy Ratio <sup>6</sup>

Figure 10 shows the capital adequacy ratio for credit institutions, which reached 13.7% in June 2008; below the level observed in June 2007 (14.4%) and superior to the 9% minimum level imposed by the SFC.

**Figure 10**

<sup>5</sup> IOE: Special State-Owned Institutions

<sup>6</sup> 
$$CAR = \frac{PT}{APR + \left(\frac{100}{9} RM\right)}$$
 Where PT is the regulatory capital, APR are risk-weighted assets and RM is market risk (VaR).



\* As of June 2008.

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

## Value at Risk (VaR) <sup>7</sup>

Table 6 shows Value at Risk (VaR) for credit institutions in thousand million pesos as reported by these institutions to the Financial Superintendence. Value at Risk is broken down by risk factors.

**Table 5**  
**Value at Risk (VaR)<sup>1</sup> according to factors**

Figure in million pesos

	Credit Institutions	
	Jun-08	Mar-08
Interest rate	612,944	562,445
Stocks	113,769	111,819
Exchange rate	59,138	38,459
Collective funds	12,375	18,435
<b>Value at Risk (VaR)</b>	<b>792,876</b>	<b>729,638</b>

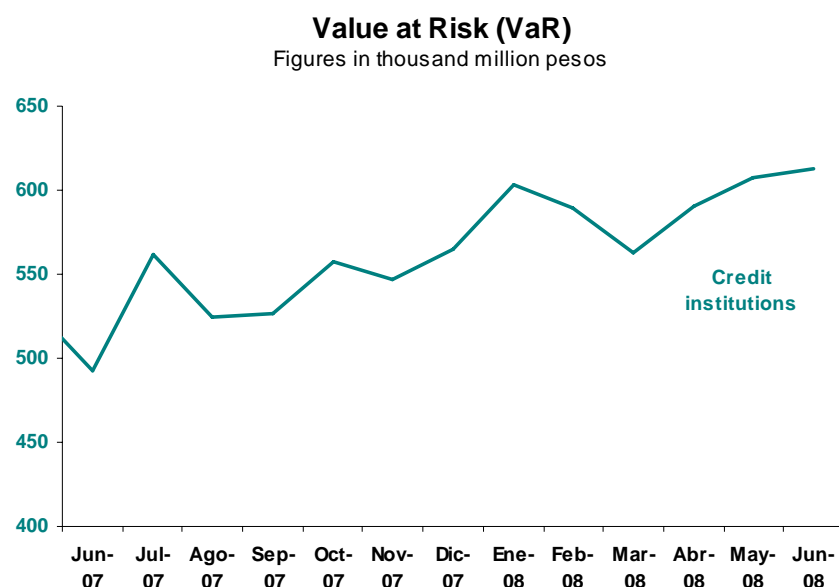
Financial statements subject to revision by the SFC. Figures reported until the 31st

(1) Value at Risk (VaR) data is available through Format 386, available since April 2007.

Financial markets turmoil during June 2008 increased substantially the VaR of credit institutions. Credit institutions VaR increased 8.7% quarterly from \$613 thousand million in March to \$793 thousand million on June 2008. Discerning by risk factor, interest rate VaR increased 9.0%, while exchange rate VaR increased 53.8% during the second quarter; stocks VaR presented a slight increase (1.7%) during this quarter.

**Figure 11**

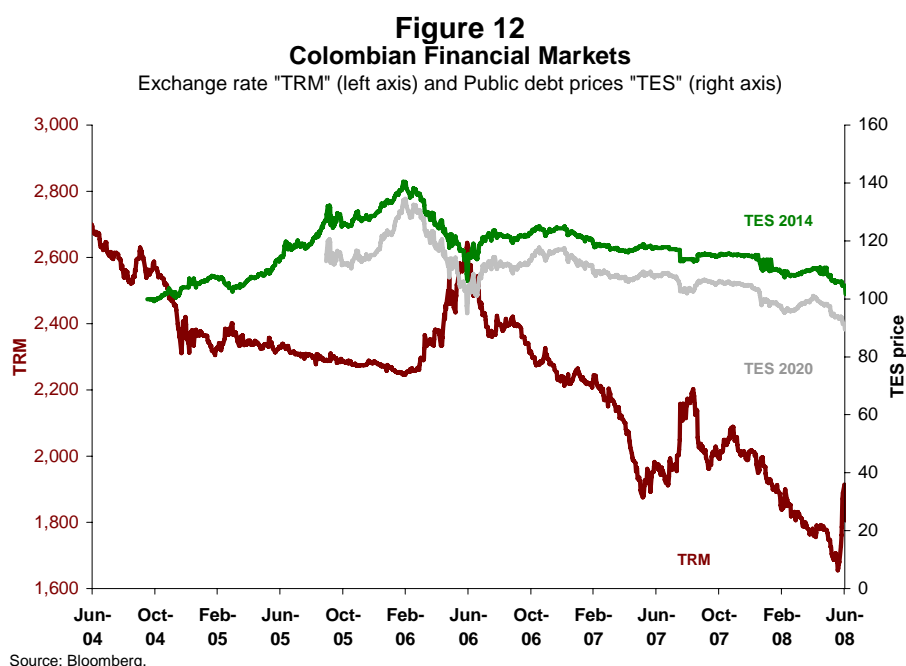
<sup>7</sup> According to the new Standard Model of market risk measurement, only investments that are classified in treasury-books are considered in the calculation of Value-at-Risk. These positions include negotiable securities and securities available-for-sale. Securities denominated in foreign currency that are registered in banking-books are also taken into account in the VaR



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

### III. Financial Market Developments

As well as during the first quarter of 2008, turmoil in global markets contributed to a greater volatility in Colombian financial markets in June 2008. In turn, volatility negatively affected the investment portfolio of most financial intermediaries. However, the evidence of an economic slowdown (higher inflation, lower economic growth and retail sales) affected local volatilities in June.

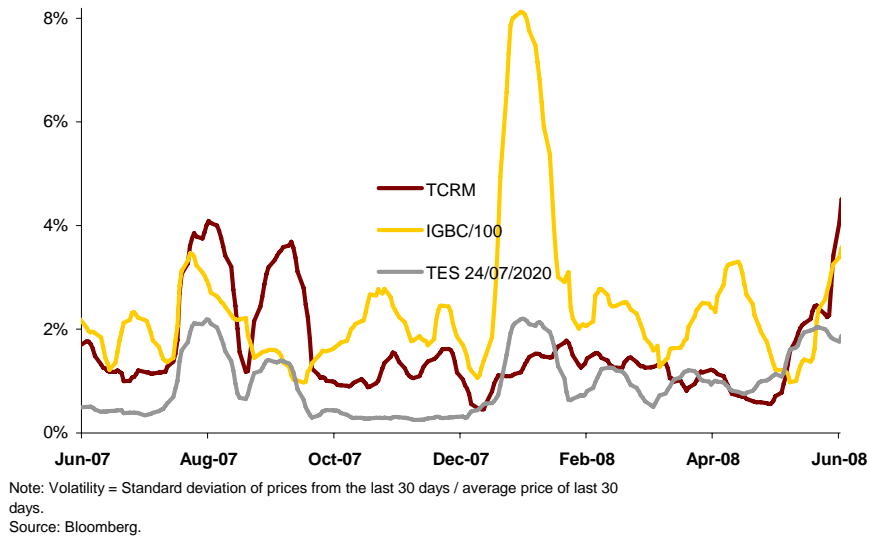


Exchange rate volatility substantially increased at the end of June, due to intervention policies by the Central Bank. Revaluation of the exchange rate is still observable, and could be explained by a wide interest rate differential between Colombian and American interest rates, and also a growing direct foreign investment and remittances. Speculation on exchange rate behavior will depend, among other factors, on inflation the outlook and its relation with interest rate cuts or rises.

**Figure 13**

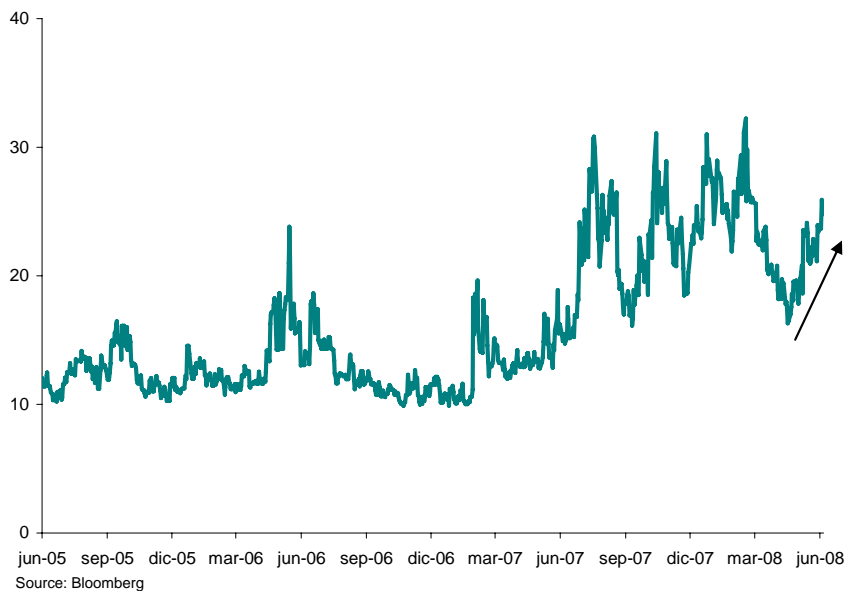
**Asset Price Volatility**

Exchange rate (TRM), Public debt (TES 2020) and Stock index (IGBC)



Fixed-income securities suffered strong price decreases during June 2008 due to new inflation pressures. Additionally, an increase in risk aversion among global investors provoked a substitution of emerging markets sovereign bonds towards US Treasuries in a search of “safer” securities (risk-free).

**Figure 14**  
**Volatility Index (VIX)**



June was especially difficult for the stock market. After a slight recovery in April and May the Colombian Stock Exchange Index (IGBC) closed at levels near 9,000 points in June. This bearish behavior was evident in most global stock markets, mainly in the US and Europe which deal with stagflation phenomena. The VIX Index is commonly used as a measure of uncertainty in global stock markets. A recent increase on the VIX Index is showed in Figure 14. Colombian stock market was also affected by aforementioned bad news on macroeconomic environment during the month.

## IV. Conclusions

- For most financial institutions June 2008 was especially difficult. Financial intermediaries suffered deterioration on their investments' values as a result of market volatility. Fears of a possible recession in the US and Europe and bad local news affected investments for financial funds.
- Despite a slight slowdown of the credit boom in recent years, credit institutions continue to outperform most financial intermediaries, reporting profits worth \$2.4 COP billion. On the other hand, most financial funds continue to suffer difficulties, especially pension funds; situation that is closely related to a poor performance of their investments.
- Throughout the second quarter of 2008 loan growth has slowed down compared to the same period of 2007, Nonetheless it continues to grow at high levels.
- The recent deceleration of loan growth and a simultaneous increase in past-due loans has resulted in a weakening of most indicators of loan quality
- Total portfolio investments in June 2008 reached \$196.5 COP billion, equivalent to an increase of 13% against June 2007. Despite growth in risk aversion and uncertainty shares of stocks and corporate bonds have increased during the second quarter of 2008.
- Capital adequacy of credit institutions lays 470 bps above the minimum requirement imposed by the Financial Superintendence.
- Volatility in the local financial markets increased during June 2008 as a result of bad global and local news. TES prices have deteriorated, the exchange rate became even more volatile 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	Jun-2008					Annual growth <sup>1</sup>				
						Jun-2008 / Jun-2007				
	Assets	Investment	Loans <sup>2</sup>	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit (\$m)
<b>Commercial Banks</b>	169,220,516	31,768,319	114,583,476	18,872,244	2,088,361	14.9%	0.8%	18.7%	17.6%	485,872
<b>Financial Corporations</b>	4,326,809	2,947,737	-	2,284,217	124,577	22.6%	12.6%	-100.0%	23.8%	10,477
<b>Commercial Financing Companies</b>	20,971,485	602,795	17,936,620	2,097,015	170,251	24.3%	16.4%	26.0%	31.9%	28,816
<b>Financial Credit Unions</b>	2,335,948	133,752	2,083,027	304,474	23,441	214.4%	295.8%	219.9%	104.4%	11,931
<b>Superior Grade Cooperatives (OCGS)</b>	94,827	5,120	77,204	16,600	420	16.0%	13.9%	17.6%	-1.0%	-252
<b>TOTAL</b>	<b>196,949,585</b>	<b>35,457,724</b>	<b>134,680,327</b>	<b>23,574,550</b>	<b>2,407,050</b>	<b>16.9%</b>	<b>2.3%</b>	<b>20.8%</b>	<b>20.0%</b>	<b>536,845</b>

Financial statements subject to revision by the SFC. Figures reported until the 3<sup>rd</sup> of June 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 <sup>3</sup>	Jun-2008					Annual growth <sup>1</sup>				
						Jun-2008 / Jun-2007				
	Assets	Investment	Loans <sup>2</sup>	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit (\$m)
<b>Capitalization Companies</b>	998,745	910,127	21,364	181,417	-4,307	-34.5%	-19.7%	-22.0%	-69.6%	-13,381
<b>General Insurance</b>	7,223,721	3,738,209	71,255	1,900,868	34,315	5.2%	11.4%	27.7%	-3.1%	37,178
<b>Life Insurance</b>	9,388,633	7,699,894	256,201	1,917,535	76,895	11.4%	20.9%	21.0%	-14.1%	-65,656
<b>Insurance Credit Unions</b>	312,821	158,355	2,185	92,725	2,103	13.2%	16.6%	28.5%	13.7%	-3,082
<b>Insurance Brokerage Firms</b>	226,565	9,320	-	113,091	20,981	8.2%	-52.1%	-	0.2%	7,423
<b>TOTAL</b>	<b>18,150,485</b>	<b>12,515,904</b>	<b>351,004</b>	<b>4,205,635</b>	<b>129,987</b>	<b>4.9%</b>	<b>13.7%</b>	<b>18.3%</b>	<b>-15.6%</b>	<b>-37,518</b>

Financial statements subject to revision by the SFC. Figures reported until the 3<sup>rd</sup> of June 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 June 2008.

### Financial Accounts of Pension and Severance Funds

Figures in million pesos and percentages

Financial Intermediaries	Jun-2008					Annual growth <sup>1</sup>				
						Jun-2008 / Jun-2007				
	Assets	Investment	Loans	Net worth	Profit <sup>2</sup>	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit (\$m)
<b>TOTAL PENSION AND SEVERANCE FUND MANAGERS (AFP) <sup>3</sup></b>	<b>1,298,588</b>	<b>845,490</b>	<b>-</b>	<b>1,047,760</b>	<b>123,169</b>	<b>16.7%</b>	<b>21.0%</b>	<b>-</b>	<b>16.9%</b>	<b>17,443</b>
<b>Mandatory Pension Funds (FPO)</b>	53,317,454	52,190,622	-	53,266,455	-207,015	16.8%	20.1%	-	13.8%	-204,820
<b>Voluntary Pension Funds (FPV)</b>	6,578,480	5,254,849	-	6,285,813	123,523	10.3%	22.6%	-	6.7%	142,515
<b>Severance Funds (FC)</b>	4,558,454	4,358,359	-	4,530,435	26,672	3.2%	4.2%	-	4.3%	53,409
<b>TOTAL PENSION AND SEVERANCE FUNDS</b>	<b>64,454,388</b>	<b>61,803,830</b>	<b>-</b>	<b>64,082,702</b>	<b>-56,820</b>	<b>15.1%</b>	<b>19.0%</b>	<b>-</b>	<b>14.8%</b>	<b>-8,897</b>

Financial statements subject to revision by the SFC. Figures reported until the 3<sup>rd</sup> of June 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) 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 the "defined-benefit" pension regime.

### Financial Accounts of Trust Funds and Mutual Funds

Figures in million pesos and percentages

Financial Intermediaries	Jun-2008					Annual growth <sup>1</sup>				
						Jun-2008 / Jun-2007				
	Assets	Investment	Loans <sup>2</sup>	Net worth	Profit <sup>3</sup>	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit (\$m)
<b>TOTAL TRUST FUND MANAGERS</b>	<b>1,053,119</b>	<b>593,161</b>	<b>-</b>	<b>812,158</b>	<b>92,420</b>	<b>17.0%</b>	<b>12.2%</b>	<b>-</b>	<b>12.1%</b>	<b>22,286</b>
<b>Ordinary Mutual Funds (FCO)</b>	9,974,581	5,600,838	-	9,827,612	396,778	22.6%	52.5%	-	22.2%	135,797
<b>Specialized Mutual Funds (FCE)</b>	2,856,371	2,050,626	-	2,790,024	121,205	2.6%	27.7%	-	0.8%	46,242
<b>Pension Liability Fund (FPP)</b>	30,161,421	29,228,039	-	29,171,034	351,657	28.4%	27.7%	-	25.8%	194,857
<b>FPV administered by Trust Funds</b>	885,877	765,753	-	881,127	31,336	10.6%	34.5%	-	10.3%	15,878
<b>Other Trust Fund Assets <sup>4</sup></b>	68,549,872	31,635,086	922,441	43,829,972	21,220	8.2%	1.2%	387.0%	6.8%	5,362
<b>TOTAL TRUST AND MUTUAL FUNDS</b>	<b>112,428,121</b>	<b>69,280,342</b>	<b>922,441</b>	<b>86,499,768</b>	<b>922,196</b>	<b>14.0%</b>	<b>15.5%</b>	<b>387.0%</b>	<b>14.0%</b>	<b>398,136</b>

Financial statements subject to revision by the SFC. Figures reported until the 3<sup>rd</sup> of June 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 June 2008.

## Financial Accounts of Brokerage and Investment Intermediaries

Figures in million pesos and percentages

Financial Intermediaries	Jun-2008					Annual growth <sup>1</sup>				
						Jun-2008 / Jun-2007				
	Assets	Investment <sup>2</sup>	Loans	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit (\$m)
Stock Brokerage Firms	3,604,968	324,904	-	725,053	107	14.2%	3.0%	-	0.1%	39,130
Agricultural Brokerage Firms	54,669	17,961	-	32,134	2,123	25.4%	35.2%	-	6.7%	-463
Independent Brokerage Firms	1,194	929	-	1,145	68	16.5%	18.5%	-	16.4%	80
Investment-Fund Managers	52,963	32,495	-	40,588	1,928	23.8%	23.3%	-	16.8%	1,643
<b>TOTAL BROKERAGE AND INVESTMENT-FUND MANAGERS</b>	<b>3,713,794</b>	<b>376,289</b>	<b>-</b>	<b>798,920</b>	<b>4,225</b>	<b>14.4%</b>	<b>5.7%</b>	<b>-</b>	<b>1.1%</b>	<b>40,390</b>
Mutual-Investment Funds (FMI)	633,455	527,972	-	610,947	10,657	-3.9%	-5.9%	-	-3.9%	2,805
Investment Funds (FI)	701,875	578,755	-	673,802	-1,894	33.1%	34.1%	-	30.7%	-2,679
Value Funds (FV)	2,449,742	1,534,687	-	2,396,060	39,284	9.6%	5.3%	-	8.4%	724
<b>TOTAL INVESTMENT AND VALUE FUNDS</b>	<b>3,785,071</b>	<b>2,641,414</b>	<b>-</b>	<b>3,680,809</b>	<b>48,047</b>	<b>10.6%</b>	<b>7.8%</b>	<b>-</b>	<b>9.5%</b>	<b>850</b>

Financial statements subject to revision by the SFC. Figures reported until the 3th of June 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 and repurchase operations.

## Financial Accounts of Financial Infrastructure Providers

Figures in million de pesos and percentages

Financial Intermediaries	Jun-2008					Annual growth <sup>1</sup>				
						Jun-2008 / Jun-2007				
	Assets	Investment	Loans <sup>2</sup>	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit (\$m)
Foreign Exchange Offices	94,846	1,833	-	52,339	-9,899	-40.7%	-7.3%	-	-38.7%	-5,175
General Deposit Stores (AGD)	514,268	32,554	883	396,042	635	-17.2%	-61.0%	84.0%	-9.6%	-1,477
Low-value Payment System Administrator	276,310	64,093	-	181,406	17,380	13.4%	-16.2%	-	9.6%	7,815
Colombian Stock Exchange (BVC) <sup>3</sup>	101,891	43,059	-	80,822	10,915	12.3%	-15.5%	-	24.6%	-4,060
Agricultural Stock Exchange <sup>3</sup>	40,573	6,013	-	36,510	3,304	30.9%	40.0%	-	33.8%	2,255
Agricultural Stock Clearing-house <sup>3</sup>	8,659	1,914	-	7,524	178	22.4%	86%	-	117.6%	-472
Risk-Rating Agencies <sup>3</sup>	6,369	209	-	4,840	978	62.9%	62.0%	-	95.4%	273
Centralized Deposit Administrator (Deceval) <sup>3</sup>	66,761	45,838	-	53,882	10,774	16.7%	30.4%	-	15.9%	3,734
Stock Market Regulator (AMEV) <sup>3</sup>	3,655	-	-	2,327	574	32.2%	-	-	30.5%	528
<b>TOTAL</b>	<b>1,113,331</b>	<b>195,512</b>	<b>883</b>	<b>815,690</b>	<b>34,840</b>	<b>-8.5%</b>	<b>-22.9%</b>	<b>84.0%</b>	<b>-2.4%</b>	<b>3,422</b>

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(2) Gross loans = Net loans + Provisions

(3) Investment data corresponds to PUC account 1200, excluding derivatives and repurchase operations.

## Financial Accounts of Specialized State-Owned Institutions (IOE)

Figures in million pesos and percentages

Institution	Jun-2008					Annual growth <sup>1</sup>				
						Jun-2008 / Jun-2007				
	Assets	Investment	Loans <sup>2</sup>	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit (\$m)
Bancoldex	5,417,154	528,570	4,846,623	1,256,805	41,199	40.7%	68.5%	47.1%	0.7%	9,997
Findeter	3,432,643	19,220	3,224,026	718,000	25,992	21.7%	-60.8%	20.9%	5.6%	8,156
FEN	959,861	734,652	412,496	915,041	76,628	3.1%	5.7%	-4.9%	13.9%	34,499
Finagro	4,306,118	191,383	3,890,226	440,080	22,101	12.7%	257.5%	5.0%	23.4%	5,885
Icetex	1,284,978	98,858	1,122,218	1,015,862	21,759	24%	30%	18%	9%	22,780
Fonade	1,318,221	936,380	5,483	102,390	7,610	-2.5%	-19.1%	-28.6%	9.0%	3,373
Fogafin	7,774,021	6,034,752	0	13,839	6,975	-1.0%	2.1%	-100.0%	-87.5%	3,204
Fondo Nacional del Ahorro	3,114,541	947,221	2,060,244	1,447,603	25,456	16.8%	8.0%	19.8%	3.5%	-26,139
Fogacoop	257,997	202,296	-	54,294	8,835	13.2%	14.2%	-	17.6%	3,236
FNG	443,186	348,318	104,050	218,724	-11,796	44.3%	34.9%	51.7%	8.1%	-20,280
Caja de Vivienda Militar	2,929,955	2,771,694	5,333	124,905	19,804	14.5%	13.5%	-71.0%	-3.7%	-12,281
<b>TOTAL IOEs</b>	<b>31,238,674</b>	<b>12,813,345</b>	<b>15,670,699</b>	<b>6,307,544</b>	<b>244,562</b>	<b>13.9%</b>	<b>6.7%</b>	<b>21.7%</b>	<b>5.1%</b>	<b>32,431</b>

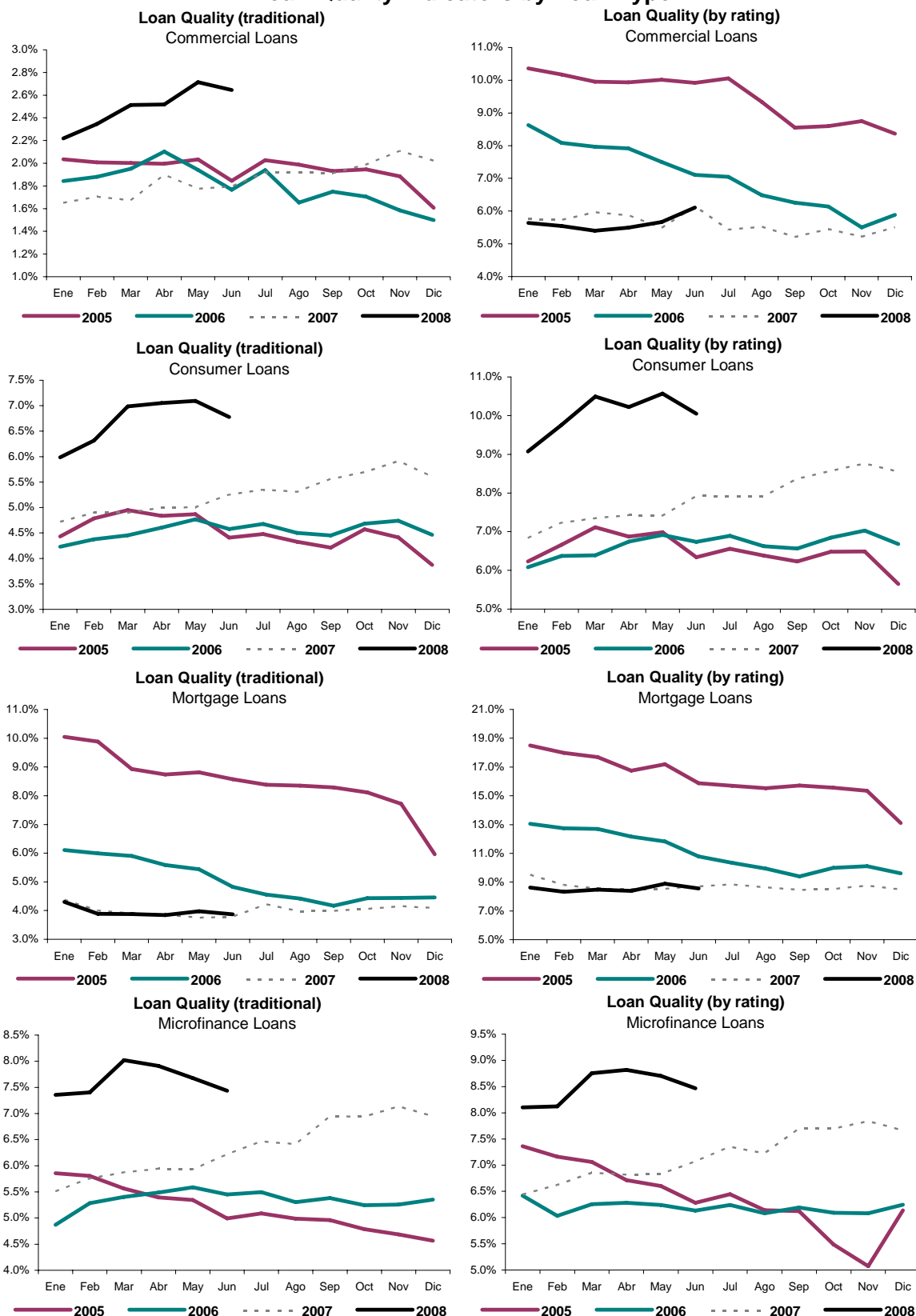
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## APPENDIX 2: ADDITIONAL INDICATORS OF CREDIT RISK

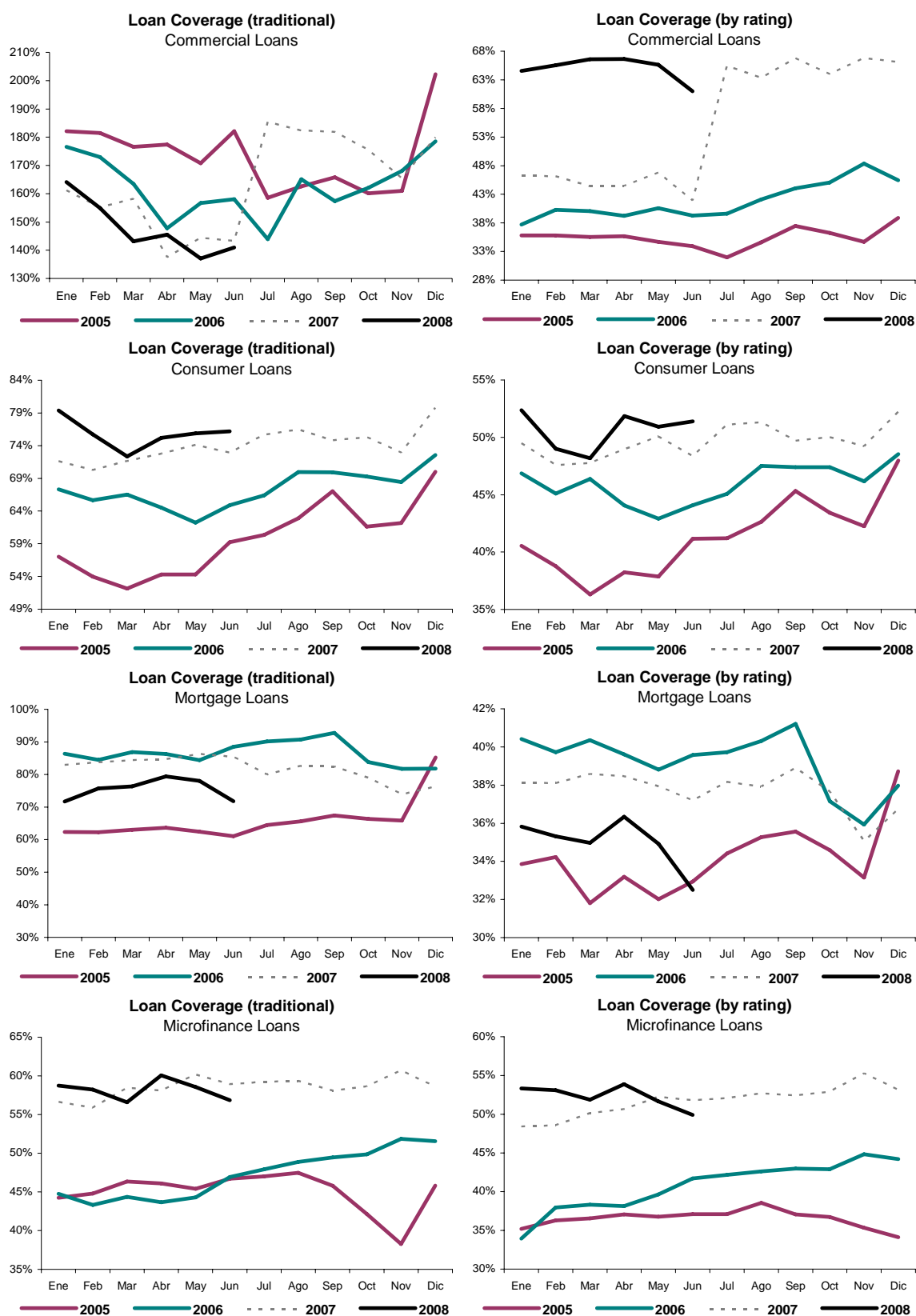
### Loan Quality Indicators by Loan Type



Source: Financial Statements subject to revision by the SFC.



## Loan Coverage Indicators by Loan Type



Source: Financial Statements subject to revision by the SFC.