Superintendencia Financiera de Colombia

Press Release

October 27, 2009

I. Colombian Financial Sector Results (June 2009)

The first section of this report contains second quarter aggregate results of Colombia's Financial Institutions, and their Managed Fund Accounts, that are subject to supervision by the Financial Superintendence. The second section analyzes risk factors, mainly credit and market risk, which had a significant effect in the financial sector during the second quarter of 2009. The third section describes recent developments in local financial markets. Finally, the fourth section summarizes the key conclusions of this report. The Appendix presents the main financial accounts for each type of Financial Institution and shows additional ratios of loan performance.

Aggregate Results

Table 1
Financial Institutions Accounts
Figures in million pesos and percentages

Financial Intermediaries	Jun-2009					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment	Loans [2]	Net worth	Profit [3]	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Credit Institutions	227,575,694	45,558,570	149,876,623	29,206,520	2,717,011	15.6%	28.5%	11.3%	24.4%	310,160
Insurance Industry [4]	26,476,562	19,069,344	120,034	6,070,532	673,636	45.8%	52.4%	-65.8%	44.3%	543,628
Pension and Severance Fund Managers (AFP) [5]	1,694,098	1,101,948	-	1,314,091	214,114	30.5%	30.3%	-	25.4%	90,944
Trust Fund Managers	1,427,451	851,412	-	1,025,203	163,533	35.6%	43.5%	-	26.2%	71,157
Brokerage Firms [6]	5,179,260	378,658	-	841,868	83,823	41.5%	10.1%	-	11.0%	81,658
Investment Fund Managers [6]	60,949	27,976	-	44,464	5,380	15.1%	-13.9%	-	9.5%	3,452
Financial Infraestructure Providers [6]	1,196,387	253,125	-	884,821	45,981	7.0%	29.0%	-	8.1%	10,607
Specialized State-Owned Institutions (IOE)	33,111,535	14,585,942	16,135,571	5,290,540	523,743	10.4%	14.5%	10.9%	-0.2%	300,494
TOTAL FINANCIAL INSTITUTIONS	**296,721,937**	**81,826,976**	**166,132,228**	**44,678,039**	**4,427,220**	**17.6%**	**30.5%**	**11.1%**	**22.5%**	**1,412,099**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
(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 2009.
(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.

During 2009, the Colombian financial system has weathered the global economic slowdown in a resilient manner, and continues to be one of the leading sectors in the economy. During the second quarter of 2009, financial institutions' continued an upward trend in profits, reaching $4.4 trillion pesos, which is almost double the amount obtained in March 2009. One of the driving factors has been the positive performance of investment portfolios of financial institutions, mainly led by rising government bond prices. Despite a slowdown in loan markets, credit institutions' continue to be quite profitable, reporting profits worth $2.7 trillion until June 2009, which accounts for 61% of total sector profits.

Table 2

Managed Funds Accounts

Figures in million pesos and percentages

Financial Intermediaries	Jun-2009					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment	Loans [2]	Net worth	Profit [3]	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Mandatory Pension Funds (FPO)	68,651,431	67,633,602	-	68,609,773	8,096,972	28.5%	29.4%	-	28.6%	8,304,299
Voluntary Pension Funds (FPV)	7,567,255	6,421,859	-	7,311,730	512,995	14.9%	22.1%	-	16.2%	389,300
Severance Funds (FC)	5,315,482	5,218,878	-	5,283,684	450,357	16.6%	19.7%	-	16.6%	423,685
Mutual Funds	20,848,672	14,957,136	-	20,534,355	835,447	62.5%	95.5%	-	62.7%	317,465
Other Trust-Fund Assets [4]	65,044,037	22,145,520	973,816	38,398,671	2,735,377	-5.2%	-30.0%	6%	-12.5%	3,234,649
Pension Liability Fund (FPP)	44,361,597	42,853,429	-	43,025,642	1,697,119	47.1%	46.6%	-	47.5%	1,042,230
FPV managed by Trust Funds	1,077,693	925,561	-	1,073,870	53,835	21.7%	20.9%	-	21.9%	22,499
Mutual Investment Funds (FMI)	700,293	550,821	-	656,108	71,494	10.8%	4.6%	-	7.6%	61,751
Investment Funds (FI)	1,181,887	960,105	-	1,131,552	70,132	68.4%	65.9%	-	67.9%	72,026
Value Funds (FV)	2,824,228	2,109,675	-	2,769,158	101,822	14.5%	36.5%	-	14.8%	62,547
TOTAL FINANCIAL FUNDS	**217,572,575**	**163,776,586**	**973,816**	**188,794,544**	**14,625,551**	**20.3%**	**22.4%**	**5.6%**	**22.3%**	**13,930,452**

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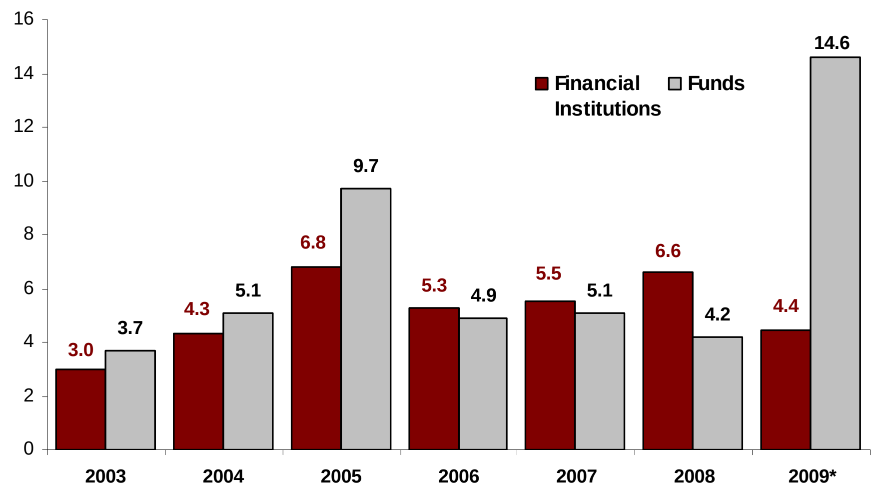
(1) Variation in assets, investment and net worth are percentage change (%), whereas profit variation is presented in absolute values in million pesos ($m).
(2) Gross loans = Net loans + Provisions
(3) Profits correspond to PUC account 5700 ("expected return") for pension funds, FCO, FCE, and other trust 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 2009.

The overall improvement in investment portfolios, also led to an increase in profits for most managed funds. Total profits for managed funds amounted to $14.6 trillion in June 2009, equivalent to a $13.9 trillion annual increase. Mandatory pension funds were the most profitable funds, reporting gains worth $8.1 trillion, followed by other trust-fund assets ($2.7 trillion), and pension liability funds ($1.7 trillion).

Figure 1

Financial Sector Profits

(Figures in trillion pesos)



*2009: As for June
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Profitability

Even though profitability ratios declined during June 2009, with respect to the first quarter of the year, these indicators still denote a sector that is more profitable than it was in 2008. During the second quarter of 2009, ROA reached a level of 3%, whereas ROE stood at 20.8%. The table below also confirms higher profitability of pension, investment and trust fund managers.

Table 3
Financial Institutions Profitability Indicators
Percentages

Financial Intermediaries	Jun-2009			Jun-2008		
	ROA	ROE	Return on Investment (ROI)	ROA	ROE	Return on Investment (ROI)
Credit Institutions	2.4%	19.5%	10.9%	2.5%	21.6%	8.6%
Insurance Companies [1]	5.2%	23.4%	14.9%	1.4%	6.3%	6.4%
Pension and Severance Fund Managers (AFP) [2]	26.9%	35.2%	21.3%	19.9%	24.9%	2.9%
Trust Fund Managers	24.2%	34.4%	13.1%	18.3%	24.0%	10.4%
Brokerage Firms	3.3%	20.9%	134.0%	0.1%	0.6%	48.4%
Stock Brokerage Firms	3.1%	21.1%	142.8%	0.0%	0.0%	50.8%
Agricultural Brokerage Firms	12.1%	18.0%	27.5%	7.4%	23.4%	8.0%
Investment Fund Managers	18.4%	25.7%	18.5%	7.4%	9.7%	-3.1%
Financial Infraestructure Providers	7.8%	10.7%	12.2%	6.4%	8.8%	4.9%
Specialized State-Owned Institutions (IOE)	3.2%	20.8%	4.9%	1.5%	8.6%	1.1%
TOTAL FINANCIAL INSTITUTIONS	**3.0%**	**20.8%**	**14.7%**	**2.4%**	**17.2%**	**6.7%**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
Indicators are calculated as follows:

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

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

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

where inv. rev. = investment revenues
inv. exp. = investment expenditure

(1) Insurance companies report financial statements on a quarterly basis; figures here presented correspond to June 2009.

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

As was mentioned earlier, profits were driven by rising value of investment portfolios. In this sense, not only were fund managers the most profitable, but the funds themselves showed rising profitability ratios. Table 4 shows that, for the Colombian financial funds, ROA increased substantially with respect to 2008, reaching 16.2% during the first half of 2009.

Table 4
Managed Funds Profitability Indicators
Percentages

Financial Intermediaries	Jun-2009			Jun-2008		
	ROA	ROE	Return on Investment (ROI)	ROA	ROE	Return on Investment (ROI)
Pension and Severance Funds	23.5%	23.6%	24.4%	-0.2%	-0.2%	-0.6%
Pension Funds	23.9%	24.0%	24.8%	-0.3%	-0.3%	-0.9%
Severance Funds	17.7%	17.8%	18.1%	1.2%	1.2%	2.7%
Funds managed by brokerage firms	10.6%	11.0%	14.9%	2.5%	2.6%	2.8%
Trust Funds [1]	8.0%	8.2%	12.9%	5.6%	5.7%	5.8%
TOTAL FINANCIAL FUNDS	**16.2%**	**16.4%**	**19.3%**	**2.1%**	**2.2%**	**1.8%**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
Indicators are calculated as follows:

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

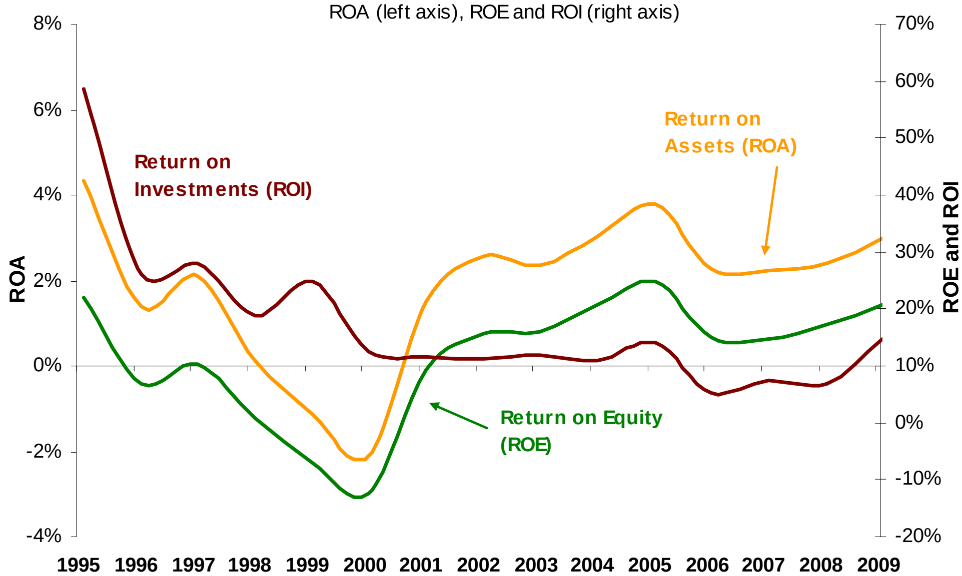
$$ROI = \left(\frac{inv.rev. - inv.exp.}{gross\ \ investment} + 1\right)^{12/month} - 1$$

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

(1) Other trust fund assets reported by Formato 169 are not included.

Furthermore, improving market conditions (both in fixed income and equity markets), gave way to higher value of investment portfolios. Government bond prices have been on the rise, spurred by falling inflation and decreasing interest rates. Higher profitability of investments can also be viewed by directly calculating the ratio of return on investment (ROI). Figure 2 shows the upswing in the ROI in recent months; reaching levels close to 15% in 2009 (these levels had not been observed for more than four years). The institutions that present the strongest upward trend of the ROI include brokerage firms and investment fund managers.

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

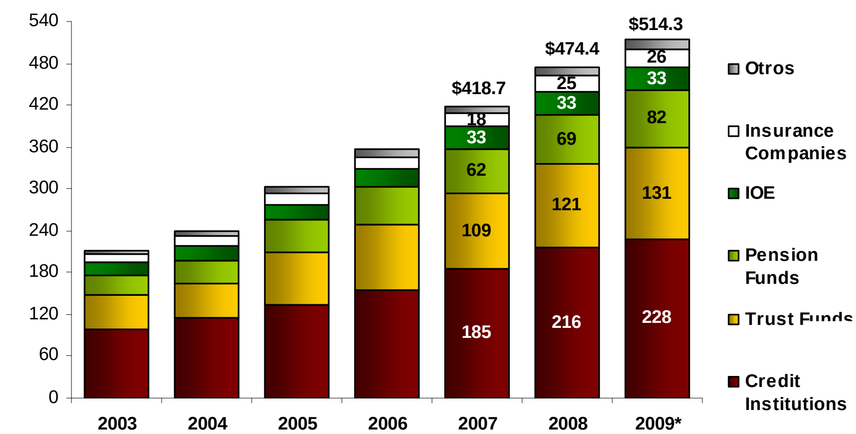


Note: As of June 2009. Does not include funds.
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Assets and Liabilities

Total assets of the financial sector reached $514.3 trillion during June 2009, as reported in Table 1 and Table 2. This represents an annual growth rate of 18.7%. Credit institutions hold the greatest portion of these assets, taking up a share of 45.5%, followed by trust funds with 25.4%, and pension funds with 14.6%.

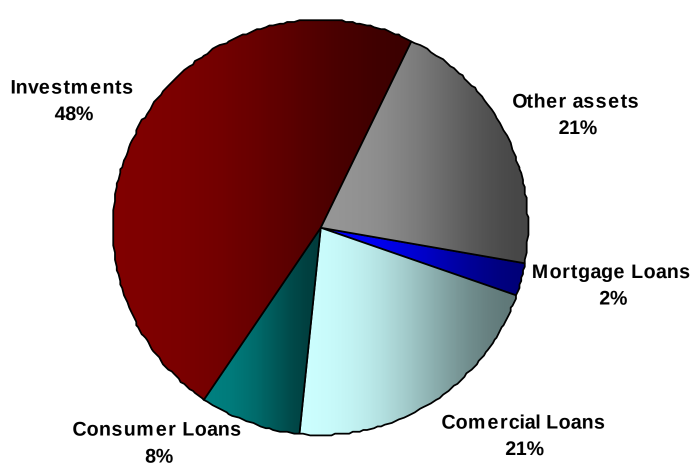
Figure 3
Financial Sector Total Assets
(Figures in trillion pesos)



*As of June 2009
Source: Superintendencia Financiera. Estados financieros sujetos a revisión por la SFC.

The breakdown of financial sector assets shows that the financial business has been mostly led by investments (taking up almost half of total assets). Loans have seen a downward trend in recent months, as the economy has begun to decelerate, and this is reflected in a drop of the share of loans to 31% of total assets.

Figure 4
Financial Sector Asset Composition

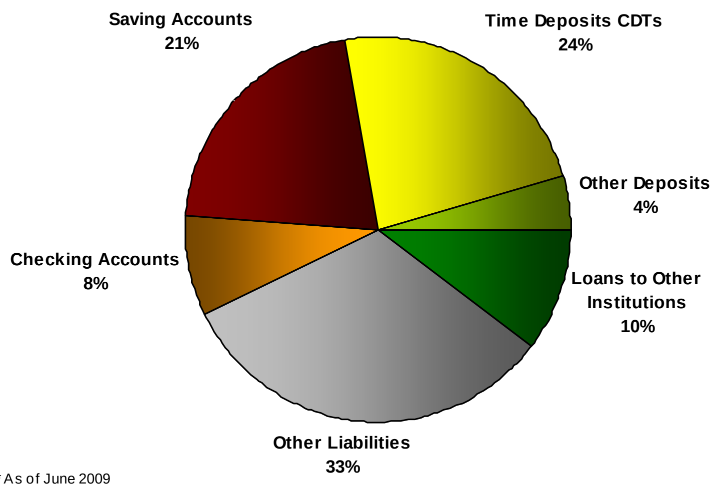


* As of June 2009
Source: Superintendencia Financiera. Financial statements subject to revision by the SFC.

On the other hand, total liabilities of the financial sector amounted to $280.8 trillion during the first semester of 2009. When compared to the previous year, liabilities increased at an annual rate of 15.9%. The bulk of total liabilities are comprised by deposits (57%), followed by loans to other institutions (10%). The composition within liabilities has been stable throughout the course of 2009.

Figure 5

Financial Sector Liabilities Composition



* As of June 2009
Source: Superintendencia Financiera. Financial statements subject to revision by the SFC.

Despite falling interest rates, which have negatively affected the amount of deposits held by financial institutions, during the first half of 2009, time deposits grew 24.1% with respect to 2008, amounting to $61.7 trillion. Total deposits in credit institutions were mainly composed of term deposits (40.9%) and savings accounts (38.2%)

Table 5

Deposit Indicators[1]

Figures in million pesos and percentages

	Jun-09	Jun-08	Anual Var. %
Deposits	150,864,231	128,471,678	17.4%
Checking Accounts	23,580,505	20,356,241	15.8%
Savings Accounts	57,672,841	51,591,191	11.8%
Term Deposits	61,701,459	49,729,734	24.1%
Others	7,909,428	6,794,511	16.4%

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009

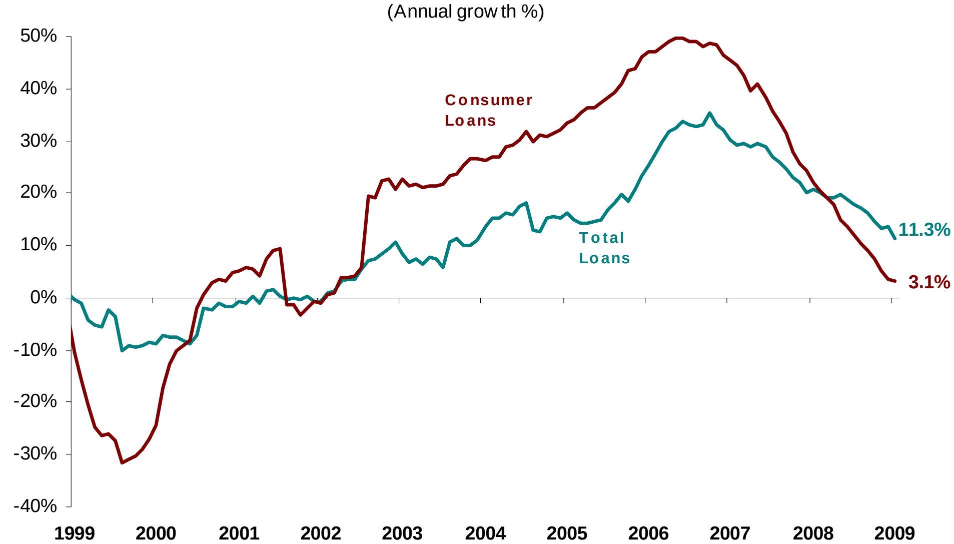
(1)Credit Institutions' deposits and chargeables including financial credit unions. IOEs are not included.

II. Financial Sector Risks

1. Credit Risk

Thus far we have reported an overall favourable performance of the financial sector, which has mainly been driven by the positive outcome of investments. As the economic cycle has turned to the downside, household demand has weakened, most businesses have contracted and unemployment has begun to rise; all these factors have contributed to decreasing activity in local credit markets.

Figure 6
Loans by Type
(Annual growth %)



Note: As of June 2009. Loans including leasing operations. Specialized state-owned institutions (IOE) are not included.
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

The slowdown of credit markets was also observed during the second quarter of 2009. Until June 2009, total loans from credit institutions grew at annual rate of 11.3%, compared to an annual growth rate of 14.4% in March 2009. Total gross loans reached a level of $149.9 trillion during the first half of 2009, which can be broken down as follows: commercial loans $96.3 trillion (64.3% of total loans), consumer loans $39.9 trillion (26.6%), mortgage loans $10.1 trillion (6.8%), and microfinance loans $3.5 trillion (2.3%).

Consumer and mortgage loans presented the slowest annual growth amongst loan types (3.1% and 3.3%, accordingly). Microfinance loans continue to be an exception, reporting annual growth rates hovering around 60%.

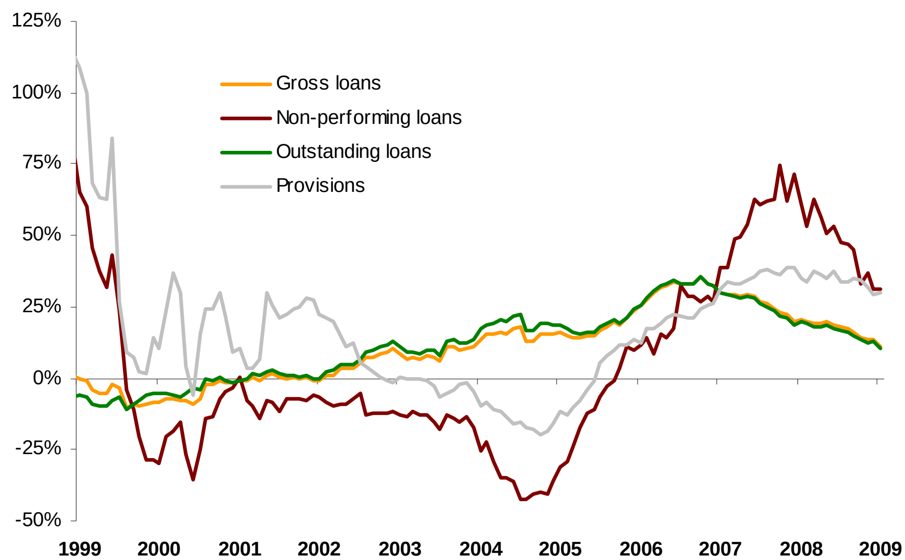
Table 6
Indicators of Loan Performance [1]
Figures in million pesos and percentages

Jun-2009	LOAN TYPE				
	Commercial	Consumer	Mortgage	Microfinance	Total
Gross loans	96,318,594	39,907,244	10,136,535	3,514,250	149,876,623
Market share (%)	64.3%	26.6%	6.8%	2.3%	100.0%
Annual growth (%)	14.7%	3.1%	3.3%	59.2%	11.3%
Past-due loans	3,141,153	3,230,158	454,913	231,568	7,057,794
Market share (%)	44.5%	45.8%	6.4%	3.3%	100.0%
Annual growth (%)	41.4%	23.7%	19.8%	40.8%	31.3%
Provisions [2]	4,074,351	3,078,408	347,854	157,864	7,845,405
Annual growth (%)	30.1%	53.9%	27.6%	69.0%	30.2%
LOAN RATIOS (%)					
Loan Quality [3]					
Traditional	3.3%	8.1%	4.5%	6.6%	4.7%
Traditional (Jun-2008)	2.6%	6.7%	3.9%	7.4%	4.0%
By rating	8.3%	13.0%	10.6%	8.7%	9.7%
By rating (Jun-2008)	6.1%	10.0%	8.6%	8.5%	7.5%
Loan Coverage [4]					
Traditional	129.7%	95.3%	76.5%	68.2%	111.2%
Traditional (Jun-2008)	140.9%	76.5%	71.8%	56.8%	112.0%
By rating	51.0%	59.5%	32.3%	51.7%	53.9%
By rating (Jun-2008)	61.0%	51.4%	32.5%	49.9%	60.0%

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
(1) Loan and leasing operations of credit institutions and credit unions. Specialized state-owned institutions (IOE) are not included.
(2) Total provisions includes other provisions.
(3) Traditional Loan Quality = Past-due loans / Gross loans; Loan Quality by rating = Loans rated B, C, D & E / Gross loans.
(4) Traditional Loan Coverage = Provisions / Past-due loans; Loan Coverage by rating = Provisions / Loans rated B, C, D & E.

Despite the slowdown of credit markets, past-due loans continued a downward trend during the second quarter of 2009. Past-due loans totalled $7.1 trillion as of June 2009, reporting an annual growth rate of 31.2% (down from 33% the previous quarter). Furthermore, the breakdown by loan type shows that past-due commercial loans had the highest growth rate (41.4%), followed by microfinance loans (40.8%), consumer loans (23.7%) and mortgage loans (19.8%).

Figure 7
Credit Institutions Total Loans
(Annual growth %)

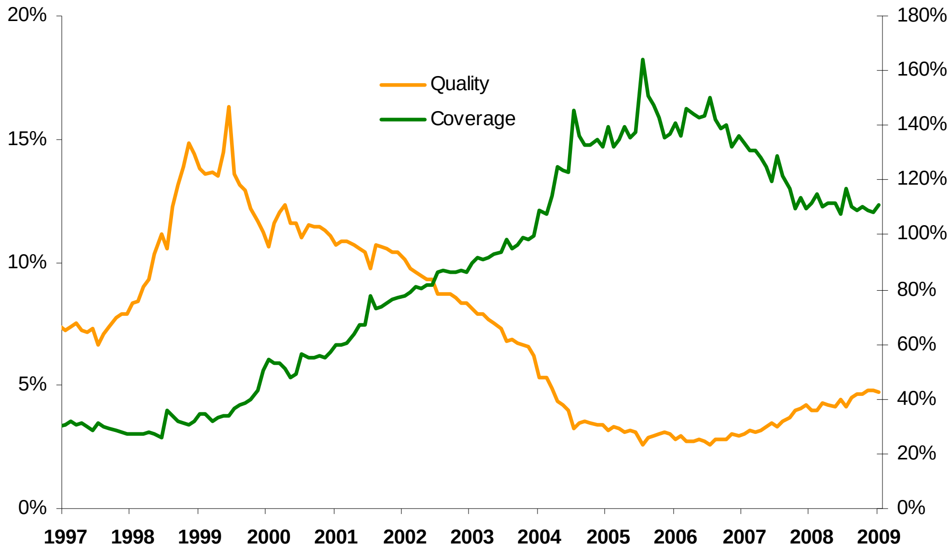


Note: As of June 2009. Loans including leasing operations. Specialized state-owned institutions (IOE) are not included.
Source: Superintendencia Financiera. Financial statements subject to revision by the SFC.

Figure 8

Loan Quality and Coverage

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



Note: As of June 2009. Loans including leasing operations. Specialized state-owned institutions (IOE) are not included.
Source: Financial Superintendence. Financial statements subject to revision by the SFC.

Indicators of loan quality have remained relatively stable in recent months, reaching 4.7% in June 2009. On the other hand, loan coverage ratios have increased slightly in this second quarter, rising to levels of 111.2%, denoting a slight improvement in the provisions that cover past-due loans. Loan provisions, have in fact grown at an accelerated rate (30.2%), amounting to $7.8 trillion in the second quarter of 2009.

Table 7

Loan Disbursements and Interest Rates

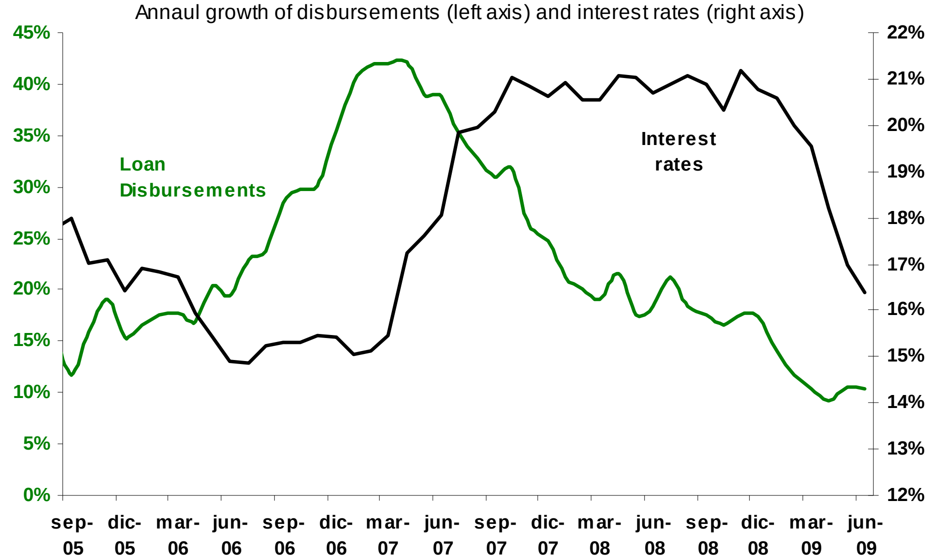
Figures in million pesos and percentages

	Jun-2009	Jun-2008	Annual Growth [2]
Disbursements	25,857,141	23,792,503	8.7%
Commercial [3]	22,701,663	20,473,583	10.9%
Consumer [4]	2,634,280	2,719,138	-3.1%
Mortgage	393,529	491,399	-19.9%
Microfinance	127,669	108,383	17.8%
Interest Rates [5]	16.38%	20.70%	-4.32%
Commercial	15.21%	19.78%	-4.58%
Consumer	26.46%	28.46%	-2.00%
Mortgage	12.19%	13.85%	-1.66%
Microfinance	30.33%	31.05%	-0.72%

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
(1) Loan and leasing operations of credit institutions and credit unions. Specialized state-owned institutions (IOE) are not included. Loan disbursements and interest rate data is taken from information
(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

Loan disbursements reached $25.9 trillion in June 2009, equivalent to an annual growth of 8.7%. This rate is slightly greater than the previous quarter, which registered 6.6%. During the first semester of 2009, loan interest rates continued decreasing as a result of the Central Bank's monetary easing (the Central Bank has cut its policy interest rate by 500 bps during the first semester of 2009). Up until June, loan interest rates have dropped on average 432 bps from a year ago. The greatest fall was reported for commercial loans (458 bps), followed by consumer loans (200 bps).

Figure 9
Loan Disbursements and Interest Rates*
Annaul growth of disbursements (left axis) and interest rates (right axis)



Note: As of June 2009. 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

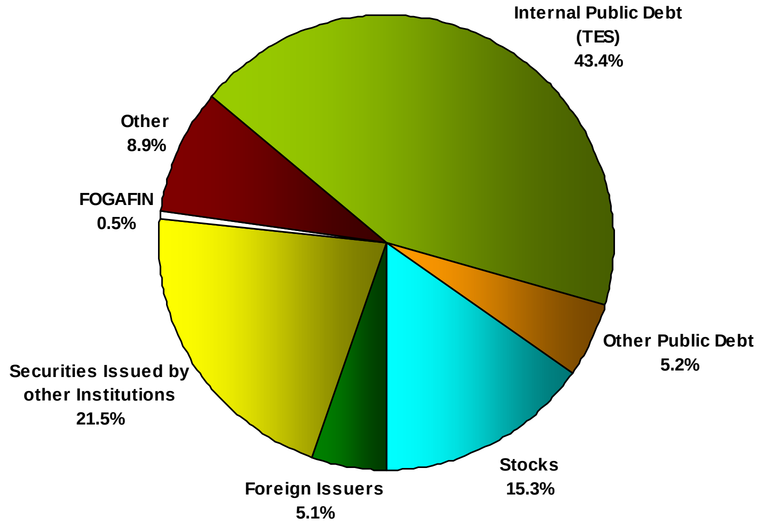
Investments

The investment portfolio of financial institutions' investments amounted to $81.8 trillion, during the second quarter of this present year, equivalent to an annual growth rate of 30.5%. Similarly the portfolio of managed funds grew 22.4%, amounting to $163.7 trillion. This performance was led by dynamic institutions in the insurance industry, credit institutions, and pension fund managers. When compared to the previous quarter, the biggest turnaround came on behalf of brokerage firms, who reported an annual growth of its investments of 10% (up from a contraction of -17% witnessed during the first quarter).

Regarding the composition of the investment portfolio, the largest portion is held in fixed income (TES), accounting for 43% of the total; this financial instrument witnessed a 70 bps average yield drop during the second quarter[1]. Another trend worth commenting has been the increasing share of equity in the investment portfolio, rising from 10% in March, to over 15% in June. Similarly, the Colombian stock market index presented a 15% average increase during this second quarter.

[1] Average quarterly yield variation for the 2020 benchmark TES bond.

Figure 10
Financial Sector Investment Portfolio
(Jun-09, Total Investment = 245,6 trillion)



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

Value at Risk (VaR) [2]

During the second quarter of 2009, lower market volatility contributed to the stabilization of the measure of market risk, known as Value-at-Risk (VaR), which determines the maximum possible implied loss. As of June, the VaR of credit institutions reached $1.17 trillion, slightly above the same reading for March ($1.09 trillion). A breakdown of the VaR by factors shows an increase in the risk associated to exchange rate (higher volatility of the peso contributed to this effect), in the interest rates and in the collective funds factors. A more detailed look at market developments and market volatility is given in the following section.

Table 8
Value at Risk (VaR)[1] according to factors
Figure in million pesos

	Credit Institutions	
	Jun-09	Mar-09
Interest rate	980.007	926.428
Stocks	118.524	123.889
Exchange rate	59.479	32.811
Collective funds	19.324	16.738
Value at Risk (VaR)	**1.177.335**	**1.099.866**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.

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

[2] 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 that are available-for-sale. Securities denominated in foreign currency that are registered in banking-books are also taken into account in the VaR.

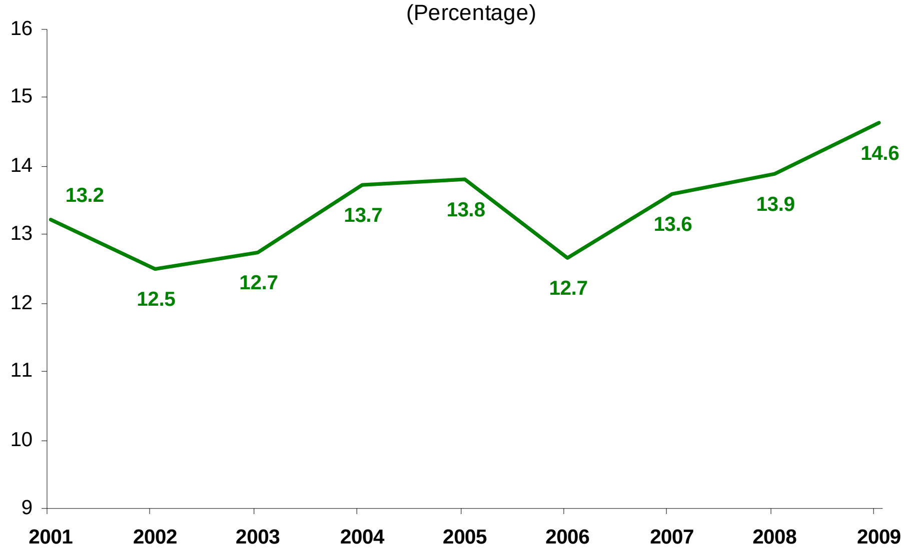
Capital Adequacy Ratio [3]

Figure 11 shows the Capital Adequacy Ratio of Credit Institutions for the second quarter of 2009, which remained at the same level as in the previous quarter (14.6%). This level is not only higher than the 13.9% reported in December 2008, but lies well above the minimum solvency requirement of 9%.

Figure 11

Credit Institutions' Solvency Ratio

(Percentage)



*As of June 2009

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

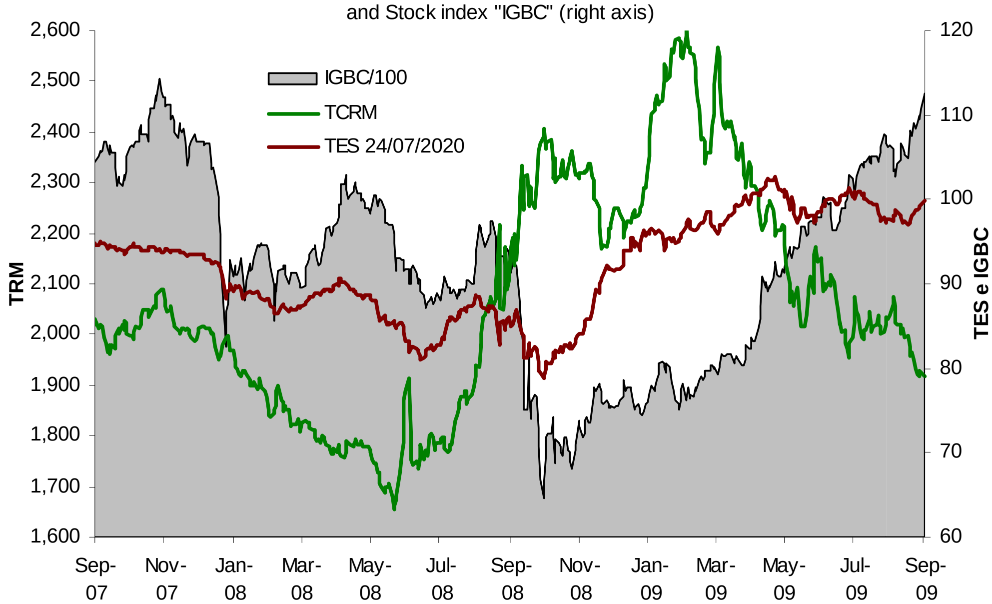
[3] $CAR = \frac{PT}{APR + (\frac{100}{9} RM)}$ where PT is the regulatory capital, APR are risk-weighted assets and RM is market risk (VaR).

III. Financial Market Developments

As market sentiment began to improve during the second quarter of 2009, global market volatility subdued to some extent, and as a result, capital flows to Emerging Markets increased. Nonetheless, there is still some uncertainty regarding a possible "decoupling" of Latin American economies, and Colombian markets are still vulnerable to market swings.

In this regard, even though the second quarter of 2009 marked an improvement with respect to 2008, the upswing in asset prices that began in March, came to a halt during June. Figure 12 shows that, for the period between March and May, the peso registered a significant appreciation, and fixed income and stock prices rose quickly; but then by late June, this trend had reverted. This goes to show the type of uncertainty that is still present in our market.

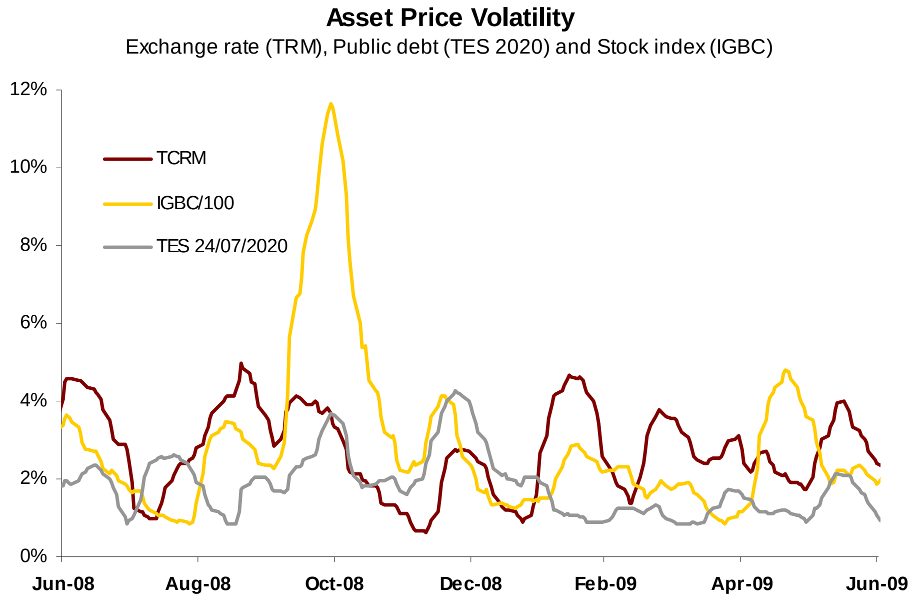
Figure 12
Colombian Financial Markets
Exchange rate "TRM" (left axis), Public debt prices "TES" (right axis), and Stock index "IGBC" (right axis)



Source: Bloomberg.

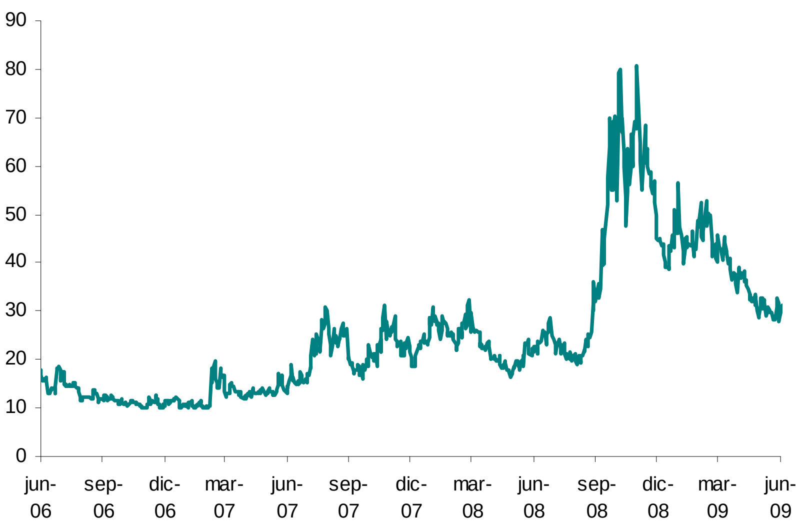
Figure 13 shows the decreasing trend in market volatility, observed towards the end of the second quarter. Market volatility in global markets, measured by the VIX index, has decreased substantially from the levels observed in October 2008, as can be seen in Figure 14.

Figure 13



Note: Volatility = Standard deviation of prices from the last 30 days / average price of last 30 days.
Source: Bloomberg.

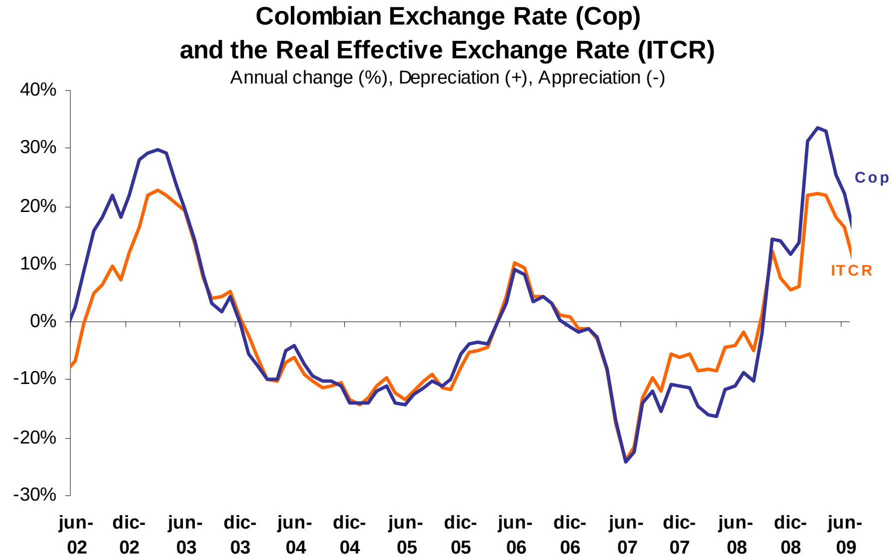
Figure 14
Volatility Index (VIX)



Source: Bloomberg.

A more detailed look at the peso, gives evidence of an important inflow of dollars to Colombian markets during the second quarter. While in late March, the exchange rate hovered around the level of $2,500, at the end of June, the Colombian peso had appreciated to a level close to $2,000. This trend accentuated even further in the third quarter, as global commodity prices began to rise and the dollar lost ground to most currencies. Figure 15 shows the appreciation of the peso, and that of the real effective exchange rate (REER).

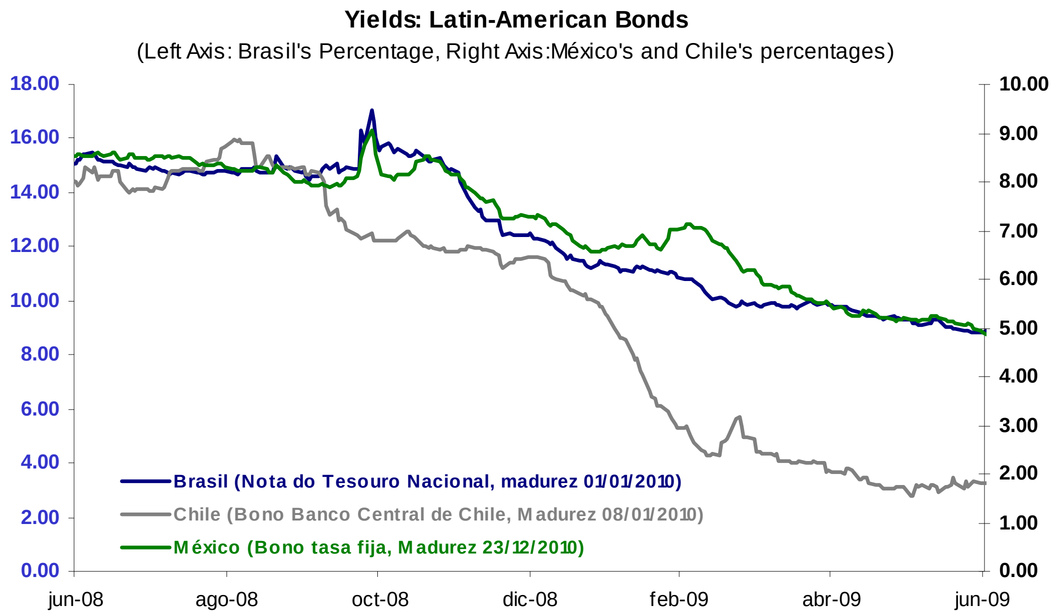
Figure 15



Source: Banco de la República.

As was mentioned earlier in this report, one of the factors that contributed to a rising investment portfolio of financial institutions was the favourable performance of local fixed-income markets. Furthermore, Figure 16 shows how this process was also witnessed across the region. During this second quarter, Colombian public bond yields decreased in line with Central Bank interest rate cuts (250 bps reduction during the second quarter) and lower inflationary expectations. Consumer prices actually experienced a deflationary trend during this second quarter, falling from annual inflation rates of 6.1% (March) to 3.8% (June).

Figure 16



Source: Bloomberg

Finally, after witnessing the collapse of local stock markets, throughout this present year this trend has reverted. The IGBC index climb experienced during the first quarter, continued on even further during the second quarter, and the IGBC reached a level of close to 10,000), a level that had not been seen since the collapse of world markets in October 2008. Not only has the Colombian stock market recovered in an important manner, during this past quarter, but it also stands as one of the better performing markets in the Latin American region, with a monthly gain in value of 6.6%.

Figure 17

Colombian Stock Exchange Index (IGBC)

Source: Bloomberg

IV. Conclusions

- During the second quarter of 2009, Colombian Financial Institutions reported profits worth $4.4 trillion pesos, which is almost double the amount reached in March 2009. One of the driving factors has been the favourable performance of investment portfolios of financial institutions, mainly led by rising government bond prices.

- As the economic cycle has turned to the downside, local credit markets have experienced decreasing activity. Until June 2009, total loans from credit institutions grew at annual rate of 11.3%.

- Despite the slowdown of credit markets, past-due loans continued a downward trend during the second quarter of 2009. The total amount of past-due loans was $7.1 trillion, which indicated an annual growth rate of 31.3%.

- The investment portfolio of financial institutions' investments amounted to $81.8 trillion, during the second quarter of this present year, equivalent to an annual growth rate of 30.5%. Regarding the composition of the investment portfolio, the largest portion is held in fixed income (TES), accounting for 43% of the total

- Capital adequacy ratio for Credit Institutions stood at 14.6% in June 2009, above the 9% minimum level imposed by the financial supervisor.

- As market sentiment began to improve during the second quarter of 2009, global market volatility subdued, but market direction is not entirely clear. In local markets, between March and May, the peso registered a significant appreciation, and fixed income and stock prices rose quickly, a trend that later reverted by the end of June.

APPENDIX 1: FINANCIAL STATEMENTS BY INSTITUTION

Financial Accounts of Credit Institutions

Figures in million pesos and percentages

Financial Intermediaries	Jun 08					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment	Loans [2]	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Commercial Banks	197,220,937	40,848,499	128,909,421	23,372,157	2,346,143	16.5%	28.6%	12.5%	24.5%	257,753
Financial Corporations	4,789,349	3,381,223	0	2,815,996	184,724	10.7%	14.7%	-	23.3%	60,147
Commercial Financing Companies	22,430,388	975,521	18,425,245	2,429,648	153,239	7.0%	61.8%	2.7%	15.9%	-16,826
Financial Credit Unions	2,827,470	220,410	2,446,006	425,960	24,522	21.0%	64.8%	17.4%	39.9%	1,123
Superior Grade Cooperatives (OCGS)	307,551	132,918	95,952	162,759	8,383	224.3%	2495.8%	24.3%	880.5%	7,963
TOTAL	**227,575,694**	**45,558,570**	**149,876,623**	**29,206,520**	**2,717,011**	**15.6%**	**28.5%**	**11.3%**	**24.4%**	**310,160**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
(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]	Jun 08					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment	Loans [2]	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Capitalization Companies	986,402	898,558	21,062	170,801	47,763	-1.2%	-1.3%	-1.4%	-5.9%	52,070
General Insurance	8,067,973	4,205,619	65,467	2,228,233	138,165	11.7%	12.5%	-8.1%	17.3%	103,850
Life Insurance	16,798,041	13,747,035	31,470	3,442,812	455,501	78.9%	78.5%	-87.7%	79.5%	378,605
Insurance Credit Unions	361,929	201,214	2,034	97,563	3,640	15.7%	27.1%	-6.9%	5.2%	1,536
Insurance Brokerage Firms	262,217	16,919	-	131,123	28,568	12.9%	76.6%	-	12.8%	-
TOTAL	**26,476,562**	**19,069,344**	**120,034**	**6,070,532**	**673,636**	**45.8%**	**52.4%**	**-65.8%**	**44.3%**	**543,628**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009. PWS Colombia Corredores de Reaseguros did not remit financial statements to the deadline.
(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 2009.

Financial Accounts of Pension and Severance Funds

Figures in million pesos and percentages

Financial Intermediaries	Jun 08					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment	Loans	Net worth	Profit [2]	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
TOTAL PENSION AND SEVERANCE FUND MANAGERS (AFP) [3]	**1,694,098**	**1,101,948**	**-**	**1,314,091**	**214,114**	**30.5%**	**30.3%**	**-**	**25.4%**	**90,944**
Mandatory Pension Funds (FPO)	68,651,431	67,633,602	-	68,609,773	8,096,972	28.5%	29.4%	-	28.6%	8,304,299
Voluntary Pension Funds (FPV)	7,567,255	6,421,859	-	7,311,730	512,995	14.9%	22.1%	-	16.2%	389,300
Severance Funds (FC)	5,315,482	5,218,878	-	5,283,684	450,357	16.6%	19.7%	-	16.6%	423,685
TOTAL PENSION AND SEVERANCE FUNDS	**81,534,169**	**79,274,339**	**-**	**81,205,187**	**9,060,325**	**26.3%**	**28.1%**	**-**	**26.5%**	**9,117,285**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009. PWS Colombia Corredores de Reaseguros did not remit financial statements to the deadline.
(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 the "defined-benefit" pension regime.

Financial Accounts of Trust Funds and Mutual Funds

Figures in million pesos and percentages

Financial Intermediaries	Jun 08					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment	Loans [2]	Net worth	Profit [3]	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
TOTAL TRUST FUND MANAGERS	**1,427,451**	**851,412**	**-**	**1,025,203**	**163,533**	**35.6%**	**43.5%**	**-**	**26.2%**	**71,157**
Mutual Managed Funds	20,848,672	14,957,136	-	20,534,355	835,447	62.5%	95.5%	-	62.7%	317,465
Pension Liability Fund (FPP)	44,361,597	42,853,429	-	43,025,642	1,697,119	47.1%	46.6%	-	47.5%	1,042,230
FPV administered by Trust Funds	1,077,693	925,561	-	1,073,870	53,835	21.7%	20.9%	-	21.9%	22,499
Other Trust Fund Assets [4]	65,044,037	22,145,520	973,816	38,398,671	2,735,377	-5.2%	-30.0%	5.6%	-12.5%	3,234,649
TOTAL TRUST AND MUTUAL FUNDS	**131,331,999**	**80,881,646**	**973,816**	**103,032,539**	**5,321,779**	**16.8%**	**16.7%**	**5.6%**	**19.0%**	**4,616,843**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009. PWS Colombia Corredores de Reaseguros did not remit financial statements to the deadline.
(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 2009.

Financial Accounts of Brokerage and Investment Intermediaries

Figures in million pesos and percentages

Financial Intermediaries	Jun-2009					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment [2]	Loans	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Stock Brokerage Firms	5,107,472	353,250	-	793,090	79,616	41.7%	8.7%	-	9.4%	79,509
Agricultural Brokerage Firms	71,789	25,408	-	48,779	4,208	31.5%	41.5%	-	52.4%	2,216
Independent Brokerage Firms	-	-	-	-	-	-	-	-	-	-
Investment-Fund Managers	60,949	27,976	-	44,464	5,380	15.1%	-13.9%	-	9.5%	3,452
TOTAL BROKERAGE AND INVESTMENT-FUND MANAGERS	**5,240,209**	**406,634**	**-**	**886,332**	**89,203**	**41.1%**	**8.1%**	**-**	**11.0%**	**85,110**
Mutual-Investment Funds (FMI)	700,293	550,821	-	656,108	71,494	10.8%	4.6%	-	7.6%	61,751
Investment Funds (FI)	1,181,887	960,105	-	1,131,552	70,132	68.4%	65.9%	-	67.9%	72,026
Value Funds (FV)	2,824,228	2,109,675	-	2,769,158	101,822	14.5%	36.5%	-	14.8%	62,547
TOTAL INVESTMENT AND VALUE FUNDS	**4,706,408**	**3,620,600**	**-**	**4,556,818**	**243,448**	**23.8%**	**36.6%**	**-**	**23.3%**	**196,324**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
(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 Infraestructure Providers

Figures in million de pesos and percentages

Financial Intermediaries	Jun-2009					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment	Loans [2]	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Foreign Exchange Offices	53,640	2,016	-	38,856	-539	-43.4%	10.0%	-	-25.8%	9,359
General Deposit Stores (AGD)	576,824	40,386	-	408,142	5,979	12.2%	24.1%	-	3.1%	5,344
Low-value Payment System Administrator	278,457	68,352	-	197,723	14,652	0.8%	6.6%	-	9.0%	-2,728
Colombian Stock Exchange (BVC) [3]	100,129	61,825	-	83,028	8,781	-1.7%	43.6%	-	2.7%	-2,134
Agricultural Stock Exchange [3]	64,898	31,795	-	58,115	2,813	60.0%	428.8%	-	59.2%	-491
Agricultural Stock Clearing-house [3]	26,717	5,006	-	25,722	199	208.6%	162%	-	241.9%	21
Risk-Rating Agencies [3]	10,224	1,251	-	7,969	1,238	60.5%	499.8%	-	64.6%	261
Centralized Deposit Administrator (Deceval) [3]	71,064	41,294	-	56,367	10,146	6.4%	-9.9%	-	4.6%	-629
Stock Market Regulator (AMEV) [3]	3,926	1,200.00	-	2,948	592	7.4%	-	-	26.7%	18
Foreign Exchange Trading System Administrator	7,989	-	-	3,955	1,872	278.2%	-	-	186.5%	1,206
Foreign Exchange Clearing-house	2,519	-	-	1,995	248	3.3%	-100.0%	-	17.1%	381
TOTAL	**1,196,387**	**253,125**	**-**	**884,821**	**45,981**	**7.0%**	**29.0%**	**-**	**8.1%**	**10,607**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
(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 and repurchase operations.

Financial Accounts of Specialized State-Owned Institutions (IOE)

Figures in million pesos and percentages

Institution	Jun-2009					Annual growth [1] Jun-2009 / Jun-2008				
	Assets	Investment	Loans [2]	Net worth	Profit	Assets (%)	Investment (%)	Loans (%)	Net worth (%)	Profit ($m)
Bancoldex	5,413,238	528,606	4,855,916	1,338,740	88,797	-0.1%	0.0%	0.2%	6.5%	47,598
Findeter	4,516,103	231,702	4,003,807	762,486	16,508	31.6%	1105.5%	24.2%	6.2%	-9,484
FEN	366,431	280,442	385,074	325,231	104,676	-61.8%	-61.8%	-6.6%	-64.5%	28,049
Finagro	5,145,498	619,791	4,405,210	496,836	37,985	19.5%	223.8%	13.2%	12.9%	15,883
Icetex	31,644	23,431	0	15,335	2,057	2%	15%	-100%	33%	1,611
Fonade	1,062,560	672,924	1,250	105,691	6,341	-19.4%	-28.1%	-77.2%	3.2%	-1,269
Fogafin	8,744,717	7,491,373	0	90,077	63,198	12.5%	24.1%	-	550.9%	56,223
Fondo Nacional del Ahorro	3,798,736	1,011,268	2,314,685	1,652,835	109,479	22.0%	6.8%	12.4%	14.2%	84,023
Fogacoop	300,443	250,923	-	64,721	15,652	16.5%	24.0%	-	19.2%	6,817
FNG	458,524	399,219	167,812	242,462	-9,603	3.5%	14.6%	61.3%	10.9%	2,193
Caja de Vivienda Militar	3,273,641	3,076,263	1,817	196,126	88,653	11.7%	11.0%	-65.9%	57.0%	68,849
TOTAL IOEs	**33,111,535**	**14,585,942**	**16,135,571**	**5,290,540**	**523,743**	**10.4%**	**14.5%**	**10.9%**	**-0.2%**	**300,494**

Financial statements subject to revision by the SFC. Figures reported until the 3rd of August 2009.
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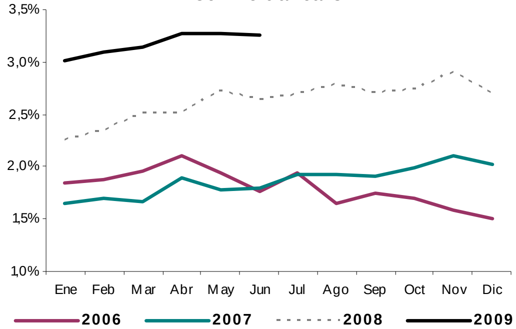
(2) Gross loans = Net loans + Provisions

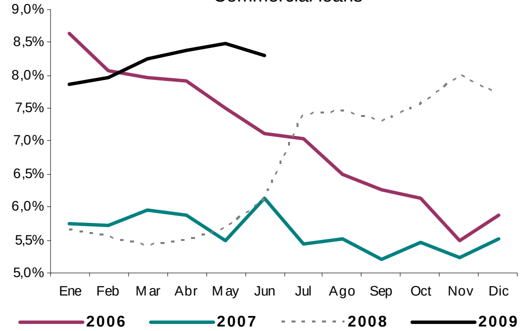
APPENDIX 2: ADDITIONAL INDICATORS OF CREDIT RISK

Loan Quality Indicators by Loan Type

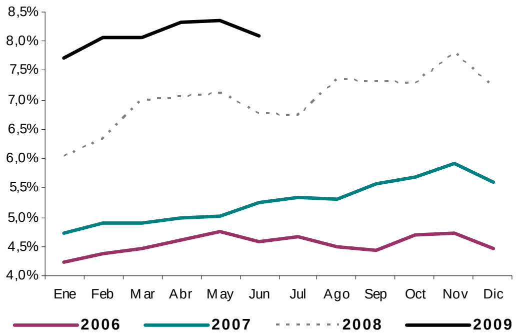
Loan quality (traditional)
Commercial loans



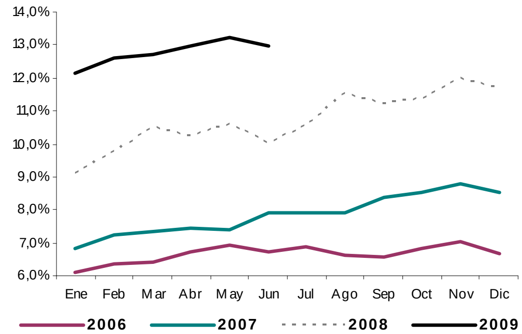
Loan quality (by rating)
Commercial loans



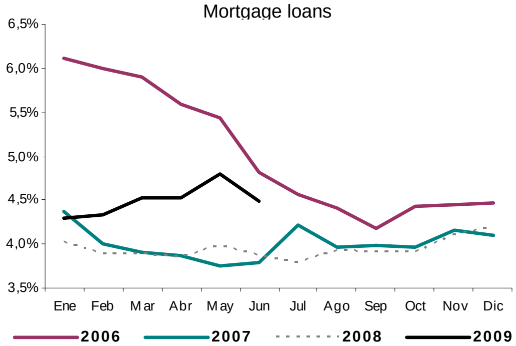
Loan quality (traditional)
Consumer loans



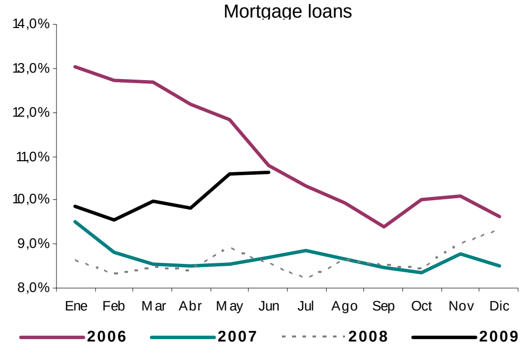
Loan quality (by rating)
Consumer loans



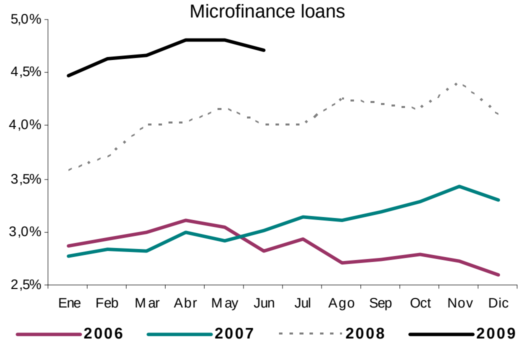
Loan quality (traditional)
Mortgage loans



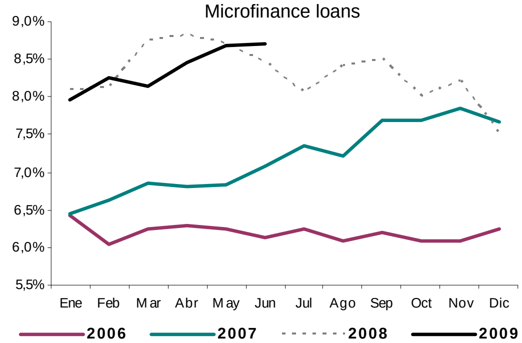
Loan quality (by rating)
Mortgage loans



Loan quality (traditional)
Microfinance loans



Loan quality (by rating)
Microfinance loans

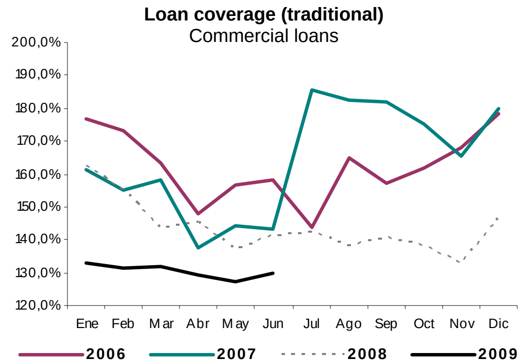


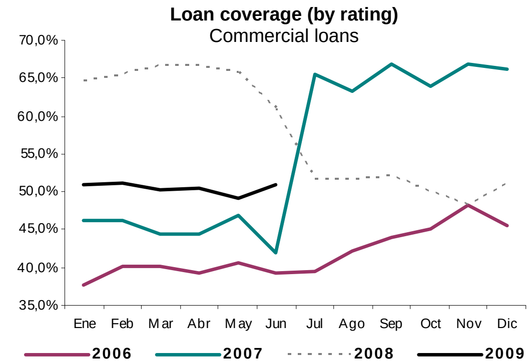
Source: Superintendencia Financiera. Financial Statements subject to revision by SFC.

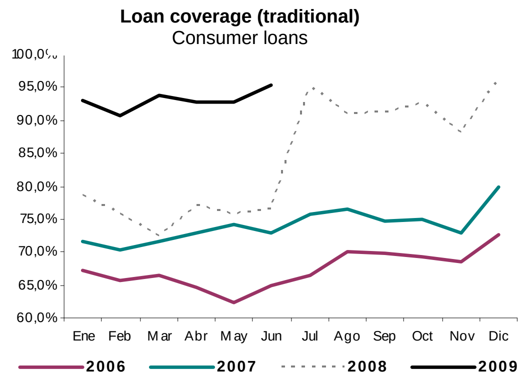
Superintendencia Financiera de Colombia

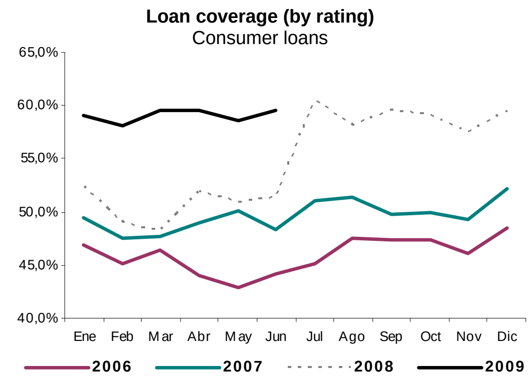
Press Release

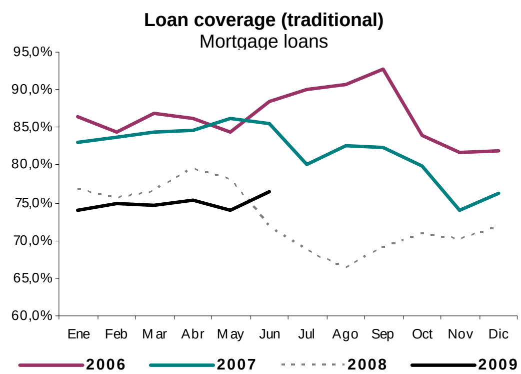
Loan Coverage Indicators by Loan Type

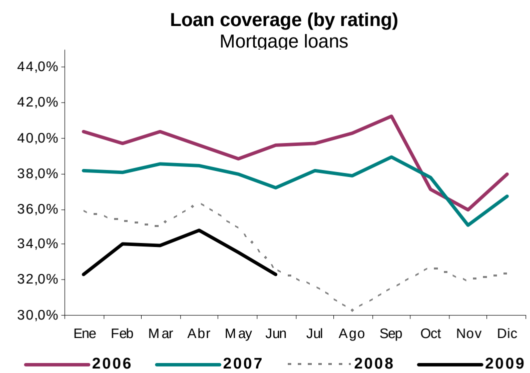


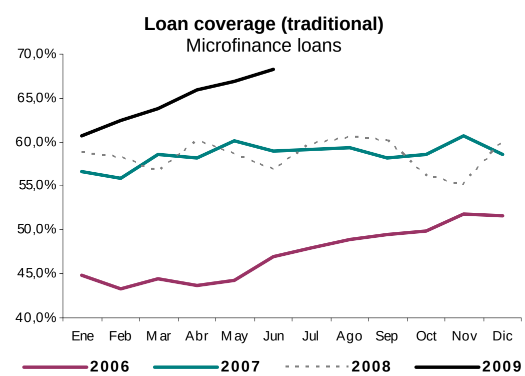


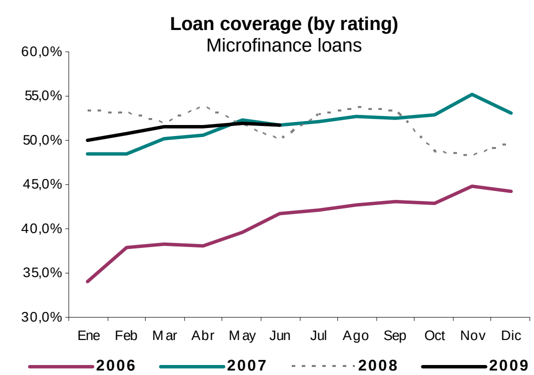












Source: Superintendencia Financiera. Financial Statements subject to revision by SFC.