



GRUPO AVAL ACCIONES Y VALORES S.A.

Management Report

FIRST SEMESTER 2012

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Accounting Consolidation

María José Arango

Vicepresident
Corporate Procurement

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First Semester 2012

Bogotá, D.C.

Dear Shareholders:

Once again Colombia is engaging in a new attempt to reach peace. Full of hope, we see with sympathy the endeavors of the President of the Republic and are ready to do our own bit. The major differences between this last attempt and other failed processes in the past are two: on the one hand, we are now starting the process with a stronger country from the economic standpoint and, on the other hand the Colombians are now more realistic in regards to expectations.

Regarding the economy, there are good news. During the second quarter of 2012, the Colombian economy grew 4.9%¹ as compared to the same quarter of 2011. Against all odds, GDP increased by 1.6% as against previous quarter. The variation for the first semester as compared to the same period of 2011 was 4.8%. It is concluded that the Colombian economy shows stability amidst an unfavorable external context. For the year 2012 Banco de la República estimates the growth projection of GDP within a range of 3.0 to 5.0 % . The wide range stems from the uncertainty over global slowdown; however, both Fedesarrollo and CEPAL place the stakes on the higher bracket.

The labor market, on the other hand, showed a favorable dynamics. According to information from the DANE, the unemployment rate remained in 10%, namely, in the upper limit of the one digit rate set out by the government.

Regarding inflation which ended 2011 in 3.73%, the behavior during the first semester of 2012 reflects again the adequate management of this variable by Banco de la Republica. As a result, during the first semester of the year inflation reached 2.01%, while during the twelve months ended in June this year, it reached only 3.20%. We may conclude that this important indicator progressively converges towards 3%, which is in line with the long range goal set out by the Board of Directors of Banco de la República.

In order to reduce the growth of demand of credit for consumption, the Board of Directors of Banco de la República successively increased by 25 pbs the rate of intervention during the first semester, up to 4.75%; Lately, upon continued weakening of world economics and the potential effect on the national economy, the rate was reduced in decrements of 25 pbs until reaching 4.75%. Additionally, and in order to contain the appreciation of the Colombian peso, Banco de la República decided to buy US\$700 million during the months of August and September using the mechanism of daily auctions of at least US\$20 million.

Behavior of the Economy

As announced at the beginning of this report, during the first semester of year 2012, the Gross Domestic Product grew by 4.8% as compared to the first semester of 2011. This behavior is explained by the following sectorial variations: 10.8% in exploitations of mines and quarries; 7.9% in construction; 5.9% in financial entities, insurance, goods and services; 4.8% in transportation, storage and communications;

¹ DANE - Gross Domestic Product – Second quarter 2012 - Base 2005

4.5% in trade, repair services, restaurants and hotels; 4.0% in electricity, domiciliary gas and water; 3.7% in social, community and personal services; 1.2% in agricultural, forestry and fishing; and – 0.2% in manufacturing industry. Total of taxes increased by 7.0% as compared to the same period of 2011. Regarding the industrial performance and according to the last figures of the Survey on Joint Industrial Opinion published by ANDI for the period January-June, 2012, production grew by 1,3%, total sales grew by 3.2% and sales intended for the internal market increased by 1.9%. Concurrently with the greater dynamism, the use of installed capacity reached 76.6% by June 2012, greater than the historical average and 0.6% under the register of June, 2011. (77.2%). Another symptom of improvement in the economic activity is observed in the national demand of energy which increased 4.15% in the cumulative figure from January to June 2012 (29, 123.3 GWh) as compared to the same period of 2011 (27,963.5 GWh).

The Colombian Stock Exchange Index (IGBC) closed at 13, 417.51 points at the end of the first semester of 2012, which represents an increase of 5.94% during the semester and a decrease of 4.62% for the last twelve months ended in June 2012.

Economic Indices Affecting the Consumer

According to DANE, by the closing of first semester 2012, national unemployment climbed to 10.0% a figure higher than that registered by December 2011 (9.8%) and lower than that presented by June 2011 (10.9%). By June 2012, the sub-employment rate kept the high level of 33.1%.

In regards to the inflation rate, the variation of the Consumer Price Index (IPC) registered for the period of January – June 2012 was 2.01% as against 2.53% for the same period of 2011. For the last twelve months ended in June 2012, the IPC was 3.20% as against 3.23% for the same period of 2011.

Fiscal Balance

At the closing of the first semester of 2012, the Consolidated Public Sector (SPC) reported a fiscal surplus of 1.5% of GDP, a result better than that registered for the same period of 2011 when it was reported a surplus of 1.2% of GDP.

External Sector

In regards to the trade balance, the period January-June 2012 registered a surplus of US\$2,936.7 million FOB as against a surplus for the same period 2011 of US\$2,202.5 million FOB, as a result of the lesser growth of imports vs. exports. Exports went from US\$26,800.3 million FOB in the first semester of 2011 to US\$30,368.4 million FOB in the first semester of 2012 (an increase of 11.7%) as against an increase of 11.4% in imports which went from US\$25,879.5 million CIF to US\$28,818.4 million CIF

Colombia continues keeping an adequate level of international net reserves with a balance of US\$34,265.5 million at June 2012, superior by US\$3,067.7 million (9.8%) to the figure of June 2011 (US\$31,197.8 million) and superior by US\$1,965.1 million (6.1%) to the figure registered in December, 2011 (US\$32,300.4 million). The above, notwithstanding that Banco de la República made net purchases of US\$1,960 million in foreign currency in the exchange market which compared with the net purchases made in the same period of 2011 (US\$2,460 million) meant a decrease of US\$500 million.

In regards to the evolution of the price of the Colombian peso against the US dollar, the nominal exchange rate closed the month of June at the rate of \$1.784.60, representing an appreciation of 8.1% (1,942.70 by December 2011). During the last twelve months ended in June 2012, the US dollar went from \$1,780.16 to \$1,784.60 accounting for a devaluation of 0.2% of the Colombian peso.

The spread over comparable American Bonds of the Index of Bonus of Emerging Markets for Colombia (EMBI Colombia) was 157 points at the June 2012 close, an increase of 36 base points as against June, 2011 (121 points) and a decrease of 34 base points as compared to December 2011.

Recent Performance of the Financial Sector and of the Entities where Grupo Aval holds Direct Investment

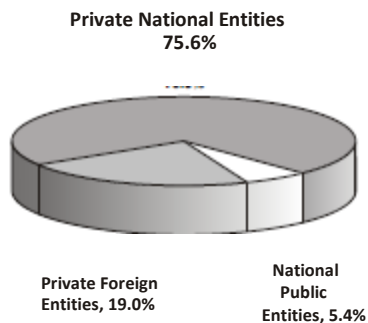
During the first semester of 2012 the Colombian financial sector showed its strength through a significant growth in comparison with the growth local and global economies. Such performance is yet more meaningful considering the fact that it was made in times of uncertainty in the sight of crisis in the industrialized countries and further considering that such growth did not come from the deterioration of solvency ratios, but on the contrary, those remained stable.

Certain figures deserve to be highlighted: the total assets of the sector reached \$332.4 billion, growing 5.6% when compared with December 2011 (\$314.9 billion). Total investment in fixed income of the sector grew 5.0% (\$2.3 billion), from \$46.9 billion in December to \$49.2 billion in June 2012. The participation of investments of fixed income within the sector assets declined in the first semester of 2012 by 8 base points, from 14.89% to 14.81%; TES involvement within the fixed income investments declined 49 bps from 70.48% in December to 69.98% in June 2012. The net loan portfolio grew 6.2% in the going months of 2012, from \$203.4 billion in December to \$216.1 billion in June 2012. The growths by segments of net receivables of the banking sector in the first semester of 2012 are listed as follows: the commercial receivables grew 4.8% from \$127.9 billion in December to \$134.0 billion in June 2012; the consumption receivables grew 8.4% from \$55.1 billion in December to \$59.8 billion in June 2012; microcredit grew 7.4% from \$5.6 billion in December to \$6.0 billion in June 2012 and the mortgage receivables grew 9.9% from \$15.0 billion in December to \$16.5 billion in June 2012. The indicator of loan portfolio quality worsened by 0.4%, from 2.5% in December to 2.9% in June 2012. For entities specializing in the mortgage sector, at the end of June 2012 this indicator reached 3.7%. On the other hand, the coverage of due loans in the sector decreased from 183.8% in December to 160.1% in June 2012.

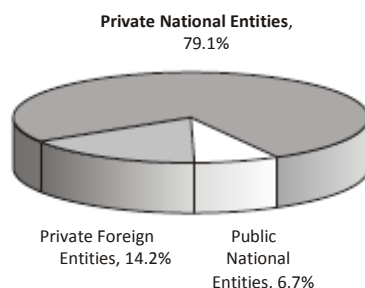
As far as the foreclosed assets (BRPs), the banking sector showed unfavorable performance by increasing the net balance of \$194,174 million in December to \$268,881 million in June 2012 (38.5%). The mortgage sector, in the same period, increased its net balance in BRPs of \$52,170 million to \$93,569 million (79.4%). At the closing of June 2012, the net balance of BRPs represented 0.08% of the total system assets.

For the 12 months ending in June 2012, the whole of the banking sector registered profits for \$6.7 billion (\$3.1 billion between July and December 2011 and \$3.6 billion between January and June 2012), higher in \$1.03 billion (18.4%) to the \$5.63 billion achieved in the same period in 2011 (\$2.51 billion between June and December 2011 and \$3.12 billion between January and June 2012). 79.1% of the profits obtained by the sector in the past 12 months ending in June 2012 (\$5.27 billion) come from private national entities which, at the end of June 2012 represented 75.6% of the assets of the sector (\$251.2 billion), while public entities controlling 5.4 per cent of the assets of the sector (\$17.9 billion), generated the 6.7% of the same (\$0.45 billion). For their part, private foreign entities, controlling the 19.0% of assets (\$63.3 billion), showed profits equivalent to 14.2% of the total, namely \$0.95 billion.

**Distribution of Sector Assets
(June, 2012)**



Distribution of Net Profits of the Sector (12 months ended in June, 2012)



For their part, credit institutions in which Grupo Aval has direct investment (Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas), reported during the 12 months ending in June 2012 net earnings of \$2 billion 187,412 million (\$1 billion 84,033 million during the second semester of 2011 and \$1 billion 103,379 million during the first semester of 2012, higher by 19.6% than those reported by these same entities in the same period of 2011, which reached \$1 billion 828,634 million (\$839,370 million during the second semester of 2010 and \$989,264 million during the first semester of 2011). If to these profits are added the profits obtained in the same periods by the Sociedad Administradora de Fondos de Pensiones y Cesantias Porvenir S.A., the total profits amounted to \$2 billion 370,740 million, a figure higher by 19.1% to that recorded in the same period in 2011 (\$1 billion 990,072 million).

In regards to the areas of net receivables and deposits for the first semester of 2012, the entities in which Grupo Aval has direct investment as a whole grew 7.5% and 5.8%, respectively. For its part, the total of the banking sector during the same period recorded growths of 6.2% and 4.7% in net receivables and deposits, respectively.

Main Regulatory Measures

During the first semester of 2012, were issued regulatory measures, which by its significant effects on the results of the entities of the sector, are listed and summarized in Annex No.1.

Activities Carried Out in Social Object Development

Grupo Aval carried out during the first semester of 2012 the following activities:

● Vicepresidency of Corporate Systems

During the first semester of 2012, the Vicepresidency of Corporate Systems supported the technological activities of the company and provided support to the Aval entities in the following projects and activities fronts:

- Aval Network of Services.
- Non- banking Correspondents.
- Bank Core.
- Accounting Consolidation.
- CRM (Customer Relationship Management).
- BI(Business Intelligence).
- New solution of Credit Card and process homologation
- Collections.
- Transactional Internet.
- Portals for Internet and Intranet.
- Cash Management.
- Telecommunications.
- Process Automation.
- Informatic Security.

- Systems Management.
- Management of Technological Infrastructure.
- Backup Computer Centers.
- Integration of Technological Architecture by Services.
- Management of technological projects and technological support
- Training.
- Corporate negotiations with Suppliers.

● Vicepresidency of Risk

- The Vice-Presidency of Risk supported entities in which Grupo Aval has direct investment in credit risk analysis and structuring of credit operations with common, most significant institutional customers using tools developed in Grupo Aval, aimed at ensuring that the credit operations have credit standards and measure return consistent with credit risk, opportunity cost and use of capital.
- Likewise, it continued the study of best practices in credit and operating risk analysis with a view to presenting these policies to consider its adoption in entities in which Grupo Aval has direct investment.
- Provided support to the entities in which Grupo Aval has direct investment in the evaluation of tools for the implementation of management systems of operating risk (SARO), money laundering and financing of terrorism (SARLAFT). Accompaniment was also given in the development and implementation of the business continuity Plan (PCN).
- Performed the function of compliance officer of Grupo Aval, thereby ensuring compliance with the rules of SARLAFT.

● Financial Vicepresidency

- Analysis of performance of the investments controlled by Grupo Aval against competition and their budgets.
- Evaluation of potential opportunities of acquisition or sale.
- Follow up of trends in the financial sector in order to develop strategies that will bring about greater value to the shareholders of the group.
- Follow up of trends of financial activity in comparable countries.

● Vicepresidency of Accounting Consolidation

- Monitoring and analysis of financial performance of Grupo Aval vs. budget.
- Stabilization of the Oracle Hyperion tool for corporate consolidation.
- Stabilization of ERP SAP for management and accounting of the approval of AVAL headquarters.
- Daily follow up of performance of the entities in which Grupo Aval has direct investment.
- Report generation including comparisons of entities of the Colombian financial sector.
- Control of Grupo Aval Treasury operations.

● Corporate Comptroller

The Corporate Comptroller carried out audit visits during the first semester of 2012, according to the annual plan submitted to the Chairman of the Grupo. The Comptroller paid visits to some subsidiaries of the entities and to a company in which Corficolombiana has capital investments. Likewise, follow-up activities were carried out to review the implementation of the action plans of improvement of some entities.

Equally, were given guidelines to the entities of the group, in matters related to auditing, control and security of information.

● Internal Audit

During the first semester of 2012 the Internal Audit Department led and executed valuations

pursuant to the Working Plan adopted by the Internal Auditing Committee of Grupo Aval.

Additionally, it was made the follow-up of action plans and other activities aimed at strengthening the Internal Control System of the entity.

Exercise Results - Grupo Aval Acciones y Valores S.A

Grupo Aval main financial results for the first semester of 2012 were:

Assets

On June 30, 2012, the total assets of Grupo Aval amounted to \$19 billion 373,386 million, with an increase of 69.6% over the balance as of June 30, 2011 (\$11 billion 423,630 million) and of 2.5% above the balance on December 31, 2011 (\$18 billion 897,256 million). The assets of the company are represented mainly by its investments in Banco de Bogotá, Banco de Occidente, Banco Popular, Banco Comercial AV Villas and Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir.

Liabilities

The total liabilities of Grupo Aval on June 30, 2012, amounted to \$2 billion 335,896 million, with a decrease of 14.0% over the balance as of June 30, 2011 (\$2 billion 716,591 million) and a 14.1% over the balance as of December 31, 2011 (\$2 billion 718,886 million). The most significant liabilities of Grupo Aval are represented by bonds issued by the company which balance on 30 June amounted to \$850,000 million and credits acquired with related companies that amounted to \$1 billion 153,750 million.

Shareholder's Equity

At the end of the first semester of the year 2012, the net worth of Grupo Aval amounted to \$17 billion 37,490 million, an increase of 95.7% over the balance on June 30, 2011 (\$8 billion 707,039 million) and an increase of 5.3% compared with the balance recorded on 31 December 2011 (\$16 billion 178,370 million).

Net Income

At the end of the first semester of year 2012, Grupo Aval reported profits for \$722,574 million, more than \$139,916 million (24.0%) than in the first semester of 2011 (\$582,658 million) and \$55,013 million higher (8.2%) than the results obtained at the end of the second semester of 2011 (\$667,562 million).

Risk Rating

Given the financial strength of Grupo Aval, BRC Investor Services S.A. ratified in November 2011 the AAA rating of the ordinary bonds issued for \$944,700 million. This rating demonstrates the highest credit quality and the highest certainty of payment, as well as the almost total absence of risk factors.

Results of the Main Investments of Grupo Aval

As of 30 June 2012, Grupo Aval had direct investments in the following institutions supervised by the Colombian Superintendency of Finance:

Banco de Bogotá S.A.

Grupo Aval is the owner of 64.4% of the common stock of Banco de Bogotá. The total assets of the Bank as of 30 June 2012 were \$46 billion 407,275 million and its net worth on the same date amounted to \$8 billion 351,035 million. During the first semester of 2012, the Bank recorded net earnings of \$617,692 million, representing an increase of 21.9% compared to the first semester of 2011 (\$506,657 million) and 4.0% compared to the second semester of 2011 (\$593,740 million).

Banco de Bogotá has AAA rating for its long-term debt by BRC Investor Services S.A., which indicates that the ability to pay timely principal and interest is extremely high. This is the highest category in investment grade. For its short-term debt the Bank has a rating of BRC1 + which is the highest category of investment grades. This indicates that the probability of timely repayment, for both capital and interest, is extremely high.

Banco de Occidente S.A.

Grupo Aval owns 68.2% of the common stock of Banco de Occidente, entity which, at the end of 30 June 2012, recorded total assets of \$22 billion 267,996 million and a patrimony of \$3 billion 108,485 million. During the first semester of 2012, the Bank earned net profits of \$223,616 million, an increase of 4.3% compared to earnings of the first semester of 2011 (\$214,342 million) and a decrease of 1.5% compared to the figure for the second semester of 2011 (\$226,938 million).

Banco de Occidente is rated AAA for long-term debt by BRC Investor Services S.A., which indicates that the ability to pay timely both principal and interest is extremely high. This is the highest investment grade category. For its short-term debt the Bank has a rating of BRC1 + which is the highest investment grade category. This indicates that the probability of timely repayment, for both capital and interest, is extremely high.

Banco Comercial AV Villas S.A.

Direct ownership participation of Grupo Aval in Banco Comercial AV Villas is of 79.9%. On 30 June 2012, Banco AV Villas presented total assets by \$8 billion 216,497 million and net-worth of \$986,725 million. During the first semester of 2012, the Banco Comercial AV Villas accumulated earnings by \$81,442 million, an increase of 8.5% compared to the earnings of the first semester of 2011, which was \$75,052 million and a decrease of 9.5% compared to the one recorded during the second semester of 2011 (\$90,022 million).

Banco AV Villas rated AAA for long-term debt by BRC Investor Services S.A., which indicates that the ability to pay timely both principal and interest is extremely high. This is the highest investment grade category. For its short-term debt the Bank has a rating of BRC1 + which is the highest investment grade category. This indicates that the probability of timely repayment, for both capital and interest, is extremely high.

Banco Popular S.A.

Grupo Aval is the owner 93.7% of the common stock of Banco Popular. The total assets of the Bank to 30 June 2012 was \$14 billion 708,386 million and its heritage at the same date amounted to \$1 billion 938,750 million. During the first semester of 2012, the Bank recorded net earnings of \$180,629 million, representing a decrease of 6.5% compared to the first semester of 2011 earnings (\$193,212 million) and an increase of 4.2% compared to the one registered in the second semester of 2011 (\$173,333 million).

Banco Popular rated AAA rating for long-term debt by BRC Investor Services S.A., which indicates that the ability to pay timely both principal and interest is extremely high. This is the highest investment grade category. For its short-term debt the Bank has a rating of BRC1 + which is the highest investment grade category. It indicates that the probability of timely repayment, for both capital and interest, is extremely high.

Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.

Grupo Aval is the direct owner of 20.0% in Porvenir; on the other hand, Banco de Bogotá, Banco de Occidente and some of its subsidiaries are the owners of the remaining 80.0%. Porvenir is the leading private administrator of severance and pension funds in Colombia, with a market share of mandatory pensions of 27.9% and 33.7% in the severance market at 30 June 2012. At the end of June 2012, Porvenir had 3,341,474 members in mandatory pension, 1,804,681 in severance pay and held assets in administration for a total of \$35 billion 449,946 million.

By June 2012, Porvenir posted total assets of \$929,608 million and equity of \$690,665 million. The accumulated income in the semester amounted to \$106,552 million, an increase of 39.3% compared to the first semester of 2011 (\$76,472 million) and an increase of 38.7% compared to the accumulated during the second semester of 2011 (\$76,847 million).

Porvenir S.A. has a AAA rating from BRC Investor Services, which shows that the company presents an exceptional financial condition and operational capacity and positioning in the market. The weaknesses are mitigated and neutralized by the strengths of the organization.

Corporación Financiera Colombiana S.A. (Corficolombiana)

Grupo Aval, through Banco de Bogotá, Banco de Occidente and Banco Popular holds indirect

investments in Corporacion Financiera Colombiana S.A. (Corficolombiana), an entity engaged the administration of an important investment portfolio in companies of the real and financial sectors and to rendering of consulting services in the field of investment banking.

At the closing of June 2012, Corficolombiana reported total assets of \$9 billion 67,579 million and its net equity amounted to \$3 billion 19,117 million. During the first semester of 2012 Corficolombiana posted net income for \$277,957 million, a decrease of 24.3% if compared to that obtained in the first semester of 2011 (\$367,377 million) and an increase of 26.1% compared to those recorded during the second semester of 2011 (\$220,360 million).

Corficolombiana rated AAA for long-term debt by BRC Investor Services S.A., which indicates that the ability to pay timely both principal and interest is extremely high. This is the highest investment grade category. For its short-term debt the Bank has a rating of BRC1 + which is the highest investment grade category. It indicates that the probability of timely repayment, for both capital and interest, is extremely high.

Results of Entities in which Grupo Aval holds a Direct Investment

The following is the analysis of the main captions of the financial statements of the entities in which Grupo Aval holds direct investment during the first semester of 2012.

Gross Financial Margin

During the first semester of 2012, the gross financial margin reported by the entities in which Grupo Aval holds direct investment amounted to \$3 billion 250,629 million, 10.5% higher to that obtained between January and June, 2011 (\$2 billion 940,741 million) and 1.8% lower than the one presented at the end of the second semester of 2011 (\$3 billion 309,941 million).

Gross Financial Margin*					Variation %	Variation %
					1S - 2012 Vs	1S - 2012 Vs
(Million pesos)	2S - 2010	1S - 2011	2S - 2011	1S - 2012	1S - 2011	2S - 2011
Banco de Bogotá	1,248,051	1,322,184	1,669,217	1,491,484	12.8	-10.6
Banco de Occidente	654,911	722,592	748,362	815,289	12.8	8.9
Banco Popular	521,565	550,123	548,200	571,172	3.8	4.2
Banco AV Villas	350,253	345,842	344,162	372,683	7.8	8.3
Total	2,774,780	2,940,741	3,309,941	3,250,628	10.5	-1.8

* Net income on account of interest plus net income different from interest

Figures accumulated for each semester.

Source: Colombian Superintendency of Finance.

Deposits and Liabilities

Consolidated deposits from entities in which Grupo Aval holds direct investment amounted to \$59 billion 77,032 million as of the balance closing of June 2012, a 12.1% higher than the balance of June 2011 (\$52 billion 710,610 million) and 5.8% higher than the December balance (\$55 billion 859,421 million); the behavior of entities in which Grupo Aval has direct investment fell below that of the overall financial system, which posted deposits increase by 16.3% from June 2011 to June 2012 and 4.7% between December 2011 and June 2012. As a result of the above, the entities in which Grupo Aval holds direct investment, posted market share of 28.4% in terms of deposits and liabilities. Noteworthy is the participation of savings deposits and CDTs in total funds captured, which rose to 47.3% and 28.3% respectively, of the overall mix.

Deposits and Liabilities (Million pesos)	December 2010		June 2011		December 2011		June 2012	
		%		%		%		%
Checking Account	12,702,902	26.2	11,951,081	22.7	13,752,140	24.6	13,805,787	23.4
Saving Deposits	24,089,813	49.8	27,897,486	52.9	27,126,772	48.6	27,951,699	47.3
CDT	10,796,626	22.3	12,248,530	23.2	14,137,260	25.3	16,711,299	28.3
Other	828,528	1.7	613,514	1.2	843,249	1.5	608,247	1.0
Total	48,417,869	100.0	52,710,610	100.0	55,859,421	100.0	59,077,032	100.0

Balance outstanding at the end of each period

Source: Colombian Superintendency of Finance.

Past due Loan Portfolio, Loan Loss Provisions and Loan Loss Coverage Ratio

At the closing of the first semester of 2012, the loan loss coverage ratio of entities in which Grupo Aval holds direct investment was 2.2%, lower by 12 base points than the ratio registered in June, 2011 and higher by 20 basis points for the same category on December 31, 2011 (2.0%). The past due loan ratio of the overall financial system reached a level of 2.9% at June 30, 2012.

Past due loans (Million pesos)	December 2010	Ratio* %	June 2011	Ratio* %	December 2011	Ratio* %	June 2012	Ratio* %
Banco de Bogotá	497,721	2.2	480,792	1.9	438,708	1.6	525,012	1.8
Banco de Occidente	328,267	2.8	383,393	2.9	362,111	2.5	407,053	2.6
Banco Popular	209,985	2.4	216,295	2.3	209,513	2.1	260,017	2.3
Banco AV Villas	151,428	3.4	149,235	3.2	142,340	2.8	170,299	3.1
Total	1,187,401	2.5	1,229,715	2.4	1,152,672	2.0	1,362,381	2.2

* Past due loans / Gross Loan Portfolio

Source: Colombian Superintendency of Finance.

At the closing of the first semester of 2012, outstanding loan loss provisions in entities in which Grupo Aval holds direct investment grew 9.2% compared to June of 2011 and 5.7% compared to December 2011, lower than the increase posted by the gross loan portfolio of these banks.

Loan Loss Provisions (Million pesos)	December de 2010	June 2011	December de 2011	June 2012	Variation % Jun 12 Vs Jun 11	Variation % Jun 12 Vs Dic 11
Banco de Bogotá	793,117	800,920	852,821	893,513	11.6	4.8
Banco de Occidente	535,254	553,390	572,519	604,944	9.3	5.7
Banco Popular	360,141	378,287	388,562	423,215	11.9	8.9
Banco AV Villas	255,501	260,615	243,636	253,952	-2.6	4.2
Total	1,944,013	1,993,212	2,057,538	2,175,624	9.2	5.7

Balance as of the closing of the period

Source: Colombian Superintendency of Finance.

In terms of loan loss coverage ratio, Banco de Bogotá and Banco Popular continue to report ample and healthy coverage levels, 170.2% and 162.8%, respectively, higher than the 160.1% reported by the sector on June 2012.

Coverage of Overdue Receivables %*	December 2010	June 2011	December 2011	June 2012
Banco de Bogotá	159.3	166.6	194.4	170.2
Banco de Occidente	163.1	144.3	158.1	148.6
Banco Popular	171.5	174.9	185.5	162.8
Banco AV Villas	168.7	174.6	171.2	149.1
Total	163.7	162.1	178.5	159.7

* Provisions of Receivables / Overdue Receivables.

Source: Colombian Superintendency of Finance.

Total Loss Provisions

The gross expense allocated to loss reserves for the first semester of 2012 of the entities in which Grupo Aval has direct investment amounted to \$1 billion 47,309 million, as shown in the table below. In addition, recoveries, charge offs, reacquisition of securitized portfolio, earnings from sale of assets and reclassification of investments to fiduciary rights amounted to \$904,888 million. In summary, net charge in loss reserves during the first semester of 2012 was \$142,420 million, an increase of \$86,053 million when compared to net changes registered during the first semester of 2011, which was \$56,365 million.

Provisions
Changes between december 31, 2011 and june 30, 2012
 Figures in \$Million

	Banco de Bogotá	Banco de Occidente	Banco Comercial AV Villas	Banco Popular	Total
Loan Loss Provisions					
Balance at Dec. 31, 2011	852,821	572,519	243,636	388,562	2,057,538
(+) Allocation Charged to Expenses	397,019	282,348	122,849	157,847	960,063
(+) Equity Transfer Megabanco	5,486	-	-	-	5,486
(-) Recoveries	250,896	168,436	71,127	101,703	592,162
(-) Charge offs	110,917	81,487	41,406	21,491	255,301
Net change	40,692	32,425	10,316	34,653	118,086
Balance at Jun. 30/12	893,513	604,944	253,952	423,215	2,175,624
Provision for Investments					
Balance Dic. 31/11	769	-	2,110	-	2,879
(+) Allocation Charged to Expenses	37	-	79	-	116
(-) Recoveries	98	-	-	-	98
Net change	(61)	-	79	-	18
Balance at June. 30/12	708	-	2,189	-	2,897
Provision for foreclosed assets					
Balance at Dic. 31/11	56,329	17,710	7,716	28,244	109,999
(+) Allocation Charged to Expenses	6,437	2,672	684	1,432	11,225
(-) Recoveries	282	2,134	476	706	3,598
(-) Utilization for Sale of Goods	320	-	73	225	618
Net Change	5,835	538	135	501	7,009
Balance at Jun. 30/12	62,164	18,248	7,851	28,745	117,008
Provision for Accounts Receivable					
Balance at Dec. 31/11	70,701	29,340	16,358	19,946	136,345
(+) Allocation Charged to Expenses	30,931	26,389	6,668	8,197	72,185
(+) Tran Equity Transfer Megabanco	271	-	-	-	271
(-) Recoveries	11,518	11,718	3,245	5,683	32,164
(-) Charge offs	12,045	10,124	1,684	883	24,736
Net Changes	7,639	4,547	1,739	1,631	15,556
Balance at Jun. 30/12	78,340	33,887	18,097	21,577	151,901
Provision for Property, Plant and Equipment and Other					
Balance at Dec. 31, 2011	2,729	5,334	2,167	565	10,795
(+) Allocation Charged to Expenses	-	2,187	130	1,403	3,720
(-) Recoveries	-	1,459	1	-	1,460
Net Movement	-	728	129	1,403	2,260
Balance at Jun. 30/12	2,729	6,062	2,296	1,968	13,055
Provision for Other Assets under fiduciary rights					
Balance at Dec. 31/11	2,398	-	9,481	14,501	26,380
(-) Recoveries	-	-	509	-	509
Net change	-	-	(509)	-	(509)
Balance at June 30, 2012	2,398	-	8,972	14,501	25,871
Total					
Balance at Dec. 31/11	985,747	624,903	281,468	451,818	2,343,936
(+) Allocation Charged to Expenses	434,424	313,596	130,410	168,879	1,047,309
(+) Equity Transfer Megabanco	5,757	-	-	-	5,757
(-) Recoveries	262,794	183,747	75,357	108,092	629,990
(-) Charge offs	122,962	91,611	43,090	22,374	280,037
(-) Utilization Sale of Goods	320	-	73	225	618
Net Change	54,105	38,238	11,890	38,188	142,420
Balance at Jun. 30/12	1,039,852	663,141	293,358	490,006	2,486,356

Foreclosed Assets (BRPs)

During the first semester of 2012, the outstanding gross BRPs balance for entities in which Grupo Aval has direct investment, increased \$26,564 million, from \$149,278 million to \$175,843 million. Net BRPs of entities in which Grupo Aval has direct investment corresponds to 22.4% of the total for the banking system, an amount below their market share; it is worth mentioning that during the period in question, the entities made gross BRPs sales for a value of \$10,057 million.

Foreclosed Assets (BRPs)
Changes between december 31, 2011 and june 30, 2012

Figures in \$Millones

	Banco de Bogotá	Banco de Occidente	Banco Comercial AV Villas	Banco Popular	Total
GROSS BRPs					
Real Estate Holdings					
Balance at Dic. 31, 2011	61,564	22,739	11,446	31,115	126,864
(+) Assets Received	2,281	19,674	1,360	2,227	25,542
(-) Assets Sold	1,532	3,534	1,340	1,395	7,801
Net change	749	16,140	20	832	17,741
Balance at Jun. 30/12	62,313	38,879	11,466	31,947	144,605
Movable Assets and Securities					
Balance at Dec. 31, 2011	12,378	4,880	214	4,942	22,414
(+) Assets Received	9,065	1,366	3	645	11,079
(-) Assets Sold	392	1,421	-	443	2,256
Net Change	8,673	(55)	3	202	8,823
Balance at June 30, 2012	21,051	4,825	217	5,144	31,237
Total Gross Foreclosed assets					
Balance at Dic. 31, 2011	73,942	27,619	11,660	36,057	149,278
(+) Assets Received	11,346	21,040	1,363	2,872	36,621
(-) Assets Sold	1,924	4,955	1,340	1,838	10,057
Net change	9,422	16,085	23	1,034	26,564
Balance Jun. 30/12	83,364	43,704	11,683	37,091	175,842
BRP PROVISIONS					
Balance at Dec. 31, 2011	54,846	17,710	7,684	28,244	108,484
(+) Allocations charged to P & L	6,437	2,672	672	1,432	11,213
(-) Utilization for Sale of Assets	320	-	73	225	618
(-) Recoveries	281	2,134	476	706	3,597
Net changes	5,836	538	123	501	6,998
Balance at June 30, 2012	60,682	18,248	7,807	28,745	115,482
NET BRPs					
Balance at Dec. 31, 2011	19,096	9,909	3,976	7,813	40,794
(+) Net Variation- Gross Foreclosed Assets	9,422	16,085	23	1,034	26,564
(-) Net Variation BRP provisions	5,836	538	123	501	6,998
Total Net changes	3,586	15,547	(100)	533	19,566
Balance at June 30, 2012	22,682	25,456	3,876	8,346	60,360

Personnel Expenses

Consolidated personnel expenses as a percentage of consolidated gross financial margin of entities in which Grupo Aval holds direct investment in the first semester of 2012 reached 18.0%, a ratio lower than that obtained by these entities in June 2011 (18.4%), and higher than the December ratio (17.0%); the ratio for the overall financial system was 20.1% at the closing of the first semester of 2012. Personnel expenses for the entities in which Grupo Aval has direct investment, amounted to \$586,289 million during the first semester of 2012, higher than those of the first semester of 2011 at 8.5% and higher at 3.9% when compared to those of the second semester of 2011.

Personnel Expenses* (Million pesos)	2S - 2010	1S - 2011	2S - 2011	1S - 2012	Variation %	Variation %
					1S - 2012 Vs 1S - 2011	2S - 2011 Vs 1S - 2011
Banco de Bogotá	200,721	210,472	219,703	232,626	10.5	5.9
Banco de Occidente	142,147	146,404	158,272	161,845	10.5	2.3
Banco Popular	92,158	112,117	112,971	115,993	3.5	2.7
Banco AV Villas	66,500	71,237	73,213	75,824	6.4	3.6
Total	501,526	540,230	564,159	586,288	8.5	3.9
GFM	2,774,780	2,940,741	3,309,941	3,250,629		
% Personnel Expenses Vs GFM	18.1	18.4	17.0	18.0		

MFB: Gross Financial margin.

*Accumulated figures for each semester

Source: Colombian Superintendency of Finance.

Direct and Indirect Taxes and Law Contributions

During the first semester of 2012, income and complementary taxes accrued by the entities in which Grupo Aval has direct investment and their subsidiaries amounted to \$577,836 million, a figure which

represents an increase of 21.8% compared to the amount registered during the same period in 2011 (\$474,332 million) and an increase of 15.4% compared to the second semester of 2011 (\$500,653 million). The applicable Effective Tax Rate (ETR) to entities in which Grupo Aval has direct investment amounted to 28.2%, higher than the average ETR of the financial sector which for the same period, reached 24.7%.

Income Tax* And ETR (Million pesos)	2S-2010		1S-2011		2S-2011		1S-2012		Variation %	
	Income Tax	ETR %	Income Tax	ETR %	Income Tax	ETR %	Income Tax	ETR %	1S - 2011	2S - 2011
Banco de Bogotá	145,127	27.0	157,833	23.8	169,570	22.2	202,226	24.7	28.1	19.3
Banco de Occidente	71,248	26.1	70,463	24.7	61,254	21.3	98,948	30.7	40.4	61.5
Banco Popular	67,695	29.0	88,045	31.3	80,962	31.8	85,978	32.2	(2.3)	6.2
Banco AV Villas	25,442	24.5	35,659	32.2	39,254	30.4	32,863	28.8	(7.8)	(16.3)
Porvenir	43,792	34.0	43,462	36.2	43,302	36.0	54,992	34.0	26.5	27.0
Subtotal Grupo Aval Entities	353,304	27.7	395,462	27.1	394,342	25.4	475,007	28.2	20.1	20.5
Affiliates of Grupo Aval Entities**	71,092	14.3	78,870	13.3	106,311	22.4	102,828	16.6	30.4	(3.3)
Total	424,396	23.9	474,332	23.1	500,653	24.7	577,835	25.1	21.8	15.4

* Cumulative figures for each semester

** Affiliates of entities in which Grupo Aval holds direct investment include Fidubogotá, Casa de Bolsa, Corficol consolidated, Almaviva, Ventas y Servicios, Fiduoccidente, Alpopular and Fiduciaria Popular.

Also, if to the income tax and complementary are added multiple indirect taxes and other mandatory contributions, the entities in which Grupo Aval holds direct investment and its subsidiaries accrued taxes for \$928,827 million during the first semester of 2012, an increase of 13.8% compared to the same field in the first semester of 2011 (\$816,279 million), and an increase of 11.3% compared to the same field for the second semester of year 2011 (\$834,348 million). When comparing the tax figure mentioned for the first semester of 2012 with dividends paid during the same period by the entities in which Grupo Aval holds direct investment, there is an evident disproportion when we observe that during the first semester of 2012, the entities paid dividends for \$551,559 million, while they contributed \$928,827 million in taxes. In other words, during the first semester of 2012 for each peso that entities related to Grupo Aval paid to shareholders, they had to pay one peso and 68 cents to the State.

Direct and Indirect Taxes, Law Contributions*, ETR and Paid Dividends

(Million pesos)	2S - 2010		1S - 2011		2S - 2011		1S - 2012		Paid			
	Taxes (1)	ETR %	Taxes (1)	ETR %	Taxes (1)	ETR %	Taxes (1)	ETR %	Dividends (1)	Dividends		
Banco de Bogotá	235,459	37.5	188,678	283,761	35.9	211,335	300,459	33.6	234,171	343,236	35.7	247,827
Banco de Occidente	119,578	37.2	88,254	133,379	38.4	94,037	127,509	36.0	97,592	169,274	43.1	104,895
Banco Popular	108,799	39.6	76,636	133,625	40.9	84,794	136,189	44.0	86,035	136,394	43.0	87,410
Banco AV Villas	49,667	38.8	31,264	66,562	47.0	32,686	73,385	44.9	35,474	67,968	45.5	35,504
Porvenir	53,150	38.5	70,584	62,347	44.9	83,366	62,348	44.8	80,508	58,678	35.5	75,923
Subtotal Entities	566,653	38.0	455,416	679,674	38.9	506,218	699,890	37.6	533,780	775,550	39.1	551,559
Affiliates of												
Grupo Aval entities**			100,475			136,605			134,458	153,277		
Total	667,128	33.1	455,416	816,279	34.0	506,218	834,348	35.3	533,780	928,827	35.0	551,559

* accumulated figures for each semester

ETR – Effective Tax Rate- calculated as accrual of direct, indirect taxes and mandatory contributions on profits before direct taxes, indirect and mandatory contributions .

(1) Includes income and complementary tax, tax on net worth, contribution to Superintendencias Financiera y de Sociedades deposit insurance, indirect taxes and tax on financial transactions (non-deductible VAT, industry and commerce, land property, surcharges and others; 50% tax on remunerated deposit reserve requirement, Registry and Filing).

** Affiliate of the entities in which Grupo Aval holds direct investment include: Fidubogota, Casa de Bolsa, Corficol Consolidado, Almaviva, Ventas y Servicios, Fiduoccidente, Alpopular and Fiduciaria Popular.

Net Income

As a result of the above, during the first semester of 2012 entities in which Grupo Aval holds direct investment posted consolidated net earnings of \$1 billion 209,931 million (\$1 billion 103,379 million excluding Porvenir), showing an increase of 13.5% compared to \$1 billion 65,735 million during the first semester of the year 2011 (\$989,263 million excluding Porvenir) and 4.2% when compared with the \$1 billion 160,880 billion for these entities during the second semester of 2011 (\$1 billion 84,033 million excluding Porvenir).

Net Income*					Variation %	Variation %
	2S - 2010	1S - 2011	2S - 2011	1S - 2012	1S - 2012 Vs	1S - 2012 Vs
(Million pesos)					1S - 2011	2S - 2011
Banco de Bogotá	393,181	506,657	593,740	617,692	21.9	4.0
Banco de Occidente*	202,020	214,342	226,938	223,616	4.3	-1.5
Banco Popular	165,730	193,212	173,333	180,629	-6.5	4.2
Banco AV Villas	78,439	75,052	90,022	81,442	8.5	-9.5
Total sin Porvenir	839,370	989,263	1,084,033	1,103,379	11.5	1.8
Porvenir	84,966	76,472	76,847	106,552	39.3	38.7
Total con Porvenir	924,336	1,065,735	1,160,880	1,209,931	13.5	4.2

Accumulated figures for each semester
Source: Colombian Superintendency of Finance.

Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir

During the first semester of 2012, the Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir maintained its leadership in the sector of Managers of Pension Funds and Severance, and reported earnings for \$106,552 million representing the 47.6% of the total earnings obtained by the system of private managers of Pension Funds and Severance (AFP's). Additionally, by June 2012, in terms of the number of individuals affiliated to Porvenir, the company maintained its participation with 32.1% of the market of mandatory pension funds and 30.1 % of the total market of severance funds. By June, 2012 Porvenir managed funds totaling \$35 billion 449,946 million, which represents a share in the market of 27.5% and growth of 9.9% in this area vs. figures of closing of June 2011 (\$32 billion 265,408 million) and 8.6% compared to figures for December 2011 (\$32 billion 637,492 million).

Pension Fund and Severance Administration Companies Results

	Net Income		Members		Members in		Total Value	
	1S - 2012	% Total	in Mandatory	% Total	Severance	% Total	Managed	% Total
	(Million pesos)		Fund *		Fund*		Fund**	
Porvenir	106,552	47.6	3,341,474	32.1	1,804,681	30.1	35,449,946	27.5
Protección	23,857	10.7	2,246,782	21.6	1,287,082	21.5	33,641,043	26.1
Horizonte	39,370	17.6	1,846,334	17.8	1,600,293	26.7	19,331,077	15.0
Citicolfondos	27,627	12.3	1,634,313	15.7	605,186	10.1	16,933,093	13.1
ING	(472)	(0.2)	1,253,779	12.1	651,628	10.9	14,007,872	10.9
Skandia	27,000	12.1	78,003	0.7	42,178	0.7	9,640,342	7.5
Total	223,934	100.0	10,400,685	100.0	5,991,048	100.0	129,003,373	100.0

* Figures at June, 2012

** The value of the Funds managed include, Fondos de Pensiones Obligatorias, Fondos de Pensiones Voluntarias and Fondos de Cesantías.

Source: Superintendencia Financiera de Colombia y Asociación Colombiana de Fondos de Pensiones y Cesantías.

Foreseeable Evolution of Grupo Aval and its Controlled Entities

Economy

Notwithstanding the global economic crisis, the health of the financial system and related capital flow has not been seriously affected, and it is expected to keep the recovery initiated in 2011.

Development of the Company

Grupo Aval will continue to develop its strategy focused on the management of financial entities that are sector leaders in Colombia. It is specifically sought:

- To achieve sustained growth in market positioning and profitability, both domestic and international.
- Reach organic growth above the market.
- Generate value for shareholders.
- Keep a solid equity position at the entities and at Grupo Aval as a company.
- Uphold the highest levels of administrative and operational efficiency.

The different areas of Grupo Aval will continue to develop those tasks for which they are now currently responsible, as follows:

Vicepresidency of Corporate Systems

Permanent support of company activities and cooperation on projects of technological value for the Aval entities such as:

- Aval Network of Services.
- Non- banking Correspondents.
- Bank Core.
- Accounting Consolidation.
- CRM (Customer Relationship Management).
- BI(Business Intelligence).
- New solution of Credit Card and process homologation
- Collections.
- Transactional Internet.
- Portals for Internet and Intranet.
- Cash Management.
- Telecommunications.
- Process Automation.
- Computer Security.
- Systems Management.
- Management of Technological Infrastructure.
- Backup Computer Centers.
- Integration of Technological Architecture by Services.
- Management of technological projects and technological support
- Training.
- Corporate negotiations with Suppliers.

Vicepresidency - Risk

- Development of tools to enable establishing the appropriate level of profitability of the loan portfolio, the appropriate structure for significant credit operations and the identification of concentrations in economic groups and sectors of the economy;
- Support in the area of operational risk (SARO, SARLAFT, PCN) in order to unify efforts, identify best practices, and achieve scale economies.
- Development of tools allowing for evaluation of aggregate risk of market and liquidity.

Vicepresidency - Financial

Planning and monitoring of financial results of entities, recommending strategies and evaluating their performance.

Vicepresidency - Accounting Consolidation

- Quality assurance in the process of consolidation of Grupo Aval and its direct and indirect affiliates.
- Stabilization of corporate accounting consolidation system.
- Stabilization of the system of accounting for the holding company.
- Implementation of best practices in the preparation of reports for the most significant investments of Grupo Aval and the financial statements of the company

Corporate Comptroller

The Corporate Comptroller will continue with the implementation of the plan of auditing visits during the second semester of 2012. Also, pursue of follow-up activities verifying the implementation of the action plans proposed by the entities. Similarly, the Comptroller will issue to Group entities, good practices and guidelines deemed relevant, in relation to the issues of information security, audit and control.

Internal Audit

During the second semester of 2012, the Internal Audit Department will continue evaluating the entity's internal Control, measuring the effectiveness of the controls defined by the Administration, in each relevant process.

Moreover, it will continue reviewing compliance with policies defined by top management and the legal rules that apply, as well as the risk management process.

In addition, it will continue follow up on improvement plans proposed by the owners of processes, as a result of reports made and issued by this Audit.

Operations with Partners and Administrators

Operations carried out by Grupo Aval with its partners and administrators are properly specified in Note 24 of the financial statements.

Risks Faced by Grupo Aval

- **Domestic Macroeconomic Environment:** The context in which Grupo Aval operates depends upon the macroeconomic adjustments designed by the national Government and its effects on the fiscal sustainability of the country.
- **Regulatory changes:** the continuous regulatory changes by different authorities of supervision and control, taxation and accounting, will continue affecting the expected returns of Grupo Aval and its subsidiaries.
- **Market risk:** the market volatility directly affects the price of the portfolios of Grupo Aval and its affiliates.
- **External macroeconomic environment:** the perception of other economies over the Colombian economy directly affects the price of negotiation of the Colombian securities, the rates that the Government must apply and potentially the value of the investment portfolios of the entities and the funds of the pension and severance fund manager, Administradora de Pensiones y Cesantías.

Evolution of Share Price

Between December 2011 and June 2012, the share price moved from \$1,250 to \$1,140 a decrease of 8.8%. In the same period the IGBC rose 5.9%.

Important Post- Closing Events

Relevant events that have occurred are evidenced in note 33 of the individual financial statements which took place subsequent to June 30, 2012.

Statement of Compliance with Rules of Intellectual Property and Copyright

Pursuant to paragraph 4 of article 47 of Act 222, 1995, added by Act 603, 2000, Grupo Aval has fully applied the rules on intellectual property and copyright. Products and programs with copyright are duly licensed.

Regarding the legal status of the entity, its business and operations have been developed within the legal and statutory parameters, as well as in compliance with the principles of corporate governance adopted by the Company. Also, the Administration considers that in relation to ongoing proceedings against the company, it is not required the allocation of reserves.

Finally, I would like to acknowledge and thank the continued and dedicated efforts of all employees of Grupo Aval and its subordinates, without whom, it would not have been possible to achieve the results of this semester.

Yours very truly,

Luis Carlos Sarmiento Gutiérrez
President - Grupo Aval Acciones y Valores S.A.

This report has been accepted by the Board of Directors of Grupo Aval for its submission to the General Shareholders Meeting.

ANNEX No. 1

Main Regulatory Measures

During the first semester of 2012, were issued several regulations relevant to Grupo Aval Acciones y Valores and its subordinates, among which we highlight the following:

Laws

Law 1527, 2012: "Which sets out a general framework for clearance (bill of exchange) or direct discount and enacting other provisions"

The law establishes rules relating to the acquisition of products and financial services or goods and services of any kind through clearance, such as:

1. There should be an express and irrevocable authorization of discounts by whoever acquires goods or services through the clearance.
2. The rate of interest agreed can only be modified by novation, refinancing or by changes in the labor situation of the debtor, and with the express consent of the debtor.
3. The wager or pensioner cannot receive less than 50% net of his/her salary or pension, after the legal discounts.
4. The Colombian Superintendency of Finance, of Companies and Solidarity Economy must have an information portal on the internet that will allow comparison of the rates of funding from institutions that offer loans through clearance.

Law 1555, 2012 (although enacted in the month of July; it is included given its importance): "Whereby it is allowed to financial consumers the advance payment in credit operations and enacts other provisions":

Prepayment of credit in national currency operations is authorized by this Act for balances not exceeding the 800 smlmv, without any penalty. Additionally, it is pointed out that when partial payments are made the debtor shall have the right to decide if the payment is to be applied to capital with decrease in term or to capital decrease in the value of the installment. The benefits of the law only cover loans granted from the entry into force of the same.

Decrees

Ministry of Hacienda y Crédito Público

Decree 709 of April 10, 2012: "Amending the regime of investment of compulsory pension and severance funds resources established in title 12 of book 6 of part 2 of the Decree 2555 of 2010 and enacting other provisions":

It points out among others:

- * That limit applicable to the short-term operations on foreign currencies carried out by compulsory pension funds falls only upon dollars of the United States of America. The Financial Superintendent's Office will determine the value of the Fund to be taken into account for the purpose of calculation of the limit.
- * Empowers the assemblies of investors to determine a period exceeding 6 months for the realization of the underlying assets in the settlement of the collective portfolios.

Decree 947 of May 8, 2012: "which added Decree 2555, 2010, in the sense of authorizing investment in companies incorporated as operators of databases of financial, credit, trade, information services and from third countries".

Authorization is given to credit establishments, financial services companies and capitalization companies, to acquire shares in technical or administrative services societies constituted as operators of databases of financial, credit, trade, information services and from third countries referred to in Act 1266, 2008 (law of habeas data).

Ministry of Minas y Energia

Decree 51 of January 13, 2012: "establishing the procedure for distribution of financial returns generated by royalties and compensation".

The decree clearly establishes clearly in favor of who should be charged returns that generate resources drawn on account of royalties and compensation, as well as the procedure for the distribution.

Ministry of Vivienda, Ciudad y Territorio

Decree 391 of February 16, 2012: "which regulates the family housing subsidy applied to lease contracts earmarked for the acquisition of family housing and other provisions".

Sets the family housing subsidy in leasing contracts and is designated the procedure and the requirements that must be met for access

Colombian Superintendency of Finance

External memorandum 1 of 2012 (modified by external memo 14 of 2012): "Exercise of political rights of the AFP in recipients of funds of mandatory pension and severance Fund investments".

Sets the minimum content that must contain the "policy of exercise of political rights" to be followed by AFP at the time of exercising the political rights in recipients of investments.

Some of the minimum requirements set out in the Circular are:

- * The adoption of the Politics of exercise of Political Rights" corresponds to the Board of Directors of the AFP.
- * Representatives of the AFP for the exercise of their political rights must be persons of acknowledged responsibility and fitness.
- * When at the meeting of the General Assembly of shareholders, an issuer of AFP votes in a manner contrary to the majority, he/she must justify your vote.
- * In the policy it must be pointed out the criteria which AFP will take into account the AFP vote for candidates to the position of Member of Board of Directors and Auditor of the entity receiving the investment of the AFP. It shall be taken into account, as a minimum, qualifications, experience and independence (the AFP should establish a maximum number of times that they will support the re-election of an independent member of the Board of Directors).

External memorandum 4 2012: "Reports of periodic and relevant information".

Are shown in instructions only the rules contained in external memo 003 of 2003 on basic information of issuers update through Internet, 003 information report 2007 on periodic and relevant and 020 2011 on remission of financial reporting by issuers of securities listed on the National Register of Securities and Issuers (RNVE), and enacts new provisions related to disclosure of information by such issuers.

External memorandum 6 2012: "Creation of the sixteenth chapter of the Title One of the basic legal Circular of the Superintendencia Financiera of Colombia, related to the supply of prices for valuation of investments of the supervised entities".

The memorandum points out that the "standard and professional rendering of the service of calculation, determination and supply or provision of information for the evaluation of investments, as well as the creation and issuance of the methodologies of assessment and valuation systems regulations, are exclusive activities of providers of prices for valuation organized in Colombia. They will be responsible for providing the information to entities subject to inspection and supervision by the Superintendency.

Financial Colombia must value its investments, in accordance with the provisions of article 2.16.1.1.2 of Decree 2555 of 2010 and the provisions of sets out the parameters that entities subject to inspection and supervision of the Financial Superintendent for the valuation of its investments should be followed.

External memorandum 12, 2012: "Instructions related to the rules and principles that must be observed for fixation, broadcasting and advertising rates and prices of products and financial services".

This Circular is addressed to the legal representatives of credit institutions, establishes certain rules and principles to be observed by the establishments of credit for fixation, broadcasting and advertising rates and prices of products and financial services.

External memorandum 13, 2012: "adds numeral 3 to chapter II of title IV and modifies the sub-numeral 3.3 of chapter II of title VI of the basic legal Circular in relation to new types of pension".

Through the Memorandum, whose recipients are the legal revisers and legal representatives of insurance companies life and societies administering pension funds and severance pay, the following types of pension are authorized:

- Temporary income with certain deferred annuity.
- Temporary income with deferred life annuity.
- Retirement scheduled without negotiation of pension bonus.
- Temporary income with immediate life annuity.

External memorandum 21 of 2012: "Special rules for managing credit risk on loans granted to the victims referred to in the Act 1448 of 2011, in accordance with the provisions of article 128 thereof".

The memorandum establishes instructions relating to the category of special risks applied to victims of the internal armed conflict that are registered in the "Unique log of victims" considered in Act 1448 2011.

External memorandum 22 2012: "Exercise of social rights by foreign investors in local securities inscribed in the national registry of securities and issuers - RNVE".

Through this memorandum the Financial Superintendent's Office gave instructions about the exercise of social rights embodied in local values of foreign investors that are listed in account without disaggregation at the level of final beneficiary in local repository, under the terms of the Decree 2555 of 2010. The given instructions include rules related to call the meetings of the General Assembly of shareholders of issuers, and with participation and vote on foreign investors in these meetings.

External memorandum 24 of 2012: "Modification to Chapter Three of title IV of the basic legal Circular of strategic asset allocation and investment policy".

Chapter Three of title IV of the legal basic Circular is amended "to include elements relating to conflicts of interest within the minimum content of the investment policies of the resources of the compulsory pension and severance funds administered by the Pension Fund and Severance Administration Companies provided for in paragraph 3.1.1 Literal I of the mentioned chapter".

External memorandum 26 in 2012: "Constitution of an additional individual reserve on the portfolio of consumption".

By means of this Circular, the Colombian Superintendency of Finance orders credit establishments and the Fondo Nacional del Ahorro the creation, on a temporary basis, of an additional individual provision consumer portfolio.

Circular letter 14, 2012: "request for information on progress in the process of convergence towards international norms of financial reporting and accounting (IFRS / IAS) and the impact thereof".

Through this Circular, the Colombian Superintendency of Finance delivered to the legal representatives and auditors of the entities subject to its supervision and the issuers of securities registered in the national registry of securities and issuers - RNVE, a survey aimed at was to analyzing the advance of such entities in the implementation of the International Reporting Standards of Financial Information (IFRS) and Accounting Reporting Standards accounting (IAS).

Circular letter 22, 2012: "Corporate best practice 2011 survey".

By this Circular letter, the Financial Superintendent's Office informed the legal representatives of issuers of securities terms, instructions and recommendations for broadcasting of the Encuesta Código País which seeks to inquire about the adoption of the recommendations of the "code of best corporate practices of Colombia"

Circular letter 44, 2012: "Process of convergence towards international standards of accounting and financial reporting (IAS/IFRS) and standards of auditing and assurance of financial reporting (NIA)".

There are instructions to legal representatives, members of Board of Directors and Auditors of the entities supervised by the Colombian Superintendency of Finance on the procedure of convergence to IFRS, IAS and the NIA (international Standards of Information Assurance). The procedure shall apply differentially depending on the nature of the entity that will implement the international standards.

Gráficos

Financial Entities Subordinated to Grupo Aval

Evolution of Total Assets

Market Share - Total Assets

Evolution of Net Receivables

Market Share – Net Receivables

Evolution of Quality of Receivables

Evolution of Deposits and Liabilities

Market Share – Deposits and Liabilities

Evolution of Shareholder´s Equity

Evolution of Net Annual Earnings

Share of Annual Net Earnings with the Sector

Grupo Aval

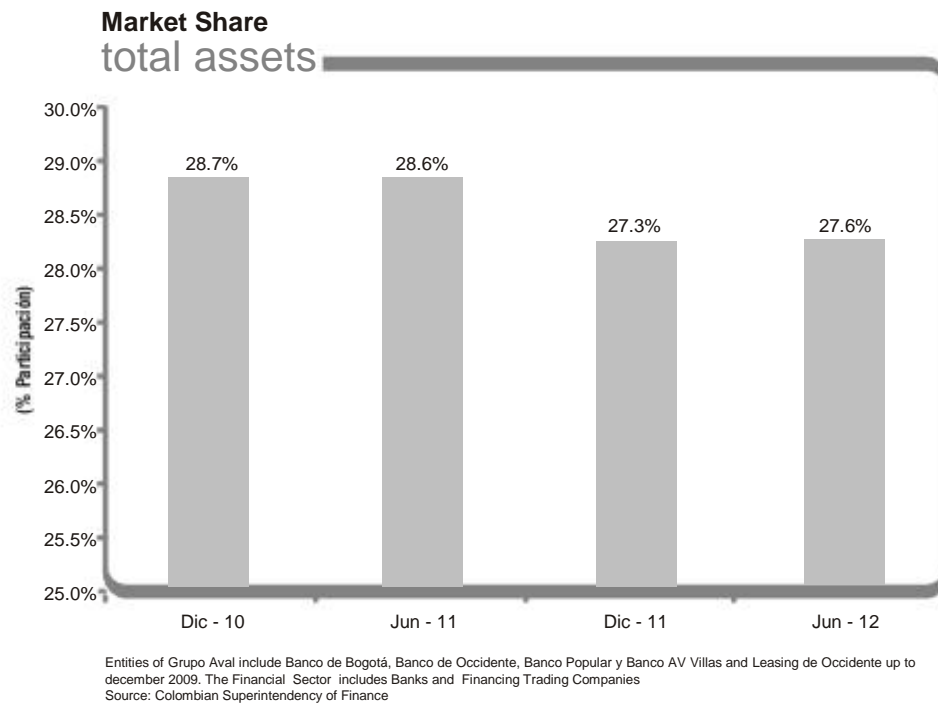
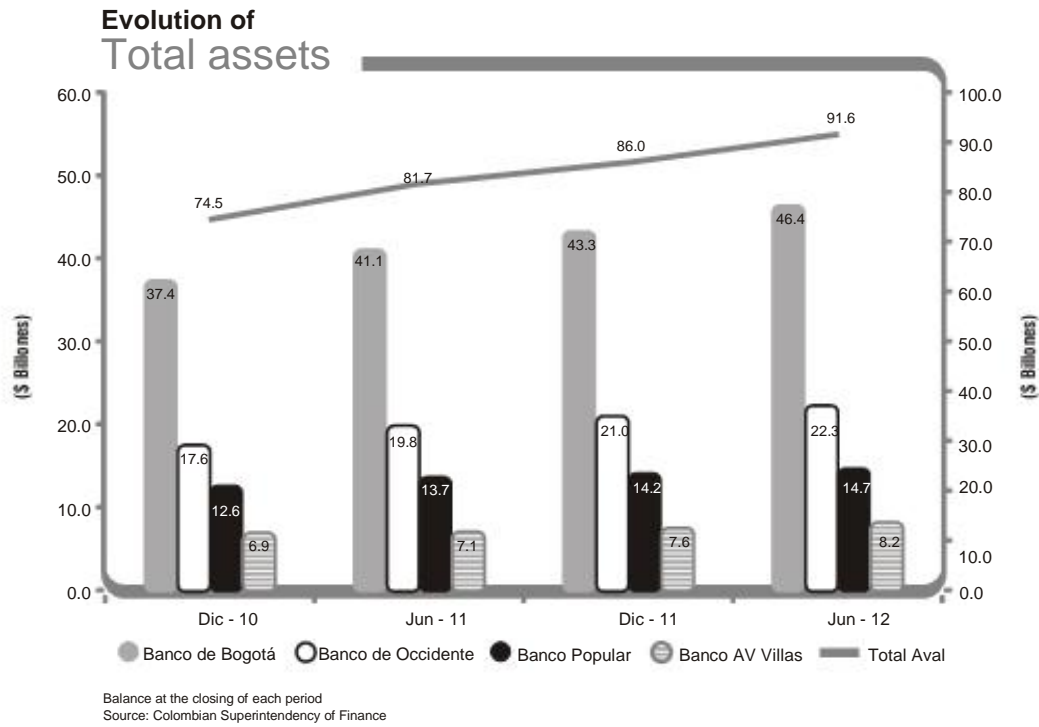
Total Assets

Total Liabilities

Total Equity Shareholder´s

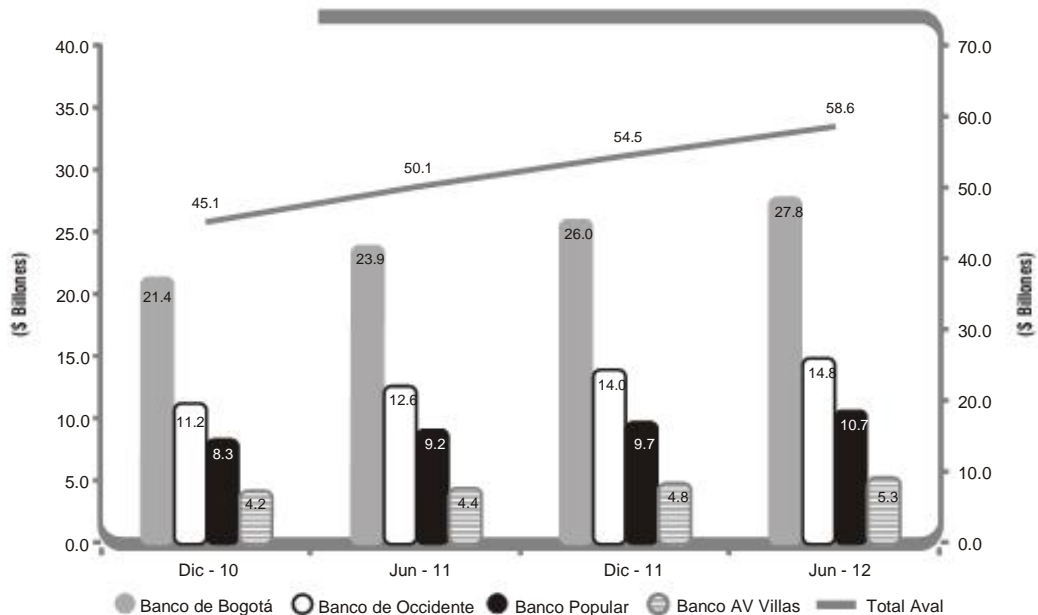
Annual Earnings

Financial Entities Subordinated to Grupo Aval



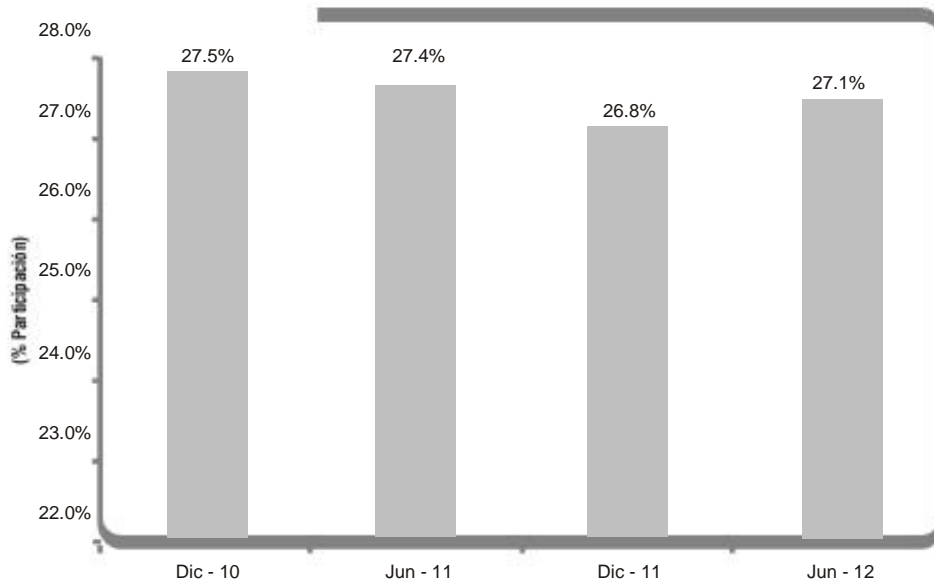
Financial Entities Subordinated to Grupo Aval

Evolution of Net receivables



Net Receivables = Gross Receivables - Reserves.
Balance at the closing of each period
Source: Colombian Superintendency of Finance

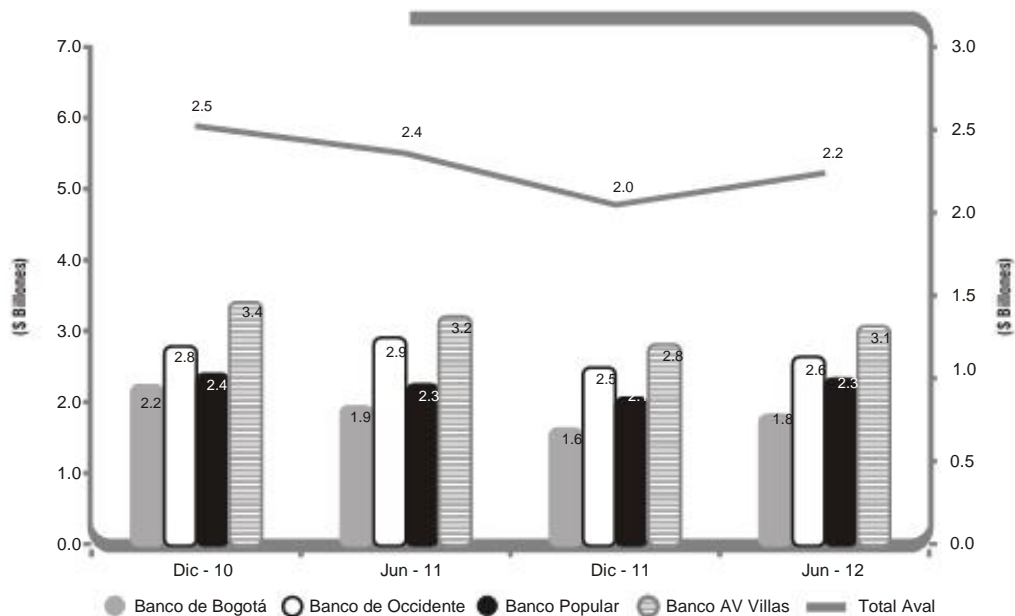
Share of the Market Net receivables



Net Receivables = Gross Receivables - Reserves.
Balance at the closing of each period
Source: Colombian Superintendency of Finance

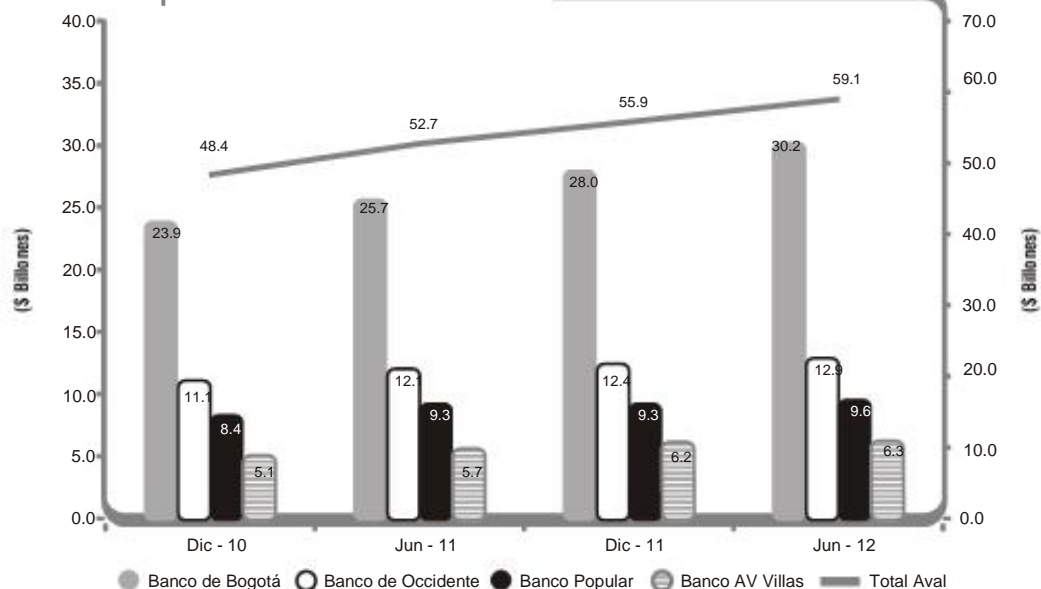
Financial Entities Subordinated to Grupo Aval

Evolution of Quality of receivables



Quality of receivables = Overdue receivables / Gross receivables
Source: Colombian Superintendency of Finance

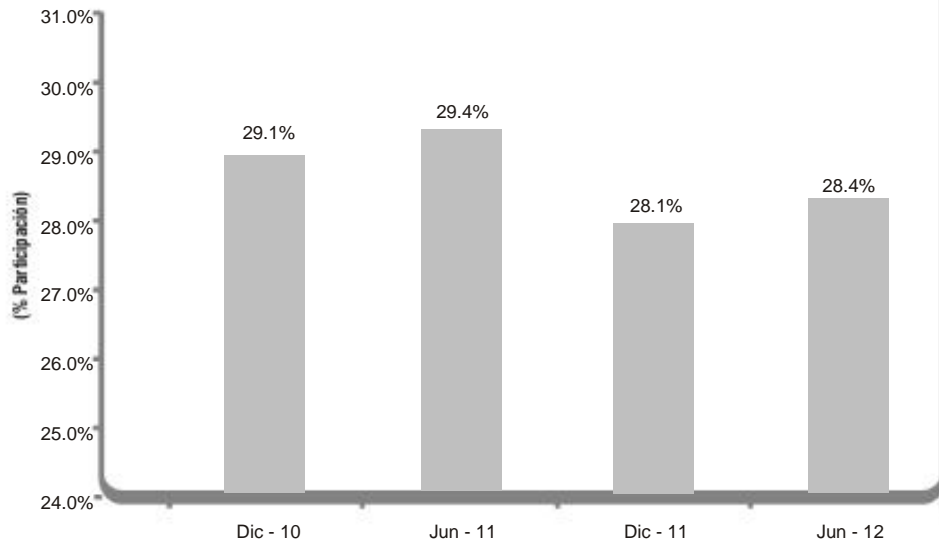
Evolution of Deposits and liabilities



Balances at the closing of each period
Source: Colombian Superintendency of Finance

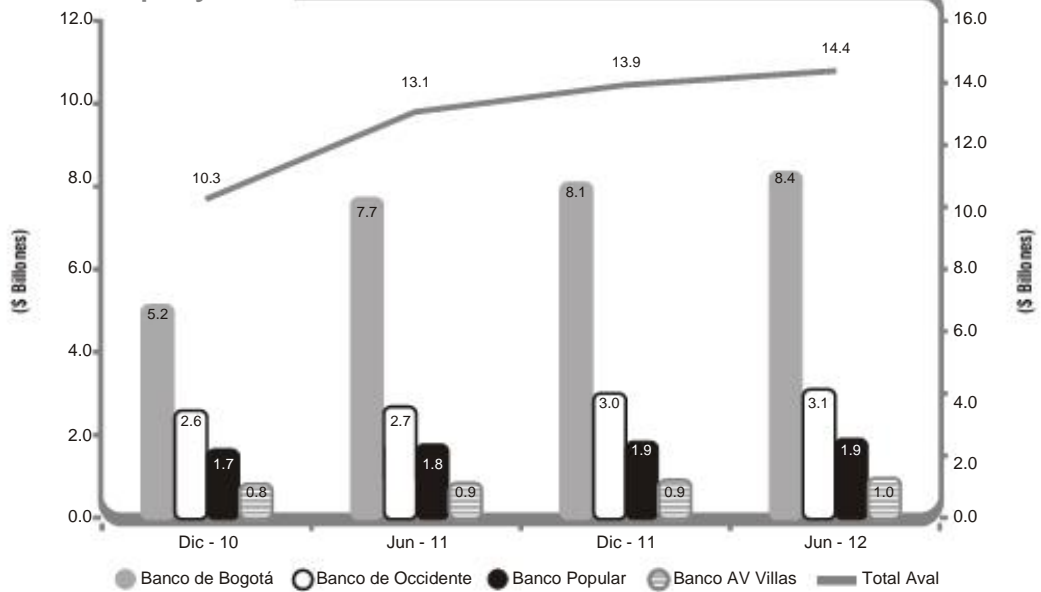
Financial Entities Subordinated to Grupo Aval

Market Share Deposits and liabilities



The entities of Grupo Aval include Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas.
The Financial Sector includes banks and Financial Trading Companies.
Include: Checking Saving Accounts, CDTs and other deposits and liabilities.
Source: Colombian Superintendency of Finance

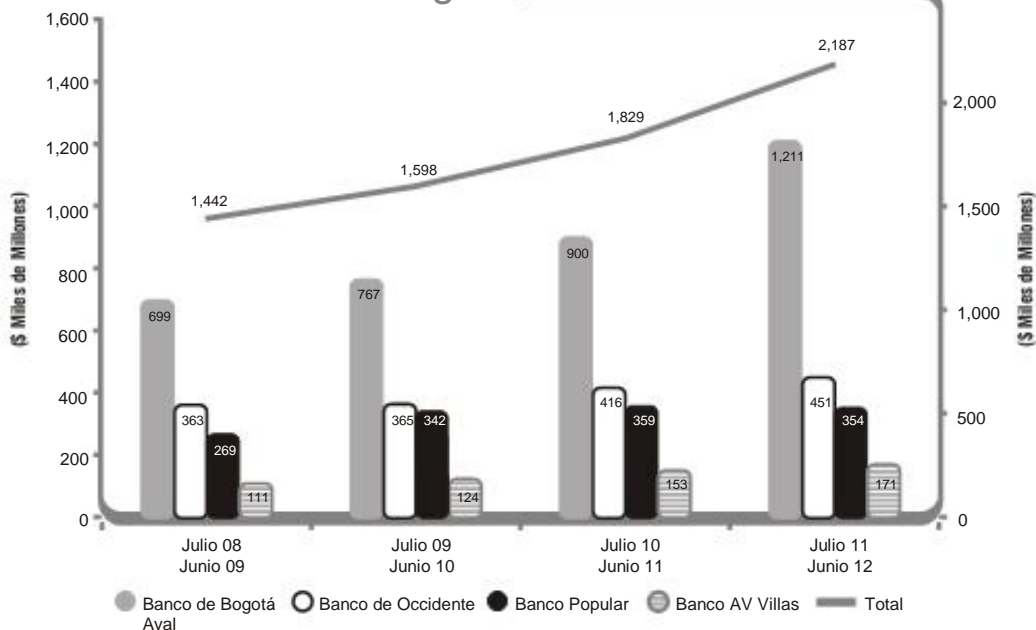
Evolution of Equity



Balances at the closing of each period.
Source: Colombian Superintendency of Finance

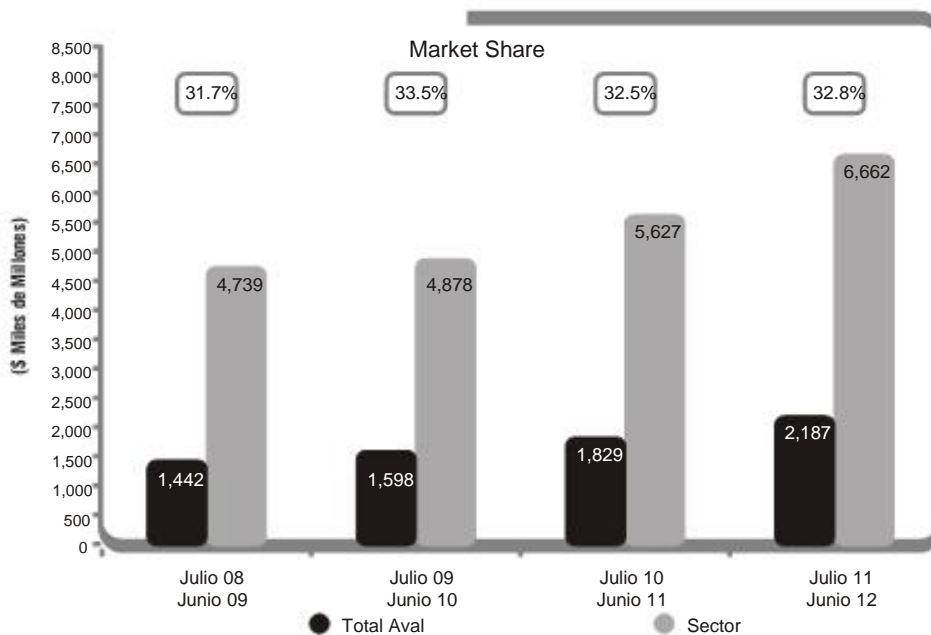
Financial Entities Subordinated to Grupo Aval

Evolution of Annual net earnings



Accumulate earnings for prices indicated.
Source: Colombian Superintendency of Finance

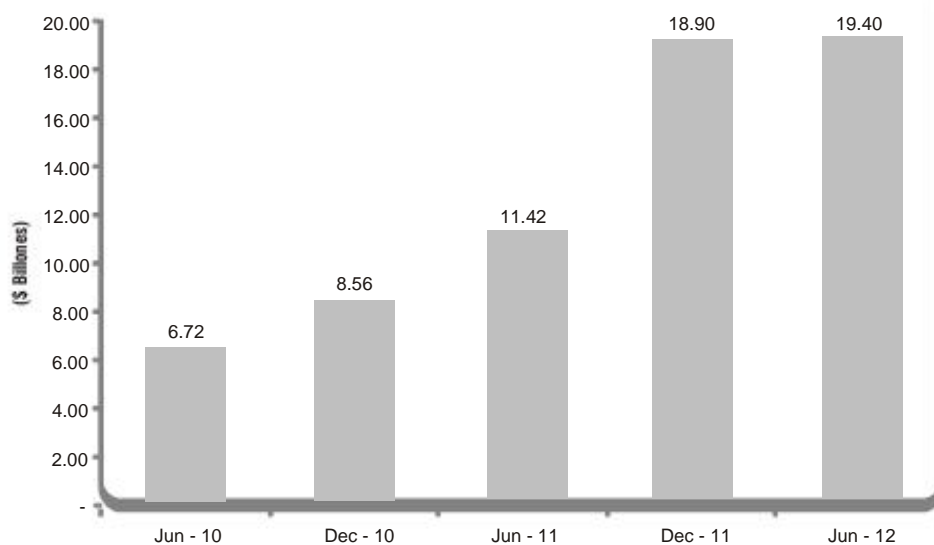
Share of net annual Earnings with the sector



Accumulated earnings for the periods indicated
The Financial Sector includes banks and Financial Trading Companies
Source: Colombian Superintendency of Finance

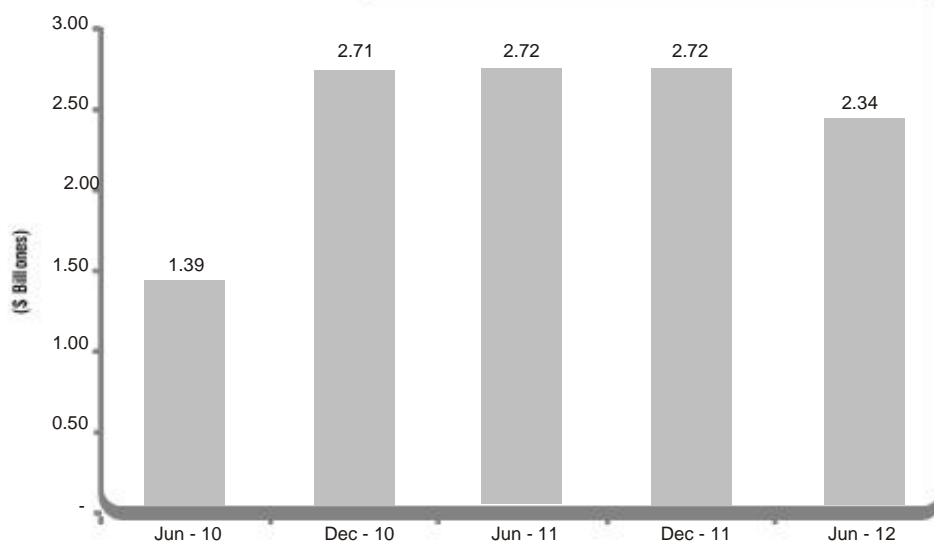
Grupo Aval

Total Assets



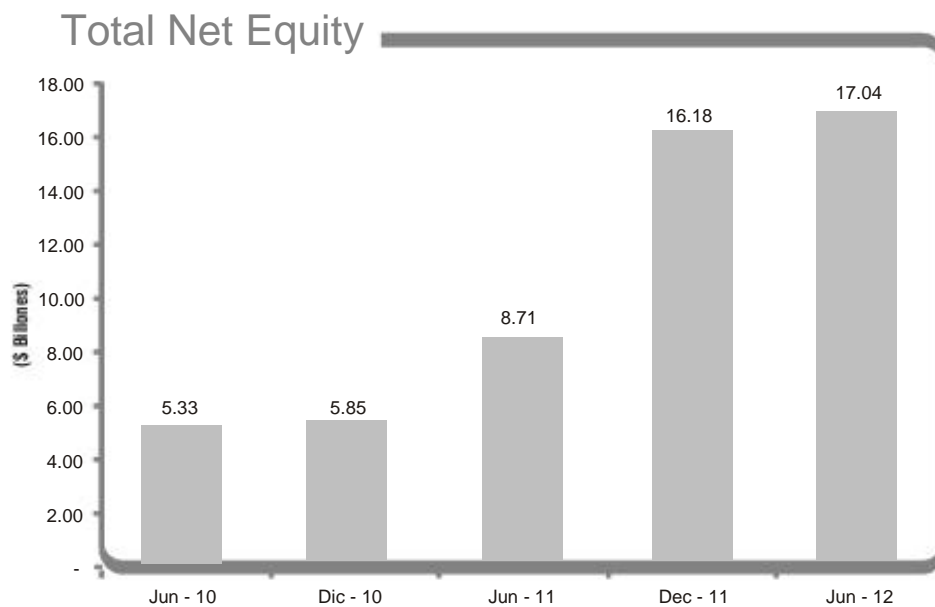
Source: Grupo Aval Acciones y Valores S.A.

Total Liabilities

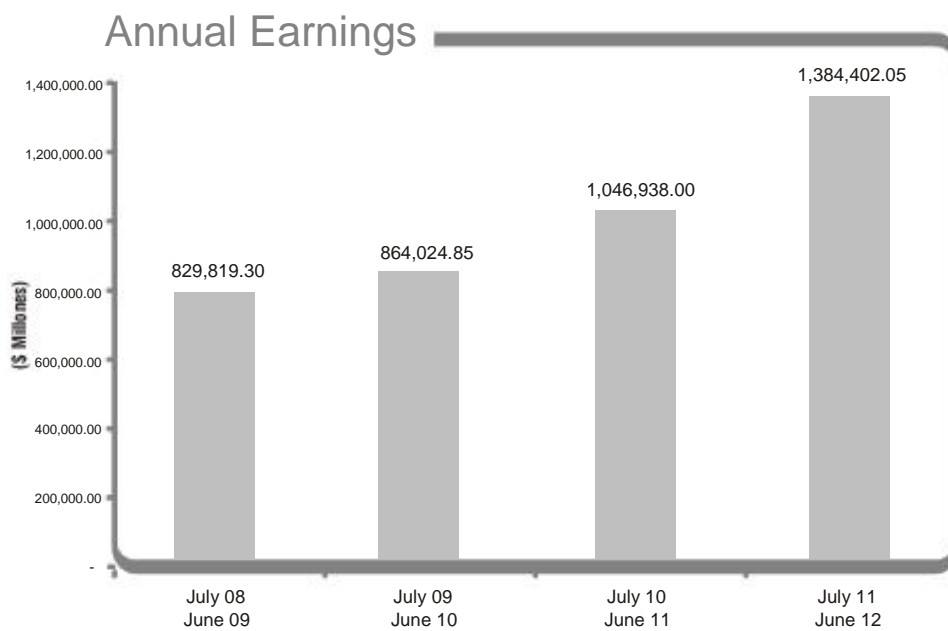


Source: Grupo Aval Acciones y Valores S.A.

Grupo Aval



Source: Grupo Aval Acciones y Valores S.A.



Fuente: Grupo Aval Acciones y Valores S.A.

Individual Financial Statements

June 30, 2012 and December 31, 2011
with the Report of the Auditor

Report of the Auditor



Dear Shareholders
Grupo Aval Acciones y Valores S.A.

I have audited the individual balance sheet of Grupo Aval Acciones y Valores S.A. at December 31, 2011 and June 30, 2012 and corresponding individual statements of results, changes in equity, changes in the financial position and cash flows, the summary of significant accounting policies and other explanatory notes, for the semesters ended on those dates.

The Administration is responsible for the proper preparation and presentation of these financial statements in accordance with accounting principles generally accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements free from errors of material importance, whether due to fraud or error; selecting and applying appropriate accounting policies as well as establish reasonable accounting estimates under the circumstances thereat.

My responsibility is to express an opinion on the financial statements based on my audits. I got the information needed to fulfill my duties and conducted my examination in accordance with auditing standards generally accepted in Colombia. Those standards require that I comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether financial statements are free of material significant errors.

An audit includes application procedures to obtain evidence about the amounts and disclosures in the individual financial statements. The procedures selected depend on the criterion of the Fiscal Auditor, including the assessment of the risk of material importance in the individual financial statements. In this risk assessment, the Auditor takes into account the internal control relevant to the preparation and presentation of financial statements, in order to design audit procedures appropriate for the circumstances. An audit also includes evaluating the use of appropriate accounting policies and the reasonableness of balances and the accounting estimates carried out by the Administration, as well as assess the presentation of the financial statements in general. I consider that the evidence of audit which I obtained provides a reasonable basis to substantiate the view that I express below.

In my opinion, the individual financial statements mentioned, faithfully taken from books and attached to this report, reasonably present, in all aspects of material importance, the individual financial position of Grupo Aval Acciones y Valores S.A. on June 30, 2012 and 31 December 2011, the individual results of its operations, the individual changes in the financial situation and the individual cash flows for the semesters ended on those dates in accordance with accounting principles generally accepted in Colombia, applied in a uniform manner.

Without qualifying my opinion, I call attention to note 5 of the financial statements. On January 23, 2012 it was created Grupo Aval Limited as a subsidiary in the Cayman Islands. The participation of Grupo Aval Acciones y Valores S.A., in Grupo Aval Limited at June 30, 2012 is 100%.

Based on the results of my tests, in my opinion:

- a) The Accounting of Grupo Aval Acciones y Valores S.A. has been conducted pursuant to legal regulations and accounting technique.
- b) The operations registered in the books and the acts of the administrators conform to the statutes and to the decisions of the General Assembly of Shareholders.
- c) Correspondence, receipts for the accounts and the books of minutes and registry of shares are properly maintained.
- d) There are adequate measures of internal control, of conservation and custody of the goods of Grupo Aval Acciones y Valores S. A-., and of those of third parties in its possession.
- e) It has been complied with rules and instructions of the Superintendencia Financiera de Colombia related to the comprehensive system of prevention of money laundering - SIPLA in regards to Grupo Aval Acciones y Valores S.A.
- f) The information contained in the declarations of self-liquidations contributions to the system of Comprehensive Social Security, in particular that relating to affiliates and their basic earnings for contribution, has been taken from records and accounting support. Grupo Aval Acciones y Valores S.A. is not in default on account of contributions to the Comprehensive Social Security System.
- g) There is consistency between the accompanying financial statements and the management report prepared by the administrators.

Lida Marcela Herrera Vargas
Fiscal Auditor of Grupo Aval Acciones y Valores S.A.
T. P. 106.020 - T
Member of KPMG Ltda.

September 5, 2012

Individual General Balance Sheets
June 30, 2012 and December 31, 2011
(Figures in Million pesos)

Assets	June 30	December 31
Current Assets:		
Available (notes 3 and 24)	\$ 1,079,732	1,589,890
Negotiable investments, net (note 4)	1,832	104
Short Term Debtors (notes 6 and 24)	169,667	171,861
Deferred charges, net (note 9)	<u>22,397</u>	<u>23,182</u>
Total current assets	1,273,628	1,785,037
Permanent investments, net (notes 5 and 24)	9,508,186	9,694,709
Property, plant and equipment, net (note 7)	500	444
Intangibles, net (notes 8 and 24)	417,954	423,506
Deferred charges, net(note 9)	571	11,294
Valuations (notes 10 and 23)	8,172,547	6,982,266
Total Assets	\$ <u>19,373,386</u>	<u>18,897,256</u>
Debtor Memorandum accounts:		
Tax Debtors (note 28)	11,593,647	10,805,888
Control debtors (note 29)	962,290	885,367
Contingent creditors per contra	1,070,760	-
Control creditors per contra (note 29)	875,225	875,225
Tax creditors per contra (nota 29)	<u>11,917,482</u>	<u>11,092,815</u>
Total memo accounts	\$ <u>26,419,404</u>	<u>23,659,295</u>

See notes accompanying financial statements

Liabilities and Shareholder's Equity	June 30	December 31
Liabilities:		
Current Liabilities:		
Financial Obligations (notes 11 and 24) \$	84,595	32,737
Suppliers (note 12)	62	501
Accounts Payable (notes 13 and 24)	290,524	289,532
Taxes, fees and charges (note 14)	14,177	13,533
Labor Obligations (note 15)	714	916
Estimated Liabilities and Provisions (note 16)	7,368	-
Other liabilities (note 17)	2,105	2,655
Outstanding Bonds (note 18)	<u>125,750</u>	<u>220,450</u>
Total current liabilities	525,295	560,324
Tax Equity (note 14)	17,196	22,928
Financial Obligations (notes 11 and 24)	1,069,155	1,411,384
Outstanding Bonds (note 18)	<u>724,250</u>	<u>724,250</u>
Total Liabilities	<u>2,335,896</u>	<u>2,718,886</u>
Shareholder's Equity:		
Social Capital (nota 19)	18,552	18,552
Capital surplus (notes 20 and 24)	4,780,564	5,433,581
Reserves (note 21)	2,468,028	2,201,184
Revaluation of Equity (note 22)	875,225	875,225
Profits for the Period	722,574	667,562
Valuation of investments (notes 10 and 23)	<u>8,172,547</u>	<u>6,982,266</u>
Total Shareholder's Equity	<u>17,037,490</u>	<u>16,178,370</u>
Total Liabilities and Equity	\$ <u>19,373,386</u>	<u>18,897,256</u>
Memo accounts - credit:		
Tax debtor per contra (note 28)	11,593,647	10,805,888
Control debtors per contra (note 29)	962,290	885,367
Contingency creditors	1,070,760	-
Control creditors (nota 29)	875,225	875,225
Tax creditors (note 29)	<u>11,917,482</u>	<u>11,092,815</u>
Total memo accounts	\$ <u>26,419,404</u>	<u>23,659,295</u>

LUIS CARLOS SARMIENTO GUTIÉRREZ
President

MARÍA EDITH GONZÁLEZ FLÓREZ
Accountant
T. P. 13.083-T

LIDA MARCELA HERRERA VARGAS
Fiscal Auditor
T. P. 106.020-T
Member of KPMG Ltda.
(Please refer to my opinion of september 5, 2012)

Individual Income Statement
Semesters Ending June 30, 2012 and December 31, 2011
(Figures in million pesos, except earnings per share)

	June 30	December 31
Operating Income (notes 24 and 25)		
Interest (note 24)	\$ 36,220	40,202
Financial Income	145	7
Income equity method, net (notes 5 and 24)	825,729	757,880
Recoveries for equity changes (notes 5 and 24)	<u>18,069</u>	<u>23,303</u>
Total Operating Income	880,163	821,392
Loss in participation method for equity changes (notes 5 and 24)	<u>35,319</u>	<u>21,331</u>
Gross Profit	844,844	800,061
Operating expenses - administration and sales (notes 24 and 25):		
Personnel expenses	9,901	9,205
Fees	8,567	7,820
Taxes:		
Industry and Trade	5,128	4,393
Levy on financial transactions	3,667	2,653
Discountable Sales tax	1,127	3,189
Rentals (note 24)	360	356
Contributions and memberships	151	148
Insurance	4	1
Services	593	626
Legal expenses	8	42
Maintenance and repairs	29	99
Adaptation and installation	8	5
Travel expenses	123	117
Depreciations	91	71
Amortization of intangibles (notes 8 and 24)	5,552	6,341
Amortization of deferred assets (note 9)	11,619	11,562
Reserve for negotiable investments (note 4)	3	3
Operating expenses of sales	563	1,491
Various	214	139
Total operating expenses - administration and sales	47,708	48,261
Earnings from operations	797,136	751,800
Non -Operating Income (notes 24 and 26)		
Exchange difference	57	21
Fees	21,938	10,626
Services	2	2
Appropriations	0	2
Recoveries	<u>119</u>	<u>16</u>
	22,116	10,667
Non - operating income (notes 24 y 26)		
Financial expenses	90,590	91,029
Various	<u>52</u>	<u>30</u>
	90,642	91,059
Non - operational result, net	<u>(68,526)</u>	<u>(80,392)</u>
Income before Income Taxes	728,610	671,408
Income tax and complementary (note 27)	<u>(6,036)</u>	<u>(3,846)</u>
Profit for the period	\$ 722,574	667,562
Earnings per share (in pesos) (note 32)	\$ 38.95	36.80

Please refer to attached notes to the financial reports

LUIS CARLOS SARMIENTO GUTIÉRREZ
President

MARÍA EDITH GONZÁLEZ FLÓREZ
Accountant
T. P. 13.083-T

LIDA MARCELA HERRERA VARGAS
Fiscal Auditor
T. P. 106.020-T
Member of KPMG Ltda.
(See my opinion of september 5 2012)

Statement of Changes in Individual Shareholder's Equity

Semesters Ending June 30, 2012 and December 31, 2011

(Figures in million pesos, except for the value of shares)

		Capital Surplus			Reserves		Revaluation of Equity	Earnings of Period	Valuations	Shareholder's Equity
		Social Capital	Premium in share allocation	Participation Method	Legal	Occasional				
Balance as of June 30, 2011	\$	17,617	2,973,531	1,724,204	6,972	1,994,404	875,225	582,658	532,428	8,707,039
Constitution of reserve for future distributions						582,658		(582,658)		-
Return to occasional reserves of dividends decreed in the first semester of 2011 when were taken resources for the payment of the cash dividends of \$3.25 per share, thus:										
(i) for the month of June 2011 corresponding to 2,073,115,007 shares with preferential dividend and without voting rights and (ii) for the months of July, August and September corresponding to three shares with preferential dividends and without the right to vote, not issued						6,738				6,738
To distribute a cash dividend of \$3.50 per share and per month during the months of October 2011 through March 2012, both months included, on 17,617,097,327 ordinary and preferential stock subscribed						(369,959)				(369,959)
Increase of legal reserve to distribute a cash dividend of \$3.50 per share and per month on 934,669,126 preferential shares on occasion of the reorganization in which Grupo Aval participated as beneficiary, during the months of October 2011 through March 2012, both months included						(19,629)				(19,629)
Issue of 934,669,126 shares in the process of reorganization in which Grupo Aval Acciones y Valores S.A. delivered to Inversiones Escorial S.A. y Popular Securies S.A. 934,669,126 preferential shares (note 5)		935	697,521							698,456
Use of the method of participation				38,325						38,325
Valuation of investments (notes 5 and 10)								6,449,838	6,449,838	6,449,838
Profits for the period							667,562			667,562
Balance as of December 31, 2011	\$	18,552	3,671,052	1,762,529	6,972	2,194,212	875,225	667,562	6,982,266	16,178,370
Constitution of reserve for future distribution						667,562		(667,562)		-
To distribute a dividend of \$3.60 per share and during the months of April through September 2012 both months included on 18,551,766,453 ordinary and preferential shares subscribed.						(400,718)				(400,718)
Sale of shares on behalf of Grupo Aval through Casa de Bolsa			602							602
Execution of guarantees of shares			13							13
Use of the method of participation				(653,632)						(653,632)
Appreciation of investments (notes 5 and 10)								1,190,281	1,190,281	1,190,281
Earnings for the period							722,574			722,574
Balance as of June 30, 2012	\$	18,552	3,671,667	1,108,897	6,972	2,461,056	875,225	722,574	8,172,547	17,037,490

Please refer to attached notes to the financial reports

LUIS CARLOS SARMIENTO GUTIÉRREZ
President

MARÍA EDITH GONZÁLEZ FLÓREZ
Accountant
T. P. 13.083-T

LIDA MARCELA HERRERA VARGAS
Auditor
T. P. 106.020-T
Member of KPMG Ltda.

(Please refer to my report of September 5, 2012)

Statement of Changes in the Individual Financial Situation
Semesters ended June 30, 2012 and December 31, 2011
(Figures in en million pesos)

	June 30	december 31
Sources of working capital:		
Profits for the period	\$ 722,574	667,562
Items that do not use working capital:		
Amortization of intangibles	5,552	6,341
Amortization of deferred assets	11,619	11,562
Depreciation of property, plant and equipment	91	71
Equity method income	(825,729)	(757,880)
Recovery for changes in equity	(18,069)	(23,303)
Equity method loss for changes in equity	35,319	21,331
Provision for negotiable investments	3	3
Working Capital used in the operations	<u>(68,640)</u>	<u>(74,313)</u>
Dividends received during the period	366,560	325,500
Increase in financial obligations	65,000	66,706
Increase of mercantile credit acquired	-	(6,194)
Increase in paid and subscribed capital	-	935
Premium on share placement	615	697,521
(Decrease) in Tax Equity	(5,732)	(11,464)
	<u>\$ 357,803</u>	<u>998,691</u>
Uses of Working Capital		
Decrease in working capital	(476,380)	(332,962)
Increase in deferred charges	898	10,015
Net increase in permanent investments	25,190	813,008
Increase in property, plant and equipment	149	29
Decrease of financial obligations	407,228	-
Decrease in outstanding bonds	-	125,750
Dividends Paid	400,718	382,851
	<u>\$ 357,803</u>	<u>998,691</u>
Changes in components of working capital:		
Increase (decrease) in current assets:		
Available	(510,158)	(260,042)
Negotiable Investments	1,728	(35,350)
Debtors	(2,194)	26,777
Long term deferred charges	(785)	8,456
	<u>(511,409)</u>	<u>(260,159)</u>
Decrease (increase in current liabilities):		
Short Term Financial Obligations	(51,858)	(22,003)
Suppliers	439	(399)
Accounts Payable	(992)	(28,031)
Taxes, fees and charges	(644)	(6,261)
Labor Obligations	202	(442)
Estimated Liabilities and Provisions	(7,368)	4,187
Outstanding Bonds	94,700	(25,750)
Other liabilities	550	5,896
	<u>35,029</u>	<u>(72,803)</u>
Decrease in working capital	<u>\$ (476,380)</u>	<u>(332,962)</u>

Please refer to attached notes to the financial reports

LUIS CARLOS SARMIENTO GUTIÉRREZ
President

MARÍA EDITH GONZÁLEZ FLÓREZ
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(Please refer to my report of september 5, 2012)

Statements of Individual Cash Flows
Semesters ended June 30, 2012 and December 31, 2011
(Figures in en million pesos)

	June 30	December 31
Cash Flows from operating activity:		
Profit for the period	\$ 722,574	667,562
“Adjustments for conciliation of net earning with net cash (used) from activities of the operation”		
Amortization of Intangibles	5,552	6,341
Depreciation of property, plant and equipment	91	71
Earnings from sale of property, plant and equipment	-	28
(Increase) Decrease in negotiable investments	(1,728)	10,477
Reversal of causation investments available for sale	(808,479)	(759,852)
Increase in deferred charges	(111)	(18,469)
Amortization of deferred charges	11,619	11,562
Decrease (increase) in accounts receivable	7,149	(6,720)
Net increase in other assets	(4,954)	(6,194)
Net increase in other liabilities	(6,447)	(5,998)
Net cash used by operation activities	(74,734)	(101,192)
Cash Flow from investment activity:		
Proceeds from sale of property, plant and equipment	-	60
Proceeds from sale of investments	-	24,873
Acquisition of property, plant and equipment	(149)	(116)
Acquisition of investments	(25,190)	(833,063)
Dividends received during the period	366,560	325,500
Net cash flow (used) from investment activities	341,221	(482,747)
Cash Flow from financing activity:		
Dividend paid	(392,190)	(363,267)
Acquisition of other bank loans	65,000	113,000
Payment of other bank loans	(355,370)	(24,291)
Payment of bonds	(94,700)	(100,000)
Premium on shares placement	615	698,456
Net cash (used) from financing activity	(776,645)	323,897
Decrease in cash	(510,158)	(260,042)
Cash balance at the beginning of the semester	1,589,890	1,849,932
Cash balance at the end of the semester	\$ 1,079,732	1,589,890

Please refer to attached notes to the financial reports

LUIS CARLOS SARMIENTO GUTIÉRREZ
President

MARÍA EDITH GONZÁLEZ FLÓREZ
Accountant
T. P. 13.083-T

LIDA MARCELA HERRERA VARGAS
Fiscal Auditor
T. P. 106.020-T
Member of KPMG Ltda.
(Please refer to my report of september 5, 2012)

Notes to the Individual Financial Statements

Semesters ended June 30, 2012 and December 31, 2011

(Figures in en million pesos)

(1) Economic Entity

Grupo Aval Acciones y Valores S.A. is a public liability company incorporated through Public Deed number 0043 of January 7, 1994. Its domicile is the city of Bogotá D.C.

Its corporate purpose is intended for the purchase and sale of stocks, bonds and securities of entities belonging to the financial system and other commercial entities. In development of the purpose, the society can acquire and negotiate all sorts of securities of free movement in the market and of stock values in general; promote the creation of all kinds of related or complementary businesses of the corporate purpose; represent natural or legal persons engaged in activities similar or complementary to those identified in previous literals; take or give money in loans with or without interest, give in warranty or in administration or movable or immovable property, draft, endorse, acquire, accept, collect, protest, cancel or pay bills of exchange, checks, promissory notes or any other securities or accept them or give them in payment and execute or in general enter into agreement for change in all of its manifestations, in all its forms or related activities similar, parallel and/or complementary

The duration of the company, as established in its by-laws is until May 23, 2044, although it may be dissolved or extended prior to such date.

(2) Main Accounting Policies

(a) Basic Policies

Accounting policies and the preparation of the financial statements of the company are in accordance with accounting principles generally accepted in Colombia.

(b) Investments

Investments are represented in securities and other documents held by other economic entities, acquired with the purpose of obtaining fix or variable income.

Classification

- According to the intention, investments are classified into: negotiable and permanent, the latter, in turn, according to the control that is exercised over the issuer are classified as minority interest and controlling interest.
- In accordance with the returns generated they are: fix or variable income.

Accounting

- Negotiable investments of variable income are recorded at cost

Whenever appropriate, this cost must be adjusted to the value of realization, through provisions or valuations. If the realizable value is greater than the cost in books, the difference generates an appreciation in the exercise, which will be taken against surplus by valuation. If the realizable value is lower than the cost in books, the difference will affect firstly the valuation; in the event of being greater, the defect shall be recorded as a provision with charge to income of the period.

- Permanent investments in controlled companies are accounted for by the equity sharing method (MPP), accounting procedure whereby the investment is initially recorded at cost, and subsequently increases or decreases its value according to the changes in the equity of the subordinate.

As of August 18, 2005, with the issuance of Joint Circular no. 011 of the Superintendency of Securities (today the Colombian Superintendency of Finance) and 06 of the Superintendency of Societies, in the event that the subordinate present positive variations in the accounts of patrimony of future periods, the loss recorded by effect of economic changes of the subsidiary can be recognized as income for recovery of deductions, up to the amount of spending previously accounted for; if the variations exceed the amount of spending, such a difference will be taken to surplus by the equity sharing method. The effect of applying this standard was the recovery on June 30, 2012 and December 31, 2011 of \$18.069 and \$23.303, respectively.

- Permanent investments in uncontrolled companies are recorded by the cost method, thus:

The historical cost of the investments made by the economic entity in societies by shares and/or assimilated, includes the amounts directly incurred in its acquisition. The cost of acquisition should increase or decrease in the participation rate that corresponds to the investor on the subsequent variations of the equity of the respective issuer.

If the realizable value of the investment is greater than the value in books, such a difference is an appreciation of the investment. Its value must be registered in the account of valuations and it has as counterpart the equity of the investor, affecting the account of surplus by valuations.

If the realizable value of the investment is less than the book value of the same, such a difference is a devaluation of the investment. Its value must be registered in the account of valuations or devaluation and has as counterpart the equity of the investor, affecting the account surplus by valuations, as lesser value of either account.

- Shares acquired in process of reorganization are recorded at the value for which are received. The valuation or devaluation caused by the difference between the exchange value and the intrinsic value of the shares received is recorded in the account of appreciations, and has a counterpart in the account surplus for recovery; and subsequently are moved as a higher value of the investment in the sub-account equity sharing method and its counterpart in the account surplus by equity sharing method. The revaluations caused by the difference between the received cost of the investment and the intrinsic value is recorded in the account of valuations with its counterpart in the account of surplus for appreciation, remaining in these accounts.

Subsequently, applies the equity sharing method based on the financial statements of the subordinate and the new percentage of participation, taking as cost the intrinsic value of the investment at the time of the split.

For the semester ended on December 31, the company after completing consultations with agencies of supervision (Colombian Superintendency of Finance and Superintendency of Societies), decided to post the valuations or devaluations of its investments in controlled companies with respect to their realizable value, without prejudice of the application of the equity method for the accounting records of such investments, pursuant to article N ° 61 of the Decree 2649 of 1993 and the joint Circular 011 of 18 August 2005 of the Superintendency of Securities (currently the Superintendency of Finance) and the Superintendency of Societies, are carried by the intrinsic value at the end of each period.

The difference between the intrinsic value of the shares (equity method) and its realizable value, determined as set out in the regulations, is an appreciation or depreciation that should affect the financial statements, in accordance with the duty to disclose the clear history, complete, and accurate of the general State of the business and the situation of the assets of the employer (articles, number 48 and 52 of the code of Commerce) and with generally accepted accounting standards, in particular the principle of valuation (article number 10 of 2649 Decree of 1993) and of the technical rule about investments (article number 61, *ibid.*).

The realization value or the market of investments is defined in article 10 of 2649 Decree of 1993 as the one representing the amount in cash or its equivalent, that is expected to be converted an asset in the normal course of business. Article 61 of the Decree defines the realization value of the investments of variable income as the average of cross listing on stock exchanges in the last month and, in the absence of this, its intrinsic value.

(c) Debtors

Represents credit rights, as a result of loans, dividends receivable and other operations.

(d) Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated using the straight-line method, based on the estimated useful life of the assets. For Office equipment estimated useful life is ten (10) years and the computer equipment five (5) years.

(e) Intangibles

Comprises assets of the economic entity that, lacking a material nature involve a right or privilege opposable to third parties, other than derivatives of other assets.

Goodwill

Registers the extra amount paid over the book value in the purchase of shares in subordinates.

Mercantil Credit received in the split from the purchase of shares of the Corporación de Vivienda AHORRAMAS SA, currently Banco AV Villas S.A. is amortized in straight line in ten (10) years as determined from its origin and those acquired through purchase of shares in September and December 2007 are amortized at 36 and 33 months respectively.

Mercantil Credit acquired on the purchases of shares in Banco Popular SA and Banco de Occidente S.A. carried out by Grupo Aval Acciones y Valores S.A., is depreciated by the method " Reverse of the sum of the digits in the term" at twenty (20) years.

(f) Deferred Charges

Deferred charges correspond to computer programs, studies and research, are amortized over one period no longer than three (3) years; and expenses from advertising relating to the issuance and placement of shares which are amortized over a period of two (2) years.

(g) Valuations

It records the valuations and devaluations in shares of companies in spin-off processes , by the difference between the acquisition cost and the intrinsic value.

As of December 31, 2011, the valuations in investments in controlled companies are recorded by the difference between the intrinsic value and the realizable value (see literal b).

(h) Estimated liabilities and provisions

The company records from June 2012, provisions for recognizing the value of costs and expenses which exact amount is unknown, but for accounting and financial effects should occur promptly, according to estimates made. The accounting register is caused affecting spending linked against a liability of provisions. Provisions are made for purchases and services already made, existing on the date of these individual financial statements, which have not yet been invoiced.

(i) Memorandum accounts

The company has recorded in contingency accounts facts, circumstances, commitments or contracts out of which rights and obligations can be generated which can affect the financial structure. It also includes accounts for control of assets, liabilities and property, management information or control of future financial situations and differences between accounting records and tax returns.

(j) Income Recognition

The income for interest, financial returns and dividends is recognized at the time of causation. Revenues by equity sharing method and recoveries by patrimony changes are recorded monthly in accordance with the policy of accounting for investments in subordinates explained in literal (b) investments.

(k) Net Profit per share

To determine the net earnings per share, the society uses the net profits of the period on the weighted average number of shares outstanding at June 30, 2012 and December 31, 2011, which was 18,552 and 18,141 respectively.

(l) Relative Importance or Materiality

The economic facts are recognized and presented according to their relative importance. In the preparation of the financial statements, the materiality was determined in relation to total assets and current liabilities, the total of assets and liabilities, working capital, heritage, or the results of the exercise, as the case may be.

(m) Conversion of Foreign Currency Transactions

Foreign currency transactions are accounted for in pesos at the rate in effect on the date of the transaction. The balance of the current account in foreign currency as of June 30, 2012 and 31 December 2011, is converted to Colombian pesos at the representative market rate in pesos of, \$1,784.60 and \$1,942.70 respectively, for every US dollar. The resulting exchange difference from the adjustment of assets and liabilities is recorded in results.

(n) Related Entities

Assets, liabilities and transactions with companies belonging to Grupo Aval Acciones y Valores S.A. (to which belongs the parent company) are presented as related entities.

(o) Taxes, Fees and Charges

Income tax

The current income tax expense is determined based on presumptive income.

Equity Tax

Pursuant to the legal norms governing the accounting principles generally accepted in Colombia, the company chose to register the property tax, together with the surcharge, against the account revaluation of equity and caused all of the tax payable, which effect goes until 2014.

(3) Available

Breakdown of available in legal currency is as follows:

	June 30	December 31
Cash	\$ 1	1
Banks		
Local	1,886	1,884
Foreign ⁽¹⁾	2	2
Savings accounts	<u>1,077,843</u>	<u>1,588,003</u>
	\$ <u>1,079,732</u>	<u>1,589,890</u>

(1) Includes a balance in checking account at Banco de Bogotá-Panamá for 1,001.44 as of June 30, 2012 and December 31, 2011.
Included Note 24 - c) Available

There is no restriction on the available.

(4) Negotiable investments, net

The breakdown of negotiable investments is as follows:

	30 de junio	31 de diciembre
Trust Rights:		
Fiduciaria Bogotá	\$ 37	85
Fiduciaria de Occidente	-	3
Fiduciaria Corficolombiana	1,795	16
Total Trust Rights	\$ 1,832	104

(5) Permanent investments, net

The cost of permanent investments is as follows:

	Percent Participation		Number of Shares		Book value	
	June 30	December 31	June 30	December 31	June 30	December 31
Banco de Bogotá S.A.	64.44%	64.44%	184,830,376	184,830,376	\$ 5,036,474	5,226,621
Banco de Occidente S.A. (1)	68.24%	68.24%	106,385,430	106,385,430	2,064,699	2,053,160
Banco Comercial AV Villas S.A.	79.85%	79.85%	179,453,557	179,453,557	772,932	743,191
Fondo de Pensiones y Cesantías Porvenir S.A. (2)	20.00%	20.00%	15,085,589	14,691,903	143,600	130,721
Banco Popular (3)	93.73%	93.73%	7,241,296,738	7,241,296,738	1,513,475	1,541,016
Grupo Aval Limited (4)	100.00%	0.00%	1	-	(22,994)	-
Total permanent investments					\$ 9,508,186	9,694,709

As of June 30, 2012 and December 31, 2011 there were no restrictions on these investments.

(1) During the second semester of 2011 Banco de Occidente was capitalized for a value of \$ 143,443, through direct purchase of 4,119,574 shares at a cost of \$135,945 and 414,936 shares for a value of \$7,496.

(2) During the second semester, 2011 were received 400,304 shares for a value of \$8,246 which correspond to capitalization of earnings. During the first semester of 2012 were received 393,686 shares for a value of \$8,110 which correspond to capitalization of earnings.

(3) On June 20, 2011, through Public Deed of Split No. 2936 of Notary 73 de Bogotá, it was perfected the Split process between the Split society Rendifin S.A. and the beneficiary society Grupo Aval Acciones y Valores S.A. by virtue of which Grupo Aval Acciones y Valores S.A., as beneficiary received as main asset, 3,358,446,312 shares possessed by Rendifin in Banco Popular S.A. which increased the percent participation of Grupo Aval from 30.66% to 74.13%. In return, Rendifin S.A. received 2,073,115,007 preferential shares issued by Grupo Aval Acciones y Valores S.A.

On September 19, 2011, through the public deed No. 4631 of the notary 73 of Bogotá, it was perfected the process of division between the split companies Inversiones Escorial S.A. and Popular Securities, the beneficiary of company Grupo Aval Acciones y Valores S.A. by virtue of which Grupo Aval Acciones y Valores S.A., in his capacity as beneficiary, received, as main asset, 1,514,163,994 shares possessed by those in Banco Popular SA with which it was increased the percentage of participation from 74.13% to the 93.73%. Escorial Investments S.A. and Popular Securities received 467,334,563 preferential shares each, issued by Grupo Aval Acciones y Valores S.A. .

(4) On January 23, 2012, Grupo Aval Limited was created as a subsidiary in the Cayman Islands.

Equity Method

The following is the breakdown of assets, liabilities and equity of controlled entities, audited by independent public accountants, recorded by the equity sharing method; homogenized in the application of accounting principles:

Entidad	June 30		Equity					Total Equity
	Assets	Liabilities	Social Capital	Reserves	Surplus of Capital	Results of Previous Periods	Results of the Period	
Banco de Bogotá S.A.	\$ 45,872,285	38,056,240	3,827	2,695,297	4,727,753	(294,758)	683,926	7,816,045
Banco de Occidente S.A. (1)	22,185,169	7,229,771	22,473	1,265,867	1,443,723	73,239	238,153	3,025,659
Banco Comercial AV Villas S.A.	8,197,720			466,416	465,172	(60,225)	74,113	967,949
Fondo de Pensiones y Cesantías Porvenir S.A. (2)	956,911	238,943	75,424			(24,240)	104,343	717,968
Banco Popular (3)	14,599,512	12,769,636	77,253	66,506	495,935	(76,229)	176,510	1,829,876
Grupo Aval Limited (4)	1,071,727	1,094,721	-	1,019,809	632,533	-	(22,994)	(22,994)
	\$ 92,883,324	78,548,821	183,654	5,513,895	7,765,116	(382,213)	1,254,051	14,334,503

December 31

Entity	Assets		Liabilities		Equity			
			Social Capital	Reserves	Surplus of Capital	Results Of Previous Periods	Results of the Period	Total Equity
Banco de Bogotá S.A.	\$ 43,275,685	35,164,552	2,868	4,975,308	2,820,747	(278,248)	590,458	8,111,133
Banco de Occidente S.A. (1)	20,929,017	17,920,268	4,677	1,863,203	1,020,726	(123,533)	243,676	3,008,749
Banco Comercial AV Villas S.A.	7,596,051	6,665,346	22,473	647,023	231,385	(61,439)	91,263	930,705
Fondo de Pensiones y (2)								
Cesantías Porvenir S.A.	832,751	179,180	73,456	438,024	87,238	(37,104)	91,957	653,571
Banco Popular (3)	14,145,468	12,286,210	77,253	1,000,658	716,678	(100,236)	164,905	1,859,258
	<u>\$ 86,778,972</u>	<u>72,215,556</u>	<u>180,727</u>	<u>8,924,216</u>	<u>4,876,774</u>	<u>(600,560)</u>	<u>1,182,259</u>	<u>14,563,416</u>

The effect of the increase (decrease) in accounts of results and surplus by the application of the equity sharing method in the equity of the parent is as follows:

	June 30	December 31
Income of the subsidiaries by the equity sharing method (1)	\$ 825,729	757,880
In results by recovery of expenses for equity changes of previous periods (1)	18,069	23,303
Loss originated in equity changes of the subsidiaries (2)	(35,319)	(21,331)
Net effect on results	<u>\$ 808,479</u>	<u>759,852</u>
(Deficit) surplus in the semester originated in equity changes in the subsidiaries	<u>\$ (653,632)</u>	<u>38,325</u>

(1) Included Note 24 – Income by method of equity sharing, - Recovery for equity changes.

(2) Included Note 24 - Loss by equity sharing method for equity changes

Homogenization of the Subordinates Balances

Following the criteria of the Joint Circular of Superintendency of Societies 06 and Colombian Superintendency of Finance 011, 2005, It was made the homogenization of the accounting method of the entities which are recognized by the equity sharing method and which are governed by the rules of the Colombian Superintendency of Finance for supervised entities.

Business name	June 30				December 31			
	Assets	Liabilities	Equity	Results of The Period	Assets	Liability	Equity	Results of the Period
Banco de Bogotá S.A.								
Decree 2649, 1993	\$ 45,872,285	38,056,240	7,816,045	683,926	43,275,685	35,164,552	8,111,133	590,458
Norm for supervised variation	46,407,275 (534,990)	38,056,240	8,351,035 (534,990)	617,692 66,234	43,264,854 10,831	35,164,553 (1)	8,100,301 10,832	593,740 (3,282)
Banco de Occidente S.A.								
Decree 2649, 1993	22,185,169	19,159,510	3,025,659	238,153	20,929,018	17,920,268	3,008,750	243,677
Norm for supervised variation	22,267,995 (82,826)	19,159,510	3,108,485 (82,826)	223,616 14,537	20,950,830 (21,812)	17,920,268	3,030,562 (21,812)	226,938 16,739
Banco Comercial Av Villas S.A.								
Decree 2649, 1993	8,197,720	7,229,771	967,949	74,113	7,596,051	6,665,346	930,705	91,263
Norm for supervised variation	8,216,496 (18,776)	7,229,771	986,725 (18,776)	81,442 (7,329)	7,600,089 (4,038)	6,665,346	934,743 (4,038)	90,022 1,241
Fondo de Pensiones y Cesantías Porvenir S.A.								
Decree 2649, 1993	956,911	238,943	717,968	104,343	832,752	179,180	653,571	91,957
Norm for supervised variation	929,608 27,303	238,943	690,665 27,303	106,552 (2,209)	799,489 33,263	179,180	620,309 33,262	76,847 15,110
Banco Popular S.A.								
Decree 2649, 1993	14,599,512	12,769,636	1,829,876	176,510	14,145,468	12,286,211	1,859,258	164,905
Norm for supervised variation	14,708,386 (108,874)	12,769,636	1,938,750 (108,874)	180,629 (4,119)	14,151,426 (5,958)	12,286,211	1,865,215 (5,957)	173,333 (8,428)
Grupo Aval Limited								
Decree 2649, 1993	1,071,727	1,094,721	(22,994)	(22,994)	-	-	-	-
Norm for supervised variation	1,071,727	1,094,721	(22,994)	(22,994)	-	-	-	-
	-	-	-	-	-	-	-	-
Effect of homogenization	(\$ 718,163)	-	(718,163)	67,114	12,286	(1)	12,287	21,380

(6) Short Term debtors

The following is the detail of debtors

	June 30	December 31
Dividends: ⁽¹⁾		
Banco de Bogotá S.A.	\$ 83,728	75,965
Banco de Occidente S.A.	35,427	34,469
Banco Popular S.A.	42,144	57,921
Fondo de Pensiones y Cesantías Porvenir S.A.	<u>2,380</u>	<u>2,315</u>
	163,679	170,670
Fees ⁽¹⁾	<u>826</u>	<u>727</u>
	826	727
Advances:		
Taxes and contributions	4,955	-
Sundry debtors:		
Depositors ⁽¹⁾	188	438
Accounts Receivable EPS - Incapacity	<u>19</u>	<u>26</u>
	<u>5,162</u>	<u>464</u>
	<u>\$ 169,667</u>	<u>171,861</u>

(1) Included Note 24 – Related Parties - debtors

(7) Property, Plant and Equipment, net

The detail of property, plant and equipment is as follows:

	June 30	December 31
Office equipment	\$ 158	141
Computer equipment	<u>1,191</u>	<u>1,063</u>
	1,349	1,204
Less: cumulative depreciation	<u>849</u>	<u>760</u>
	<u>\$ 500</u>	<u>444</u>

There is no restriction on property, plant and equipment; the society does not possess goods with conditional property. Fixed assets correspond to computer and office equipment; they do not have value as its demerit is permanent.

(8) Intangibles, net

The detail of intangibles is as follows:

	June 30	December 31
Mercantil credit acquired, net (1)	<u>\$ 417,954</u>	<u>423,506</u>

(1) Included Note 24 - c) Intangibles,

Commercial Credit Acquired, net

	June 30	December 31
Capitalización de AV Villas (1) made on september 17, 2001 for a value of \$156,000. Number of shares purchased 72,289,157 at an intrinsic value of \$1,577.54.	\$ 41,961	41,961
Increase by purchase of shares of Banco Popular (2) made on November 1, 2005 for a value of \$168,629. Number of shares purchased 733,172,111 at an intrinsic value of \$84.90.	106,383	106,383
Increase by purchase of shares of Banco Popular (2) made on december 21 , 2006 for a value of \$220,368. Number of shares purchased 733,620,000 at an intrinsic value of \$94.98.	150,689	150,689
Increase by purchase of shares of Banco de Occidente (3) made on june 30, 2007 for a value of \$36,060. Number of shares purchased 1,897,881 at an intrinsic value of \$8,159.55.	20,574	20,574
Increase by purchase of shares of Banco de Occidente (3) made on december 18 , 2007 for a value of \$29,735.1. Number of shares purchased 1,338,272 at an intrinsic value of \$ 9,201.66.	17,421	17,421

	June 30	December 31
Increase by the purchase of shares of Banco Popular (2) made on June 13, 2008 for a value of \$239,417.8. Number of shares purchased 901,894,321 at an intrinsic value of \$101.01.	148,317	148,317
Increase by the purchase of shares of Banco AV Villas (1) made in July, 2008 for a value of \$432.8. Number of shares purchased 120,154 at an intrinsic value of \$2,600.68.	120	120
Increase by the purchase of shares of Banco AV Villas (1) made in August, 2008 for a value of \$234.4. Number of shares purchased 65,010 at an intrinsic value of \$2,648.69.	62	62
Increase by the purchase of shares of Banco AV Villas (1) made in September, 2008 for a value of \$776.4. Number of shares purchased 218,260 at an intrinsic value of \$2,765.85.	173	173
Increase by the purchase of shares of Banco AV Villas (1) made in October, 2008 for a value of \$871.2. Number of shares purchased 242,007 at an intrinsic value of \$2,668.47.	226	226
Increase by the purchase of shares of Banco AV Villas (1) made in November, 2008 for a value of \$18.8. Number of shares purchased 6,522 at an intrinsic value of \$2,676.68.	1	1
Increase by the purchase of shares of Banco AV Villas (1) made in December, 2008 for a value of \$422.7. Number of shares purchased 140,451 at an intrinsic value of \$2,794.95.	30	30
Increase by the purchase of shares of Banco de Occidente (4) made on September 22, 2011 for a value of \$13,693. Number of shares purchased 414,936 at an intrinsic value of \$18,068.87.	6,195	6,195
Accumulated Amortization	(68,646)	(62,305)
Amortization for the period (Note 24)	(5,552)	(6,341)
	<u>\$ 417,954</u>	<u>423,506</u>

- (1) On September, 2011 was completed the amortization of mercantile credit of Banco AV Villas.
- (2) In compliance with dispositions in External memo No. 011 of August 18, 2005 of Superintendency of Securities (currently Colombian Superintendency of Finance) and based on acquisition by the society of control of Banco Popular S.A. through the subscription of a contract granting full and absolute representation to Grupo Aval Acciones y Valores, of the shares that Rendifin S.A. in Liquidación possess in Banco Popular, it was accounted for the commercial credit acquired in each of the acquisitions made.
- (3) In compliance with dispositions in the Circular mentioned in the paragraph above, and since the society possesses control over Banco de Occidente and keeps its long term investments, it was accounted for the commerce credit obtained. The information related to the intrinsic value is expressed in Colombian pesos. These operations were made on June 30 and December 18, 2007.
- (4) By September 2011, in compliance with the mentioned Circular, and since the society holds control over Banco de Occidente and keeps its long term investments, it was accounted for the commerce credit acquired.

The amortization of commerce credit (goodwill) in the acquisition of shares of Banco Popular and Banco de Occidente is carried out over a period of 20 years by applying the method "Reverse sum of the digits in the term", according to the following table:

Period	Factor	Value				
		Banco Popular (1)	Banco Popular (2)	Banco de Occidente (3)	Banco de Occidente (4)	Banco de Occidente (5)
1	0.0047619048	1,224	706	98	83	30
2	0.0095238095	2,448	1,413	196	166	59
3	0.0142857143	3,672	2,119	294	249	89
4	0.0190476190	4,897	2,825	392	332	118
5	0.0238095238	6,121	3,531	490	415	148
6	0.0285714286	7,345	4,238	588	498	177
7	0.0333333333	8,569	4,944	686	581	207
8	0.0380952381	9,793	5,650	784	664	236
9	0.0428571429	11,017	6,356	882	747	266
10	0.0476190476	12,242	7,063	980	830	295
11	0.0523809524	13,466	7,769	1,078	913	325
12	0.0571428571	14,690	8,475	1,176	995	354
13	0.0619047619	15,914	9,182	1,274	1,078	384
14	0.0666666667	17,138	9,888	1,372	1,161	413
15	0.0714285714	18,362	10,594	1,470	1,244	443
16	0.0761904762	19,586	11,300	1,568	1,327	472
17	0.0809523810	20,811	12,007	1,666	1,410	502
18	0.0857142857	22,035	12,713	1,763	1,493	531
19	0.0904761905	23,259	13,419	1,861	1,576	561
20	0.0952380952	24,483	14,125	1,959	1,659	590
		<u>257,072</u>	<u>148,318</u>	<u>20,574</u>	<u>17,421</u>	<u>6,195</u>

The beginning of each period is: (1) January, 2007, (2) July, 2008, (3) July, 2007, (4) January, 2008 and (5) September, 2011.

(9) Deferred Charges, net

The detail of deferred charges is as follows

	June 30	December 31
Current		
Studies and investigations	\$ 368	260
Computer Programs	589	520
Cumulative Amortization	(433)	(322)
Amortization of the period	(90)	(111)
Advertising and publicity ⁽¹⁾	10,383	8,659
Cumulative Amortization	(3,468)	(872)
Amortization of the period	(2,596)	(2,596)
Commissions ⁽¹⁾	35,227	26,405
Cumulative Amortization	(8,761)	-
Amortization of the period	(8,822)	(8,761)
Total Current	\$ 22,397	23,182
Long Term		
Studies investigations	\$ 411	520
Computer Program	99	168
Advertising and publicity ⁽¹⁾	-	1,723
Commissions	61	8,883
Total Long Term	571	11,294
Total Deferred Charges	\$ 22,968	34,476

(1) Deferred charges for advertising and publicity correspond to the issuance and placement of shares taking place during the first semester, 2011 and will be amortized over a period of 24 months

(10) Valuations

For the semesters ended June 30, 2012 and December 31, 2011, the company has recognized valuations of its shares in subsidiaries with a value of \$8,172,547 and \$6,982,266 respectively of which in the first semester of 2012, recognized \$1,190,281 taking into account their realizable value and its registration in books by the equity method, in accordance with the rules established in the single Plan of Accounts of merchants (Decree 2650 of 1993), where it is prescribed that the active account 1905 - valuation of investments, "records the positive difference between the realization value and the value in books of investments owned by the economic entity that have been purchased with the purpose of complying with legal provisions or in order to maintain a high availability of liquidity", as well as those acquired on a permanent basis".

For these purposes, the market value of investments is calculated taking into account the rules laid down in articles 10 and 61 of the Decree 2649 from 1993. Values of realization, intrinsic value and valuations below the 30 June 2012 and December 31, 2011:

	June 30				
	Number of shares A	Book value of investments B	Price per share C	Value of Realization A * C = D	Appreciations D - B
In Controlled entities					
Banco de Bogotá S.A.	184,830,376	\$ 5,036,474	50,037.36	9,248,425	4,211,951
Banco de Occidente S.A.	106,385,430	2,064,699	30,643.02	3,259,971	1,195,272
Banco Comercial AV Villas S.A. - ordinarias	179,192,996	771,810	7,980.00	1,429,960	658,151
Banco Comercial AV Villas S.A. - preferential	260,561	1,122	4,307.14	1,122	-
Banco Popular S.A. (3)	7,241,296,738	1,715,225	500.00	3,620,648	1,905,423
Fondo de Pensiones y Cesantías Porvenir S.A.	15,085,589	143,600	9,519.04	143,600	-
Grupo Aval Limited	1	(22,994)	-	-	-
Sub-total		<u>9,709,936</u>		<u>17,703,726</u>	<u>7,970,797</u>
Banco Popular S.A (3)		(201,750)			201,750(*)
		\$ 9,508,186			8,172,547

(3) Balance per cumulative appreciation (F). See summary of split.

in Controlled entities	December 31				
	Number of shares A	Book value of investments B	Price per share C	Value of Realization A * C = D	Appreciations D - B
Banco de Bogotá S.A.	184,830,376	\$ 5,226,621	48,292.30	8,925,884	3,699,262
Banco de Occidente S.A.	106,385,430	2,053,160	29,249.36	3,111,706	1,058,546
Banco Popular S.A. ⁽¹⁾	7,241,296,738	1,742,766	520.00	3,765,474	2,022,708
Banco Comercial AV Villas S.A. ⁽²⁾	179,453,557	743,191		-	-
Fondo de Pensiones y Cesantías					
Porvenir S.A. ⁽²⁾	14,691,903	130,720		-	-
Sub-total		9,896,459		15,803,064	6,780,516
Banco Popular S.A. ⁽¹⁾		(201,750)			201,750
		\$ 9,694,709			6,982,266

(1) Balance per cumulative appreciation (F). See summary of split

(2) The shares of these companies did not register Price per share as of December 31

(*) In the split process carried out in 2011 for the 4,872,610,306 shares of Banco Popular S.A. by Rendifin S.A., Inversiones Escorial S.A. and Popular Securities, in favor of Grupo Aval shares and securities S.A., it was determined the following appreciation:

	June 30
Homogenized and consolidated equity value of Banco Popular S.A. (a mayo 2011) (A)	\$ 1,789,264
No. of outstanding shares (B)	7,725,326,503
Intrinsic value (in pesos) (A/B)	232
No. Of shares received by Aval by split (C)	1,514,163,994
Intrinsic value of the shares acquired (D=(A/B)*(C))	350,696
Value accounted for as cost (E)	681,374
Valuation (D-E) caused	(330,678)
Balance cumulative valuation (F)	\$ 201,750 ⁽¹⁾

The effect on the application of this mechanism corresponds to an increase in the assets of the company between June 30, 2012 and December 31, 2011 amounting to \$1,190,281, as a result of the accounting and disclosure of the valuation of investments in subsidiaries.

(11) Financial Obligations

The detail of the financial obligations is as follows:

	June 30	December 31
Current		
Bienes y Comercio S.A.	\$ 48,000	2,833
Adminegocios y Cía. S.C.A. ⁽¹⁾	-	29,904
Rendifin S.A.	36,595	-
	\$ 84,595	32,737
Long Term		
Rendifin S.A.	753,122	789,717
Bienes y Comercio S.A.	307,700	307,867
Adminegocios y Cía. S.C.A. ⁽¹⁾	8,333	313,800
	1,069,155	1,411,384
	\$ 1,153,750	1,444,121

(1) Included Note 24 - a) Shareholders – Financial Obligations

The term for these obligations is five (5) years with two (2) years of grace, at a rate of interest of the DTF + 3-point TV

(12) Suppliers

The detail of the account local suppliers is as follows:

	June 30	December 31
Administration supplies	\$ 45	29
Of services ¹	15	453
Of property, plant and equipment	2	19
	<u>\$ 62</u>	<u>501</u>

(1) (Included Note 24 c) Societies in which the Company has participation higher than 100% - Accounts Payable Banco de Bogota \$40

(13) Accounts Payable

The detail of accounts payable is as follows:

	June 30	December 31
Costs and expenses to be paid ¹	\$ 19,230	26,684
Dividends and participations ²	268,481	259,953
Withholdings at source	770	954
Retained sales tax	152	21
Retained Industry and Commerce Tax	123	117
Creditors – receivables A.V. Villas		
Bienes y Comercio ³	1,482	1,532
	<u>\$ 290,524</u>	<u>289,532</u>

(1) Included Note 24 - a) Shareholders – Account Payable – Interest, Adminegocios y Cia S.C.A \$ 108.

(2) Included Note 24 - a) Shareholders – Account Payable – Dividends, Adminegocios y Cia S.C.A \$ 46,553 and Actiunidos \$37,014.

(3) Includes value received by Grupo Aval Acciones y Valores S. A. for \$ 1,365.8 from sale of foreclosed assets after the sale of this portfolio.

(14) Taxes, Fees and Charges

The detail is as follows:

	June 30	December 31
Current		
Industry and Commerce	\$ 1,636	1,576
Sales Tax	1,077	(331)
Equity Tax	11,464	11,465
Income Tax and Complementary	-	823
	<u>\$ 14,177</u>	<u>13,153</u>
Long Term		
Equity Tax	<u>\$ 17,196</u>	<u>22,928</u>

Equity Tax

The company registered in accounts payable the full Equity Tax with counterpart on the Account of Net Equity Valuation

The equity tax caused by the company in 2011 was \$45,857 out of which it was paid \$11,465 in year 2011 and \$5,732 in the first semester of 2012

Payment date	Equity Tax	Value Install	Pay value	Acc. Payment
May-11	pay installment 1	\$ 5,733	5,733	5,733
Sep-11	pay installment 2	5,732	5,732	11,465
May- 12	pay installment 3	5,732	5,732	17,197
Sep-12	Pay installment 4 (1)	5,732	-	
May 13	Pay installment 5 (1)	5,732	-	
Sept-13	Pay installment 6 (2)	5,732	-	
May-14	Pay installment 7 (2)	5,732	-	
Sep-14	Pay installment 8 (2)	5,732	-	
		<u>\$ 45,857</u>	<u>17,197</u>	
(1)	Current Equity tax	<u>11,464</u>		
(2)	Long Term Equity Tax	<u>17,196</u>		
	Total Pending	<u>\$ 28,660</u>		
	Value paid as of June 30, 2012	<u>\$ 17,196</u>		

(15) Labor Obligations

The detail of labor obligations is as follows:

	June 30	December 31
Consolidated severance pay	\$ -	182
Interest on severance pay	-	20
Consolidated Vacations	714	714
	<u>\$ 714</u>	<u>916</u>

(16) Estimated Liabilities and Provisions

The balance of estimated liabilities and provisions is as follows

	June 30	December 31
For cost and expenses	\$ 1,107	-
For labor obligations	225	-
For income tax	6,036	-
	<u>\$ 7,368</u>	<u>-</u>

(17) Other liabilities

The balance of other liabilities is as follows:

	June 30	December 31
Pre-payments / advances received from shareholders	\$ <u>2,105</u>	<u>2,655</u>

(18) Outstanding Bonds

The following is the detail of bonds issued

	June 30	December 31
Short term:		
Year 2005 second issue ⁽¹⁾	\$ -	94,700
Year 2009 fourth issue	125,750	125,750
Sub-total short term	<u>125,750</u>	<u>220,450</u>
Long Term:		
Year 2005 third issue	100,000	100,000
Year 2009 fourth issue	624,250	624,250
Sub-total long term	<u>724,250</u>	<u>724,250</u>
Total	<u>\$ 850,000</u>	<u>944,700</u>

(1) In compliance with the deadline, for the placement of the second issue series "A", in April 2012 there was a payment for \$94,700 from capital.

Outstanding bonds have the following features:

Second issue year 2005

Kind of security:	Ordinary Bonds
Date of issuance:	April 22, 2005
Nominal Value:	\$1,000,000 (pesos) each
Amount authorized:	\$200,000
Amount issued:	\$200,000

Series:	A
Redemption term:	Five (5) and seven (7) years from the date of issuance
Legal Representative of Bond Holders tenedores de bonos:	Fiduciaria Corredores Asociados FIDUCOR S.A.
Managing Entity:	Depósito Centralizado de Valores de Colombia DECEVAL S.A.
Yield:	Bonds Series A and B earn a floating interest referenced by inflation (IPC) and its capital will be fully redeemed at maturity. Emission performance reflects current market conditions at the date of placement of it, complying with the issuer guidelines laid down in the regulation of issuance and placement approved by minutes of Board of Directors No.55 of October 24, 2003.

Third Issue year 2005

Kind of security:	Ordinary Bonds
Date of issuance:	October 28, 2005
Nominal Value:	\$1,000,000 (pesos) each
Amount authorized:	\$200,000
Amount issued:	\$200,000
Series:	A
Redemption Term:	Six (6) and ten (10) years from date of issue.
Legal Representative Of bond holders:	Fiduciaria Corredores Asociados FIDUCOR S.A.
Managing entity:	Depósito Centralizado de Valores de Colombia DECEVAL S.A.
Yield:	Bonds Series A and B earn a floating interest referenced by inflation (IPC) and its capital will be fully redeemed at maturity. Emission performance reflects current market conditions at the date of placement of it, complying with the issuer guidelines laid down in the regulation of issuance and placement approved by minutes of Board of Directors No.71 of October 7, 2005.

Fourth issue 2009

Kind of security:	Ordinary Bonds
Date of Issuance:	December 3, 2009
Nominal Value:	\$1,000,000 (pesos) each
Amount authorized:	\$750,000
Amount issued:	\$750,000
Series:	A y B
Redemption Term:	Three (3) and fifteen (15) from the date of issue.
Legal Representative of bond holders	Fiduciaria Corredores Asociados FIDUCOR S.A.
Entidad Administradora:	Depósito Centralizado de Valores de Colombia DECEVAL S.A.
Yield:	B3 series bonds bear a floating interest tied to the DTF+1. 14, A5, A7 series, A10 and A15 bear a floating interest referenced to inflation (CPI), more 3.69, 4.49, 4.84 and 5.20 points respectively and its capital will be redeemed completely upon maturity.

(19) Social Capital and Premium in Shares Placement

On June 30, 2012 and December 31, 2011, the authorized capital was \$120,000 represented in 120.000.000.000 shares with nominal value of one peso (\$ 1) each.

The Assembly held on December 7, 2010, approved an amendment to the by-laws, allowing the possibility of converting ordinary shares into shares of preferential dividend. This modification of by-laws, was approved by the Colombian Superintendency of Finance through resolution No. 2443 of December 23, 2010. The defined exchange ratio was 1 ordinary share for 1 of preferential dividend without vote right. Shares may only be converted when so approved or authorized by the General Assembly, depending on the case.

The movement of paid and subscribed capital during the semester was:

	June 30	December 31
Paid and subscribed	18,551,766,453	18,551,299,996
Suscribed to be paid	-	466,457
Total Shares	<u>18,551,766,453</u>	<u>18,551,766,453</u>
Value in million pesos	<u>\$ 18,552</u>	<u>18,552</u>

On March 2012 were sold 466.457 preferential shares which were in the name of Grupo Aval Acciones y Valores S.A. and which were the result of the application of the mechanism of default of the issue of May 2011, generating a premium on placement of shares amounting to \$615,298,943 were sold during the month of March 2012.

The preferred shares issued are entitled to receive a minimum preferential dividend on the benefits of exercise, after covering losses affecting the capital, deduced the contribution which legally must be for legal reserve, and before creating or increasing any other reserve. The minimum preferential dividend is one peso (\$1.00) per semester per share, provided this preferential dividend is greater than the dividend declared for ordinary shares; otherwise, i.e. if the minimum preferential dividend is not higher than that applicable to ordinary shares, only will be recognized to every preferential share the dividend declared for each ordinary share. There will be no accumulation of dividends. The right of conversion of ordinary shares to preferential has been exercised for the first semester of 2012 for a total of 117,370,221 shares and for the second semester of 2011 for a total of 137,239,416 shares.

3 Shares at nominal value of \$3 were adjusted, corresponding to the sum of the fractions that as product of the split were recorded in accounting but not in the book of shareholders of Deceval; for this reason the accounting conforms to the figure presented by Deceval.

During the second semester of 2011 it was presented an increase in capital on account of the split process explained in note (5) by means of which Grupo Aval Acciones y Valores S.A. delivered to Popular Securities S.A. and Inversiones Escorial S.A. 934,669,126 preferred shares worth \$935. The premium for placement of shares was increased by \$697,519.

(20) Capital surplus

The following is the detail for capital surplus:

	June 30	December 31
Prime in placement of shares	\$ 3,671,667	3,671,052
Surplus equity sharing method: ⁽¹⁾		
Banco de Bogotá S.A.	777,328	1,240,725
Banco de Occidente S.A.	327,625	407,749
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	3,944	5,416
Banco Popular S.A.	<u> </u>	<u>108,620</u>
	<u>4,100,097</u>	<u>1,762,520</u>
	<u>\$ 4,780,564</u>	<u>5,433,581</u>

(1) Included note 24 – Capital surplus

(21) Reserves

Legal

In accordance with legal provisions, every society should constitute a legal reserve of ten percent (10%) of liquid profits of each year up to fifty percent (50%) of the subscribed capital. The reserve may be reduced to less than fifty percent (50%) of the subscribed capital, when it is intended to cover losses in excess of non-distributed profits.

The following is the detail of the reserves:

	June 30	December 31
Legal Reserve	\$ 6,972	6,972
Occasional Reserve		
At the disposition of the maximum corporate body	<u>2,461,056</u>	<u>2,194,212</u>
	<u>\$ 2,468,028</u>	<u>2,201,184</u>

(22) Valuation of Shareholder's Equity

The first semester of 2011 was affected with the registration of the equity tax for a value of \$45,857, on account of the lien corresponding to four years (2011-2014). As of June 30, 2012 this account did not show any movement.

	June 30	December 31
Of corporate capital	\$ 53,081	53,081
Of surplus capital	188,138	188,138
Of reserves	403,585	403,585
Of results of previous periods	90,891	90,891
Of assets in unproductive period	2,100	2,100
Surplus equity sharing method	<u>137,430</u>	<u>137,430</u>
	<u>\$ 875,225</u>	<u>875,225</u>

(23) Surplus in Valuation of Investments

The equity of the company between June 30, 2012 and December 31, 2011, by effect of the change in policies and accounting practices of Grupo Aval Acciones y Valores, described in note 10, increased in the amount of \$1,190,281, as a result of the accounting and disclosure of the valuation of investments in subsidiaries.

	June 30	December 31
Banco de Bogotá	\$ 4,211,951	3,699,262
Banco de Occidente	1,195,272	1,058,546
Banco AV Villas	658,151	-
Banco Popular	<u>2,107,173</u>	<u>2,224,458</u>
	<u>\$ 8,172,547</u>	<u>6,982,266</u>

(24) Transactions with Related Parties

Are considered related parties main shareholders, Board members and companies where Grupo Aval Acciones y Valores S.A. owns investment above ten per cent (10%), or administrative, financial or economic interests are considered related parties. Also companies where shareholders or members of the Board of Directors have more than ten percent (10%) participation.

Next are presented Balances as of June 30, 2012 and December 31, 2011:

a) Shareholders

The main balances of transactions with shareholders are as follows

	June 30	December 31
Financial Obligations:		
Adminegocios y Cia. S.C.A.(1)	\$ <u>8,333</u>	<u>343,703</u>

(1) Included in note 11, the conditions of financial obligations are found in the same note.

	June 30	December 31
Accounts Payable		
Interest		
Adminegocios y Cia. S.C.A.(2)	\$ <u>108</u>	<u>3,750</u>
	<u>108</u>	<u>3,750</u>
Dividends		
Adminegocios y Cia. S.C.A.(2)	46,553	45,260
Actiunidos S.A. (2)	37,014	35,986
	<u>83,567</u>	<u>81,246</u>
Total Dividends and interest	<u>83,675</u>	<u>84,996</u>

(2) Included in Note 13 – Accounts Payable

	June 30	December 31
Financial expenses:		
Interest:		
Adminegocios y Cia. S.C.A. (3)	8,899	10,781
	\$ <u>8,899</u>	<u>10,781</u>

(3) Included in Note 26 – Income and non- operating expenses

b) Members of the Board of Directors

Transactions carried out with members of Board of Directors are as follows:

	June 30	December 31
Fees paid (1)	\$ <u>239</u>	<u>170</u>

(1) Included in Note 25 – Income and Operating expenses

b) Companies in which the company has participation equal to or greater than 10 %

The main balances of transactions with companies in which the company has participation equal to or greater than 10% are as follows:

	June 30	December 31
Available:		
Checking accounts: (1)		
Banco de Bogotá S.A. (2)	\$ 556	611
Banco de Occidente S.A.	787	743
Banco Comercial AV Villas S.A.	32	4
Banco Popular S.A.	513	528
	\$ <u>1,888</u>	<u>1,886</u>
Saving Accounts: (1)		
Banco de Bogotá S.A.	736,703	1,099,292
Banco de Occidente S.A.	222,852	249,104
Banco Comercial AV Villas S.A.	3,929	113,920
Banco Popular S.A.	114,359	125,688
	\$ <u>1,077,843</u>	<u>1,588,004</u>
Total Available	\$ <u>1,079,731</u>	<u>1,589,890</u>

(1) Included in Note 3 - Available

(2) Includes \$1.8 in foreign currency converted into national currency in accordance with the accounting policy in note 2 (m).

	June 30	December 31
Debtors:		
Dividends ⁽³⁾		
Banco de Bogotá S.A.	\$ 83,728	75,965
Banco de Occidente S.A.	35,427	34,469
Banco Popular S.A.	42,144	57,921
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	<u>2,380</u>	<u>2,315</u>
	<u>\$ 163,679</u>	<u>170,670</u>
Fees ⁽³⁾		
Banco de Bogotá S.A.	\$ -	727
Banco Comercial AV Villas S.A.	<u>826</u>	<u>-</u>
	<u>\$ 826</u>	<u>727</u>
Depositaries ⁽³⁾		
Banco de Occidente S.A.	<u>\$ 188</u>	<u>438</u>

(3) Included in Note 6 – Debtors short term

	June 30	December 31
Permanent Investments ⁽⁴⁾		
Banco de Bogotá S.A.	\$ 5,036,474	5,226,621
Banco de Occidente S.A.	2,064,699	2,053,160
Banco Comercial AV Villas S.A.	772,932	743,191
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	143,600	130,721
Banco Popular S.A.	1,513,475	1,541,016
Grupo Aval Limited	<u>(22,994)</u>	<u>-</u>
	<u>\$ 9,508,186</u>	<u>9,694,709</u>

(4) Included in Note 5 – Permanent Investments

	June 30	December 31
Intangibles: ⁽⁵⁾		
Mercantile credit (good will) acquired		
Banco de Occidente S.A.	\$ 41,662	42,129
Banco Popular S.A.	<u>376,292</u>	<u>381,377</u>
	<u>\$ 417,954</u>	<u>423,506</u>

(5) Included in Note 8 - Intangibles

	June 30	December 31
Accounts Payable:		
Banco de Bogotá S.A. ⁽⁶⁾	<u>\$ -</u>	<u>40</u>

(6) Included in Note 12 - Suppliers

	June 30	December 31
Capital surplus: Surplus by equity participation method ⁽⁷⁾		
Banco de Bogotá S.A.	\$ 777,328	1,240,725
Banco de Occidente S.A.	327,625	407,749
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	3,944	5,416
Banco Popular S.A.	<u>-</u>	<u>108,639</u>
	<u>\$ 1,108,897</u>	<u>1,762,529</u>

(7) Included in Note 20 – Capital surplus

	June 30	December 31
Operating Income: Interest income ⁽⁸⁾		
Banco de Bogotá S.A.	\$ 24,686	25,890
Banco de Occidente S.A.	6,414	7,762
Banco AV Villas S.A.	1,888	3,074
Banco Popular S.A.	<u>3,232</u>	<u>3,290</u>
	<u>\$ 36,220</u>	<u>40,016</u>

(8) Included in Note 25 – Income and Operating Expenses.

	June 30	December 31
Income by equity sharing method: ⁽⁹⁾		
Banco de Bogotá S.A.	\$ 440,706	360,650
Banco de Occidente S.A.	162,515	162,103
Banco AV Villas S.A.	59,181	72,826
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	20,870	18,770
Banco Popular S.A.	165,451	143,531
Grupo Aval Limited	<u>(22,994)</u>	<u>-</u>
	<u>\$ 825,729</u>	<u>757,880</u>

(9) Included in Note 5 – Permanent Investments; Note 25 – Income and Operating Expenses

	June 30	December 31
Recovery for equity changes: ⁽¹⁰⁾		
Banco AV Villas S.A.	\$ 9,663	18,923
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	<u>8,406</u>	<u>4,380</u>
	<u>\$ 18,069</u>	<u>23,303</u>

(10) Included in Note 5 - Permanent Investments; Note 25 – Income and Operating Expenses

	June 30	December 31
Loss in participation method for equity changes: ⁽¹¹⁾		
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	\$ 7,783	7,711
Banco Popular S.A.	17,145	-
Banco Comercial AV Villas S.A.	<u>10,391</u>	<u>13,620</u>
	<u>\$ 35,319</u>	<u>21,331</u>

(11) Included in Note 5 – Permanent Investments

	June 30	December 31
Operating expenses		
Leases: ⁽¹²⁾		
Fondo de Pensiones y Cesantías Porvenir S.A.	\$ 235	234
Banco Comercial AV Villas S.A.	<u>118</u>	<u>117</u>
	<u>\$ 353</u>	<u>351</u>

(12) Included in Note 25 – Income and operating expenses

	June 30	December 31
Amortization of mercantil credit (goodwill) acquired: ⁽¹³⁾		
Banco de Occidente S.A.	\$ 467	418
Banco Comercial AV Villas S.A.	-	1,450
Banco Popular S.A.	<u>5,085</u>	<u>4,473</u>
	<u>\$ 5,552</u>	<u>6,341</u>

(13) Included in Note 8 - Intangibles

	June 30	December 31
Non Operating Income		
Fees: ⁽¹⁴⁾		
Banco de Bogotá S.A.	\$ 7,130	3,454
Banco de Occidente S.A.	4,936	2,391
Banco Comercial AV Villas S.A.	2,742	1,328
Banco Popular S.A.	4,388	2,125
Fondo de Pensiones y Cesantías Porvenir S.A.	<u>2,742</u>	<u>1,328</u>
	<u>\$ 21,938</u>	<u>10,626</u>

(14) Included in Note 26 – Income and Non- operating expenses

	June 30	December 31
Non- Operating Expenses ⁽¹⁵⁾		
Financial:		
Banco de Bogotá S.A.	\$ 179	214
Banco Comercial AV Villas S.A.	27	-
Banco de Occidente S.A.	19	42
Banco Popular S.A.	7	-
	<u>\$ 232</u>	<u>256</u>

(15) Included in Note 26 – Income and non operating expenses

On June 30, 2012 and December 31, 2011, the society did not perform operations with its administrators. Transactions with related companies were under current conditions in the market for similar operations.

(25) Income and Operational Expenses

The following is the detail of operational income for the semesters ended in:

	June 30	December 31
Operating Income:		
Interest ⁽¹⁾	\$ 36,220	40,202
Financial yields	145	7
Equity sharing method, net neto	825,729	757,880
Recovery for equity changes	18,069	23,303
	<u>\$ 880,163</u>	<u>821,392</u>
Operating expenses:		
Personnel expenses	\$ 9,901	9,205
Fees		
Board of Directors ⁽²⁾	239	170
Fiscal Auditor	21	40
Legal Advise	1,533	825
Financial Advise	3,956	3,109
Technical Advise	2,818	3,676
	<u>8,567</u>	<u>7,820</u>
Taxes		
Industry and commerce	5,128	4,393
Liens to financial movements	3,667	2,653
VAT discountable	1,127	3,189
Leases		
Property ⁽³⁾	353	351
Computer Equipment	7	5
	<u>360</u>	<u>356</u>
Contributions and Memberships	151	148
Insurance	4	1
Services	593	626
Legal expenses	8	42
Maintenance and repairs	29	99
Adaptations and installations	8	5
Travel expenses	123	117
Depreciations	91	71
Amortization of intangibles	5,552	6,341
Amortization of deferred expenses	11,619	11,562
Provision for negotiable equity investments	3	3
Sales operating expenses	563	1,491
Various	214	139
	<u>\$ 47,708</u>	<u>48,261</u>

(1) Included in Note 24 - c) Operating Income

(2) Included in Note 24 - b) Members of the Board

(3) Included in Note 24 - c) Expenses for leases

(26) Income and Non-Operating Expenses

The following is the detail of non- operating income for the semesters ended in:

	June 30	December 31
Fees: ⁽¹⁾		
Banco de Bogotá S.A.	\$ 7,130	3,454
Banco de Occidente S.A.	4,936	2,391
Banco AV Villas S.A.	2,742	1,328
Banco Popular S.A.	4,388	2,125
Fondo de Pensiones y Cesantías Porvenir S.A.	<u>2,742</u>	<u>1,328</u>
	<u>\$ 21,938</u>	<u>10,626</u>
Services:		
Corporación Publicitaria S.A.	<u>2</u>	<u>2</u>
	2	2
Recoveries:		
Recovery of other costs	119	16
Appropriations	<u>-</u>	<u>2</u>
	119	18
Exchange difference	<u>57</u>	<u>21</u>
	<u>\$ 22,116</u>	<u>10,667</u>

(1) Included in Note 24 - c) Non- operational Income

The following is the detail for non-operating expenses for the semesters ended in:

	June 30	December 31
Financial		
Bank Expenses ⁽¹⁾	\$ 28	4
Commission ⁽¹⁾	360	387
Exchange difference	<u>9</u>	<u>17</u>
	397	408
Interest		
Bonds	34,679	39,284
Financial Obligations Bienes y Comercio	14,389	11,314
Financial Obligations Adminnegocios ⁽²⁾	8,899	10,781
Financial Obligations Rendifin	<u>32,226</u>	<u>29,242</u>
	<u>90,193</u>	<u>90,621</u>
	90,590	91,029
Loss in sale and withdrawal of goods	-	29
Extraordinary expenses	31	-
Various		
Extraordinary Expenses DIAN	7	-
Process of execution of guarantees	14	-
Others	<u>-</u>	<u>1</u>
	<u>52</u>	<u>30</u>
	<u>\$ 90,642</u>	<u>91,059</u>

(1) Includes Banco de Bogotá \$179, AV Villas \$27, Occidente \$19, Popular \$7 - Note 24

(2) Included in Note 24 - a) Shareholders – Financial Expenses

(27) Income Tax and Complementary

The following is the reconciliation between the accounting profits and liquid income estimated by semesters ended June 30, 2012 and 31 December 2011:

	June 30	December 31
Profits before Income Tax	\$ 728,610	671,408
Plus (less) items that increase (Decrease) fiscal profits:		
Recoveries	(18,069)	(23,303)
Income equity sharing method	(825,729)	(757,880)
Loss equity sharing method	35,319	21,331
Tax on financial transactions	2,750	1,990
Non deductible expenses (Art. 13. Ley 788/02)	95,406	97,740
Non deductible expenses and provisions	<u>3</u>	<u>3</u>
Net taxable income	<u>\$ 18,290</u>	<u>11,289</u>
Presumptive income	<u>18,291</u>	<u>11,653</u>
Current tax income (33%)	<u>\$ 6,036</u>	<u>3,846</u>

Reconciliation between accounting equity and fiscal equity

On June 30, 2012 and 31 December 2011, accounting equity differs from the fiscal equity by the following:

	June 30	December 31
Accounting equity	\$ 17,037,490	16,178,370
Plus (less) items increasing (decreasing) fiscal equity:		
Less cost of investments	(3,432,626)	(3,840,700)
Intangible – good will	190,224	184,672
Valuations	(7,970,797)	(6,780,516)
Estimated liabilities and provisions	<u>7,368</u>	<u>-</u>
Fiscal equity	<u>\$ 5,831,659</u>	<u>5,741,826</u>

Income tax returns for the taxable years 2011, 2010 and 2009 are pending review by the tax authorities.

Grupo Aval is subject to the property tax and surcharge set out for year 2011 by Act 1370 of 2009 and the Legislative Decree 4825 of 2010 at the rate of 6%, liquidated on the equity as of January 1, 2011. For accounting purposes, pursuant to the provisions previously referenced the company adopted as policy to attribute it in its entirety against the equity revaluation account.

(28) Fiscal Contingent Accounts

The following is the detail of the tax contingent accounts:

	June 30	December 31
Excess of presumptive income	\$ -	-
Difference between accounting and fiscal value of:		
Investments	3,432,626	3,840,700
Intangibles	190,224	184,672
Appreciations	<u>7,970,797</u>	<u>6,780,516</u>
	<u>\$ 11,593,647</u>	<u>10,805,888</u>

(29) Control Contingent Accounts

The following is the detail of the control accounts

	June 30	December 31
Debtors of control		
Control of Losses - Equity sharing method	\$ 77,132	-
Adjustment for inflation - assets	<u>885,158</u>	<u>885,367</u>
	<u>\$ 962,290</u>	<u>885,367</u>

	June 30	December 31
Creditors of control		
Adjustments for inflation - equity	\$ <u>875,225</u>	<u>875,225</u>
Fiscal creditors		
Difference between accounting and fiscal value:		
Equity	\$ 11,205,831	10,436,544
Net Income	704,284	656,271
Liabilities	<u>7,367</u>	<u>-</u>
	<u>\$ 11,917,482</u>	<u>11,092,815</u>

(30) Financial Indicators

The detail of financial indicators is:

	June 30	December 31
Liquidity ratio		
$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	2.42	3.19
Return of assets		
$\frac{\text{Net Earnings}}{\text{Total assets}}$	3.73%	3.53%
Return on Equity		
$\frac{\text{Net Earnings}}{\text{Net Shareholder's Equity}}$	4.24%	4.13%
Leverage		
$\frac{\text{Total liabilities}}{\text{Net Shareholder's Equity}}$	13.71%	16.81%
Operating Efficiency		
$\frac{\text{Operating expenses}}{\text{Total assets}}$	0.25%	0.26%
Working Capital		
Current assets – current liabilities	\$ 748,333	1,224,713
Solvency		
$\frac{\text{Shareholder's Equity}}{\text{Total Assets}}$	87.94%	85.61%
Operating Margin		
$\frac{\text{Operating Profit}}{\text{Operating Income}}$	90.57%	91.53%

Liquidity ratio:

The liquidity ratio remains stable and within optimal ranges that indicate the support that exists for the payment of current liabilities.

Operating efficiency:

This indicator remains within the parameters of companies that are characterized by their high operational and administrative efficiency.

Working capital:

Working capital presents a decrease arising out of the increase of the causation of the portion of current portion of financial obligations and outstanding bonds and the reduction of the value in the available.

Solvency:

The solvency of the company is 87.94%, and is mainly reflected in permanent and negotiable investments.

Major variations in the items of the balance sheet:

a) Negotiable Investments

Negotiable investments presented an increase of \$1,728 mainly by the strengthening of investment in Fiduciaria Corficolombiana.

b) Permanent Investments

Permanent investments decreased by \$186,523 due to homogenized equity variations

c) Valuations

There is an increase by \$1,190,281 under this heading, due to recognition of revaluations of investments of Grupo Aval in controlled entities regarding the value of its realization.

	June 30	December 31
Banco de Bogotá	\$ 4,211,951	3,699,262
Banco de Occidente	1,195,272	1,058,546
Banco AV Villas	658,151	-
Banco Popular	2,107,173	2,224,458
	<u>\$ 8,172,547</u>	<u>6,982,266</u>

Included in Note 23

d) Equity Tax

This item presents a long-term balance for total value of \$17,196 which corresponds to the tax caused for the years 2012, 2013 and 2014, in accordance with the Act 1370 of December 30, 2009 and Decree 4825 of December 29, 2010.

e) Shareholder's Equity

The main variations of net worth were:

Capital surplus

Decrease of surplus by equity sharing method by \$653,632, which corresponds to the application of the equity method to permanent investments. The following is the detail of the surplus by the equity sharing method:

	June 30	December 31
Banco de Bogotá S.A.	\$ 777,328	1,240,725
Banco de Occidente S.A.	327,625	407,749
Banco Popular S.A.	-	5,416
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	3,944	108,639
Total	<u>\$ 1,108,897</u>	<u>1,762,529</u>

Included Note 20 – Capital surplus

Reserves

It was constituted reserve available to the maximum social body by \$2,461,056. Occasional reserves increased in \$266,844 available to the highest social body and approved in the Assembly of shareholders held on March 30, 2012.

Surplus from revaluations

The valuation surplus presented a significant increase, due to the application of the new policy for valuation included in note 10, relating to the accounting and disclosure of the valuation of investments in controlled entities.

	June 30	December 31
Banco de Bogotá	\$ 4,211,951	3,699,262
Banco de Occidente	1,195,272	1,058,546
Banco AV Villas	658,151	-
Banco Popular	2,107,173	2,224,458
	<u>\$ 8,172,547</u>	<u>6,982,266</u>

Included in Note 23 – Surplus in valuation of investments

(31) Other disclosures

The total number of employees was:

	June 30	December 31
Directors	18	15
Other	104	104
Total	<u>122</u>	<u>119</u>

(32) Determination of intrinsic value and net earnings per share

Based on the weighted average number of shares in June 2012 and number of outstanding shares in December 2011, it is determined the intrinsic value and the net earnings per share, thus:

	June 30	December 31
Intrinsic value of the share		
Total accounting equity (general balance sheet)	\$ <u>17,037,490</u>	<u>16,178,370</u>
Total equity base for calculation of the intrinsic value (A)	\$ <u>17,037,490</u>	<u>16,178,370</u>
Shares subscribed and paid (Note 19)	<u>18,551,766,453</u>	<u>18,551,299,996</u>
Total outstanding shares (Note 2, literal j) (B)	<u>18,551,766,453</u>	<u>18,551,299,996</u>
Intrinsic value (A) / (B)	\$ <u>918.38</u>	<u>872.07</u>
Net earnings per share		
Profits of the period (1)	\$ 722,574	667,562
On June 30 de 2012 and December 31, 2011 The weighted average of outstanding shares during the respective period. (2)	\$ <u>18.552</u>	<u>18.141</u>
Net earnings per share (1) / (2)	<u>38.95</u>	<u>36.80</u>

(33) Relevant Events

By January 23, 2012, Grupo Aval Limited a subsidiary in Cayman Islands of Grupo Aval Acciones y Valores S.A. issued bonds in the market of international capital in accordance with the Regulation S of the capital market act of 1934 of the United States of America and under Rule 144A, for a total of USD 600 million, with maturity in January 2017 with a deduction of 54.2 Basic, price of 99.458% with an annual interest of the 5.25%.

Consolidated Financial Statements

June 30, 2012 y 31 and December 31, 2011
with the Report of the Fiscal Auditor

Report of the Fiscal Auditor



Señores Accionistas
Grupo Aval Acciones y Valores S.A.

I have audited the consolidated general balance sheets of Grupo Aval Acciones y Valores S. A. and the subordinates listed in Note 1 to the financial statements as of June 30, 2012 and December 31, 2011 and the corresponding consolidated income statements, changes in net worth, changes in the financial situation and cash flows, summary of significant accounting policies and other explanatory notes for the semesters ending in those dates.

The financial statements of Banco Comercial AV Villas S.A. and Banco Popular S.A., entities owned by more than 50% by Grupo Aval Acciones y Valores S.A., were audited by other tax reviewers. These financial statements include total assets which represent 7% and 12% on June 30, 2012 and December 31 in relation to the consolidated total assets and revenues which represent 4% and 9% as of 30 June 2012 and 8% and 14% as of December 31, 2011, in relation to consolidated revenues, respectively. The reports on the financial statements of Banco Comercial AV Villas S.A. and Banco Popular S.A. have been provided to me, and my opinion in regards to these values are only based on the reports of the aforementioned tax reviewers.

The administration of the Company is responsible for the adequate preparation and correct presentation of the financial statements in accordance with accounting principles generally accepted in Colombia and the requirements imposed by the Superintendencia Financiera de Colombia. Such responsibility includes: design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements, free of errors of material importance, whether by fraud or error, the selection and application of accounting policies and the establishment of accounting estimates reasonable to such circumstances.

It is my responsibility to issue an opinion on the financial statements based on my audits. I received all information necessary for fulfillment of my duty and conducted examinations according to audit norms generally accepted in Colombia. Such norms require that I satisfy ethical requirements, plan and carry out the audit to achieve reasonable security over whether the financial statements are free of errors of material importance.

An audit includes application of procedures to secure evidence regarding the amounts and disclosures in the financial statements. The procedures selected depend on the criteria of the Fiscal Auditor, including evaluation of the risk of errors of material importance in the financial statements. In due course of such evaluation, the Fiscal Auditor takes into account internal control relevant to the preparation and presentation of the financial statements in order to design audit procedures suitable to incumbent circumstances.

An audit also includes evaluation for utilization of suitable accounting policies and the reasonability of accounting balances and estimates conducted by the administration, as well as an evaluation of the general presentation of the financial statements. In my opinion that audit related evidence, as received, is a reasonable base to support the opinion I express next.

In my opinion, based on my audits and reports of tax reviewers of the Comercial Banco AV Villas S.A. and Banco Popular S.A., the aforementioned consolidated financial statements, attached to this report, present reasonably, in all aspects of material significance, the consolidated financial position of Grupo Aval Acciones y Valores S.A. and its subordinates as of June 30, 2012 December 31 2011, the consolidated results its operations and cash flows consolidated by semesters ended on those dates, in accordance with accounting principles generally accepted in Colombia, applied in a uniform manner.

Without qualifying my opinion, I call attention to note 1 to the consolidated financial statements. On January 23, 2012 it was created Grupo Aval Limited as a subsidiary in the Cayman Islands. The participation of Grupo Aval Acciones y Valores S.A., in Grupo Aval Limited as of June 30, 2012 is 100%.

Lida Marcela Herrera Vargas
Fiscal Auditor of Grupo Aval Acciones y Valores S.A.
T. P. 106.020-T
Member of KPMG Ltda.

September 5, 2012

Consolidated Balance Sheet
As of June 30, 2012 and December 31, 2011
(Figures in million pesos)

Assets	June 30	December 31
Available:		
Cash and Bank deposits (note 4)	\$ 10,952,115	8,781,960
Active Position in the monetary market and related (note 5)	<u>2,237,865</u>	<u>2,916,627</u>
Total Available	<u>13,189,980</u>	<u>11,698,587</u>
Investments (note 6):		
Debt Securities (Fixed Income):	17,393,170	16,213,687
Negotiable	2,749,698	3,450,435
Available for sale	11,224,009	9,691,470
To hold through maturity	3,419,463	3,071,782
Participation Securities (variable income):	3,073,350	2,828,334
Negotiable	1,293,447	1,052,386
Available for sale	1,779,903	1,775,948
Provisions	(8,336)	(8,735)
Total investments, net	<u>20,458,184</u>	<u>19,033,286</u>
Loan Portfolio and financial lease transactions (note 7):		
Commercial Loan Portfolio	42,598,938	40,545,544
Consumer Loan Portfolio	21,173,509	19,735,885
Microcredit Loan Portfolio	281,219	284,167
Mortgage Loan Portfolio	4,086,182	4,218,377
Financial Lease Transactions	5,896,773	5,163,767
Provisions	<u>(2,397,724)</u>	<u>(2,306,500)</u>
Total Loan Portfolio and Financial Lease Transactions, net	<u>71,638,897</u>	<u>67,641,240</u>
Accounts receivable - Interest (note 8):		
Gross Accounts Receivable - Interest	737,359	644,676
Provision for Accounts Receivable - Interest	<u>(73,102)</u>	<u>(61,156)</u>
Total Account Receivables – Net - Interest	<u>664,257</u>	<u>583,520</u>
Acceptances and Derivatives (note 9)	328,674	418,809
Accounts Receivable Non-Interest - Net (note 8)	1,612,728	1,612,903
Property, plant and equipment, net (note 10)	1,754,048	1,837,711
Operating Lease Transactions, net (note 11)	364,646	323,249
Foreclosed Assets, net (note 12)	88,405	94,967
Prepaid expenses and deferred charges, net (note 13)	2,051,426	1,981,642
Goodwill, net (note 14)	2,893,232	3,109,297
Other assets, net (note 15)	1,671,662	1,073,553
Asset Valuation, net (note 16)	2,600,293	2,091,305
Total Assets	<u>\$ 119,316,432</u>	<u>111,500,070</u>
Memorandum accounts (note 25)	<u>\$ 468,971,802</u>	<u>425,871,982</u>
Contingent accounts, net (note 26)	<u>\$ 2,307,503</u>	<u>6,129,033</u>

Please refer to attached Notes to the consolidated financial statements.

Liabilities and Shareholder's Equity	June 30	December 31
Liabilities:		
Deposits:		
Without cost:		
Checking accounts	\$ 10,737,089	12,249,991
Other	799,317	1,047,378
	<u>11,536,406</u>	<u>13,297,369</u>
Without cost:		
Checking accounts	8,642,978	7,167,800
Time Deposits (note 17)	26,082,519	22,630,493
Saving deposits	28,316,766	27,911,952
	<u>63,042,263</u>	<u>57,710,244</u>
Total deposits	74,578,669	71,007,613
Passive Positions in monetary market operations and related		
Bank Acceptances (note 8)	7,324,754	3,225,145
Borrowings from Banks and Others (nota 18)	267,125	468,964
Accounts Payable other than interest (note 19)	9,629,660	11,437,751
Accounts Payable - Interest	2,912,675	3,093,949
Other liabilities (note 20)	394,984	313,030
Bonds (long term debt) (note 21)	1,441,021	1,447,769
Estimated liabilities (note 22)	7,534,241	6,566,235
Non-controlling Interest (note 23)	1,011,838	855,261
	5,386,236	5,006,294
Total liabilities	<u>110,481,203</u>	<u>103,422,011</u>
Net Shareholder's Equity:		
Subscribed and Paid-in Capital (nota 24)	18,552	18,552
Preferred stock	4,744	4,744
Common Stock	13,808	13,808
Premium on sale of stock	3,671,668	3,671,053
Retained earnings:	2,808,123	2,773,725
Appropriated Retained Earnings	2,089,606	2,110,365
Inappropriated Retained Earnings (profits of the period)	718,517	663,360
Revaluation of Shareholder's Equity	1,324,698	920,087
Capital surplus:	1,012,188	694,642
Unrealized gain (loss) in investments available for sale	(153,732)	(187,100)
Asset Valuation, net (note 16)	1,165,920	881,742
Total Shareholder's Equity	<u>8,835,229</u>	<u>8,078,059</u>
Total Liabilities and Shareholder's Equity	<u>\$ 119,316,432</u>	<u>111,500,070</u>
Total memorandum accounts (note 25)	<u>\$ 468,971,802</u>	<u>425,871,982</u>
Contingent accounts, net (note 26)	<u>\$ 2,307,503</u>	<u>6,129,033</u>

Please refer to attached Notes to the consolidated financial statements.

LUIS CARLOS SARMIENTO GUTIÉRREZ
President

MARÍA EDITH GONZÁLEZ FLÓREZ
Accountant
T. P. 13.083-T

LIDA MARCELA HERRERA VARGAS
Fiscal Auditor
T. P. 106.020-T
Miembro KPMG Ltda.
(Please refer to my opinion of september 5, 2012)

Consolidated Income Statement

As of June 30, 2012 and December 31, 2011

(Figures in million pesos)

	30 de junio	31 de diciembre
Interest Income:		
Interest on Loan Portfolio	\$ 3,845,263	3,467,924
Interest on Investment Securities	672,534	358,178
Yield of overnight funds	98,454	80,371
Leasing Transactions	307,739	252,838
Total Interest Income	4,923,990	4,159,311
Interest expense:		
Checking Accounts	72,882	48,564
Time Deposits	648,982	488,654
Saving Deposits	519,614	452,783
Borrowings from Bank and Others	240,170	255,307
Interest expense for active position in money market		
Operations and related	99,995	82,703
Bonds(long term debt)	260,400	153,079
Total interest expense	1,842,043	1,481,090
Net Interest Margin	3,081,947	2,678,221
Net Expense – Provisions for Loan Portfolio and Accounts Receivable	462,532	433,201
Recovery of charge-offs	(65,281)	(89,427)
Expense - Recovery of provisions for Foreclosed Assets and others	32,928	37,129
Recovery of reserves for Foreclosed Assets and others assets	(35,549)	(190,693)
Total provision expense, net	394,630	190,210
Net Interest Margin after Net Reserve Expense	2,687,317	2,488,011
Service Fees and Income -Net:		
Banking service Fees	675,433	678,196
Branch Network Services	13,948	23,160
Credit Card Fees	165,136	162,145
Fees for transfers, checks and checkbooks	36,682	39,365
Warehousing Services	83,035	92,666
Fiduciary Activities	86,704	76,322
Administration of severance and pension Funds	240,914	238,636
Other	82,136	97,099
Total service fees and income - Net	1,383,988	1,407,589
Other service fees and expenditures	(218,408)	(225,185)
Total service fees and income, net	1,165,580	1,182,404
Other Operating Income and expenses:		
(Losses) earnings in foreign currency transactions	(108,183)	271,231
Earnings (losses) en derivatives transactions	172,958	(134,844)
Earnings (losses) for sale of variable income investments	9,967	30,922
Dividends	89,808	5,760
Communications, rentals and others	102,431	139,722
Income from real sector companies	197,855	204,616
Total other operating income	464,836	517,407
Operating Margin	4,317,733	4,187,822
Operating expenses:		
Employee salaries and benefits	938,523	904,272
Bonuses	53,589	54,546
Indemnities	10,263	10,847
Administrative and other expenses (note 27)	1,249,718	1,283,390
Deposit insurance	91,355	84,087
Donations	4,999	11,357
Depreciation	148,555	141,756
Amortization of mercantile credit	46,323	35,801
Total Operating Expenses	2,543,325	2,526,056
Net Operating Margin	1,774,408	1,661,765
Non-operating income (expense) (note 28):		
Other Income	201,619	131,307
Other expenses	(107,545)	(84,476)
Total non- operating result	94,074	46,831
Earnings before taxes	1,868,482	1,708,596
Income Tax	(677,727)	(596,804)
Net Earnings before Non-controlling Interest	1,190,755	1,111,792
Non-controlling Interest	(472,238)	(448,432)
Net Earnings attributable to Grupo Aval shareholders	\$ 718,517	663,360
Net Earnings per share (in pesos)	\$ 38.73	36.57

Please refer to attached Notes to the consolidated financial statements.

LUIS CARLOS SARMIENTO GUTIÉRREZ
President

MARÍA EDITH GONZÁLEZ FLÓREZ
Accountant
T. P. 13.083-T

LIDA MARCELA HERRERA VARGAS
Fiscal Auditor
T. P. 106.020-T
Member of KPMG Ltda.

(Please refer to my opinion of september 5, 2012)

Consolidated Statement of Changes in Shareholder's Equity
Semesters ended in June 30, 2012 and December 31, 2011
 (Figures in million pesos)

	Retained Earnings							Total Equity
	Subscribed And Paid-in capital	Premium Sale Stock	Appropriated Retained Earnings	Inappropriated Retained Earnings	Revaluation of Equity	Unrealized (loss) Earnings	Asset Valuation	
Balance at June 30, 2011	\$ 17,617	2,973,532	1,865,420	622,832	921,082	(130,608)	1,215,012	7,484,887
Transfer of results	-	-	622,832	(622,832)	-	-	-	-
Issuance of shares (note 24)	935	697,521	-	-	-	-	-	698,456
Recovery of dividends first semester	-	-	6,737	-	-	-	-	6,737
Distribution of Cash Dividends	-	-	(389,587)	-	-	-	-	(389,587)
Donations to victims of floods	-	-	(1,206)	-	-	-	-	(1,206)
Unrealized Earnings	-	-	-	-	-	(62,244)	-	(62,244)
Conversion Adjustment	-	-	-	-	-	5,752	-	5,752
Revaluations (note 16)	-	-	-	-	-	-	(333,270)	(333,270)
Revaluation of Net Worth	-	-	-	-	(995)	-	-	(995)
Others	-	-	6,169	-	-	-	-	6,169
Earnings of the Period	-	-	-	663,360	-	-	-	663,360
Balance at december 31, 2011	\$ 18,552	3,671,053	2,110,365	663,360	920,087	(187,100)	881,742	8,078,059
Transfer of results	-	-	663,360	(663,360)	-	-	-	-
Issuance of shares (nota 24)	-	615	-	-	-	-	-	615
Distribution of Cash Dividends	-	-	(400,718)	-	-	-	-	(400,718)
Donation to victims of floods	-	-	(1,143)	-	-	-	-	(1,143)
Unrealized earnings	-	-	-	-	-	13,481	-	13,481
Conversion Adjustments	-	-	(3,733)	-	-	-	-	(3,733)
Revaluations (note 16)	-	-	-	-	-	-	316,506	316,506
Transfers	-	-	(278,525)	-	404,781	19,887	(32,328)	113,815
Payment of Property Tax	-	-	-	-	(170)	-	-	(170)
Net Earnings of the Period	-	-	-	718,517	-	-	-	718,517
Balance at June 30, 2012	\$ 18,552	3,671,668	2,089,606	718,517	1,324,698	(153,732)	1,165,920	8,835,229

Please refer to attached Notes to the consolidated financial statements

LUIS CARLOS SARMIENTO GUTIÉRREZ
 President

MARÍA EDITH GONZÁLEZ FLÓREZ
 Accountant
 T. P. 13.083-T

LIDA MARCELA HERRERA VARGAS
 Fiscal Auditor
 T. P. 106.020-T
 Member of KPMG Ltda.
 (Please refer to my opinion of september 5, 2012)

Consolidated Changes in the Financial Condition
Semesters ended in June 30, 2012 and December 31, 2011
(Figures in million pesos)

	June 30	December 31
FUNDS GENERATED FROM:		
Operating Activities:		
Earnings of the Period	\$ 718,517	663,360
Non-controlling Interest	472,238	448,432
Items that do not generate (use) funds:		
Provision - Investments	(399)	(174,487)
Provision – Loan Portfolio and Accounts Receivable	397,251	343,774
Provision –Foreclosed Assets and Other assets	(2,621)	24,288
Recovery of provisions	100,830	(280,120)
Depreciation	148,554	141,756
Amortizations	46,323	35,801
Earnings on sale of variable income investments	(8,939)	(40,297)
Gain on Valuation of Derivatives	(116,118)	(149,335)
Gain on sale of Foreclosed Assets	(2,621)	(2,601)
Gain on sale of Property, Plant and Equipment	(6,711)	(5,611)
Deferred Income Tax	(37,727)	32,276
Funds generated from Operations	<u>1,708,577</u>	<u>1,037,236</u>
Funds generated from other sources:		
Proceeds from sale of foreclosed assets	39,374	43,339
Proceeds from sale of property plant and equipment	120,702	205,011
Goods received in payment	6,562	-
Investments	-	466,418
Deposits and liabilities	3,571,056	5,411,158
Overnight funds , interbank liabilities	4,099,609	-
Banker Acceptances	-	1,210,008
Accounts Payable	-	333,283
Bonds (long term)	968,006	1,465,451
Estimated liabilities and provisions	1,011,839	-
Other liabilities	-	70,737
Other assets and liabilities, net	801,736	895,668
Total funds provided	<u>12,327,461</u>	<u>11,138,309</u>
FUNDS USED:		
Additions to Property Plant and Equipment	381,955	489,065
Overnight Funds interbank liabilities	-	1,975,754
Borrowings from Banks and Others	1,808,091	-
Accounts Payable	99,320	-
Estimated liabilities and provisions	-	32,131
Other liabilities	6,748	-
Assets surrender in leasing transactions	733,006	819,544
Dividends paid	392,190	245,411
Investments	1,407,827	-
Loan Portfolio	5,802,541	6,985,756
Acceptances and derivatives	111,704	-
Accounts receivable	92,683	84,549
Foreclosed assets	-	6,758
Total funds used	<u>10,836,065</u>	<u>10,638,968</u>
Net increase of funds	<u>\$ 1,491,396</u>	<u>499,340</u>

Please refer to attached Notes to the consolidated financial statements

LUIS CARLOS SARMIENTO GUTIÉRREZ
 President

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(Please refer to my opinion of september 5, 2012)

Consolidated Statement of Cash Flow
Semesters ended in June 30, 2012 and December 31, 2011
(Figures in million pesos)

	June 30	December 31
Cash Flow from operating activity:		
Net earnings of the period	\$ 718,517	663,360
Non-controlling Interest	472,238	448,432
Adjustments for conciliation of net earnings and net cash from operating activity:		
Depreciation of property plant and equipment	148,554	141,756
Amortization of goodwill	46,323	35,801
Provision – Loan portfolio and accounts receivable, net	397,251	343,774
(Recovery) Provision Foreclosed Assets and Other Assets, net	(2,621)	24,288
Provision - Investments, net	(399)	(174,487)
Gain on sale of investments, net	(8,939)	(40,297)
(Gains) loss on sale of foreclosed assets	(7,630)	2,601
Gain on sale of property plant and equipment	(6,711)	(5,611)
(Gain) loss on valuation of derivatives	(116,118)	149,335
Net change in assets and liabilities	<u>844,170</u>	<u>(195,010)</u>
Net cash generated from Operating Activity	<u>2,484,635</u>	<u>1,393,942</u>
Cash Flow from investment activity:		
(Increase) Loan Portfolio and Financial Lease Transactions	(5,802,541)	(6,985,756)
Proceeds from sale of property plant and equipment	120,702	205,011
Proceeds from sale of foreclosed assets	39,374	43,339
Acquisition of property plant and equipment	(381,955)	(489,065)
(Increase) decrease in investments, net	<u>(1,407,827)</u>	<u>466,418</u>
Net Cash used in investment activities	<u>(7,432,247)</u>	<u>(6,760,053)</u>
Cash Flow from financing activity:		
Dividend payment	(392,190)	(245,411)
Increase in deposits	3,571,056	5,411,158
Increase (decrease) of interbank loans and overnight funds	4,099,609	(1,975,754)
(Decrease) increase in borrowings from bank and others	(1,808,091)	1,210,008
Bonds (Long term debt)	968,006	1,465,451
Issuance of shares and additional paid in capital	615	-
Net cash flow from financing activity	<u>6,439,005</u>	<u>5,865,452</u>
Increase of cash and cash equivalents	1,491,393	499,341
Cash and cash equivalents at the beginning of the semester	<u>11,698,587</u>	<u>11,199,246</u>
Cash and cash equivalents at the end of the semester	<u>\$ 13,189,980</u>	<u>11,698,587</u>

Please refer to attached Notes to the consolidated financial statements

LUIS CARLOS SARMIENTO GUTIÉRREZ
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MARÍA EDITH GONZÁLEZ FLÓREZ
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Notes to the Consolidated Financial Statements

Semesters ended in June 30, 2012 and December 31, 2011

(Figures in million pesos)

(1) Organization and Background

Grupo Aval Acciones y Valores S.A. (hereinafter "Grupo Aval" or the "Company") was incorporated under Colombian law on January 7, 1994, with main offices and commercial address in the city of Bogotá, D.C., Colombia. Main corporate purpose of Grupo Aval consists of the purchase and sale of securities issued by financial and commercial institutions. In development of its corporate purpose of the company is the largest shareholder of financial institutions (Banco de Bogotá, Banco de Occidente, Banco Popular and Banco AV Villas) and its main purpose carry out all transactions, actions and services inherent to the banking business according to applicable laws and regulations. Through its direct and indirect investments in the Corporación Financiera Colombiana S.A. ("Corficolombiana") and the Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. ("Porvenir"), the company is also present in investment banking, investments in the real sector and pension and severance fund administration business in Colombia.

According to the bylaws, Grupo Aval can (i) promote the creation of all kinds of companies related to its corporate purpose; (ii) represent natural and legal persons engaged in similar or complementary activities; (iii) take or surrender loans with or without interest; (iv) deliver properties as guarantees; (v) issue, endorse, acquire, protest, cancel, or pay drafts, checks, promissory notes or any other securities, or accept them or give them in payment; (vi) participate in companies that pursue similar or complementary corporate interests and freely use its capital for participation in such companies; (vii) render services in areas related to its activities, experience and knowledge of Colombia; and (viii) execute or engage in general, acts and contracts related to the above, to enable the exercise of rights and the fulfillment of its obligations.

Duration of the company as established by its by-laws is until May 24, 2044, although it may be dissolved or extended prior to such term.

The consolidated Financial Statements include the assets, liabilities, earnings, contingent accounts and memorandum accounts of Grupo Aval Acciones y Valores S. A. and its majority owned subsidiaries in which it holds, directly or indirectly 50% or more of the outstanding voting shares, except the participations in funds or collective portfolios which according to current regulations do not require consolidation

All significant intercompany transactions between the consolidated companies have been eliminated in the Consolidation.

Following are those entities in which Grupo Aval Acciones y Valores S. A. directly consolidates its financial statements

Banco de Bogotá S.A.

A private capital corporation with main offices in the city of Bogota, incorporated through Public Deed number 1932 of November 15, 1870 of Notary Two of Bogota D. C.. By resolution number 3140 on September 24, 1993 Colombian Superintendency of Finance renewed definitively the operating permit. The duration established in the bylaws lasts until June 30, 2070 but can be dissolved or extended prior to that term. The Bank has as corporate purpose celebrating or executing all operations and contracts legally permitted to banking establishments of commercial nature, subject to the requirements and limitations of the Colombian law.

By June 30, 2012, the bank operated with eight thousand two hundred eighty-four (8,284) employees with employment contract three hundred sixty-eight (368) through a civil contract of learning and seven hundred and seventy-two (772) temporary employees; In addition the Bank hires through the modality of outsourcing with specialized companies a total of three thousand two hundred and thirty (3,230) people through five hundred and sixty one (561) branches, five

(5) Centers of Corporate Services (CSC), three (3) centers of PYME services, forty-six (46) offices of collections and payments, eighteen (18) offices of advice to entrepreneur, twelve (12) cashier extensions with own code, ninety (90) cashier extensions without own code, thirteen (13) office extensions, eight (8) Premium offices, twenty (20) service centers 24 x 7, two hundred and thirty-one (231) non-banking correspondents, thirteen (13) Servicajas, two (2) customer care offices , four (4) centers of attention of clearance with special services, three (3) centers of attention of clearance without own code, four (4) Basic offices and two (2) agencies, one in New York City and another in Miami. Besides, it has one hundred per cent (100%) ownership in overseas subsidiaries known as Banco de Bogotá S.A. Panama, which includes Bank of Bogotá Nassau, Bogotá Finance Corporation Bank in Cayman Islands and Leasing Bogotá S.A. Panama, which includes BAC Credomatic Inc. Other subordinates and investments are presented in Note 6.

Banco de Occidente S.A.

Private entity legally incorporated as a banking establishment, authorized to operate under the terms of resolution for renewal No. 3140 of September 24, 1993 of the Colombian Superintendency of Finance. Incorporated on September 8, 1964 through public deed No. 659 of Notary 4 of Cali.

The Bank has its main domicile in Cali. The duration established in the by-laws is 99 years from its date of incorporation. In pursuit of its corporate purpose, the bank can execute operations and contracts legally permitted to banking establishments of commercial nature, subject to the requirements and limitations of the Colombian law.

On June 30, 2012 the Banco de Occidente S.A. operates with 6,828 employees through 211 offices in the Colombian territory.

Banco Comercial AV Villas S.A.

It is a private entity, with main domicile in the city of Bogotá D.C., incorporated by means of public deed number 5700 of November 24, 1972. The duration established in its by-laws is until October 24, 2071, but the corporation may either be dissolved or extended prior to such date. The Bank's main corporate purpose is to enter into and execute all operations and contracts legally permitted to banking establishments of commercial nature subject to the requirements and limitations of Colombian law. It operates through two hundred and fifty (250) branches across the country and two hundred (200) service centers through non-bank correspondents.

Banco Popular S.A.

It is an entity which ownership at June 30, 2012 belongs 98% to the private sector and 2% to the Colombian State, domiciled in the city of Bogotá D.C., and organized on July 5, 1950 through the Decree No. 359 of the Mayor of Bogotá, formalized in deed no. 5858 of November 3, 1950 of Notary 4 Bogotá. The term of duration of the Bank is until June 30, 2050. The corporate purpose of the Bank is development of activities, operations and services which by nature correspond to a banking establishment, to engage in the sale of merchandise or other negotiable objects through its Auction House ("The Hammer"). It operates through one hundred and eighty three (183) offices that offer all banking services, twenty-five (25) cashier extensions, two (2) supercades, a (1) rapicade, one hundred ninety-one (191) non-banking correspondents, thirteen (13) service stations, eight (8) centers of clearance, forty-five (45) centers of collection and (918) nine hundred eighteen ATMs in the Colombian territory.

On June 20, 2011, through public deed of Division No. 2936 of notary 73 of Bogotá, it was perfected the process of split between the company being divided Rendifin S.A. and the beneficiary company Grupo Aval Acciones y Valores S. A., by virtue of which Grupo Aval Acciones y Valores S.A., in his capacity as beneficiary, received, as main asset, 3,358,446,312 shares that Rendifin S. A. owned in Banco Popular SA, which increased its participation from the 30.66% to the 74.13%. For his part, Rendifin S.A. received 2,073,115,007 preferred shares issued by Grupo Aval Acciones y Valores S.A.

On September 19, 2011, through public deed of Division No. 4631 of notary 73 of Bogotá, it was perfected the process of division between the divided companies Inversiones Escorial S.A and Popular Securities, and the receiving company Grupo Aval Acciones y Valores S.A., by virtue of which Grupo Aval Acciones y Valores S.A., in his capacity as beneficiary, received, as main asset, 1,514,163,964 shares that the divided companies possessed in Banco Popular SA which increased the percentage of participation of Grupo Aval from 74.13% to 93.73%.. For this part, Escorial investments S.A. and Popular Securities received each 467,334,563 preferred shares issued by Grupo Aval Acciones y Valores S.A.

Grupo Aval Limited

It was organized in Cayman Island son December 29, 2011 as a vehicle of special purpose, including debt issue.

Detail of permanent investments owned by the parent company is as follows:

	June 30		December 31	
	% Participation	No. of Shares	% Participation	No. of Shares
In controlled entities:				
Banco de Bogotá S. A.	64.44	184,830,376	64.44	184,830,376
Banco de Occidente S. A.	68.24	106,385,430	68.24	106,385,430
Banco Comercial AV Villas S. A.	79.85	179,453,557 (1)	79.85	179,453,557
Sociedad Administradora de Pensiones y Cesantías: Porvenir S. A.	20.00	15,085,589 (2)	20.00	14,691,903
Banco Popular S. A.	93.73	7,241,296,738 (3)	93.73	7,241,296,738
Grupo Aval Limited	100	1 (4)	-	-
In non controlled entities:				
Taxair S. A.	0.01	1,117	0.01	1,117

- (1) On June 30, 2012 and 31 December 2011, the society had 179,192,996 shares and 260,561 preferential.
- (2) In the second half of 2011 were received 400,304 shares worth \$8,246 corresponding to the capitalization of profits.
- (3) On June 20, 2011, through the public deed of Escision No. 2936 of the 73 notary of Bogotá, it was perfected the process of division between the company being divided Rendifin S.A. and the receiving company Valores S.A. and Grupo Aval by virtue of which Grupo Aval Acciones y Valores S.A., in his capacity as beneficiary, received, as a main asset, 3,358,446,312 shares Rendifin owned in the Banco Popular S.A. with which Grupo Aval increased their percentage of participation from the 30.66% to the 74.13%. For his part, Rendifin S.A. received 2,073,115,007 preference shares issued by Grupo Aval Acciones y Valores S.A.
On September 19, 2011, through the public deed of Division No. 4631 of notary 73of Bogotá, it was perfected the process of division between the breakaway companies investment Escorial S.A and Popular Securities, and the beneficiary company Grupo Aval Acciones y Valores S.A. by virtue of which Grupo Aval Acciones y Valores S.A., as a beneficiary, received, as main asset, 1,514,163,994 actions that those possessed in Banco Popular S.A. which increased its percentage of participation from the 74.13% to the 93.73%. For their part, Escorial Investments S.A. and Popular Securities received 467,334,563 preferential shares, each, issued by Grupo Aval Acciones y Valores S.A.
- (4) In January 2012, Grupo Aval Limited was created as a subsidiary in the Cayman Islands.

Banco de Bogotá S.A. consolidates as follows:

	June 30				December 31			
	Assets	Liabilities	Equity	Earnings (loss) of the period	Assets	Liabilities	Equity	Earnings (loss) of the period
Banco de Bogotá (Matriz)	\$ 46,407,277	38,056,241	8,351,036	617,692	\$ 43,264,854	35,164,553	8,100,301	593,740
Almacenes Generales de Depósito								
ALMAVIVA S.A. y Subordinadas	205,534	55,518	150,016	7,434	201,572	52,798	148,774	7,971
Fiduciaria Bogotá S. A.	194,312	46,760	147,552	28,659	183,575	48,998	134,576	25,683
Corporación Financiera Colombiana S.A. y Subordinadas	12,281,439	9,190,869	3,090,570	209,187	10,280,332	7,349,963	2,930,368	234,442
Sociedad Administradora de Pensiones y Cesantías - Porvenir S. A. y Subordinada	932,625	241,960	690,666	105,694	801,808	181,499	620,309	78,692
Banco de Bogotá S. A. - Panamá y Subordinada	1,314,820	1,213,772	101,048	7,143	1,428,409	1,314,481	113,929	4,136
Bogotá Finance Corporation	148	-	148	-	161	-	161	1
Leasing Bogotá S. A. - Panamá y subordinadas	19,335,686	16,088,935	3,246,751	209,878	19,830,965	16,377,752	3,453,213	170,378
Corporación Financiera Centroamericana FICENTRO	5	5	-	-	6	6	-	-
Megalinea S. A.	48,472	20,351	28,120	329	8,057	5,935	2,123	385
Casa de Bolsa S. A.	6,994	4,779	2,215	92	32,414	4,138	28,276	102
	\$ 80,727,312	64,919,191	15,808,121	1,186,108	\$ 76,032,153	60,500,123	15,532,030	1,115,530
Consolidated	\$ 73,747,059	66,474,578	7,272,481	664,782	\$ 68,809,602	61,963,708	6,845,894	565,289

Banco de Occidente S.A. consolidates as follows:

	June 30				December 31			
	Assets	Liabilities	Equity	Earnings(Loss) of the period	Assets	Liabilities	Equity	Earnings (loss) of the period
Banco de Occidente (Matriz)	\$ 22,267,996	19,159,510	3,108,486	223,616	\$ 20,950,830	17,920,268	3,030,562	226,937
Fiduoccidente S.A.	123,281	36,008	87,273	15,753	112,422	30,390	82,032	13,061
Banco de Occidente S.A. -(Panamá) S.A.	1,300,737	1,246,281	54,456	791	1,274,137	1,219,546	54,591	(1,661)
Occidental Bank Barbados Ltda.	351,248	315,023	36,255	730	355,290	319,035	36,255	848
Ventas y Servicios S.A.	24,118	17,905	6,213	626	15,589	10,747	4,842	718
	<u>\$ 24,067,380</u>	<u>20,774,727</u>	<u>3,292,653</u>	<u>241,516</u>	<u>\$ 22,708,267</u>	<u>19,499,985</u>	<u>3,208,282</u>	<u>239,903</u>
Consolidado	<u>\$ 23,450,926</u>	<u>20,358,615</u>	<u>3,092,310</u>	<u>224,565</u>	<u>\$ 22,180,088</u>	<u>19,165,042</u>	<u>3,015,046</u>	<u>224,401</u>

Banco Comercial AV Villas S.A. consolidates as follows:

	June 30				December 31			
	Assets	Liabilities	Equity	Earnings(Loss) of the period	Assets	Liabilities	Equity	Earning (loss) of the period
Banco Comercial AV Villas (Matriz)	\$ 8,216,497	7,229,772	986,725	81,442	7,600,089	6,665,346	934,743	90,022
A Toda Hora S.A. (ATH)	24,154	17,268	6,886	433	23,061	16,563	6,498	(153)
	<u>\$ 8,240,651</u>	<u>7,247,040</u>	<u>993,611</u>	<u>81,875</u>	<u>7,623,150</u>	<u>6,681,909</u>	<u>941,241</u>	<u>89,869</u>
Consolidated	<u>\$ 8,235,692</u>	<u>7,248,937</u>	<u>986,755</u>	<u>81,615</u>	<u>7,618,247</u>	<u>6,683,678</u>	<u>934,569</u>	<u>89,960</u>

Banco Popular S.A. consolidates as follows:

	June 30				December 31			
	Assets	Liabilities	Equity	Earnings (Loss) of the period	Assets	Liabilities	Equity	Earnings (Loss) of the Period
Banco Popular (Parent)	\$ 14,708,386	12,769,636	1,938,750	180,629	14,151,426	12,286,211	1,865,215	173,333
Alpopular S.A.	136,655	17,869	118,785	2,856	114,842	18,599	96,243	3,120
Fiduciaria Popular S.A.	62,273	11,112	51,161	3,198	58,159	8,974	49,185	2,530
Inca S.A.	45,992	14,983	31,009	2,776	51,774	18,139	33,635	2,994
	<u>\$ 14,953,306</u>	<u>12,813,601</u>	<u>2,139,705</u>	<u>189,460</u>	<u>14,376,200</u>	<u>12,331,922</u>	<u>2,044,278</u>	<u>181,977</u>
Consolidated	<u>\$ 14,805,996</u>	<u>12,852,824</u>	<u>1,953,172</u>	<u>182,376</u>	<u>14,251,434</u>	<u>12,368,084</u>	<u>1,883,351</u>	<u>175,676</u>

(2) Effect of Consolidation

The effect of consolidation on the structure of the financial statements of the Parent company was as follows:

	June 30				December 31			
	Assets	Liabilities	Equity	Earnings (loss) of the period	Assets	Liabilities	Equity	Earnings (loss) of the period
Individual	19,402,047	2,335,896	17,066,151	716,842	18,897,255	2,718,885	16,178,370	667,562
Consolidated	119,202,863	110,478,021	8,724,842	742,380	111,500,070	103,422,011	8,078,058	663,360
Variation	99,800,816	108,142,125	(8,341,309)	25,538	92,602,815	100,703,125	(8,100,312)	(4,202)
Increment	514.38%	4,629.58%	(48.88%)	3.56%	490.03%	3,703.84%	(50.10%)	(0.63%)

The subordinates, by statutes have semi-annual accounting closures, except the following entities which sub- consolidate in the subordinates, and have annual accounting closures audited by the corresponding Fiscal Auditors:

Banco de Bogotá S.A.:
 Banco de Bogotá Finance Corporation
 Banco de Bogotá Panamá
 Leasing Bogotá S.A. - Panamá
 Corporación Financiera Centroamericana S.A. FICENTRO

Banco AV Villas S.A.:
 A Toda Hora S.A.

Banco de Occidente S.A.:
 Banco de Occidente (Panamá)
 S.A. Occidental Bank Barbados
 Ltd. Ventas y Servicios S.A.

Banco Popular S.A.:
 Inca S.A.

(3) Main accounting policies

(a) Submission of Financial Statements

Grupo Aval prepares its financial statements subject to the generally accepted accounting principles enacted by decree 2649 of 1.993, External Memo No. 002 of 28th January 1998 and the Joint memo of the Superintendency of Societies No 100-000006 and the Colombian Superintendency of Finance No 11 of August 18th 2005. Nonetheless, keeping in mind that the main institutions that consolidate are financial, the Grupo Aval does not submit financial statements classified in current and non-current assets and liabilities.

(b) Basic Accounting and Consolidating Policy

Accounting policies and the preparation of financial statements of the Parent Company comply with generally accepted accounting standards in Colombia and those of the Subordinate companies comply with the generally accepted principles and instructions of Colombians Superintendency of Finance.

Financial statements of foreign Subordinates have been adjusted to allow the adoption of uniform accounting practices in agreement with the Generally Accepted Accounting Principles in Colombia.

For the purpose of applying uniform accounting policies for similar transactions and events for similar transactions and events under similar circumstances, the financial statements of the Subordinates were homogenized in agreement with External Memo 002 of 1998 to standards of Colombia's Financial Superintendence (Memo 100 of 1995 and to that which is not regulated Decree 2649 of 1993), is applied as follows:

Entity	June 30				December 31			
	Assets	Liabilities	Equity	Earnings(loss) of the period	Assets	Liabilities	Equity	Earnings(loss) of the period
Banco de Bogotá Consolidated								
Decree 2649 of 1993	\$ 73,675,528	66,450,197	7,225,331	664,967	\$ 68,837,533	62,033,866	6,803,667	549,930
Standards for audited	73,747,059	66,474,578	7,272,481	664,782	68,809,602	61,963,708	6,845,894	565,289
Variation	(71,531)	(24,381)	(47,150)	185	27,931	70,158	(42,227)	(15,359)
Banco de Occidente Consolidated:								
Decree 2649 of 1993	23,368,099	20,358,615	3,009,483	228,045	21,556,005	19,165,042	2,390,961	242,106
Standards for audited	23,450,926	20,358,615	3,092,310	224,978	22,180,088	19,165,042	3,015,046	432,109
Variation	(82,827)	-	(82,827)	3,067	(624,083)	-	(624,085)	(190,003)
Banco Comercial AV Villas Consolidated:								
Decree 2649 of 1993	8,216,671	7,248,937	967,734	73,841	7,614,210	6,683,676	930,531	90,145
Standards for audited	8,235,692	7,248,937	986,755	81,615	7,618,247	6,683,678	934,569	90,173
Variation	(19,021)	-	(19,021)	(7,774)	(4,037)	(2)	(4,038)	(28)
Banco Popular Consolidated:								
Decree 2649 of 1993	14,636,328	12,858,661	1,777,667	175,577	13,976,999	12,368,084	1,608,914	166,232
Standards for audited	14,805,996	12,859,135	1,946,861	179,963	14,251,434	12,368,084	1,883,351	175,676
Variation	(169,668)	(474)	(169,194)	(4,386)	(274,435)	-	(274,437)	(9,444)
Homogenization effect - Banks	(343,047)	(24,855)	(318,192)	(8,908)	(874,624)	70,155	(944,786)	(214,834)
Total consolidated:								
Under decree 2649 de 1993	119,896,626	106,916,410	12,980,216	1,142,430	111,984,747	100,250,667	11,734,073	1,048,413
Parent	19,402,047	2,335,896	17,066,151	716,842	18,897,256	2,718,886	16,178,370	667,562
Grupo Aval Limited	1,071,727	1,094,721	(22,995)	(22,994)	-	-	-	-
Total combined	140,370,400	110,347,027	30,023,372	1,836,278	130,882,002	102,969,553	27,912,443	1,715,975
Elimination of consolidation	(21,167,537)	130,994	(21,298,530)	(1,118,954)	(19,381,932)	461,097	(19,834,385)	(1,052,615)
Total consolidated	\$ 119,202,863	110,478,021	8,724,842	717,324	\$ 111,500,070	103,430,650	8,078,058	663,360

The main homogenization accounting entries performed by subordinates from the financial business sector were the following:

- (1) Adjustments for inflation were calculated from 1st January 2001 until the 31st December 2006.
- (2) Investments were valued through the linear accrual method, adjusting the non-performed estate accounts of results, gains or losses and surpluses due to valuations.

Balances of loan portfolios and financial leasing operations, asset and liability positions from monetary markets and derivatives, goods received as payment, are established based on standards set by Colombia's Financial Superintendence, which is the one that regulates operations developed through financial institutions in the country.

(c) Conversion of Foreign Currencies

Assets, liabilities and patrimony in foreign currency included in the consolidation were converted into Colombian pesos at the average market exchange rate calculated the last working day of the month and certified by Colombia's Financial Superintendence. On the 30th of June 2012 and 31st December 2011 the exchange rates applied by the Subordinates were COP \$1,784.60 and COP \$1,942.70, respectively.

The results accounts were converted to Colombian pesos using the rates of COP \$1,794.16 and COP \$1,857.47 per dollar corresponding to average value of the exchange rates that reflect the market, registered between the 1st of January and the 30th of June 2012 and the 1st of July and the 31st December 2011, respectively. The average exchange rate was calculated excluding Saturdays, Sundays and holidays and divided by the number of working days in the semester.

Subsidiaries abroad have currencies different from the pesos. To transfer them to Colombian pesos the following procedure is followed:

Balance accounts are converted into pesos at "Market Reflecting Rates or the type of exchange rate applicable in the market at the end of the period as established by the Financial Superintendence (except for the capital accounts that are converted to historical exchange rates). The types of exchange rates on the 30th of June 2012 and the 31st of December 2011 were COP \$1,784.60 and \$1,942.70, per US\$ 1.00, respectively. Consolidated Statements of the results accounts for the semesters that ended the 30th of June 2012 and the 31st of December 2011 were converted into pesos using average types of daily exchange rates of COP \$1,794.16 and \$1,857.47 per US\$ 1.00, respectively. Exchange rate differences originated in the patrimonial accounts are logged as "conversion adjustments" in the net patrimony and the differences arising in the conversion of results, are registered as "gains (losses), in net, exchanges."

(d) Cash Equivalents

For purposes of cash flow status, active positions in operations of money markets and related ones are considered as cash equivalents.

(e) Asset and Liability Positions in Market Operations and Related ones

It groups operations of inter-banking funds, re-purchase (repo) operations, simultaneous operations and temporary transfer operations of securities.

Ordinary Inter-banking Funds

It is considered to be inter-banking funds those that are placed or received directly by the Subordinates in another financial institution, without mediation of a pact of transfer of investments or of loan portfolios. They are operations related to the business objective agreed upon for a term of no more than 30 calendar days, as long as the aim is to take advantage of surpluses or compensate liquidity defects. Likewise, they include over-night transactions performed with foreign banks and using funds from the Subordinates.

Yields per interests derived from the operation are logged in the status results

Operations not cancelled within the term indicated are legalized and posted in books in the loans portfolio group except for those performed with the Banco de la República.

Repurchase (REPO) Operations

A repo operation comes about when Subordinates acquire or transfer securities in exchange for the delivery of a sum of money, assuming in such action and moment the commitment to transfer or acquire the property again from their “counterpart” on the same day or at a later date at a set price for securities of the same nature and characteristics.

The initial amount may be calculated with a discount over the market price for the securities subject for the operation; it may be established that during the validity of the operation the securities initially delivered by others are substituted and restrictions to the mobility of the securities subject to the operation may be imposed.

The yield registered from this entry are calculated exponentially during the term of the operation and are placed in the results status.

The transferred securities subject to the repo operation must be registered in contingent accounts receivable or payable, depending on whether they are open or closed repo operations, respectively.

Simultaneous Transactions

They arise when Subordinates acquire or transfer securities in exchange for the delivery of a sum of money, assuming in the same moment the commitment to transfer or acquire the property again on the same day or at a later date and at a set price for securities of the same nature and characteristics.

It may not be established that the initial amount may be calculated with a discount over the market price for the securities subject for the operation; it may not be established that during the validity of the operation the securities initially delivered by others are substituted and no restrictions may be imposed to the mobility of the securities subject to the operation.

This entry logs yields caused by the acquirer and that the transferor pays as a cost of the simultaneous operation during the term of the latter.

The difference between the current value (cash delivery) and the future value (final price of transference), constitute an earning under the heading of financial yields calculated exponentially during the life of the operation and is acknowledged under status of results.

The securities transferred subject to the simultaneous operation must be registered in contingent loan or credit accounts for active or passive positions respectively.

Transaction for the Temporary Transfer of Securities

Are those where the Subordinates transfer ownership of some securities with the agreement to transfer them on the same date or at a later date. At the same time, the counterpart transfers to the Subordinate the ownership of other securities or sums of money for the same or greater value of the securities subject to the operation.

(f) Investments

The investments of the Parent company are represented in securities and remaining documents under the care of other financial institutions, acquired for the purpose of attaining fixed or variable earnings and having direct or indirect control of any company.

Investments of the Subordinates correspond to titles acquired with the aim a secondary liquidity reserve, acquiring the direct or indirect control of any company from the financial or technical services sectors, complying with the legal and statutory dispositions, or with the sole objective of eliminating or reducing exposure of assets, liabilities or other elements of financial statements to market risks.

Investment balances from financial subordinates have been valued for purposes of consolidation through the method of linear causation (that includes the accumulated costs through their history), nonetheless the following policy is the one such institutions apply in their individual balances for the classification, valuation and registration of their investments:

The valuation of investments has the key objective of calculating, accounting logging and disclosing to the market on the value or fair trading price some securities could be negotiated in a given date in agreement with its specific characteristics and within the prevailing market conditions on such a date.

Determining the fair trading value or price of securities takes into account all the criteria necessary to guarantee compliance with the objective of investments valuation as follows:

Objectivity. Establishing and assigning the fair trading price or value is done based on technical and professional criteria that acknowledge the effects derived from changes in the behavior of all variables that may affect such price.

Transparency and representativeness. The fair trading price or value of a security is determined and assigned for the purpose of revealing an economic result that is certain, neutral, verifiable and representing the rights incorporated in the respective bond or security.

Permanent assessment and analysis. The fair trading price or value attributed to a bond or security is founded on the permanent assessment and analysis of the market conditions, of the bond issuers and of the respective bond issue. Variations in such conditions are reflected in changes in their previously assigned value or price with the frequency established for the valuation of investments.

Professionalism. The establishing of the fair trading value or price of a bond or security is based on the conclusions arising from the analysis and study that a prudent and diligent expert would perform, aimed at search, attaining knowledge and assessment of all relevant information in such a way that the established price reflects the actual amounts that would reasonably be received for their sale.

Shown below, the way in which the different types of investments are classified, valued and accounted

Classification	Term	Characteristics	Valuation	Accounting
Negotiable	Short term	Securities acquired for profit due to price fluctuations	<p>Use the fair trading prices, reference rates and/or margins calculated and published daily by the Colombia Stock Exchange. This procedure is done in a daily basis.</p> <p>Investments in bonds or securities or treasury or private bonds issued abroad by foreign issuers are valued in agreement with verified information of the generic dirty price value published by a reputed information provider platform at 16:00, official Colombian time.</p> <p>On days when it is not possible to find or estimate a price of valuation for the security or valuable, such securities or securities are valued exponentially from the internal ROI.</p> <p>This procedure is performed on a daily basis.</p>	<p>Any difference detected between the actual market value and the immediately previous one is logged as greater or lesser value of investment and its counterpart affects the period results. This procedure is done on a daily basis.</p> <p>Complying with External Memo 014 of 2007 from the Financial Superintendence of Colombia, investments are valued at Market prices as of the same day of acquisition, thus, posting of changes between acquisition cost and market value of investments is performed as of the date of purchase.</p>
Negotiable - equity securities	Short term	<p>Grant holders of respective securities the nature of part-owner of issuer.</p> <p>It includes investments on collective loan portfolios for the purpose of attaining profits.</p>	<p>Investments on equity investments issued and negotiated in Colombia are valued according to the prices provided by agents authorized by Colombia's Financial Superintendence, based on the information of the Stock Exchange where they are negotiated.</p> <p>Participation in collective loan portfolios are valued keeping in mind the unit value calculated by the managing company on the date immediately before to the date of valuation.</p>	<p>The difference arising between the actual market value and the immediately previous one registered as greater or lesser investment value and its setoff affects the results for the period.</p> <p>This procedure is performed on a daily basis.</p> <p>In equity securities: They are registered for the cost of acquisition of investments. The dividends or profits that are distributed in kind, including those derived from the funding of the patrimonial revaluation account are not logged as an earning and thus, they will not affect the value of the investment. In this case the procedure will be only to modify the number of shares in the respective accounting books. The dividends or profits that are distributed in cash, will be posted as a lesser value of the investment.</p>

Classification Term	Characteristics	Valuation	Postings
To hold until they are due Until due date	<p>Securities respect of which their Subordinates have the serious intent and the legal, contractual, financial and operational capacity of keeping until their maturity or redemption period issue.</p> <p>No liquidity operations may be performed on these investments and neither simultaneous repo operations or the temporary transfer of securities, except when it deals with mandatory or regulatory investments subscribed in the primary market and as long as the counterpart of the operation is the Central Bank (Banco de la Republica), the General Directorate of Public Credit and the National Treasury and institutions overseen by Colombia's Financial Superintendence.</p> <p>Likewise they may be turned in as collateral in a central risk chamber of the counterpart to back compliance with accepted operations by the latter for its compensation and liquidation.</p>	<p>Exponential starting from the calculated internal rate of return at the time of purchase.</p> <p>This procedure is done on a daily basis.</p>	<p>Present value is posted as a greater value of investment and its setoff are posted in the results of the period.</p> <p>This procedure is performed daily.</p> <p>Due yields pending collection are posted as a greater investment value.</p>
Available for the sale - of treasury bonds One year	<p>Securities respect of which their Subordinates have the serious intent and the legal, contractual, financial and operational capacity of keeping for at least one (1) year counted as of the day when they were classified in this category.</p> <p>When the year is due, the first working day immediately classifying them as negotiable or to keep until they are due.</p> <p>Investments classified in this category may be used as derived financial instruments when the counterpart is a central risk chamber of counterpart.</p> <p>Likewise, repo liquidity operations can be performed simultaneously or of temporary transfer of securities.</p>	<p>They use fair trading prices, reference rates and margins calculated and published daily by the Colombia Stock Exchange.</p> <p>The investments represented in securities or treasury bonds issued abroad by foreign issuers are valued based on the information verified of the generic dirty price published by a reputed platform that provides information at 16:00 official Colombian time.</p> <p>On the days that it is not possible to find or estimate a price of valuation for the securities or securities are valued exponentially starting from the collateral backing the negotiation of internal rate of return.</p> <p>This procedure is performed on a daily basis.</p>	<p>Changes arising in these bonds or securities are posted according to the following procedure:</p> <ol style="list-style-type: none"> 1. The difference between the present value of the day of valuation and the immediately previous one is registered a greater or lesser value of investment paid or charged on account of results. 2. The difference between market value and current value is registered as an accumulated gain or loss not performed within patrimonial accounts. <p>This procedure is performed on a daily basis.</p>
Available for the sale of equity securities Does not have	<p>Investments that grant its subordinates entitlement as co-owner of the issuer.</p> <p>Securities for each category and values with low or minimal marketability or without any trading and securities kept by its Subordinates in their capacity</p>	<p>Investments on equity securities are valued depending on whether the trade or not in the stock market as follows:</p> <ul style="list-style-type: none"> • Securities or equity shares issued and negotiated in Colombia: <ul style="list-style-type: none"> Equity securities traded in stock markets, value based on the daily valuation price published by of contractor or Parent company, authorized agents. If the price calculated for the valuation day does not exist, such investments are valued based on the last valuation price known. In the event that a participating security traded in a stock exchange does not show any trading from the moment it was issued in the secondary market and has not registered a market price in its primary issue, it is valued according to what is established for equity securities issued and negotiated in Colombia and not traded in the stock market. Equity securities not traded in stock markets, are valued monthly and for a maximum term of 3 months after the closing date of the financial statements of its Subordinates. The acquisition cost is increased or reduced on the participation percentage over the subsequent variations on the patrimony of the issuer, calculated based on the certified financial statements with a closing dates on the 30th of June and the 31st of December of each year, or more recently in the event that it is known. Collective portfolios and securitizations are valued per calculated unit value by the managing company on the day before the valuation. Investments traded on foreign stock exchanges. They are valued at closing price or, otherwise per the most recent trade reported by the stock market where it was traded during the last five (5) days, including the day of valuation. If there is no closing price or trading during such period, they are valued by the average trades reported during the last thirty (30) stock market days, including the valuation day. 	<p>Low or minimal marketability without any trading</p> <ul style="list-style-type: none"> - The difference between market value or updated value of investment and the value for which the investment is registered, is posted as follows: <ul style="list-style-type: none"> If it is greater, on first instance it reduces the provision or devaluation until it is spent and excess it registers surplus for valuation. If it is lower, it affects surplus for valuation until it is spent and the excess is registered as devaluation. - When the dividends or profits are distributed in kind, including those coming from capitalization of the revaluation account for patrimony, the part that has been posted as a surplus for valuation and charged to the investment and such surplus is reversed. - When the dividends or profits are distributed in cash, the amount posted is registered as surplus income for valuation, reverting such surplus and the amount that exceeds it is posted as a lower value of the investment. <p>High and low marketability</p> <p>Updating the market value of the securities of high or low marketability or that are traded in internationally acknowledged stock exchanges is posted as an accumulated gain or loss not performed within the patrimony accounts credited or charged to the investment.</p> <p>This procedure is done on a daily basis.</p> <p>Dividends or profits that are distributed in kind or cash, including those coming from the replenishing of the patrimony revaluation account, are registered as income up until the amount corresponding to the investor on the profits or revaluation of patrimony of the issuer posted by the latter from the date of acquisition until the date of investment, charging it to accounts receivables.</p>

Classification Term	Characteristics	Valuation	Postings
		<p>In the event that the values are negotiated from a foreign stock exchange, the closing price will be used or the market trading from the main trading abroad, understanding as the market of main trading that where the greater amount of the respective securities is traded during the last thirty (30) days of stock exchange including the day of valuation.</p> <p>The price of the respective bond is converted to local exchange for purposes of the market exchange rate (TRM, in Spanish) calculated on the day of valuation.</p> <p>In cases where no tradings have come about during the last thirty (30) stock exchange days, we proceed according to the regulations foreseen for traded securities not registered in stock exchanges using as a purchase price the last trade value registered.</p>	

Reclassification of Investments

For an investment to be kept within any of the classification categories, the respective bond or security must comply with the characteristics or conditions for the type of investments of which it makes part.

At any given time Colombia's Financial Superintendence may order the company the reclassification of a security or bond, whenever it does not comply with the characteristics of the type it is pretended to classify it or such reclassification be required to achieve a better disclosure of the financial situation. Investments can be reclassified in agreement with the following regulations:

Of investments to keep negotiable investments until they are due: It leads to reclassification when one or any of the following circumstances come about:

- Significant deterioration of the conditions of the issuer, its parent company, its subordinates or its linked ones.
- Changes in regulations that hinder the keeping of the investment.
- Merger procedures that may lead to the reclassification or making of investments, for the purpose of maintaining the previous position of risk of interest rates or of adjustment to the credit risk policies previously established by the resulting company.
- Other unforeseen events with the previous authorization of Colombia's Financial Superintendence.

Of available investments for sale to negotiable investments or to investments to keep until they are due. Reclassification is called for when:

- A year has passed in the new reclassification. The investor has lost its status of Parent or controlling company if this event involves the decision of transferring the investment or the main purpose of attaining profits due to short term price fluctuations, as of that date.
- Significant deterioration of the conditions of the issuer, its parent company, its subordinates or its linked ones.
- Changes in regulations that hinder the keeping of the investment..
- Merger procedures that may lead to the reclassification or making of investments, for the purpose of maintaining the previous position of risk of interest rates or of adjustment to the credit risk policies previously established by the resulting company.
- The investment goes from low or minimal marketability without trading to high or medium marketability.

When investments made to keep until they are due or available investments for sale are reclassified to negotiable investments, standards on valuation and postings of the latter are complied with; in consequence, the gains or losses not performed are not acknowledged as earnings or expenses on the day of reclassification.

In the events where an investment is reclassified, it will be reported to Colombia's Financial Superintendence on the reclassification performed no later than ten (10) calendar days from the date of the latter, stating the reasons that justify such decision and explaining their effect on the status of results.

The securities or bonds that are reclassified for the purpose of making part of the negotiable investments, cannot be reclassified.

Rights of Repurchase of Investments

It corresponds to restricted investments that represent collateral guarantee of commitments of repurchase of investments.

Subordinates keep their rights and financial benefits on these investments associated to the security and retain all the risks inherent to the latter, although it transfers the legal ownership upon performing the repo operation.

These securities continue valuating daily and accounting (posting) in the balance and status of results, in agreement with applicable methodology and procedures to investments classified as negotiable until their due date and available for sale.

Investments given in Guarantee

It corresponds to security or restricted treasury bonds resulting from guaranteeing an operation with derived financial instruments, which liquidation may be in cash, as stated in the contract or in the corresponding regulations of the system of trading of securities, of the system of the registry of operations on securities or of the compensation system or of liquidation of securities.

These securities are valued daily and are posted in the balance and status of results in agreement with applicable methodology and procedures to investments classified as available for sale.

As of the 1st of January 2010, these securities are included in the investment account, according to Resolution 1420 of 2008 and the Memo-Letter 066 Of 2009 of Colombian Superintendency of Finance.

Investments Received in Escisión Processes

Shares acquired in excision proceedings are registered with the value for which they are received. Valuations originated due to the difference between the trade value and the intrinsic value of the shares received, are registered in the valuation account with its setoff in the surplus for valuation and later on they are transferred as a greater value of investment in the sub-account method of participation per patrimony and its setoff in the surplus account per participation method. Valuation or devaluations originated due to the difference between the cost received of the investment and the intrinsic value of the latter, is registered in the valuations account with its setoff in the surplus account per valuation, remaining in these accounts.

Afterwards the method of patrimonial participation is applied based on the financial statements of the Subordinate and the new participation percentage in the latter, taking as a cost the intrinsic value of the investment at the time of the excision.

Provisions for Losses from Classification of Credit Risk Securities and/or Instruments with Unclassified of Issuances or Provisions:

The values or treasury bonds that do not have with an external qualification and the securities or treasury bonds issued by institutions that are not classified, are graded and provisioned keeping in mind the following parameters:

Category	Risk	Characteristics	Provisions
A	Normal	They comply with the agreed terms in the security or bond and they have an adequate capacity of payment for capital and interests	Does not proceed
B	Acceptable	They correspond to issuances that have uncertainty factors that could affect the capacity of continue servicing the debt in an adequate fashion. Likewise, their financial statements and remaining available information show weaknesses that could affect their financial situation..	Net value cannot be above eighty percent (80%) of the acquisition cost, nominal net value of the amortizations performed until their valuation date.

Category	Risk	Characteristics	Provisions
C	Appreciable	It corresponds to issuances that show a high or medium level probability of defaulting on the timely payment of capital and interests. Likewise, its financial statements and remaining available information, show deficiencies in their financial situation that compromise the recovery of the investment.	Net value cannot be greater than sixty percent (60%) of the acquisition cost. Dealing with securities and/or bonds their accounting value cannot be greater than eighty percent (80%) of its nominal net value from the redemptions performed until the date of valuation.
D	Significant	It corresponds to those issuances showing default under the agreed terms on the security, as well as in its financial statements and remaining available information showing accentuated differences in its financial situation, leading to a highly doubtful probability of recovering the investment.	Net value cannot be greater than forty percent (40%) of the acquisition cost.
E	Irredeemable	Issuers that according to their financial statements and remaining available information it is estimated that the investment is irredeemable. Likewise, if the financial statements closed on the 30 th of June and the 31 st of December of each year, are not available.	The value of these investments must be provisioned in full.

Securities and/or Instruments from Issuers or Issuances Having External Ratings

Securities and/or bonds having one or a number of ratings granted by external raters acknowledged by Colombia's Financial Superintendence, or the securities and/or treasury bonds issued by institutions rated by the latter, cannot be posted for an amount that exceeds the following percentages of their net nominal value from the redemptions performed until the date of valuation:

Rating Long Term	Maximum Value %	Rating Short Term	Maximum Value %
BB+, BB, BB-	Ninety (90)	3	Ninety (90)
B+, B, B-	Seventy (70)	4	Fifty (50)
CCC	Fifty (50)	5 and 6	Zero (0)
DD, EE	Zero (0)		

For purposes of the estimation of provisions on term deposits takes the rating of the respective issuer.

Provisions on investments classified to keep until they are due and referring to which a fair trade price may be established in compliance with that which is foreseen for securities and/or bonds negotiable or available for sale, correspond to the difference between the registered value and such price.

Investments Abroad

Negotiable investments and available investments for sale represented in securities or treasury bonds issued abroad and the securities or private debt bonds issued abroad by foreign issuers are valued based on Bid Issue Date (BID) published by Bloomberg BID.

Current value or market value for securities or bonds denominated in a currency different from the US dollars is converted to such currency based on the currency conversion rates published on the day of valuation in the site of the Central European Bank. When the currency conversion rates are not found in the site of the Central European Bank, the conversion rate before the US dollar published by the Central Bank of the respective country is taken.

(g) Loans Portfolio and Financial Leasing Operations

It registers credits and financial leasing operations granted by the Subsidiaries (credit institutions) overseen by Colombia's Financial Superintendence under the different authorized modalities. The resources used in the granting of credits come from their own resources, from the public under the modality of deposits and from other financing sources both external and internal.

Loans are posted for their disbursement value, except factoring, which are registered at cost price.

Commercial

They are granted to natural or legal persons for the development of organized economic activities different from the credits assigned under the modality of microcredit.

Consumption

They are those credits that independently of their amount, are granted to natural or legal persons to finance the purchase of consumption goods or the payment of services for non-commercial nor corporate purposes, different from those granted under the modality of microcredit.

Housing

They are those that regardless of the amount, are granted to natural persons destined for the purchase of new or used homes or to the construction of individual homes. In compliance with Law 546 of 1999, they are denominated in UVRs (acronym in Spanish for Real Value Units), or in local currency and backed with mortgage collateral in the first degree, constituted on the financed home. The amortization period is between five (5) years as a minimum and a maximum of thirty (30). Credits can be paid before they are due in whole or in part at any given time without any penalty. In the event of partial prepayments, the debtor has the right to choose whether the sum subscribed reduces the monthly installments or the life of the obligation. In addition to the above, these loans have remunerative interest rates that are applied to the balance of the denominated debtor or in Colombian pesos; interests are charged when the loan is mature and they cannot be capitalized; the amount of the credit can be up to seventy percent (70%) of the value of the real estate, determined by the purchase price or the technically established by a prospector within six (6) months before the granting of the credit. Credits to finance social housing (low income homes) the amount of the loan can be up to eighty percent (80%) of the value of the home. Financed real estate must be insured against fire and earthquake.

Microcredit

It is constituted by active credit operations referred to in article 39 of Law 590 of 2000, or the regulations that modify, substitute or add to it, as well as those performed by micro-companies where the main source of payment for the credit comes from income derived from their activities.

The balance of debt of the debtor cannot exceed one hundred twenty (120) monthly minimum wages in force at the time of approval of the respective active credit operation. It is understood as debt balance the amount of valid obligations on account of the corresponding micro-company with the financial sector and other sectors that are found in the registries of bank operators from data consulted by the respective operator, excluding mortgage credits that finance housing and adding the amount of the new obligation.

A micro-company is the unit of economic exploitation by a natural or legal person in agricultural, industrial, commercial business, or services, rural or urban, whose staff plant does not exceed ten (10) workers to finance such housing, which is less than five hundred (500) legal monthly minimum wages.

Financial Leasing

They are agreements in which the lessor (the Subordinated from the Grupo Aval that perform renting or leasing operations) acquires an asset (equipment, vehicles, software) and delivers it leased to a tenant. The tenant pays the lessor monthly fees for the use of the asset. The lessee has the option of purchasing the asset at the end of the lease period by paying a pre-set price.

Criteria for the assessment of credit risk

Subordinated (credit establishments) continually assess the incorporated risk in their credit assets, both at the time of lending and throughout the life of the loans, including cases of restructuring. To this end, they designed and adopted a SARC (System for Assessment of Risk Credit) which is composed of policies and processes for managing credit risk, reference models for the estimation or quantification of expected losses, system provisions to cover the risk of credit and internal control processes.

In the process of granting credits for each of the portfolios they have established policies, variables that allow to discriminate the borrowers that fit the risk profile of the Bank. Segmentation processes and discrimination in credit portfolios and credit potential subjects, are the basis for rating, and the implementation of internal statistical models evaluating different aspects of the applicants to quantify the credit risk. The methodologies and procedures implemented in the granting process allows monitoring and controlling the credit exposure of the different portfolios and the aggregate portfolio, avoiding excessive credit concentration by borrower, industry, group .economic risk factor, etc.

Banks perform continuous monitoring and rating of credit transactions in accordance with the grant processes, which is based among other criteria, in the information regarding the historical performance of portfolios and loans, the particular characteristics of debtors, credits and guarantees to back them up, the debtor's credit behavior in other entities and financial information allowing it to know your financial situation, and sectorial and macroeconomic variables that affect the normal development of the same.

In the evaluation of territorial public entities, the Subordinated verify compliance with the conditions established by law 358 of 1997, 550, 1999, 2000 and 1116 of 2006.

Assessment and Requalification of Loan Portfolios

Subordinates (credit establishments) assess the risk of their loan portfolios by introducing changes in the respective ratings when new information justify new analysis or such changes.

For the proper implementation of this obligation, Subordinates consider debtor's credit behavior in other institutions and, particularly, if at the time of evaluation the debtor records restructured obligations, according to information from credit bureaus or any other source. Monthly updates of the portfolio behavior by customers, in regard to subscriptions, cancellations, penalties and default height of operations.

When a restructured loan is in default it should be reclassified immediately.

Rating of Credit Risks

Subordinates rate credit transactions based on the above criteria and classifies them into one of the following categories of credit risk, taking into account the following minimum objective conditions:

Category	Approval	Approved Commercial Portfolio	Approved Consumption Portfolio
"AA"	New credits with assigned rating at time of assignment is "AA".	Credits already granted that do not have a default above 29 days in their contract obligations, this is between 0 and 29 days in default.	Credits rated through the application of the rating methodology of I MRCO established by the norm, is the same as "AA".
"A"	In this category must qualify the new credit with assigned rating of A at the time of granting	The credits already granted which are in default equal or superior to 30 days and less than 60 days in its contractual obligations, i.e. between 30 and 59 days of default.	Appropriations whose qualification awarded by the application of the methodology of qualification of the MRCO established by the norm, is equal to "A".
"BB"	En esta categoría se deben clasificar los créditos nuevos cuya calificación asignada al momento de otorgamiento sea "BB".	Los créditos ya otorgados que presenten mora superior o igual a 60 días e inferior a 90 días en sus obligaciones contractuales, esto es entre 60 y 89 días en mora.	Los créditos cuya calificación obtenida por la aplicación de la metodología de calificación del MRCO establecida por la norma, sea igual a "BB".
"B"	En esta categoría se deben clasificar los créditos nuevos cuya calificación asignada al momento de otorgamiento sea "B".	Los créditos ya otorgados que presenten mora superior o igual a 90 días e inferior a 120 días en sus obligaciones contractuales, es decir entre 90 y 119 días en mora.	Los créditos cuya calificación obtenida por la aplicación de la metodología de calificación del MRCO establecida por la norma, sea igual a "B".
"CC"	En esta categoría se deben clasificar los créditos nuevos cuya calificación asignada al momento de otorgamiento sea "CC".	Los créditos ya otorgados que presenten mora superior o igual a 120 días e inferior a 150 días en sus obligaciones contractuales, es decir entre 120 y 149 días en mora.	Los créditos cuya calificación obtenida por la aplicación de la metodología de calificación del MRCO establecida por la norma, sea igual a "CC".
"IDefault"	En esta categoría se deben clasificar los créditos nuevos cuando el solicitante se encuentre reportado por alguna entidad en la central de riesgo CIFIN en calificación D, E o con cartera castigada.	Los créditos ya otorgados que presenten mora superior o igual a 150 días.	Créditos de consumo que se encuentren en mora mayor a 90 días.

Other criteria considered by the subsidiaries to rate credit operations are as follows:

for commercial loans granted, the rating at the time of grant in the monthly closings for the months corresponding to the quarterly period of loan disbursement, the rating in the granting process with the characteristics of each debtor and other factors that may be considered of higher risk. For consumer loans, the rating assigned to the grant only in the end of the month in which it was disbursed.

For purposes of approving credit ratings of commercial loans and consumer debt in reports and registration statements in Subsidiaries (credit) applicable to the following table:

Group Category	Reporting Categories	
	Commercial	Consumption
A	AA	AA
		A current default 0-30 days
B	A	A current default greater than 30 days
	BB	BB
C	B	B
	CC	CC
	C	C
D	D	D
E	E	E

Where by reason of the implementation of the reference model adopted by the Financial Superintendence of Colombia, its Subsidiaries (credit institutions) rate their customers as defaulting, they are approved as follows:

Group category E = Past due customers which assigned PDI (loss upon default) is one hundred percent (100%).

Group category D = All other past due customers.

For purposes of homologation in consumer loans, current arrears referred to in the table above should be understood as the maximum that registers the debtor for the aligned products.

For debtors that at the time of qualification do not belong to the category of default, on development of the Reference Model for Consumer Loans (MRCO) Subsidiaries apply the following model depending on the segment to rate. This model calculates a score, which is the product of the particular characteristics of each debtor and is reached by applying the following equation:

$$\text{Score} = \frac{1}{1 + e^{-z}}$$

Where, Z varies according to segment that the debtor belongs to. Finally on this score ratings are set according to the table established by the Colombian Superintendency of Finance, which is shown below:

Score Until			
Rating	General Vehicles	General others	Credit Cards
AA	0.2484	0.3767	0.3735
A	0.6842	0.8205	0.6703
BB	0.81507	0.89	0.9382
B	0.94941	0.9971	0.9902
CC	1	1	1

Subordinated must rate debtors in higher risk categories, when they have additional risk factors that support this change.

The portfolio of Housing and Microcredit, following the default height criterion is classified as:

Category	Micro-credit	Housing
"A" Normal Risk	Valid Credits and until 1 month of expiration.	With instalamentos up to date or due up to 2 months.
"B" Acceptable Risk	Credits with maturities exceeding 1 month and Up to 2 months	With maturities over 2 months and up to 5 months
"C" Noticeable Risk	Credits with maturities greater than 2 Months and up to 3 months	With maturities of over 5 months and up to 12 months.
"D" Significant Risk	Credits with maturities exceeding 3 Months and up to 4 months.	With maturities greater than 12 months and up to 18 months
"E" Risk of uncollectability	Credits with maturities of more than 4 months.	With maturities of more than 18 months.

Restructuring Process

Restructuring a loan is understood as any outstanding mechanism implemented by the conclusion of any legal business, which tends to change the originally agreed conditions, in order to allow debtors to adequately care for their obligations in face of the actual or potential deterioration of their paying capacities. Additionally, it is considered restructuring the agreements concluded within the framework of Law 550 of 1999, 2000 and 1116 of 2006 or regulations that add them or substitute them as well as extraordinary restructuring and novations.

Fiscal Soundness as per Law 617 of 2000

In the restructuring derived from subscribing the Fiscal and Financial Restructuring Program under the terms of Act 617 of 2000, the Nation provided guarantees to the obligations of the territorial entities before financial institutions supervised by the Financial Superintendence of Colombia, as long as they meet the requirements of this Act and the fiscal adjustment agreements are subscribed before June 30, 2001. This guarantee could be up to forty percent (40%) for outstanding loans at December 31, 1999, and up to one hundred percent (100%) for new loans for fiscal adjustment.

These restructurings were reversed characteristic that the provisions made for the restructured obligations guaranteed portion in the nation, while the part of the

restructured loans that were not guaranteed by the nation, kept their rating of June 30th 2001.

If the restructuring agreement is complied with, the debtor is rated in the grade before restructuring at a higher risk.

For purposes of improving the relevant rating after restructuring, the terms of the agreement must be fully met.

In the event that a local authority breaches the agreement, the existing debt on the date of the breach that is not backed by the Nation, is reclassified to risk category "E".

Extraordinary Restructuring

For the restructuring that took place based on External Memo 039 of 1999 from the Financial Superintendence of Colombia and until December 31st 1999, its Subordinated may reverse their provisions as long as the restructuring agreement rates the debtor "A" or had paid at least two installments of interests or made a payment to capital and a compliance certification would have been provided under the terms of the Management Agreement and on the debtor's paying capacity

Restructuring Agreements

For restructured loans during the validity of Law 550 of 1999, upon beginning restructuring negotiations by the Subsidiaries (credit institutions), they suspended the accrual of interest on outstanding loans and kept the rating they had at the time of negotiations. However, if a client was qualified in risk category "A", it would be reclassified "B" as a minimum and a one hundred percent (100%) provision for accounts receivable would be made.

In the event of failed negotiations, loans are classified in category "E" bad credit.

As of the issuance and effectiveness of Law 1116 of 2006, the Corporate Insolvency Regime was established, debtors are considered in default status.

When a client is admitted to the restructuring process under the terms of Law 1116 of 2006, Subordinates suspend the accrual of performance and rates the customer in a risk category in agreement with their current situation. If the client's situation further deteriorates or it is perceived that the agreement in process does not meet the expectations of the Subordinate rating is reviewed, reclassifying it to the category of the corresponding risk. If no agreement is reached or liquidation is declared, the customer is classified as defaulter.

Special Criteria for the Qualification of Restructured Loans

Restructured loans can maintain their previous rating, provided that the restructured agreement entails an improvement in the debtor's ability to pay and/or the likelihood of noncompliance. If restructuring includes grace periods for payment of principal, it only maintains that rating when the period does not exceed a period of one year as of signing the agreement.

Credit ratings may improve or be modified from their default condition after being restructured, only when the debtor payment behavior follows a regular and effective payment pattern to principal, in agreement with a normal credit behavior and provided their ability to pay is maintained or improved.

(h) Loan Portfolio Charge-offs

Obligations that in the opinion of the management of the Subordinated are considered irrecoverable or that have a remote and uncertain recovery and they are one hundred percent

may be written-off or provisioned, after having exhausted all possible means of collection, in accordance with the concepts of legal collection agencies and lawyer's operators.

The write-off does not relieve officers of their accountability for the approval and management of the credit, nor removes their obligation to continue the collection efforts to achieve its collection.

The Board is the only competent body to approve write-offs of operations deemed as lost.

(i) Provision for Credit Portfolios and Accounts Receivables

Subordinates (credit institutions) have a provisioning system to cover credit risks, which is calculated on the outstanding balance by applying reference models from the commercial portfolio (MRC) and from Consumer Loans (MRCO). For loans under the Housing portfolio and Microcredit modalities, provisions are determined based on customer arrears.

Commercial and Consumer Loan Portfolio

Subordinates (credit institutions) adopted the commercial and consumer reference models, established by the Financial Superintendence of Colombia, which are used for the creation of provisions resulting from their application.

The estimate of the expected loss (provisions) resulting from the application of the following formula:

$\text{EXPECTED LOSS} = [\text{probability of default}] \times [\text{Asset exposure at the time of default}] \times [\text{Loss in face of default}]$
--

Segmentation and discrimination processes of credit portfolios and of their possible subjects of credit, are the basis for estimating expected losses in the Commercial Portfolio Reference Model (MRC), which is based on segments differentiated by the level of assets of debtors under the following criteria:

Classification of Commercial Portfolio per Level of Assets

Company Size	Level of Assets
Large Companies	More than 15,000 SMMLV
Medium Companies	Between 5,000 and 15,000 SMMLV
Small Companies	Less than 5,000 SMMLV

The model also has a category called Natural Persons (Individuals) grouping all individuals having a commercial credit.

The Reference Model for Consumer Loans (MRCO), is based on differentiated by product segments and credit institutions that offer them, in order to preserve the characteristics of the market niches and products granted.

The following are the defined segments for MRCO Subsidiaries:

- General - Cars: Loans granted for car purchases.
- General - Other: Loans granted for the purchase of consumer goods other than cars. This segment does not include credit cards.
- Credit Cards: Revolving credit for the purchase of consumer goods using a plastic card.

Reference models of commercial and consumer portfolio allow establishing the components of the expected loss according to the following parameters:

a. Probability of Payment Default

It corresponds to the probability that in a period of twelve (12) months debtors default.

The probability of failure was defined according to the following matrixes, established by the Financial Superintendence of Colombia:

Commercial Loan Portfolio

Rating	Large Company		Medium Company		Small Company		Natural Persons	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Consumer Loan Portfolio

Rating	Matrix A			Matrix B		
	General Automobiles	General Others	Credit Cards	General Automobiles	General Others	Credit Cards
AA	0.97%	2.10%	1.58%	2.75%	3.88%	3.36%
A	3.12%	3.88%	5.35%	4.91%	5.67%	7.13%
BB	7.48%	12.68%	9.53%	16.53%	21.72%	18.57%
B	15.76%	14.16%	14.17%	24.80%	23.20%	23.21%
CC	31.01%	22.57%	17.06%	44.84%	36.40%	30.89%
Default	100.0%	100.0%	100.0%	100.00%	100.00%	100.00%

Thus, for each debtor-commercial loan segment and consumption gives the probability of migrating from its current rating and default rating in the next 12 months according to the cycle of the general behavior of credit risk.

b. Loss in the event of default (LGD)

It is defined as the economic downturn of Subsidiaries in the event that some situations of non-compliance materialize. The PDI for qualified borrowers default category suffers a gradual increase according to the days elapsed after rating in that category.

The collateral backing the transaction is required to calculate the expected losses in the event of default and therefore, to determine the level of provisions.

The Bank deems appropriate guarantees, those securities duly perfected that have a set value based on technical and objective criteria providing effective legal backing for the payment of the secured obligation and which possibility of realization is reasonably adequate.

To assess the support provided and the possibility of realization of each collateral, the Bank considers the following factors: Nature, value, coverage and liquidity of collateral as well as the potential costs of fulfillment and legal requirements necessary to make them enforceable .

The PDI per type of guarantee is:

Commercial Loan Portfolio

Type of Guarantee	PDI	Days after Payment default	Nuevo PDI	Days after Payment default	New PDI
Not admissible Guarantee	55%	270	70%	540	100%
Subordinated credits	75%	270	90%	540	100%
Admissible Financial Collateral	0 - 12%	-	-	-	-
Real estate commercial and residential	40%	540	70%	1080	100%
Collateral in real estate leasing	35%	540	70%	1080	100%
Collateral in leasing different from real estate	45%	360	80%	720	100%
Other collaterals	50%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
Unguaranteed	55%	210	80%	420	100%

Consumption Loan Portfolio

Type of guarantee	PDI	Days after non Payment Default	New PDI	Days after non Payment Default	New PDI
Not admissible guarantee	60%	210	70%	420	100%
Admissible Financial Collateral	0 - 12%	-	-	-	-
Real estate commercial and residential	40%	360	70%	720	100%
Collateral in real estate leasing	35%	360	70%	720	100%
Collateral in leasing different from real estate	45%	270	70%	540	100%
Other collaterals	50%	270	70%	540	100%
Collection rights	45%	360	80%	720	100%
Unguaranteed	75%	30	85%	90	100%

c. Exposure value of the asset

For purposes of commercial and consumer loan portfolios this denomination is understood as the total outstanding exposure value of the asset, the current balance of capital, interest, receivables of interest and other accounts receivable

Individual Loan Loss Reserves under Reference Models

Commencing on April 1, 2010 under the terms of the External Memorandum 035 of September 23, 2009 issued by the Financial Superintendence of Colombia for the commercial and consumer loan portfolio reference models, the Subordinates have established a general scheme for loan portfolio reserves which are thereupon calculated as the sum of the components denominated respectively “pro-cyclical individual component” and “countercyclical individual component. Subordinates apply a methodology for calculating the cumulative phase based on the monthly evaluation of the behavior of the indicators of deterioration, efficiency, stability and growth:

	Cumulative stage	Non-cumulative stage
Deterioration	< 9%	> = 9%
Efficiency	< 17%	> = 17%
Stability	< 42%	> = 42%
Growth	> 23%	< = 23%

From the accounting closing of May 2011, were implemented changes in the calculation of these indicators, in accordance with the External Memo 017 of May 4, 2011 which shows the numeral 1.3.4.1 of chapter II of the External Memo 100 of 1995. This includes deflating deterioration indicators (real quarterly variation of individual reserves of the total portfolio, B, C, D and E) and growth (rate of annual real growth of gross portfolio). In addition, sub-accounts 410241, 410242 and 410243 were discounted from the calculation of the income portfolio interest indicator accumulated during the quarter. (Default Interest for consumption, housing and microcredit).

The individual provision of portfolio was calculated as the sum of the Individual component pro-cyclical and countercyclical Individual component indicators listed above.

The Individual pro-cyclical component: Corresponds to the portion of the individual's credit portfolio which reflects the credit risk of each debtor, in the present.

The individual Contracyclical component: It corresponds to the portion of the individual's loan portfolio that reflects possible changes in the credit risk of borrowers at a time in which the impairment of these assets is increased. This portion will reduce the impact on the income statement when such a situation arises. CIC corresponds to the higher value between the CIC of the previous month affected by the exposure, and the difference between the expected loss of the matrices B and of the month of evaluation.

In any case, the counter-cyclical individual component of each obligation can be less than zero and not exceed the expected loss calculated with the matrix B; Likewise the sum of these two components cannot exceed the value of the exhibition.

The two components separately for the capital and accounts receivable portfolio and leasing obligations are calculated by the Subordinates.

In order to establish the methodology to be applied for the calculation of these components, the subordinates engage in monthly evaluation of indicators related to: real quarterly variation of individual reserves of the total portfolio classified as B, C, D and E; quarterly accumulated reserves net of recoveries (loans and leasing portfolios) as a percentage of quarterly cumulative income for interest on loans and leasing portfolios; cumulative quarterly reserves net of loans and leasing portfolio recoveries of portfolio as accumulated percentage of quarterly adjusted gross financial margin; and annual real growth rate of gross portfolio. Depending on the outcome of these indicators, applies the methodology in cumulative stage or a methodology of disaccumulative stage.

On June 30, 2012 and 31 December 2011 individual provisions were calculated under the methodology of cumulative stage as established by the Superintendencia Financiera de Colombia.

To homologate various warranties in contracts of credit with the previously listed segments, subsidiaries classified within each group of guarantees the following:

Portfolio of Housing and Micro-credit

General Provision

Corresponds at least to the one per cent (1%) of the total amount of the gross loan portfolio in the modality of housing and microcredit.

Subordinates keep all the time reserves not lower than those resulting of the percentages calculated over outstanding unpaid amounts:

Category	Microcredit		Housing		
	Capital	Interest and Other Concepts	Capital % Guaranteed Part	Capital % not Guaranteed part	Interest and Other Concepts
A - Normal	1	1	1	1	1
B - Acceptable	3.2	100	3.2	100	3.2
C - Noticeable	20	100	10	100	100
D - Significant	50	100	20	100	100
E - Uncollectable	100	100	30	100	100

For purposes of Housing Loan Portfolio, if exposure is classified in the category "E", during two (2) consecutive years, the percentage reserve over the guaranteed portion increases to sixty percent (60%). After one (1) additional year in this situation, the percentage over the guaranteed portion rises to one hundred percent (100%).

Effect of Eligible guarantees over the creation of individual loan-loss provisions

Pursuant to the creation of individual loan-loss provisions, guarantees are deemed to only secure outstanding principal amounts. Therefore, balances to be amortized under exposure secured by eligible guarantees are subject to loan-loss provisions in the applicable percentage, which is applied as follows:

- When pursuant to housing loans, non-guaranteed portion, to the difference between the unpaid amount and one hundred percent (100%) of the guarantee. For the guaranteed portion, one hundred percent of the outstanding guaranteed principal exposure.
- When pursuant to micro-credit exposure, to the difference between the unpaid amount and seventy percent (70%) of the value of the guarantee. In these cases, depending on the nature of the guarantee and of the default period of the respective loan, consideration is made of only those percentages of the total guarantee that are listed in the following charts:

Non-mortgage Guarantees		Mortgage Guarantee or Eligible Trust Mortgage Guarantee	
	Percentage		Percentage
Time of Payment Default	Coverage	Time of Payment Default	Coverage
0 - 12 months	70.0%	0 – 18 months	70.0%
12 – 24 months	50.0%	18 – 24 months	50.0%
More than 24 months	0.0%	24 – 30 months	30.0%
		30 – 36 months	15.0%
		More than 36 months	0.0%

Rules of Alignment

The Subordinates (credit entities) realize the alignment of ratings of their debtors following the criteria below:

a) Before the process of setting of provisions and homologation of qualifications, the Subordinates monthly, and for each debtor, realize the process of internal alignment, and for this purpose they take the category of greater risk of credits

To the same modality granted to this, except if there are sufficient reasons for qualification in a category of lesser risk.

b) According to relevant legal dispositions, the Subordinate obligated to consolidate financial statements assigns the same qualification to credits of the same modality granted to the same debtor.

(i) Acceptances, Cash Operations and Derivatives

Registers the value of bank acceptances created by the Parent company on behalf of their clients and those created on its behalf by the its correspondents. Likewise, registers the cash operations and the contracts entered into by the parent, of operations with derivatives such as forwards, carrousel, futures, swaps and options.

Banker Acceptances

This is commercial transaction of the subordinates through the subscription of a bill of exchange and as acceptor is obliged to pay to a third party (beneficiary) within a certain term, the bill of exchange drawn by one of its clients as a result of a sales contract of merchandise for a certain sum.

Bank acceptances have a maturing term of up to one (1) year and can only be originated in import/export of goods or sale of movable goods within the country.

At the time of the acceptance of the bills of exchange, its value is accounted for simultaneously in assets and liabilities as bank acceptances in term and if at the expiration they are not presented for payment, are classified under the heading of bank acceptances after the term. If upon payment those have not been covered by the acquirer of the merchandise, those are reclassified to the account of loans, bank acceptances covered.

After maturity, the bank acceptances are subject to the exchange set out for sight obligations and before thirty (30) days.

Cash Transactions and Derivatives

Cash transactions are those which liquidation and payment takes place within three (3) working days immediately following the date on which they are agreed.

The financial assets acquired in cash operations are accounted for in the date of compliance or liquidation thereof and not on the date of negotiation, unless a coincidence occurs. Without prejudice of the above, the changes in the market value of the instruments sold must be reflected from the date of negotiation, as the case may be.

Under the method of the same date of liquidation, the salesman registers the financial asset in its balance up to its delivery, and additionally registers in the asset account, a right to receive the money derived from the transaction and an obligation to deliver the asset negotiated which is valued at market prices pursuant to the rules set out for investments and is recorded in the Income Statement the variations of the valuation of this obligation.

On its part, the buyer of the asset does not register the financial asset until its delivery but registers in accounting in the asset account a right to receive the asset which must be valued at market prices, and an obligation to deliver the money agreed in the operation.

When the operation is accomplished, the buyer and seller of the asset will revert both the right and the obligation registered at the time of negotiation.

The subordinates register the operations with derivative financial instruments which are contracts which main feature is that their fair price of exchange depends on one or more underlyings and its fulfillment or liquidation takes place later on. These operations have different objectives among which are highlighted:

- Offering products tailored to the needs of each customer, fulfilling, amongst other, a function of coverage of financial risks;
- Structuring of portfolios for the subordinates for adoption of advantageous arbitrage positions on different curves, assets and markets and allowing achievement of high profitability levels under low levels of equity consumption.
- The Subordinates perform derivatives, both for risk hedging of asset and liability positions of its balance sheet, and with the purpose of intermediation with clients or to capitalize arbitrage opportunities, both exchange rate and interest rate in local and external markets.

Types of Derivatives Financial Instruments

A derivative financial instrument enables management of one or more risks associated with the underlying and meets any of the following conditions:

- Do not require a net initial investment.
- Require a net investment initial lower than that which would be needed to acquire instruments that provide the same payment expected in response to changes in market factors.

The operations with derivative financial instruments are valued on a daily basis at fair price of exchange; depends on one or more underlying instruments and its enforcement or liquidation is carried out at a later time considering the following:

The right price for the exchange of financial derivatives basic instruments when there is no market price is the result of applying formulas of assessment established by the Superintendencia Financiera de Colombia.

The methodology, parameters and sources of information for the assessment of the basic derivative financial instruments are used consistently, at least for one (1) year, counted from

the modification. Used a similar methodology to assess basic derivative financial instruments having similar characteristics, provided that they related to the same underlying.

Derivative financial instruments that will deliver fair price of positive exchange is recorded in the assets, separating the value of the right and the value of the obligation, except for the options, where the accounting register is carried out in a single account. Those that will deliver fair price of negative exchange, namely unfavorable to the supervised entity are recorded as liabilities, making the same separation. When the fair price of exchange of the derivative financial instrument is equal to zero (0), either on the initial date or in another later date, its accounting record is made in the assets.

Financial derivatives are negotiated at different tables of the Treasury, i.e. specialized and distribution where are covered exchange rate risks and help the entity to project cash flows so that you can devote to its main activity, to cover these risks.

Derivative products that subordinate work with are as follows:

- Forward transactions (peso-dollar, other currencies and instruments)
- Options – basic and combined
- Swaps (Cross Currency Swap and Interest Rate Swap)
- Futures: Standard derivatives of the Colombia Stock Exchange (futures over notional bonds and TRM futures)
- Standard derivatives in foreign markets (exchange rate futures and euro-dollar futures)
- Novated Forwards

- **Forward Contracts**

A “forward” is a derivative formalized through a contract between two (2) parties, tailored to their individual needs, for the purchase/sale of a specific amount of a determined subjacent at a future date, setting the date of execution of basic conditions on the derivative financial instrument, amongst them the Price, date of delivery of the subjacent and the modality of delivery. Liquidation of the instrument in the date of compliance pay arise from its physical delivery or the liquidation of differences, depending on the subjacent and on the agreed modality for delivery, the latter may be amended by common agreement during the tenor of the instrument.

- **Options**

An “option” is a contract that grants its holder an option or right, although not the obligation, to buy or sell a certain amount of one asset at an agreed price and on a certain date or during a certain period of time. Such contract mandates the issuer to either buy or sell the asset on the date in which the “option” is exercised by its holder, according to conditions such as amount, quality and price, as agreed pursuant to the contract.

- **Swaps**

A swap or financial exchange contract is a contract executed by two (2) parties in which they agree to the exchange of a series of cash flows, calculated under certain conditions agreed under the contract which must be compensated on specific dates, also agreed at initiation of the transaction.

The purpose of this type of transaction is to reduce the risks created by the fluctuations of currency exchange rates and interest rates. In general, these are contracts aimed to provide coverage of long term transactions with more than one remaining flow.

There are two types of interest rate Swaps:

- Swap transactions may cover interest rates or contracts under which the cash flows delivered by both parties are denominated in the same currency or to cover rates of Exchange in which the flows of the transactions are denominated in different currencies. Fixed rate for Variable rate and Variable rate for Variable rate..
- The interest rate swap (IRS Interest Rate Swap) is a two party contract for the exchange of interest flows derived from payment or charge of future flows under different modalities of interest rates. In this type of swap there is no exchange of principal amounts and the transactions occur in the same currency.

- Foreign exchange swaps (Currency Swaps) are two party contracts for exchange of principal flows, denominated in different currencies, during a certain period of time. Through the tenor of the contract, each party assumes interest payments accrued under the principal amount received at the exchange.

On the dates for amortization and at maturity of the contract, there is an effective exchange of principal amounts in the currencies originally held by each party, liquidated at the spot rate of exchange of the day of initiation of the transaction. There are three (3) types of currency swaps: Fixed for Fixed, variable for variable and fixed for variable.

- **Futures Contracts**

A future is defined as a standard contract in terms of date of compliance, magnitude or face value, the characteristics of its respective undertaking, location and manner of delivery (in cash or kind). It is negotiated in the stock exchange through the Central Counterpart Risk Chamber and the two (2) parties commit to sell or buy the underlying asset on a specific future date at a price set at execution of the respective contract.

1. Accounting and Valuation of Derivative Financial Instruments

In accordance with rules set by External Memorandum 025 of 2008, Resolution 1420 of 2008 and Communication 066 of 2009 issued by the Financial Superintendence of Colombia, derivative financial instruments are classified on the basis of their tradability, as follows:

- Coverage of Risk of other positions,
- Speculation seeking to obtain gains
- Market arbitration

Accounting of derivative financial instruments depends on the finality of the underlying negotiation. As of 31 December 2009 and 30 June 2010, all transactions carried out by the Subordinates are registered as of speculation.

Although derivatives cover the risks of foreign exchange rates they generate volatility in terms of income statement in light of the variation of other types of associated risks such as devaluation curves peso-dollar (differential of foreign exchange rates). The purpose of the accounting treatment of these coverage is to isolate the effects of volatility over income statements resulting from variation in risk factors other than rate of exchange, taking to income statement only the income/expense resulting from foreign exchange re-expression and taking to net-worth accounts the portion of variation of the fair exchange price corresponding to other factors (devaluation, lapse of time, etc.).

Effective January 1, 2010, regardless of their finality, derivative financial instruments that yield a fair positive exchange price, that is: favorable to the Subordinate, are booked as assets with separation of the value of the right and the value of the obligation and excluding options for which the accounting entry is only one. On the other hand, those that yield a negative fair exchange Price, that is: unfavorable to the Subordinate, are to be booked as liabilities, with the same separation. Likewise, there is no net settlement of favorable balances and unfavorable balances for the various transactions even when of the same nature.

Derivative financial instruments with purposes of speculation are to be booked, as of the date of their execution, in amount equal to their fair exchange Price. When, on the initial date, the value of the contract is zero (0), that is to say when there is no actual payment or physical delivery between the parties, there is no accounting for income statement purposes. In subsequent valuations, variations in the fair exchange price are booked in income statement.

On the date of liquidation of derivative financial instruments cancellation takes place of outstanding balances in general balance sheet accounts and any resulting difference is either credited or charged to the respective income statement accounts, as applicable. Should the accumulated balance of the derivative financial instrument be positive on such date, it is booked as income and, should it be negative, it is then booked as expense. This procedure is completed independently, instrument by instrument, each time one is liquidated.

Type of operation	Accounting and Valuation
Forward over titles	<p>In forward purchase of titles, the right is estimated valuing the title at market prices and the obligation obtaining the present value of the agreed purchase price.</p> <p>In the case of the forward sale of titles, the right is calculated obtaining the present value of the agreed amount of sale and the obligation rating title at market prices.</p>
Forward over exchange	<p>The methodology of valuation for forward operations and cash over exchange that uses the Bank is based on bringing to present value the future flows involved in operation; the most usual is that one of these two flows is nominated in US dollars and the other in Colombian pesos. Each flow is brought to the present value using discount from market rates in dollars and Colombian pesos for the term remaining in each operation. These present values are calculated using continuous composite rates. Once the present values of the flows are obtained, they are restated in Colombian pesos using the representative market rate calculated and certified by the Superintendencia Financiera de Colombia. Interest rates used are market based on the average devaluation of the Colombian peso. When the Bank buys an option, either 'call' or 'put', the accounting register of the premium paid as daily variations at fair price of exchange occurs in the asset.</p>
Options	<p>The determination of the market value of the options in currency made by the Bank are estimated using the methodology developed by Black and Scholes.</p> <p>The information to be used in the model for the valuation of options is obtained from financial information systems that currently provide prices for the variables involved (risk-free rates, volatiles and foreign).</p> <p>The initial registry corresponds to the premium actually paid and the variations in the fair price of Exchange with respect to the initial, actually paid value, are recorded in the income statement. Rights and obligations are recorded in contingent accounts.</p> <p>When the Bank buys an option, either 'call' or 'put', the accounting register of both the premium paid and the daily variations at fair price of exchange occurs in the asset.</p> <p>When the Bank sells an option, the accounting register of the premium received and its daily variations at fair price of exchange occurs in liabilities.</p> <p>On the date of expiration of the contract, Balances corresponding to the value of the right and obligation are cancelled and any difference is booked as a profit or loss on the valuation of derivatives.</p>
Swaps	<p>The valuation of swap consist of bringing to present value (discounted) each of the future flows and convert them to the accounting currency. To carry out the process of valuation of a swap, the Bank updates the market information (curves of interest rates and exchange rates) and according to the particular features of each operation, breaks down the swap in future cash flows and calculates the total flow at each date of compliance.</p> <p>The sum of present values of received flows are accounted for as a right and the sum of the series of flows delivered are accounted for as duty.</p> <p>The result of the valuation of the day in which the operation was held is recorded as a deferred, and is amortized until maturity of the swap. To the result of the valuation of the second day and until the day of maturity of the operation it is subtracted the amortization of such deferred.</p>
Futures	<p>In this type of derivatives, there is daily settlement of gains and losses. The Central Chamber of Risk of the counterpart counterpart "CRCC" daily communicates the result of the compensation of participants and proceeds to debit or pay the realized gain or loss.</p> <p>For the case of future national bond, if the Bank has a short position, notifies the "CRCC" the title with which it wishes to fulfill its obligation, according to the specifications of the basket of deliverables and transfers the titles through deposits of securities (DECEVAL or DCV) who confirmed to "CRCC" the transfer of such securities.</p> <p>In the case of future exchange rates dollar/peso upon expiration of the contract, liquidation is performed against the price of the underlying (TRM) posted the last day of negotiation.</p> <p>The value of the obligation that the seller must register in its balance (right to the buyer), in Colombian pesos, corresponds to the price of each unit of the futures contract reported on the date of valuation by the stock exchange multiplied by the number of contracts and the nominal value of each contract. For its part, the value of the right that the seller must register on its balance sheet (obligation to the purchaser), in Colombian pesos, corresponds to the price of each unit in the futures contract, multiplied by the number of contracts and the nominal value of each contract.</p> <p>The Forward Novados, consist of derivative financial instruments that were negotiated in the market counter and whose counterparts, by mutual agreement decide to take it to a central risk chamber of counterparty for its compensation and liquidation; This agreement is governed by the framework agreement signed between respective counterparts until the day in which the Chamber of central risk of counterpart stands as counterpart of the operation. From that time on, applies the rules thereof and therefore, will not govern the contract framework previously subscribed between the initial counterparts of such financial instrument. Likewise, the respective Chamber of central risk of the counterparty must assure access to the Superintendencia Financiera de Colombia to information from these operations whenever required by the latter.</p> <p>The cumulative balance staying in the balance until the day in which the Chamber of central risk of the counterpart effectively accepts operation, is taken on the same day to an account payable or receivable, as appropriate, on behalf of the Chamber. The account is canceled in the process of compensation and liquidation of such operations, in accordance with the rules of the respective chamber of Central risk of the counterpart.</p>

2.- Derivative financial instruments for hedging

It is a combination of operations whereby one or more financial instruments, known as hedging instruments, are designated to reduce or cancel a specific risk which may have impact on the income statement as a result of variations in the fair price of Exchange, cash flow or the type of change of one or more items denominated primary positions.

Accounting for financial instruments derivatives for the purpose of coverage depends on the specific type of coverage in question. In the case of the coverage of assets and liabilities in foreign currency:

- The gain or loss or accumulated of the derivative financial instrument is recognized in the corresponding statement sub account, provided that this amount does not exceed the amount of the accumulated variation of the primary position covered attributable to the movements of the exchange rate since the starting date of coverage, which is accounted for by changes in the respective accounts of profit or loss by changes
- When the profit or loss accumulated for the derivative financial instrument is greater than the amount referred to above, the difference is recorded in the equity account "unrealized profits or accumulated losses in derivative financial instruments for purposes of coverage of assets or liabilities denominated in foreign currency", with the corresponding sign.
- On the date when the coverage expires, the cumulative result of the derivative financial instrument used for this type of coverage, which is located in the equity sub-account "unrealized gains or losses accumulated in derivative financial instruments for purposes of coverage of assets or liabilities in foreign currency, is moved to the income statement in the respective sub-account for derivative financial instruments.

On the other hand, the accounting of primary positions covered is as follows:

- a. The Primary position continues registering at its respective nominal value at each date, in the same accounts of the balance sheet and income statement, with the same methodology and dynamics as it would happen if it did not have coverage.
- b. From the date coverage with derivative financial instruments appears, the present value of the primary position is recorded in memorandum accounts.

Derivative financial instruments designated as coverage are forward peso / dollar operations with different maturity profiles.

(j) Foreclosed Assets

This account registers the value of assets received in lieu of payment by subordinate companies in exchange for non-payment of outstanding loan amounts.

Assets received in lieu of payment in the form of real estate properties are received on the basis of their commercial appraisal established in technical manner and other assets such as movables, securities and participations are received at market value.

For proper booking of assets received in lieu of payment, the following conditions must be fulfilled:

- Initial booking is made in accordance with the value determined in the official attachment or as agreed with the debtor party.
- When the asset to be received in lieu of payment does not meet conditions for divestiture, its cost is increased in the amount of all expenses necessary to engage in its commercialization.
- If there is a difference between the value of receipt and the amount of the loan to be repaid which results in favor of the paying party, the pertinent amount is accounted for as an account payable; in the event the value of the asset is not sufficient to cover outstanding debt, the difference is covered through a provision equivalent to such difference.

- Foreclosed assets corresponding to investments in securities, are valued through application of criteria indicated in this Note under Numeral “2 (e) of Investments” and taking into account all requirements for reserves during the period mentioned below.
- Earnings from term sales of assets received in payment are deferred through the life of the loan and are realized when the underlying obligation is duly paid.
- When the commercial value of the property is below book value, a reserve is created in an amount equal to the resulting difference.
- Appraisal of assets received in payment is booked in memo Accounts.

Assets not used pursuant to the corporate purpose are assets for own use that entities cease to use in development of their corporate purpose. These assets are depreciated through the instance of their realization and are accounted for as fixed assets pursuant to the limits set by Numeral 1.2 of Chapter Seven of Title One of the Basic Juridical memorandum of the Financial Superintendence of Colombia.

Provision for Foreclosed Assets

The financial subordinates register the value of the assets received in payment of balances not paid stemming from credit in their favor.

Real Estate Properties

Individual provisions of Banco de Bogotá are created for real estate through application of a model approved by the Colombian Superintendency of Finance. The model calculates the maximum expected loss resulting from the sale of assets received in lieu of payment in accordance with their history of recoveries from assets divested, the addition of expenses incurred in the forfeiting transaction, maintenance and sale of these assets and their grouping in common categories for determination of the base rate for the reserve. This rate will be adjusted on a monthly basis up to reaching a reserve equal to eighty percent (80%) depending on the group of assets to which it belongs, as follows:

- For foreclosed assets after two (2) and four (4) years of receipt and for which the Colombian Superintendency of Finance did not approve extension of sale period and those assets with more than two (2) years and less than four (4) years after receipt and for which the Colombian Superintendency of Finance did grant authorization for extension of sale period, these entities have fulfilled the required adjustment after twenty seven (27) months and reserves have adjusted to reach eighty percent (80%) at 31 December 2005.
- For foreclosed assets with less than two years after receipt and received after 1 October 2003, application was made of the adjustment function during a period of forty eight (48) months and a provision was created at eighty percent (80%).

-For purposes of real estate properties a reserve is to be created through allocation of equal monthly quotas during the year following receipt of the assets, up to an equivalent to an additional thirty percent (30%) which is increased in monthly amounts during the second year up to another thirty percent (30%) to reach a total sixty percent (60%) of their acquisition cost. Once the authorized period for sale is expired without approval for extension, the reserve must be increased to eighty percent (80%). In the event an extension is approved, the remaining twenty percent (20%) may be reserved at expiration of the approved extension.

When the commercial value of the property is below the book value of the foreclosed asset, a provision is booked equivalent to the resulting difference.

- Regarding real estate properties which date of receipt was over two (2) years before the date of issuance of the above mentioned External Memorandum, a reserve was created through the allocation of monthly quotas up to a level of eighty percent (80%) of their acquisition cost.

Movable Assets

A reserve must be created during the year following receipt of the asset, up to thirty five percent (35%) of its acquisition cost, which reserve is increased by an additional thirty five percent (35%) during the second year after acquisition up to reaching a level of seventy percent (70%) of book value before reserves. Once the legal period authorized for sale of the asset is expired without an approved extension, the reserve must be increased to one hundred percent (100%) of book value. In the case an extension of the sale period is granted, the remaining thirty percent (30%) reserve may be created during the tenor of the extension.

Whenever the commercial value of the asset is lower than the book value of the assets received in payment, a reserved must be accounted for the difference.

Without prejudice of the rules of reserves mentioned before, the assets received in payment which correspond to securities are valued applying the criteria contemplated in chapter I of the basic accounting financial memo, taking into account the classification as negotiable investments available for sale or to hold through maturity.

Provisions made on foreclosed assets or assets repossessed from leasing operations can be reverted when those are sold cash, if those assets are placed in a portfolio or financial leasing operations. The earnings generated as a result of transfer of assets to the account of loan portfolio and operations of financial leasing must be deferred in the term agreed for the operation.

Rules regarding Legal Tenor for Divestiture

Foreclosed assets must be sold off in a period of two years following the date of their acquisition; however, they may be booked as fixed assets when necessary for the ordinary course of business and subject to compliance with asset investment limits.

Extension of the above period may be requested to the Colombian Superintendency of Finance, which is to be filed prior to expiry of the tenor permitted for divestiture.

The pertinent application for extension must demonstrate that fulfillment has been made of all stops required/available for divestiture and that sale has not been possible. In any event, extension may not exceed an additional two-year period as of expiry of the original period for divestiture, and all efforts for sale of such non-productive must be pursued.

(k) Property and equipment

Represents registry of tangible assets acquired, built or in process of import, construction or assemble which are used in permanent manner by subordinates in due development of their social business objectives and which useful life exceeds one (1) year. Includes direct costs and expenses incurred up to the date in which they are in condition of use.

Additions, improvements and extraordinary repairs that have a significant increase in the useful life of these assets and other disbursements for maintenance and repairs for their preservation, are depreciated as caused.

Depreciation is registered on the basis of application of the straight line method and in accordance with the estimated number of useful life years of each item. Annual depreciation rates for each account are as follows:

Buildings, warehouses and silos	5%
Equipment, furniture and utensils	10%
Transportation equipment and machinery	10%
Computer equipment	20%
Vehicles	20%

Property and equipment are accounted for at cost which was re-expressed as a consequence of the inflation up to December, 2000

Assets given in operating leasing are registered at cost and the disbursements on account of improvements and repairs increasing efficiency and useful life are capitalized. The disbursement on account off maintenance and repairs are accounted as expenses in the period that they occur.

Starting 1997, Banco de Occidente adopted the method of reduction of balances for depreciation – for fiscal purposes. The system of reduction of balances consists in annual fixed rate depreciation applicable to non-depreciated balances in previous years; the applicable depreciation rate if the nth root of balances over cost.

For purposes of calculation a residual value was determined which is an integral component of the amount to be depreciated in the last year of the useful life of the asset, as to achieve total depreciation.

(l) Assets Surrendered under operating lease contracts

Registers the cost of the assets given in operating leasing that the Subordinates, previous the respective contract deliver in rental to the user.

The depreciation of assets given in operating leasing is made in the lesser time between the useful life and the term of the leasing contract.

When the operating lease contracts establish that payment of lease installments amortizes ninety percent (90%) or more of the values of the underlying asset, depreciation will take place during the life of the contract and under a methodology for financial depreciation in line with the terms of the respective contract.

Over the value of the assets given in leasing, it is constituted a general reserve of 1% in such a way that the sum of the accumulated depreciation and the general reserve will exceed 100% of the assets given in operating leasing.

The provision is made pursuant to the guidelines of chapter II of memo 100 of 1995.

Are registered individual reserves on property equipment and assets given in operating leasing which net value in books is higher than the commercial value established through technical evaluations, and whenever the net value is lower than the commercial value, such difference is accounted for as revaluations of assets in net-worth

m) Branches and agencies

Registers the movement of operations between the General Management and the offices of financial entities as well as those practiced between those and the foreign agencies.

Balances are conciliated daily and the resulting pending items are regularized in a term no longer than thirty (30) calendar days.

At the accounting closing the net balances are reclassified, reflecting the active or passive accounts and are recognized the respective income and expenses

(m) Prepaid expenses and deferred charges

Prepaid expenses correspond to cash outlays by the Holding and subsidiaries in the development of their respective activity, which benefit is received over several periods and which may be recoverable and assume the successive execution of services received.

Amortization takes place in the following manner:

Prepaid expenses

- a. Interest – during the prepaid period.
- b. Insurance – during the life of the policy
- c. Leases – during the prepaid period
- d. Equipment maintenance – during the life of the contract.
- e. Other prepaid expenses – during the period in which services are received.

Deferred Charges

Deferred charges represent costs and expenses for benefit in future periods and which are not susceptible of recovery. Amortization takes place on the date in which they contribute to generation of income.

- a. Expenses incurred in the reorganization and pre-operational expenses represent expenses of research and development of studies and projects which are deferred provided that pertinent expenses may be identified in a separate manner and that their technical feasibility is proven. Amortization takes place over a period not longer than five (5) years;
- b. Road construction projects. Amortization is made on the contract.
- c. Remodeling amortize over period not longer than two (2) years;
- d. Computer programs amortize over periods not longer than three (3) years.
- e. Improvements in properties under lease contracts amortize during the lesser of the period of duration of the underlying contract and its probable useful life without taking lease extension into consideration.
- f. Deferred income taxes of “debit” nature resulting from temporary differences are amortized upon compliance with legal and regulatory requirements as pertinent to fiscal dispositions.
- g. Advertising and propaganda amortize during a period equal to that of the accounting exercise; however, those expenses for publicity and propaganda under launching of new products or image change may not exceed an amortization period of three (3) years.
- h. Taxes under a prepaid fiscal period of 4 years
- i. Surveys and projects will be amortized over a two (2) years period.
- j. Other concepts are amortized over the period for recovery of the cash outlay or during the period in which benefits are received.
- k. Fees and commissions paid for products are amortized over a period not exceeding six (6) months.
- k) Commissions paid for products will be amortized over a period no greater than six (6) months
- l) Discounts placed on investment titles are amortized over a five (5) year period

(n) Intangible Assets

Mercantile Credit Acquired

Parent Company

Accounts for amounts paid in excess of book value in the acquisition of shares or aliquots of ownership participation

Mercantile credit received from the acquisition of shares of Corporacion de Ahorro y Vivienda AHORRAMAS S.A., currently Banco Comercial AV Villas S.A. is amortized in straight line over ten (10) years as established since its origin.

Mercantile credit from the acquisitions of Banco Popular S.A. and Banco de Occidente S.A. by Grupo Aval Acciones y Valores S.A. is amortized under the method "Reversal of the sum of the digits over the tenor" in a twenty year period".

Subordinate Banco de Bogotá S.A. as of 9 October 2006 adhered to the dispositions of External Memorandum 034 of the Financial Superintendence of Colombia and in this sense, outstanding mercantile credit as of the closing of fiscal year 2006 began to be amortized under the exponential method over a period of twenty (20) years. In a similar manner, mercantile credit was allocated amongst several business lines. These business lines are subject to a deterioration test in which comparison with book value (including the assigned mercantile credit) with technical valuation studies prepared annually by independent experts. If losses due to deterioration are found, the mercantile credit assigned to such line of business must be amortized up to the amount of the established loss.

Subordinate Banco de Occidente S.A., amortizes mercantile credit on the basis of the exponential method over amounts originated on the difference between values paid and net shareholder equity on the date of acquisition of Banco Aliadas and Banco Union Colombiano, over a period of respectively 216 and 237 months, in accordance with the dispositions of External memorandum 034 issued by the Financial Superintendence of Colombia. The Bank values selected business lines at market price in order to establish if there is or not a deterioration of such business line. Valuation is prepared on the basis of earnings flows generated by each business line, identified as an independent cash flow generator.

Banco Popular S.A. and Banco Comercial AV Villas S.A. do not account for any amounts corresponding to acquired mercantile credit in their financial statements.

(o) Other Assets

Other Assets basically include assets available for sale, investments in custody, assets available under leasing contracts and prepaid taxes.

Assets available for sale are assets no longer used in the main core business of the banking subsidiaries of Grupo Aval and which are depreciated through the moment of sale. Furthermore, these assets are material proof of demerit and any deterioration is charged to the Consolidated Income Statement; investments in custody are rights acquired under trust transactions; assets available under leasing contracts represent a stock of assets to be placed under lease contracts for tenor no exceeding one (1) year.

Rights under Trust Agreements

Register all rights generated through execution of mercantile fiduciary agreements which give either the trustee or the beneficiary the right to exert in accordance with either the contract or legal dispositions.

The transfer of one or more of the assets, as directed by the trustee to the trust agent, must be executed, as per accounting regulations, at adjusted cost in such a way that the delivery of the asset does not in itself generate realization of profit for the trustee and the latter will only be relevant, in income terms, when the assets is effectively realized to a third party.

(p) Valuations

Subordinates register in this account the revaluation of investments available for sale under participation securities, properties and equipment, specifically real estate and vehicles and of art and culture holdings.

The company registers in this account the appreciations originated by the difference between the cost of the investment received in split processes and the intrinsic value thereof at the time of transaction as well as those generated between the intrinsic value of investments and their realization value.

No valuations are registered over assets received in payment and repossessed

Accounting

Revaluation of investments available for sale through participation securities are registered on the basis of the shareholder equity variations of the issuer.

Revaluation of real estate properties is determined as the difference between the net cost of the assets and the value of their commercial appraisal conducted by firms with recognized experience and reputation in these matters. In the event of devaluation in the value of the property, under a rule of prudence, a reserve is then created.

Revaluation of art and culture holdings is registered taking into account the condition of preservation of the works, their authenticity, size, technique and the price of similar works.

(q) Income received in advance

Registers deferred income and revenues received in advance by subordinates in due development of their activity and are amortized during the period in which they accrue or during the period in which services are rendered.

The deferred earnings earnings from the sale of assets received in payment financed through credit operations are amortized during the period of the respective credits.

Interests and monetary correction of the credits placed in UVR which were product of credit restructure are registered as income when collected.

The adjustment of the UVR such as indicated in the policy of Recognition of Income for yields and financial leasing.

(r) Pensions Obligations

On June 30, 2012 and December 2011 subordinates not having amortized 100% will apply the provisions of decree 4565 of December 7, 2010 which modified the methodology to determine the proportion of calculation that must be amortized. The reserve is realized lineally, so that at December 31, 2009 is amortized 100% of the corresponding calculation. From thereon, the amortization of such percentage will be kept; the payment of retirement pensions are charged against the constitute reserve.

For institutions having amortized 100%, the retirement pensions are quantified through an actuarial study elaborated by specialized experts independent from the Holding company and its subordinates.

The provision is registered 100% of the corresponding calculation and such percentage is maintained.

Payments of retirement pensions are made against the pertinent reserve.

(s) Estimated Liabilities and Provisions

Subordinates have created reserves for coverage of estimated liabilities on the basis of:

- the existence of an acquired right and, therefore, of a binding obligation;
- that payment is demandable or probable; and
- the provision is justifiable, quantifiable and verifiable.

Likewise, this account registers values estimated by reason of taxes, contributions and memberships.

(t) Bonds mandatorily converted in shares

Represents the nominal value of bonds issued by the subordinates which grant holders the right to convert them in shares issued by the society,

The discounts granted in the issue will be charged to the subaccount – 192037 in placement of “boceas” and the premiums in the subaccount 272010.

(u) Recognition of Income by yields, Financial Leasing and Monetary Correction

The income from financial leasing and other concepts are recognized at the time of the causation:

Suspension of interest accrual

Pursuant to loan portfolio, subordinates suspend interest accrual, monetary correction, foreign exchange adjustments, fees, other payments and any other income as soon as there is delay in payment, in the terms of the following chart:

Credit Modality	Past due over
Commercial	3 months
Consumer	2 months
Housing	2 months
Micro-credit	1 month

Therefore, there is no impact on financial results until income is effectively collected. Until such instance, potential income is registered under memo accounts.

In those cases in which, as a result of restructuring agreements or any other modality of agreement, there is capitalization of interest already booked under memo accounts or as balances of charged-off portfolio including capital, interest and other Concepts, accounting is conducted in the form of deferred income, code 272035 and amortization for income statement is proportional to the amounts effectively collected.

In compliance with dispositions of Law 546 of 1999, article 3, creation was made of the UVR (unit of real value) as account unit reflecting the purchase power of the local currency on the basis of, exclusively, changes in the consumer price index as certified by DANE, which value is calculated under a methodology adopted by the central government.

This methodology mandates that during the months in which the CPI is seasonally higher, UVR will suffer a larger adjustment than in months of low inflation. For this reason, calculation of annual inflation on the basis of inflation rate for any given month is equivalent to assume that this is going to be the inflation rate for the entire year, which distorts the reality of what could happen in such period. Aiming to eliminate such distortion, the Colombian Superintendency of Finance has determined that income from this source must be amortized within one year.

(v) Special Rule for Provisions of Accounts Receivable (interest, monetary correction, installments, foreign exchange adjustment and other Concepts)

When subordinates suspend accrual of returns, monetary correction, exchange adjustments, rentals and income of this nature, the entire accrual and non-accrual amounts are reserved.

w) Income Tax

The expenses for income tax are determined on the basis on the greater value between the net income applying the tariff of 33 percent and the presumptive income equivalent to 3% of net worth of the last day of the preceding year

(x) Deferred Income Tax

Is registered as deferred income tax the effect of the temporary differences implying the payment of greater or lesser value in the current year, calculated at actual rates, provided that there is a reasonable expectation that will be generated enough taxable income during the periods when such differences will be reverted.

(y) Equity Tax

The National Government, through the Law of Tax Reform 1370 of December, 2009 created the Equity tax for the taxable years 2011 to 201, to be applied to legal and natural persons, The same law established that such tax is caused at the tariff of 4.8% plus a surcharge of 25 %, for a total rate of 6% over the net equity at January 1, 2011

For accounting purposes, Grupo Aval and its subordinates adopted as a policy the recognition in liabilities of the total tax which is demanded in 8 installments during years 2011 to 2014 against deferred charges amortized during the same period in 48 monthly installments against the results of the period. There are companies that register this against surplus of equity, based on decree 514 of 2010 which added article 78 of decree 2649 of 1993.

(z) Legal Reserve

Pursuant to Decree 663 of April 2, 1993 the Legal Reserve of the credit establishments is conformed as a minimum of 10% of the net earnings of the same period up to 50% of the subscribed capital; such reserve can only be reduced to a lower percentage to take care of losses accumulated in excess of the amount of non-distributed earnings

(aa) Contingent accounts

These accounts register operations through which the bank acquires a right or assumes an obligation which appearance is conditioned to whether a fact is produced or not, depending on future, eventual or remote factors. Within the debtor are registered the financial yields and the financial component of leasing canons from the time the causation is suspended in the accounts of loan portfolio and leasing of assets given in leasing.

Within these accounts are highlighted the leasing contracts to be matured, as follows: as current part are registered the canons and purchase options expiring during the following year and non-current the part of such contracts that expire after the first year.

Equally, in the contingent debtor and creditor accounts are registered the values transferred object of a repo or simultaneous operation.

(ab) Memorandum accounts

In these accounts are registered, according to its active or passive nature the operations carried out with third parties which by nature do not affect the financial situation of the bank. Likewise are included the fiscal memo accounts where are registered the figure for the elaboration of the income tax return; equally includes those registry accounts used for fiscal effects, of internal control or management information. The memo accounts can be debtors or creditors depending on the nature of the operation. Besides it contains the value of credits qualified by due date, the reciprocal operations with Affiliates, and from January 1, 2001, the value of the fiscal adjustments for inflation of the non- monetary assets and net worth.

(ac) Recognition of Income, Expenses and Costs

Grupo Aval uses the norm of association and causation to recognize and register the income, costs and expenses. The interests, commissions and rentals paid or received in advance are registered in the account of expenses or income paid or received in advance. No interest, monetary correction, adjustments in exchange, canons and income from other concepts will be caused when a credit is in default ; commercial credit, 3 months; consumption, 2 months; housing, 2months; and microcredit, 1 month.

(ad) Net income per share

As of June 30, 2012 and December 31, 2011, in order to determine the net earnings per share, the subordinates used the weighted average of the number of shares subscribe and paid between January 1 and June 30, 2012 and July 1 and December 31, which corresponds to 18,551,545,870 and 18,141,550,662 shares respectively. The net earnings per share amounted to \$38.73 and \$36.57 respectively.

(ae) Relative Importance or Materiality

The consolidated financial statements and accompanying Notes reveal, in an integral manner, those events of economic nature that, for the semi-annual periods terminated on 30 June 30, 2012 and 31 December, 2011 had influence over the financial condition of the Parent Company and the subordinates, its results and cash flows, as well as in changes in the financial condition and in shareholder's equity. There are no events of this nature that remain undisclosed or that could have a significant effect on the economic decisions of users of the above mentioned information.

(4) Cash and Bank Deposits

Outstanding balances of cash and bank deposits as of 30 June 2012 and December 31, 2011 is as follows:

	June 30	December 31
Denominated In Colombian pesos:		
Cash	\$ 2,047,676	2,001,634
At Banco de la República de Colombia ⁽¹⁾	4,080,993	3,129,391
At other local Banks and financial entities	231,083	232,553
	2,781	2,345
Remittances in transit	1,652	1,510
Provision for cash and bank deposits	(2,791)	(2,247)
Total	6,361,394	5,365,186
Denominated In foreign currency:		
Cash ⁽²⁾	418,210	481,417
At Banco de la República de Colombia	343	373
At foreign banks ⁽²⁾	3,927,334	2,741,832
Remittances in transit	244,834	193,152
Total	4,590,720	3,416,774
	\$ 10,952,115	8,781,960

(1) These values are appropriate for the fulfillment of reserve requirements set by the Bank of the Republic and are based on a percentage of the deposits received from customers in each of the bank subsidiaries of Grupo Aval in Colombia. In accordance with the provisions of resolution No. 11 of 2008, the reserve requirements are determined weekly and their amounts depend on the type of deposit: 11% for deposits in checking accounts and savings and 4.5% on deposits to term with maturity of less than 540 days.

(2) Certain values in cash and deposits in central banks from abroad are appropriate for the fulfillment of reserve requirements basically established on deposits received by BAC Credomatic's customers in Central America, in accordance with the legal provisions of each of the countries where it operates. There is no restriction on the available.

Provision of Available

The following is the movement of the provision of the available by semester ending in:

	June 30	December 31
Initial Balance	\$ 2,247	2,587
Provision charged to expenses	780	655
Recovery of provision	(215)	(1,004)
Charge offs and others	(21)	9
Final Balance	\$ 2,791	2,247

(5) Active positions in Operations of Monetary Market and Related

The balances of active positions in the monetary market and related operations were as follows:

	June 30	December 31
Legal Currency:		
Ordinary interbank funds sold	\$ 74,361	160,300
Transfer commitments in closed repo operations	9,311	39,617
Transfer commitments of investments in simultaneous operations	566,399	807,996
	650,071	1,007,913
Foreign currency:		
Ordinary interbank funds sold	1,587,794	1,896,400
Transfer commitments of investments in simultaneous operations	-	12,314
	1,587,794	1,908,714
Total	\$ 2,237,865	2,916,627

(6) Investments

Outstanding balance of negotiable investments was as follows:

	June 30	December 31
Negotiable debt securities		
Legal currency:		
Government of Colombia	\$ 1,013,757	1,417,856
Government entities	10,765	5,194
Financial institutions	292,626	502,395
Entities not supervised by the Superintendency Of Finance	11,223	19,414
Entitlement of mortgage portfolio	11,494	14,531
Entitlements different from mortgage portfolio	72,278	71,193
Other	<u>104,427</u>	<u>155,369</u>
	<u>1,516,570</u>	<u>2,185,952</u>
Foreign currency:		
Government of Colombia	4,628	28,113
Government entities	-	963
Foreign bank	102,230	65,125
Foreign government	81,614	34,071
Residents abroad	11,832	9,345
Financial institutions	45,831	57,194
Entitlements different from mortgage portfolio	144	22,635
Other	<u>61,704</u>	<u>60,747</u>
	<u>307,983</u>	<u>278,193</u>
Repurchase of rights in negotiable investments in debt securities	(1) 919,176	981,282
Negotiable investments given as guarantee of payment	<u>5,969</u>	<u>5,008</u>
	<u>925,145</u>	<u>986,290</u>
Total investments in debt instruments	<u>\$ 2,749,698</u>	<u>3,450,435</u>

Debt instruments denominated in foreign currency issued by the Colombian Government are bonds denominated in dollars of the United States of America, which are purchased at face value.

(*) The negotiable Rights of repurchase (transfer) of investments in debt securities consist of the following:

	June 30	December 31
In Colombian pesos:		
Public debt instruments issued or guaranteed by the Colombian Government	\$ 343,963	705,717
Other public debt instruments	-	12,009
Securities guaranteed by supervised Institutions of the Superintendency of Finance (including mandatory bonds or optionally convertible in shares)	463,623	21,540
Securities guaranteed or accepted by Foreign banks	-	1,954
Total in Colombian pesos	<u>807,586</u>	<u>741,220</u>
In foreign currency:		
Public debt instruments issued or guaranteed by the Colombian government	35,720	34,608
Other public debt instruments	5,067	48,076
Securities guaranteed by supervised Institutions of the by the Superintendency of Finance (including mandatory bond or optionally convertible in shares)	4,876	83,569

	June 30	December 31
Debt securities issued by entities supervised by Superintendency of Finance (includes mandatory bonds or optionally Convertible in shares)	7,166	8,875
Debt securities issued or guaranteed by Foreign governments	42,310	51,180
Securities guaranteed by foreign banks	2,256	2,396
Securities guaranteed and accepted by Foreign banks	14,195	11,358
Total in foreign currency	111,590	240,063
	\$ 919,176	981,282

Debt securities available for sale

Investments in debt securities available for sale are as follows:

	June 30	December 31
Legal currency:		
Issued by the government	\$ 2,934,902	4,979,317
Financial Institutions	16,471	16,979
Entities not supervised by the Superintendency Of Finance	1,564	1,057
Entitlements of mortgage portfolio	361,386	420,917
Entitlements different from mortgage portfolio	40,336	20,097
Other	37,450	33,405
	3,392,109	5,471,772
Foreign currency:		
Issued by the government	410,128	623,083
Government entities	59,639	40,773
Banco de la República	549,049	573,034
Financial Institutions	806,737	637,202
Credit from multinational entity	51,463	61,276
Entities not supervised by the Superintendency Of Finance	59,824	58,963
Entitlements of mortgage portfolio	223,995	208,349
Other	67,682	100,350
	2,228,517	2,303,030
Subtotal investments in debt securities	5,620,626	7,774,802
Repurchasing rights in investments available for sale in debt securities ^(*)	5,485,529	1,861,231
Securities issued and guaranteed	117,854	55,438
	\$ 11,224,009	9,691,470

(*) Rights of repurchase of investments available for sale as debt securities included:

	June 30	December 31
Denominated In colombian pesos:		
Public debt securities issued or guaranteed by the government	\$ 5,333,912	1,798,070
Total in colombian pesos	5,333,912	1,798,070
Denominated In foreign currency:		
Securities issued or guaranteed by foreign governments	65,139	61,080
Securities issued or guaranteed by Foreign banks	-	2,081
Securities issued or guaranteed by the Superintendency of Finance	75,216	-
Other securities	11,262	-
Total in foreign currency	151,617	63,161
	\$ 5,485,529	1,861,231

Investments to hold through maturity

Investments in securities to hold through maturity, consisted of the following items:

	June 30	December 31
Debt securities		
Legal currency:		
Issued by the government	\$ 710,364	763,161
Government entities	616,532	594,783
Financial Institutions	49,455	543,915
Entitlements mortgage portfolio	1,879	4,322
Corporate Bonds	1,832	-
Other	1,186,119	1,119,912
	<u>\$ 2,566,181</u>	<u>3,026,093</u>
Foreign currency:		
Issued by the government	1,913	13,058
Foreign bank	128,471	-
Foreign government	14,405	11,855
Multilateral credit institution	7,280	13,524
Residents abroad	-	1,018
Financial Institutions	227,297	4,166
Other	23,973	2,068
	<u>403,339</u>	<u>45,689</u>
Repurchasing rights ^(*)	<u>449,943</u>	<u>-</u>
Total Investments to hold through maturity	<u>\$ 3,419,463</u>	<u>3,071,782</u>

(*) Rights of repurchase of investments to hold through maturity included:

	June 30	December 31
Denominated In colombian pesos		
Public debt securities issued by the government	\$ 449,943	-
Total denominated in colombian pesos	<u>\$ 449,943</u>	<u>-</u>

Maturity and performance of the investments to hold through maturity on June 30, 2012, is as follows:

	Balance	Yield ⁽¹⁾
Maturity:		
One year or less	\$ 2,817,421	3.15%
From one to five years	599,862	4.57%
From five to ten years	2,180	9.76%
More than ten years	-	0%
	<u>\$ 3,419,463</u>	<u>3.41%</u> ⁽²⁾

(1) Calculated using the internal rate of return (IRR) of June 30, 2012.

(2) Weighted average, based on the volume of each of the yields.

Equity Trading Securities

The trading equity securities are composed of the following items:

	June 30	December 31
Trading Equity securities:		
Banco de Bogotá	\$ -	36,967
Severance funds – Reserve of stabilization	37,349	20,369
Pension funds – Reserve of stabilization	310,445	288,121
Others entities	759,660	661,763
Other	185,993	45,166
	<u>\$ 1,293,447</u>	<u>1,052,386</u>

All investments in securities were classified under category "A" with the exception of the following:

Entity	Category	Provision June 30	Category	Provision December 31
Promotora de Inversiones Ruitoque S.A.	B	\$ 198	B	\$ 198
Petróleos Colombianos Limited	E	89	E	96
CCI Marketplace S.A.	C	132	D	-
Textiles el Espinal S.A.	E	2,399	E	2,399
Petróleos Nacionales S.A.	E	257	E	257
Inversiones FCPM Holdings	E	369	E	-
Fábrica de textiles del Tolima	E	379	E	-
Promotora la Alborada S.A.	E	316	E	316
Edubar	E	143	D	-
Inmobiliaria Selecta S.A.	D	84	D	-
Inversiones Sides S.A.S	B	43	E	-
Inducarbón	E	1	E	1
Promotora la Enseñanza	E	70	E	70
Reforestadora de Santa Rosalia	E	12	E	12
Otros		215		1,382
		<u>\$ 4,707</u>		<u>\$ 4,733</u>

Equity securities available for sale

The participatory securities available for sale consist of the following instruments

Business name	Participation June 30	June 30	Participation December 31	December 31
Empresa De Energía de Bogotá "EEBB"	3.56%	\$ 572,238	3.56%	585,573
Promigás S.A.	24.97%	808,111	14.39%	523,153
Proenergía Internacional S.A.	-	-	9.99%	117,482
AEI Promigas Holdings LTD. (Inversión en Dólares)	-	-	20.30%	102,524
AEI Promigas LTD. (Inversión en Dólares)	20.30%	-	20.30%	90,351
AEI Promigas Investments LTD. (Inversión en Dólares)	20.30%	-	20.30%	90,351
Mineros S.A.	6.98%	50,257	6.98%	87,905
Gas Natural S.A.	1.68%	53,481	1.68%	53,481
Concesionaria Ruta del Sol S.A.	33.00%	86,562	33.00%	41,534
Bolsa de Valores de Colombia S.A. "BVC"	4.51%	12,075	3.36%	17,215
Jardín Plaza S.A.	17.76%	10,478	17.76%	10,031
Concesionaria Tibitó S.A.	33.33%	13,505	33.33%	9,823
Redeban Redmulticolor S.A.	2.44%	5,114	20.20%	5,115
Sociedad Transportadora de Gas de Occidente S.A.	2.80%	3,601	2.80%	4,236
Depósito Centralizado de Valores de Colombia	6.62%	3,397	8.04%	3,159
ACH Colombia S.A.	11.91%	2,661	33.84%	2,661
A Toda Hora	20.00%	1,092	59.99%	425
Otros		157,331		30,930
		<u>\$ 1,779,903</u>		<u>1,775,948</u>

Dividends received by investments in securities totaled \$89,808 and \$5,760 for the semesters ended June 30, 2012 and December 31, 2011, respectively.

In addition to the direct participation of 14.39% of Corficolombiana in Promigas S.A. E.S.P. or "Promigas", in February 2011, Corficolombiana acquired a 10.58% indirect participation in the society through the acquisition of the 20.30% in Promigas Holding, Promigas Investment and Promigas Ltda, which together had a direct participation of the 52.13% in Promigas.

On June 5, 2012, the 10.58% indirect stake of Corficolombiana in Promigas, was transferred to CFC Limited, subsidiary of Corficolombiana, through a process of Division. After the restructuring, CFC Limited was merged with CFC Gas Holdings SAS, colombiansubsidiary of Corficolombiana,

On June 13, 2012, CFC Limited paid dividends in shares for \$19.7 billion, representing an effect of exchange caused by the appreciation of the peso against the dollar, which was registered in the books of Promigas Holding, Promigas Investment and Promigas Ltda, before the Division; and on June 27, 2012, CFC Gas Holdings SAS paid Ps. 38.3 billion in cash dividends that represent dividends declared by Promigas Promigas Holdings, Promigas Investment and Promigas Ltda. before the split, derived from its 10.58% economic interest. From February 2011, and until the time of the split, Promigas Holding, Promigas Investment and Promigas Ltda. were not entities consolidated by Corficolombiana.

Provision for debt and equity securities

The following is the provision for debt and equity securities:

	June 30	December 31
Debt securities:		
Negotiable	\$ 1,316	1,719
Available for sale	<u>2,313</u>	<u>2,283</u>
Total debt securities	<u>3,629</u>	<u>4,002</u>
Equity securities:		
Negotiable	-	-
Available for sale	<u>4,707</u>	<u>4,733</u>
Total Equity securities	<u>4,707</u>	<u>4,733</u>
	<u>\$ 8,336</u>	<u>8,735</u>

Change of the provision:

	June 30	December 31
Initial balance	\$ 8,735	183,222
Plus:		
Provision charged to operating expenses	495	463
Recoveries	46	-
Less:		
Charge offs	-	(675)
Conversion adjustments	(142)	-
Recovery provision for investments	(798)	(174,275)
Final balance	<u>\$ 8,336</u>	<u>8,735</u>

Maturity of Investments

	June 30				Total
	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Greater than 5 years	
Debt securities	\$ 653,378	790,737	336,053	969,530	2,749,698
Hold through maturity	2,817,434	413,538	186,309	2,182	3,419,463
Available for sale					
In debt securities	<u>1,115,846</u>	<u>1,918,570</u>	<u>3,237,180</u>	<u>4,952,413</u>	<u>11,224,009</u>
	<u>\$ 4,568,658</u>	<u>3,122,845</u>	<u>3,759,542</u>	<u>5,924,125</u>	<u>17,393,170</u>

	December 31				
	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	Greater than 5 años	Total
Debt securities	\$ 705,817	1,695,581	248,911	800,126	3,450,435
Hold through maturity	2,319,742	526,867	220,135	5,038	3,071,782
Available for sale					
Debt securities	<u>1,044,208</u>	<u>3,417,597</u>	<u>2,742,363</u>	<u>2,487,302</u>	<u>9,691,470</u>
	<u>\$ 4,069,767</u>	<u>5,640,045</u>	<u>3,211,409</u>	<u>3,292,465</u>	<u>16,213,687</u>

(7) Loan portfolio and Financial Lease Transactions

The detail of loan portfolio and Financial Lease Transactions is as follows:

	June 30	December 31
Portfolio per modality		
Ordinary loans	\$ 53,597,725	50,801,362
Loans with resources of other entities	1,743,598	1,876,103
Factoring without recourse	93,587	99,607
Closed letters of credit	207,952	292,528
Overdrafts in checking accounts	1,507,372	567,462
Rebates	389,258	260,600
Credit card	4,755,934	1,074,179
Anticipated recoveries	408,876	3,945,462
Loans to microbusiness and y pymes	979,140	295,559
Microcredits	281,220	1,024,818
Mortgage portfolio for housing	3,978,199	952,580
Loans to employees	149,761	143,675
Reimbursed foreign loans	504	3,404,605
Real estate given on leasing	2,175,331	1,747,132
Immovables given on leasing	3,715,054	2,091,107
Other	53,110	1,370,960
Subtotal by modality	<u>\$ 74,036,621</u>	<u>69,947,740</u>

Loan portfolio by risk

Loan Portfolio and Financial Leasing operations were classified in accordance with the requirements of the Superintendencia Financiera of Colombia, as follows:

Risk Category	June 30		December 31	
	Capital	Provision Capital	Capital	Provision Capital
Commercial:				
Category A Normal	\$ 39,941,445	489,126	37,962,255	478,608
Category B Acceptable	1,380,999	48,600	1,431,282	54,827
Category C Appreciable	649,878	70,206	529,817	75,108
Category D Significant	362,327	215,602	362,832	209,697
Category E Uncollectable	264,289	236,863	259,358	223,184
Subtotal comercial	<u>42,598,938</u>	<u>1,060,397</u>	<u>40,545,544</u>	<u>1,041,424</u>
Consumer				
Category A Normal	19,936,195	368,879	18,675,381	332,538
Category B Acceptable	388,661	31,666	309,726	28,043
Category C Appreciable	304,258	56,721	266,575	54,674
Category D Significant	392,049	279,986	327,823	230,830
Category E Uncollectable	152,345	141,003	156,380	152,841
Subtotal consumer	<u>21,173,508</u>	<u>878,255</u>	<u>19,735,885</u>	<u>798,927</u>

Risk Category	June30		December 31	
	Capital	Provision Capital	Capital	Provision Capital
Micro-credit:				
Category A Normal	256,309	2,564	270,610	2,707
Category B Acceptable	8,208	266	3,524	114
Category C Appreciable	3,982	768	1,895	368
Category D Significant	3,008	1,489	1,683	832
Category E Uncollectable	9,712	9,509	6,455	6,246
Subtotal micro-credit	281,219	14,596	284,167	10,267
Housing:				
Category A Normal	3,875,965	14,579	3,975,448	14,212
Category B Acceptable	102,575	2,156	115,983	2,338
Category C Appreciable	62,164	2,766	70,782	3,128
Category D Significant	20,730	3,925	18,241	3,461
Category E Uncollectable	24,748	5,282	37,923	17,858
Subtotal Housing	4,086,182	28,708	4,218,377	40,997
Financial Leasing :				
Category A Normal	5,451,062	314,475	4,767,843	321,217
Category B Acceptable	260,242	11,486	229,274	9,987
Category C Appreciable	51,958	4,830	51,346	4,900
Category D Significant	107,779	49,571	83,509	41,478
Category E Uncollectable	25,733	23,239	31,795	27,013
Subtotal Financial Leasing	5,896,774	403,601	5,163,767	404,594
General Provision	-	12,167	-	10,291
Total per Modality	\$ 74,036,621	2,397,724	69,947,740	2,306,500

Loan Portfolio per currency

Per currency	June 30			December 31		
	Legal Currency	Foreign Currency	Total	Legal Currency	Foreign Currency	Total
Commercial	\$ 36,890,049	5,708,889	42,598,938	32,023,943	8,521,601	40,545,544
Consumption	16,966,052	4,207,456	21,173,508	15,474,457	4,261,428	19,735,885
Microcredit	281,219	-	281,219	284,167	-	284,167
Housing	910,626	3,175,556	4,086,182	833,973	3,384,404	4,218,377
Financial Leasing	5,632,999	263,775	5,896,774	4,868,033	295,734	5,163,737
Total per currency	\$ 60,680,945	13,355,676	74,036,621	53,484,574	16,463,167	69,947,740

Restructured Loans

The table below contains a summary presentation of the portfolio of loans restructured on June 30, 2012:

Category Risk	Capital	Capital Provision
Commercial:		
Law 116	\$ 218,519	105,052
Law 550	125,915	59,883
Law 617	276,184	34,418
Ordinary and extraordinary	716,418	120,068
Homologated reorganization plan	1,304	1,013
Liquidation	25,319	23,164
	1,363,659	343,598
Consumer:		
Law 116	1,317	1,202
Law 550	5	4
Ordinary and extraordinary	336,530	104,615
Homologated reorganization plan	74	48
Liquidation	138	92
	338,064	105,961

Category Risk	Capital	Provision Capital Provision
Micro-credits:		
Law 116	170	120
Ordinary and extraordinary	3,450	600
	<u>3,620</u>	<u>720</u>
Housing:		
Ordinary and extraordinary	66,630	6,700
Financial Leasing :		
Law 116	7,694	4,371
Law 550	937	126
Ordinary and extraordinary	93,728	28,717
Homologated reorganization plan	392	240
	<u>102,751</u>	<u>33,454</u>
Total restructures and agreements	\$ <u>1,874,725</u>	<u>490,432</u>

Provision for Loan Portfolio and Financial Lease Operations

The movement of reserves of loan portfolio and financial leasing operations by modality is as follows:

	June 30	December 31
Initial balance	\$ 2,306,500	2,225,975
Plus:		
(+) Provision charged to expenses	1,040,473	1,007,120
Combination of businesses	5,486	1,206
Exchange difference	(18,838)	20,120
Lewss:		
(-) Loan charge offs	(315,227)	(327,297)
(-) Recovery of provision	(620,670)	(620,624)
Fina Balancel	\$ <u>2,397,724</u>	<u>2,306,500</u>

(8) Accounts Receivable

Caused interest receivable on loans, financial leases and other accounts receivable comprise:

	June 30	December 31
Interest:		
Inter-Bank funds sold and resale agreements	\$ 245	158
Loan Portfolio	709,541	616,340
Financial component in leasing operatios	7,793	5,592
Intereset - Others	19,780	22,285
	<u>737,359</u>	<u>644,676</u>
Other accounts receivable:		
Fees and commissions	54,587	56,913
Dividends	43,993	4,695
Warehousing Service	28,567	32,488
Leases	623	559
Cannons of operational leasing collateral	33,953	5,631
Sale of goods and services	202,998	393,707
Payments on behalf of clients portfolio	220,271	200,638
Credit card vouchers	-	9,179
Promitent sellers	37,091	27,750
Advance payment of suppliers contracts	632,968	541,190
Advances to personnel	1,716	1,671
Installments retirement pensions ⁽¹⁾	4,171	7,656

	June 30	december 31
Cash missings	1,228	1,284
Exchange missing	2,590	1,992
Claims to insurance companies	10,111	5,553
Sales Tax	39,145	17,630
Transfer to Dirección Nacional del Tesoro (inactive accounts)	34,706	33,437
Gobierno Nacional Law 546 of 1999	315	315
Servibanca and other networks	32,091	29,906
Banco República Citibank New York	2,645	2,645
Patrimonio Autónomo de Megabanco M/L	-	1,539
Other automatic tellers - ATH	16,832	15,853
Other forwards NDR without delivery	4,419	292,624
Other condonations TC collections	801	725
Inactive accounts ⁽²⁾	4,710	4,700
Other	315,273	32,669
	<u>1,725,803</u>	<u>1,722,949</u>
Total interest and other receivables	2,463,162	2,367,625
Reserve of accounts receivable	(186,177)	(171,202)
Total accounts receivable	\$ 2,276,985	2,196,423

(1) This value includes the share of pensions canceled by Banco Popular and we must assume the Caja Nacional de Previsión – En Liquidación. The Bank currently is carrying out work aimed at collection of these pensions.

(2) Corresponds to the transfer of the inactive accounts to DTN pursuant to Decree 2332 of 1998 of the Ministerio de Hacienda and External Memorandum 01 of 1999 and 015 of 2011 of the Colombian Superintendency of Finance..

Movement of Provisions for Accounts Receivable

The Movement of Reserves for Accounts Receivable was as follows

	June 30	decemeber 31
Initial Balance	\$ 171,202	158,112
Provision charged to expenses	77,562	82,496
Combination of businesses	-	-
Exchang difference	7,413	506
Recoveries	(40,502)	(43,902)
Charge offs	(27,234)	(31,437)
Others	(2,264)	5,427
Final Balance	<u>\$ 186,177</u>	<u>171,202</u>

(9) Acceptances and Derivatives

	June 30		December 31	
	Assets	Liabilities	Assets	Liabilities
Acceptances:				
In term	\$ 80,802	81,018	107,763	113,349
After the term	6,055	6,072	8,834	9,894
Total acceptances	<u>86,857</u>	<u>87,090</u>	<u>116,597</u>	<u>123,243</u>
Cash Operations	<u>86</u>	<u>27</u>	<u>50</u>	<u>-</u>
Forward contracts of speculation:				
Sales Rights over foreign exchange	6,143,958	(2,867,846)	2,377,937	(6,367,649)
Rights of purchase of foreign exchange	2,159,790	(4,664,455)	6,143,984	(1,887,352)
Sales obligations on foreign currency	(6,018,860)	2,889,088	(2,360,521)	6,568,409
Purchasing obligations on foreign currency	(2,172,022)	4,728,874	(5,957,831)	1,900,893
	<u>112,866</u>	<u>85,661</u>	<u>203,569</u>	<u>214,301</u>
Coverage forward contracts M/E:				
Sales Rights over foreign exchange	1,321,099	(206,493)	223,837	(1,554,546)
Rights of purchase of foreign exchange	73,145	(41,041)	302,450	-
Sales obligations on foreign currency	(1,265,523)	207,353	(222,114)	1,585,376
Purchasing obligations on foreign currency	(72,947)	41,560	(297,393)	-
	<u>55,774</u>	<u>1,379</u>	<u>6,780</u>	<u>30,830</u>

	June 30		December 31	
	Assets	Liabilities	Assets	Liabilities
Forward Contracts:				
Rights of sale over foreign exchange	925,025	(8,999)	9,689	(304,658)
Rights of purchase over foreign exchange	12,514	(1,108,879)	716,413	-
Rights of sale over securities	33,727	(658,396)	41,651	(16,049)
Rights of purchase over securities	16,286	(10,280)	3,420	-
Obligations of sale over foreign exchange	(925,025)	8,999	(9,689)	304,810
Obligations of purchase over foreign exchange	(12,347)	1,109,005	(716,303)	-
Obligations of sale over securities	(33,727)	658,401	(41,651)	16,052
Obligations of purchase over securities	(16,285)	10,208	(3,420)	-
	<u>168</u>	<u>131</u>	<u>110</u>	<u>155</u>
Swaps:				
Obligations of sale over foreign exchange	633,409	(306,920)	389,789	(483,523)
Rights over interest rate	605,599	(653,187)	656,335	(704,161)
Obligations over foreign exchange	(591,217)	335,220	(351,203)	521,798
Obligations over interest rate	(593,179)	683,117	(643,536)	740,633
	<u>54,612</u>	<u>58,230</u>	<u>51,385</u>	<u>74,747</u>
Options:				
Call options in foreign currency	14,721	1,385	38,692	4,261
Put options on foreign currency	3,590	33,223	1,626	21,425
	<u>18,311</u>	<u>34,608</u>	<u>40,318</u>	<u>25,687</u>
Total acceptances and derivatives	<u>\$ 328,674</u>	<u>267,125</u>	<u>418,809</u>	<u>468,964</u>

The rights and obligations of Grupo Aval, originated in cash transactions and derivatives, transactions were as follows:

- Bank subsidiaries of Grupo Aval currently have investment portfolios in local and foreign currency, enabling them to offer their customers interest rates and hedge foreign currency operations.
- Derivatives are used as protection against risks from Exchange rates and increase the ability to anticipate the performance levels of investments in foreign currency foreign currency.
- Under the guidelines emanated from the Colombian Superintendency of Finance, the portfolios of derivatives of Grupo Aval Bank subsidiaries are valued at market prices every day. Unrealized profits and losses are recognized in the consolidated statements of results.
- Rates and maturities of forward contracts are the same of the futures contracts

(10) Property, Plant and Equipment - net

Elements of property plant and equipment, was as follows:

	June 30	December 31
Non depreciable:		
Land	\$ 234,460	235,278
Importations in transit	179,503	234,258
Constructions in progress	49,655	36,478
Rural realty	122,616	126,712
Total non depreciable	<u>586,234</u>	<u>632,726</u>
Depreciable:		
Buildings and warehouses	1,087,738	1,138,075
Equipment, office furniture and utensils	589,581	607,540
Computer Equipment	745,790	773,088
Vehicles	65,840	77,432
Machinery and equipment	254,142	280,517
Silos	1,770	820
Livestock	490	540
Total depreciable	<u>2,744,751</u>	<u>2,878,012</u>

	June 30	December 31
Accumulated Depreciation	<u>(1,572,621)</u>	<u>(1,667,942)</u>
Provision	<u>(4,316)</u>	<u>(5,085)</u>
Net Property and equipment	\$ <u>1,754,048</u>	<u>1,837,711</u>
Commercial value	\$ <u>5,495,774</u>	<u>5,603,820</u>
Reappraisal	\$ <u>2,167,971</u>	<u>2,093,081</u>

Accumulated Depreciation property and equipment:

	June 30	December 31
Buildings, warehouses and silos	\$ (519,716)	(572,369)
Furniture and utensils	(356,991)	(363,713)
Computer Equipment	(497,178)	(503,940)
Vehicle	(38,708)	(36,059)
Equipment of mobilization and machinery	(160,027)	(191,861)
	\$ <u>(1,572,621)</u>	<u>(1,667,942)</u>

Provision for property and equipment:

	June 30	December 31
Activo:		
Edificios	\$ (613)	(649)
Muebles y enseres	(2,229)	(2,789)
Equipo de cómputo	(1,474)	(1,647)
Total provisión	\$ <u>(4,316)</u>	<u>(5,085)</u>

(11) Operating Leasing - net

Operational leases in which the Bank or any of its bank subsidiaries act as lessor, is as follows:

	June 30	December 31
Machinery and equipment	\$ 83,256	78,229
Vehicles	37,227	29,195
Computer equipment	256,983	221,194
Computer software	117,977	108,728
Furniture and utensils	52,782	50,627
Realty	27,332	27,242
	<u>575,557</u>	<u>515,215</u>
Accumulated Depreciation	(205,438)	(187,180)
Provision for assets given in operating leasing	(5,473)	(4,786)
	<u>(210,911)</u>	<u>(191,966)</u>
	\$ <u>364,646</u>	<u>323,249</u>

Accumulated depreciation of assets given in operating lease is as follows:

	June 30	December 31
Machinery and equipment	\$ (33,516)	(34,561)
Vehicles	(5,324)	(3,683)
Computer Equipment	(101,826)	(89,983)
Computer software	(44,427)	(39,885)
Furniture and utensils	(19,846)	(18,627)
Realty	(500)	(441)
	\$ <u>(205,439)</u>	<u>(187,180)</u>

The expense of the provision for assets given in operative leasing was calculated over

	June 30	December 31
Furniture and utensils	\$ (43)	(24)
Realty	(5,430)	(4,762)
	<u>\$ (5,473)</u>	<u>(4,786)</u>

(12) Foreclosed Assets , Net

The composition of the account goods received in payment account, was as follows:

	June 30	December 31
Reinstated assets of leasing contracts:		
Real estate		
Machinery and equipment	\$ 3,746	3,961
Vehicles	2,884	2,244
Furniture and utensils	4	10
Computer equipment	-	-
Real estate	34,299	8,787
Real estate residential leasing	1,806	2,107
	<u>42,739</u>	<u>17,109</u>
Assets received in payment:		
Real estate housing	37,296	40,378
Other real estate	139,846	189,242
Furniture	11,475	10,104
Movable values	-	4,671
	<u>188,617</u>	<u>244,395</u>
Provision reinstated assets and assets received in payment	(142,951)	(166,537)
Reinstated assets and assets received in payment, net	<u>\$ 88,405</u>	<u>94,967</u>
Realizable assets:		
Land	18,331	2,259
Construction Materials and raw materials	51,773	50,319
Constructions in process	294	297
In process Products	73,236	77,247
Housing	18,436	14,408
Finished goods	15,456	16,369
Merchandise in transit	3,421	7,143
Merchandise	13,201	17,152
	<u>194,148</u>	<u>185,194</u>
Other:		
Inventory of livestock	4,792	4,678
Assets not used in the corporate purpose:		
Land	5,217	5,439
Buildings	7,890	9,522
Less depreciation	(1,265)	(1,509)
	<u>11,842</u>	<u>13,452</u>
Provision realizable assets and other	(3,009)	(4,265)
Realizable assets, net	<u>207,773</u>	<u>199,059</u>
Total reserve for realizable assets, received		
In payment and reinstated assets	(145,960)	(170,802)
Total foreclosed assets	<u>\$ 296,178</u>	<u>294,026</u>

Balance Movement Provision Foreclosed Assets

The movement was as follows:

	June 30	December 31
Initial Balance	\$ 170,802	158,311
Provision charged to expenses	15,785	15,111
Combination of expenses	-	17,526
Exchange difference	(2,387)	2,566
Recoveries	(8,559)	(16,836)
Provision used in sales	(5,570)	(3,642)
Reclassifications	(22,746)	(975)
Charge offs	(1,365)	(1,259)
Final Balance	<u>\$ 145,960</u>	<u>170,802</u>

(13) Prepaid Expenses and Deferred Charges, net

The composition of the account is as follows:

	June 30	December 31
Pre-paid Expenses:		
Interest	\$ 3,574	4,510
Insurance	21,287	15,124
Rentals	1,356	1,281
Maintenance of equipment	2,378	2,337
Other	66,847	13,018
Total prepaid Expenses	<u>\$ 95,442</u>	<u>36,270</u>
Deferred Charges:		
Operational and reorganization Expenses	4,032	5,421
Remodeling Expenses	9,807	17,016
Studies and projects	175,498	146,041
Computer software	79,847	78,691
Stationary	30,928	26,657
Improvements to properties taken in lease	44,081	46,974
Discount investment securities placement	10,598	12,808
Commission of Placement of investment securities	25	42
Deferred income tax debit	118,880	132,667
Publicity and advertising	5,322	9,113
Property Tax	445,106	507,527
Contributions and y affiliations	1,927	26,516
Commissions paid for derivative products	-	-
Loss for adjustment in valuation of securities	5,717	7,467
Goods received in rental leasing	-	72,260
Double driveway construction and improvement		
Existing driveway (Coviandes)	769,059	475,958
Work deviations Pisa	-	154,561
Consortio constructor Ruta del sol Consol	-	38,695
Other values lower than 5% reported by the entities	-	58,221
Other deferred charges	255,157	128,737
Total deferred charges	<u>\$ 1,955,984</u>	<u>1,945,372</u>
	<u>2,051,426</u>	<u>1,981,642</u>

(14) Goodwill, net

The composition of mercantile credit, is as follows:

	June 30	December 31
Mercantil credit acquired by Aval in the purchase of shares of Bancos Popular y Occidente	\$ 417,953	423,506
Mercantil credit acquired in the combination of business with Megabanco	500,290	510,799
Mercantil credit acquired in the combination of Business with BAC ("Banco de América Central")	1,828,011	2,017,279
Mercantile Credit in the combiantion of Business with Corporación Financiera Colombiana S,A,	121,962	131,993
Mercantil credit acquired in the combination of Business with Banco Aliadas and Banco Unión	25,016	25,720
	<u>\$ 2,893,232</u>	<u>3,109,297</u>

(15) Other Assets - Net

The composition of Other Assets, are as follows:

	June 30	December 31
Assets available for sale ⁽¹⁾	\$ 479,164	407,208
Aggregate value deductible from taxes and Tax withholding	152,167	38,693
Restricted Deposits	166,341	109,308
Investments in custody	31,147	32,808
Taxes paid in advance	428,803	65,507
Assets available for rental contracts	302,864	338,739
Consortium ⁽²⁾	80,334	75,663
Other	95,227	67,507
	1,736,047	1,135,433
Less: Provision and accumulated depreciation	(64,385)	(61,880)
	<u>\$ 1,671,662</u>	<u>1,073,553</u>

(1) It includes inventories of real sector companies.

(2) They include capital expenditures related to consortia for the collection of tolls by Corficolombiana.

(16) Asset Valuation, net

The table below describes the revaluations at the closing of June 30, 2012 and December 31, 2011:

	June 30	December 31
Appraisal of property plant and equipment	\$ 2,164,971	2,093,081
Surplus (devaluation) of investments ⁽¹⁾	421,563	(12,535)
Valuation of other assets	10,759	10,759
Valuations of assets	2,600,293	2,091,305
Participation of non-controlling interest	1,434,373	1,209,563
Surplus for Valuation of assets	<u>\$ 1,165,920</u>	<u>881,742</u>

(1) Surplus and devaluation by valuation of investments.

In the process of split of the 3,358,446,312 shares of Banco Popular S.A. by Rendifin S.A. and 757,081,997 shares by Inversiones Escorial and Popular Securities, in favor of Grupo Aval Acciones y Valores S.A., it was determined the following valuation:

	September 20, 2011	Junio 23, 2011
Value of the consolidated homogenized equity of Banco Popular S.A. (at mayo 2011) (A)	<u>\$ 1,789,264,000</u>	<u>1,758,109,000</u>
Number of outstanding shares (B)	<u>7,725,326,503</u>	<u>7,725,326,503</u>
Intrinsic value (en pesos) (A/B)	<u>\$ 232</u>	<u>228</u>
Number of shares received by Aval In escisión (C)	<u>1,514,163,994</u>	<u>3,358,446,312</u>
Intrinsic value of share s acquired (D = (A/B) * (C))	<u>\$ 350,696</u>	<u>764,306</u>
Value accounted as expense (E)	681,374	231,878
Devaluation (D-E) caused	(330,678)	532,428
Balance accumulated valuation(F)	<u>\$ 201,750</u>	<u>532,428</u>

The valuations here determined, were eliminated in the consolidation process remaining only the effect of Shareholder's Equity.

(17) Time Deposits

Breakdown of time deposits (in terms of maturity) account was as follows

	June 30	December 31
Legal currency:		
Less than six months	\$ 2,852,256	2,971,171
Between six and twelve months	2,798,016	3,132,630
Between twelve and eighteen months	1,263,553	1,278,509
More than eighteen months	11,356,160	7,939,199
Foreign currency:		
Less than six months	3,189,178	2,767,769
Between six and twelve months	1,976,285	1,665,993
Between twelve and eighteen months	1,712,351	2,081,564
More than eighteen months	934,720	793,658
	<u>\$ 26,082,519</u>	<u>22,630,493</u>

(18) Borrowings form Banks and Others

The Colombian Government has created programs for the promotion of the development of specific sectors of the economy. These sectors include foreign trade, agriculture, tourism and many other industries. These programs have been placed under the administration of the Banco de la República and various government entities such as BANCOLDEX and FINAGRO FINDETER.

Entity	June 30				Total
	Short Term (1 year)	Medium Term (1-3 years)	Long Term (3-5 years)	Long Term More tha 5 años	
Banco de Comercio Exterior	\$ 296,464	612,288	65,428	10,330	948,510
Fondo para el Financiamiento del Sector Agropecuario FINAGRO	58,044	309,299	145,100	54,153	566,596
Financiera de Desarrollo Territorial S,A FINDETER	50,577	335,365	199,486	366,945	952,373
Foreign banks ⁽¹⁾	1,351,904	2,025,410	359,065	1,331,357	5,067,736
Other	307,130	255,524	1,253,314	242,477	2,058,445
	<u>\$ 2,064,119</u>	<u>3,537,886</u>	<u>2,022,393</u>	<u>2,005,262</u>	<u>9,629,660</u>

Entity	December 31				Total
	Short Term (1 year)	Medium Term (1-3 years)	Long Term (3-5 years)	Long Term More than 5 years	
Banco de Comercio Exterior	\$ 407,699	755,791	58,919	2,568	1,224,977
Fondo para el Financiamiento del Sector Agropecuario FINAGRO	64,623	273,339	263,701	232	601,895
Financiera de Desarrollo Territorial S,A FINDETER	61,327	460,463	321,297	232,538	1,075,625
Foreign banks	3,111,628	2,501,663	830,034	-	6,443,325
Otros	149,645	292,920	1,649,364	-	2,091,929
	<u>\$ 3,794,922</u>	<u>4,284,176</u>	<u>3,123,315</u>	<u>235,338</u>	<u>11,437,751</u>

Loans under these programs carry interest rates ranging between 3.0% and 6.0% above the average rates paid by local banks on their funds in short-term deposits. Credit terms vary depending on the program (with terms of up to 10 years). Grupo Aval finances approximately between 0% and the 15.0% of the total of each credit and the remainder is financed by the appropriate governmental entity. The loans granted to customers are denominated in the same currency and carry the same maturity of the loans granted by government agencies.

(1) Includes an obligation to three years to US\$ 500 million equivalent to PS. 892.3 million, acquired by Banco de Bogotá with different financial institutions, including HSBC Securities Inc., Citigroup Global Markets Inc., and J.P. Morgan Securities LLC, on December 19. Used amounts shall accrue interest at three or six-month LIBOR rate plus 225 bps, by decision of Banco de Bogotá

(19) Accounts Payable

The balance of accounts payable is as follows:

	June 30	December 31
Interest:		
Deposits and liabilities	\$ 234,285	182,139
Operations of the money market	103	340
Credits in Banks and other financial obligations	77,098	61,171
Outstanding investment securities	72,391	58,460
Bonds mandatorily convertible in shares	1	152
Others	11,106	10,768
	<u>\$ 394,984</u>	<u>313,030</u>
Commission and other:		
Commissions and fees	\$ 45,220	39,269
Income tax and complimentary	35,420	118,654
Property tax	108,531	131,504
Other taxes	390,473	440,679
Dividends and surpluses to pay	393,760	568,245
Rentals	5,065	5,172
Financial transactions tax	31,323	31,994
Sales tax to pay	39,335	43,769
Promitent buyers	14,563	5,006
Payments to suppliers	399,774	550,968
Contributions and affiliations	3,959	15,918
Withholdings and other labor contributions	200,658	194,015
Fines and penalties, litigation, indemnities and lawsuits	4	61
Insurance premium	242,883	237,501
Fondo de garantías de instituciones financieras	-	701
Collections on behalf of third parties	279,945	152,825
Operations with card	-	27,548
Sobrantes por compensación AVAL	59,831	115,414
Cédulas cafeteras pendientes de utilizar	71,387	42,793
CDTS vencidos	27,732	30,129
Principal and interest bonds of peace	28,552	28,433
Transitory for dispersion of funds	-	26,532
Attachments to customer accounts	18,200	21,218
Sundry surplus	-	4,286
Sundries from other institution reported as less than 5 %	-	148,025
Creditors by clearance installments	-	8,678
Principal and interest security bonds	7,152	6,996
Cash collection through transporter of securities	-	6,830
Checks unpaid	7,965	8,113
Professional fees	3,453	2,947
Compensation credibanco	2,436	5,283
Other (*)	495,054	74,442
	<u>\$ 2,912,675</u>	<u>3,093,949</u>

(20) Other Liabilities

The balance of the account other liabilities and obligations is as follows:

	June 30	December 31
Labor Obligations	\$ 222,752	234,657
Advance income	216,635	235,552
Deferred payments	72,163	68,504
Pensions obligations	309,867	299,001
Letters of credit of deferred payment	14,891	4,835
Credit for deferred monetary correction	12,776	13,581
Deferred income tax	207,630	183,691
Cancelled accounts	23,917	19,511
Payments to be applied to sight obligations	277,306	134,992
Other	83,084	253,445
	<u>\$ 1,441,021</u>	<u>1,447,769</u>

**Detail of the pension obligations of subsidiaries of Grupo Aval,
Banco de Bogotá SA and subordinates:**

Pension Obligation	Entity					
	Banco de Bogotá		Corficolombiana		Almaviva	
Actuarial method used	Contingent growing fractioned payments. Decree 2984 of 2009, decree 2783 of 2011. And Resolution 1555 published 30 June 2010.		On the basis of decree 2984 of 2009 wich amended Decree 2783 of 2011, on the basis of a DANE established rate Of 4.80%.		Contingent annually growing fractionated payments in arrears. Decree 4565 of 2010.	
Number of users.	1,137 persons of wich 672 are retired 418 substitute, 32 retirees pensioned, And 15 are active individuals.		1 direct pensioner.		Thirty eight (38) retirees of which thirteen (13) are pensioned, twenty four (24) are Substitutes and one (1) is retired.	
Benefits Covered	Monthly Payment and one additional.		None		Monthly Payment plus additional Payment for pensioned beneficiaries and With expectation of Pension.	
The accumulated amortized percentage Of the actuarial calculation on the Closing date of the financial statement with reference to the accumulated amortized percentage as of the closing date.	31-dec-11 83,79%	30-jun-12 83,79%	31-dic-11 86,09%	30-jun-12 86,09%	31-dec-11 100,0%	30-jun-12 100,0%
Amortization plan for the actuarial Calculation to reach one hundred (100%) of accumulated amortization.	The annual provision is increased rationally and sistematically in such A way that as of December 31, 2029 Amortization reaches 100%		There is not amortization plan; one hundred percent (110%) of actuarial cost is already amortized.		There is not amortization plan; one hundred percent (110%) of actuarial cost is already amortized.	

Banco de Occidente S.A. y Banco Popular S.A.:

Pension Obligation	Entity			
	Banco de Occidente		Banco Popular	
Actuarial method used	Fractioned Payments in arrears.		Fractioned payments in arrears as indicated in Article 112 of Tax Code and in consideration of regulations in Decree 2783 of 20 December 2001 as to tax considerations.	
Number of users	40 persons		2,057 persons at Banco Popular and Alpopular (a subordinated of the bank) 2 persons, for a total of 2,060 persons	
Benefits Covered	Monthly Payment and Bonus		One monthly payment plus two paymnts in July and December	
The accumulated amortized percentage of the actuarial calculation on the closing date of the financial statements with reference to the accumulated amortized percentage as of the closing of the immediately previous period.	31-dic-11 100,00%	30-jun-12 100,00%	30-jun-11 78.21%	31-dic-10 78.21%
Amortization plan for the actuarial calculation To reach one hundred percent (100%) of Accumulated amortization.	NA		Amortization takes place at a rate of 1.15% p.a to conclude in 2029.	

Pension Obligations	Entity	
	Banco de Occidente	Banco Popular
Amount of the pension bonds issued and period Of redemption.	NA	Banco Popular has not issued pension bonds, Alpopular (a subordinate of the bank) has issued one Pension bond in the amount of \$ 50 million for redemption in 2022..
Insurance company with wich payment of pensions has been hired.	NA	NA
Specific funds or guarantees destined to back-up the total obligation	NA	NA

(21) Bonds (Long Term Debt)

Companies are authorized by the Colombian Superintendency of Finance for issue or placing bonds or bonds of general warranty. Emissions of bonds by Grupo Aval and its bank subordinates all have been issued without guarantees and they exclusively represent obligations of each of the issuers.

The detail of liabilities on June 30, 2012 and 31 December 2011 by date of issuance and expiration date is as follows:

Issuer	Date of issue	June 30, 2012	December 31, 2011	Date of maturity	Interest Rate
BAC Honduras	October 2009	\$ 12,714	14,163	Oct 2012	14.38% to 14.49%
	November 2009	10,146	11,303	Oct 2012	14.38% to 14.49%
	December 2009	24	26	Oct 2012	14.38% to 14.49%
		<u>22,884</u>	<u>25,492</u>		
Banco de América Central	March 2007	-	19,427	Mar 2012	4.19%
	May 2007	-	19,427	May/2012	3.58%
	January 2008	17,846	19,427	Jan/2013	3.94% to 3.98%
	November 2008	26,769	29,141	Nov/2013	4.17%
	February 2009	26,769	29,141	Feb 2014	5.02%
	December 2010	22,512	23,170	Jan/2012	4.00%
	December 2011	7,745	7,771	Dec/2016	4.25%
	May 2012	20,465	-	May/2017	4.25%
		<u>122,106</u>	<u>147,504</u>		
Banco de Bogotá S.A.	April 2008	211,792	209,960	Apr/2015	IPC + 7.00% UVR + 7.00% DTF + 3.00%
	February 2010	209,046	206,545	Feb/2017 to Feb/2020	IPC + 5.33% UVR+5.29% IPC + 5.45% UVR + 5.45%.
	December 2011	<u>1,065,988</u>	<u>1,165,619</u>	Jan/2017	5.00%
	<u>1,486,826</u>	<u>1,582,124</u>			
Banco de Occidente S.A.	August 2006	75,000	75,000	Aug/2006 to aug/2013	DTF + 5.58%
	August 2007	80,000	80,000	Aug/2007 to feb/2015	DTF + 5.90%
	August 2008	186,910	186,910	Aug/2008 to aug/2018	DTF + 2.70% IPC + 7.00%
	June 2007	53,842	135,406	Jun/2007 to jun/2014	DTF + 2.90% IPC + 6.60%
	March 2009	174,536	236,439	Mar/2009 to mar/2019	DTF + 1.30% DTF + 1.60% + IPC + 5.00% IPC + 6.00%
	May 2005	-	40,000	May/2005 to may/2012	IPC + 5.09%
	November 2010	550,000	550,000	Nov/2010 to nov/2015	IPC + 2.72% DTF + 1.35% IBR + 1.42%
	October 2006	44,680	44,680	Oct/2006 to oct/2013	IPC + 5.75%
	March 2011	400,000	400,000	Mar/2011 to mar/2016	IPC + 2.49% + IPC + 3.05% 6.65%, 7.25%.
	September 2011	247,119	247,119	Sep/2014 to sep/2021	IPC +4.5%
	February 2012	200,000	-	Feb/2021	IPC +4.65%
		<u>2,012,087</u>	<u>1,995,554</u>		
	Banco Popular S.A.	October 2010	243,000	300,000	Apr/2012 a oct/2013
June 2010		47,575	151,158	Dec/2011 a jun/2013	DTF+ 0.95%TV a 4.98%MV a IPC + 3.23%TV a IBR + 1.20% MV
February 2010		260,800	400,300	Aug/2011 a feb/2015	DTF + 1.10% TV a IPC + 3.30%TV a IBR + 1.44% MV
July 2008		100,000	100,000	Jul/2015	IPC + 7.70%TV
September 2006		100,000	100,000	Sept/2013	IPC + 5.49%TV
August 2011		400,000	400,000	Feb/2013 a ago/2015	IPC + 3.68%TV a IBR + 1.81%TV
January 2012		400,000	-	Jun/2013 a ene/2017	IBR + 1.80% DTF + 1.82% IPC + 3.90%
		<u>1,551,375</u>	<u>1,451,458</u>		

Issuer	Date of Issue	June 30, 2012	December 31, 2011	Date of maturity	Interest Rate	
Concesionaria Vial de los Andes S.A.	July 2007	47,700	47,700	Jul/2012 to jul/2014	IPC + 5.50% IPC + 5.70%	
		<u>47,700</u>	<u>47,700</u>			
Credomatic Guatemala	January 2011	45	11,365	Jan/2012	5.14% to 8.69%	
	February 2011	-	10,989	Feb/2012	6.31% to 8.50%	
	March 2011	-	9,722	Mar/2012	6.31% to 8.69%	
	April 2011	-	12,224	Oct/2011 to apr/2012	6.31% to 8.69%	
	May 2011	-	11,866	Nov/2011 to may/2012	6.31% to 8.50%	
	June 2011	-	16,191	Nov/2011 to jun/2012	4.89% to 8.69%	
	July 2011	14,079	15,663	Jul/2012	4.65% to 8.25%	
	August 2011	13,969	15,675	Aug/2012	4.75% to 8.25%	
	September 2011	14,141	18,471	Sep/2012	4.75% to 8.45%	
	October 2011	6,276	15,790	Oct/2012	4.65% to 8.45%	
	November 2011	11,318	13,676	Nov/2012	4.65% to 8.30%	
	December 2011	7,043	13,136	Dec/2012	4.65% to 8.22%	
	January 2012	14,779	-	Jan/2013	5.14% to 8.69%	
	February 2012	16,939	-	Feb/2013	6.31% to 8.50%	
	March 2012	12,931	-	Mar/2013	4.65% to 8.25%	
	April 2012	14,518	-	Apr/2013	4.65% to 8.25%	
	May 2012	15,792	-	May/2013	4.65% to 8.50%	
	June 2012	21,994	-	Jun/2013	4.65% to 8.50%	
			<u>163,824</u>	<u>164,768</u>		
	Grupo Aval Acciones y Valores S.A.	April 2005	-	94,700	Apr/2012	IPC + 5.60%
October 2005		100,000	100,000	Oct/2011 to oct/2015	IPC + 2.63% IPC + 3.37%	
December 2009		749,733	749,733	Dec/2012 to dec/2024	IPC + 3.69% DTF + 1.14%	
		<u>849,733</u>	<u>944,433</u>			
Grupo Aval Limited	January 2012	<u>1,070,760</u>	-	Feb/2017	5.25%	
		<u>1,070,760</u>	-			
Industrias Lenher S.A.	June 2000	1,053	1,053	Apr/2012	4.98%	
		<u>1,053</u>	<u>1,053</u>			
Leasing Corficolombiana S.A.	January 2005	9,861	10,117	Jan/2013 to oct/2014	6.91% to 8.70%	
	January 2009	116,032	116,032	Mar/2013	7.18%	
		<u>125,893</u>	<u>126,149</u>			
Proyectos de Infraestructura S.A.	May 2009	80,000	80,000	May/2016 to may/2019	IPC + 6.59% IPC + 6.90%	
		<u>80,000</u>	<u>80,000</u>			
		<u>\$ 7,534,241</u>	<u>6,566,235</u>			

(22) Estimated Liabilities

The composition of the item estimated liabilities, is as follows:

	June 30	December 31
Interest	\$ 2,394	1,215
Labor Obligations	35,398	27,485
Income tax to pay ⁽¹⁾	568,183	435,099
Industry and commerce tax and others	45,111	37,002
Contributions and affiliations	7,298	5,938
Fines from Superintendency of Finance ⁽²⁾	1,522	1,589
Fines and sanctions, litigation, damages and lawsuits ⁽²⁾	67,827	67,434
Liquidity risk and interest rate	-	-
Provisions of Fondo de Garantía	20,805	26,810
Advertising, publicity and customer loyalty	10,188	6,999
Utilities	773	741
Maintenance of equipment	1,024	850
Data Processing	895	742
Judicial and legal expenses	289	419
Transportation of money	817	578
Security expenses	390	505
Caused expenses not paid	373	373
Labor Contingencies ⁽²⁾	50,367	67,391
Other	198,184	174,091
	<u>\$ 1,011,838</u>	<u>855,261</u>

(1) The consolidation of tax payable in respect of income tax and supplementary is not permitted under the Colombian tax rules and cannot therefore be used to offset taxable income from other consolidated subsidiary. From the effects of the consolidation of the local subsidiaries, the applicable tax rate for the semester ended in June 2012 and December 2011 was 33%.

- a. The basis for determination of income tax and complementary cannot be less than 3% of the net worth of the taxpayer on the last day of the immediately preceding fiscal year;
- b. Extraordinary gains are treated separately from the ordinary, and are subject to the rates set forth in the preceding paragraph. Extraordinary profits include items such as earnings on the sale of fixed assets available for sale for two years or more and the sale of companies also at the sale during two years or more..
- c. In the case of companies domiciled in Panama belonging to Grupo Aval, income taxes are governed by Panamanian Law. The profits of the companies mentioned above are not subject to income taxation in Panama.

(2) Contingencies, fines and other

This item includes legal proceedings, suits and litigation that are considered probable (over 50%) and for which the amount can be reasonably estimated. Additionally, any contingent liability by reason of lawsuits or litigation must be registered in the Balance Sheet provided that any Court issues a ruling adverse to Grupo Aval or any of its subsidiaries.

(23) Non-controlling Interest

Nonñ-controlling interest of bank subsidiaries which include minority interests of its subordinates, are as follows:

	June 30	December 31
Banco de Bogotá	\$ 4,199,986	3,983,707
Banco de Occidente	832,027	672,708
Banco Popular	158,092	162,675
Banco AV Villas	196,131	187,204
Total	<u>\$ 5,386,236</u>	<u>5,006,294</u>

(24) Shareholders Equity

The number of shares authorized, issued and outstanding, were the following:

	June 30	December 31
Number of shares authorized, issued and outstanding	120,000,000,000	120,000,000,000
Number of shares: subscribed and paid	18,551,766,453	18,551,299,996
Unpaid subscribed	-	466,457
Total shares	<u>18,551,766,453</u>	<u>18,551,766,453</u>
Value in million pesos	<u>\$ 18,552</u>	<u>18,552</u>

On march of 2012, were sold 466,457 Preferential shares which were on behalf of Grupo Aval Acciones y Valores S.A. and which were the result of the application of the mechanism of delay in the issuance of May 2011, generating a premium on placement of shares amounting to \$615,298,943 were sold during the month of March 2012.

The second semester showed increase in capital arising from the split process in which Grupo Aval Acciones y Valores S.A. received shares of Banco Popular and issued 934,669,126 preferential shares of Grupo Aval to Inversiones Escorial S. A. and Popular at a value of \$934 each.

The premium in placement of shares is increased by \$697,521.

The preferred shares issued are entitled to receive a minimum preferential dividend on the benefits of the exercise, after covering losses affecting the capital, deducting the legal contribution which must be assigned for legal reserve, and before creating or increasing any other reserve. The minimum preferential dividend is one peso (\$ 1.00) per semester per share, provided this preferential dividend is higher than the dividend decreed for ordinary shares; otherwise, namely, If the minimum preferential dividend is not higher than that corresponding to ordinary shares, it will only be recognized to every preferential share the dividend decreed for each ordinary share. There will be no accumulation of dividends.

Allocated Retained Earnings

Breakdown of this account is as follows:

	June 30	December 31
Legal Provision	\$ 6,972	6,972
Occasional Reserves at the disposition of the General Assembly	<u>2,082,634</u>	<u>2,103,393</u>
Total	<u>\$ 2,089,606</u>	<u>2,110,365</u>

Retained Earnings

Legal Reserve

In accordance with current legal norms, Grupo Aval and its banking subsidiaries must create a legal reserve through the appropriation of ten percent (10%) of the net earnings of each year up to an amount equal to fifty percent (50%) of the subscribed social capital. This reserve may be reduced below the fifty percent (50%) of the social capital subscribed to cover losses in excess of retained earnings. Legal reserve may not be less than the percentage before mentioned except to cover losses in excess of retained earnings.

Mandatory and Voluntary Reserves

Mandatory and voluntary reserves are determined during the semi-annual shareholders meetings.

Adjustments for inflation – Net Worth

Until December 2006, the Net Worth of Grupo Aval, was subject to adjustments for inflation. The cumulative effect of such adjustments on non-monetary assets and liabilities is incorporated to each of the adjusted accounts and the adjustments to net-worth accounts are incorporated to the account "inflation adjustments – Net Worth".

Declared Dividends

The consolidated financial statements are prepared for presentation to shareholders, but should not be taken as a basis for the distribution of dividends or the allocation of earnings. Dividends are distributed based on the non-consolidated net earnings of Grupo Aval.

Dividends are declared and paid to shareholders based on non-consolidated net earnings for the immediately preceding year. The dividends paid were as follows:

	June 30	December 31
Retained earnings from the immediately previous year	<u>1,250,220</u>	<u>1,046,938</u>
Cash dividends paid (en \$)	\$21.60 per share payable in six installments of \$3.60 per share starting october, 2012 (based on net earnings of the First semester of 2011).	\$21.00 per share payable in six installments of \$3.50 per share starting april 2011 (based on net earnings of the first semester de 2011) and \$19.50 per share Payable in six installments of \$3.25 per share starting april 2011 (based on net earnings of the second semester of 2010).
Common shares outstanding	13,689,321,019	13,806,691,240
Preferential shares outstanding	4,862,445,434	4,745,075,213
Total Shares outstanding	18,551,766,453	18,551,766,453
Total dividends declared	\$ <u>400,718</u>	<u>709,245</u>

In the General Assembly held on December 7, 2010, it was approved an amendment to the bylaws, allowing the possibility of converting ordinary shares into preferential shares. This modification of bylaws, was approved by the Colombian Superintendency of Finance through resolution No. 2443 of December 23, 2010. The defined exchange ratio was 1 ordinary share for 1 of preferential share without right to vote. Shares can only be converted upon approval or authorization of the General Assembly of Shareholders.

(25) Memorandum Accounts

The composition of the memorandum accounts is as follows:

	June 30	December 31
Fiduciary:		
Investment Funds	\$ 49,870,488	47,724,152
Commitments Receivable:		
Securities delivered in repo operations and simultaneous	7,270,202	3,318,200
Interest Loan Portfolio	270,959	246,847
Interest financial leasing	23,694	27,470
Monetary correction of loan portfolio	948	746
Cannons and sanctions in operating leasing contracts Rights in options - speculation	4,347	4,581
Portfolio of Housing relief Law 546 de 1999	995,688	1,162,905
Canons to receive	3,815	19,324
Purchasing receivable options	7,513,946	7,330,035
Other debt contingencies	379,939	385,309
Total commitments receivable	<u>17,364,263</u>	<u>13,607,326</u>
Commitments Payable:		
Unused Credit card facilities	9,820,045	9,538,766
Lawsuits against the entity	672,176	646,367
Credit cards issued and confirmed	924,253	638,059
Credit lines not compromised	2,959,849	2,807,012
Bank guarantees	2,222,519	1,906,647
Undisbursed loans approved	1,839,185	2,013,505
Government Accounts payable (Law 546) (1)	9,369	46,428
Other	1,224,370	2,144,104
Total commitments payable	<u>19,671,766</u>	<u>19,740,888</u>

	June 30	December 31
Memo accounts payable:		
Assets tax value	106,432,420	92,288,818
Assets and securities delivered in custody	6,366,337	6,312,275
Assets and securities delivered as collateral	2,105,052	444,257
Negotiable Investments in the form of debt securities	2,786,422	3,354,678
Assets charged off	4,141,021	3,997,275
Investments to hold until maturity	3,382,257	3,019,305
Adjustments for inflation on assets	1,044,824	1,048,890
Accounts with interests in negotiable debt securities investments	240,319	35,888
Investments in debt securities available for sale	8,464,392	6,686,579
Remittances sent to collection	42,855	47,224
Amortization of investments in debt securities	1,972,828	1,829,104
Other	<u>74,724,193</u>	<u>62,494,986</u>
Total memo accounts payable	<u>211,702,920</u>	<u>181,559,279</u>
Memo accounts payable:		
Assets and securities delivered as collateral	47,120,209	47,129,540
Commercial portfolio rating	42,633,608	40,593,292
Assets and securities delivered in custody	5,921,618	7,608,787
Tax value of equity of shareholders	17,111,404	14,085,921
Consumer Portfolio rating	21,131,731	19,681,276
Adjustments for inflation on net worth	1,895,378	1,896,223
Micro-credit portfolio rating	281,219	284,167
Goods in own warehouses	1,657,878	1,880,832
Rating of finance leases	5,954,336	5,216,658
Rating of operating leases	377,928	333,674
Rating of mortgage portfolio	3,981,533	4,120,038
Other	<u>22,295,523</u>	<u>20,409,929</u>
Total memo accounts payable	<u>170,362,365</u>	<u>163,240,337</u>
	<u>\$ 468,971,802</u>	<u>425,871,982</u>

(1) Per Law 546 of 1999 (which eliminated the "UPAC" unit and created the UVR), all financial institutions should revalue mortgage portfolio previously denominated UPAC and pass it to the UVR index. The difference generated from this revaluation was paid by the Government with government bonds, in accordance with the provisions of the Superintendencia Financiera of Colombia, should be accounted for in the accounts of each bank. Amounts observed at closing on June 30, 2012 and 31 December 2011 reflect the difference between the mortgage revaluated in 2000 and those valid on each of these dates

(26) Contingent Accounts

The detail of contingent accounts is as follows:

	June 30	December 31
Fiduciary:		
Debtors:		
Interest Loan Portfolio	\$ 7,248,736	265,526
Interest financial leasing	270,959	8,791
Monetary correction of loan portfolio	23,694	139
Cánones y sanciones contratos leasing	948	333,331
Rights in options of speculation	4,347	1,150,702
Canons to receive	995,688	7,001,285
Purchasing options to be received	7,513,946	180,100
Securities delivered in repo operations and simultaneous	379,939	2,803,524
Other contingencies debtors	<u>926,006</u>	<u>1,863,522</u>
	<u>\$ 17,364,263</u>	<u>13,606,920</u>
Creditors:		
Securities received on repo operations and simultaneous	874,475	388,797
Guarantees	146,085	1,904,865
Letters of credit	2,215,519	638,059
Undisbursed approved credits	925,356	708,682
Opening of credit	1,839,185	12,345,778
Obligations in options	12,779,894	1,256,298
Other creditor contingencies	<u>891,252</u>	<u>2,493,474</u>
	<u>\$ 19,671,766</u>	<u>19,735,953</u>
Total, Net	<u>\$ 2,307,503</u>	<u>6,129,033</u>

(27) Administrative and Other Expenses

Expenses for administration and other concepts for the period then ended, include the following items:

	June 30	December 31
Professional fees	\$ 74,305	71,601
Taxes (other than income and complementary)	254,779	238,916
Rentals	92,648	95,939
Contributions and memberships	99,372	87,533
Insurance	17,999	18,960
Maintenance and repairs	85,319	107,235
Amortization of deferred charges	88,356	73,887
Cleaning and security services	47,608	67,972
Temporary services	61,302	62,329
Public relations	81,595	90,063
Utilities	99,003	99,446
Transportation	57,164	58,234
Operating costs of the non-financial sector	4,750	10,739
Other	185,518	200,537
	<u>\$ 1,249,718</u>	<u>1,283,390</u>

(28) Non-Operating Income (Expense) - Net

The chart below summarizes the main components of non-operating income (expense) for the semesters ended June 30, 2012 and December 31, 2011:

	June 30	December 31
Non-operating income:		
Gain on sale of foreclosed assets	\$ 5,135	8,254
Gain on sale of property, plant and equipment	6,856	6,808
Reversals of provisions	130,640	83,271
Other	58,988	32,974
	<u>201,619</u>	<u>131,307</u>
Non operating expenses:		
Loss on sales of property, plant and equipment	(145)	(1,194)
Indemnities paid	(6,431)	(2,368)
Fines	(159)	(7,048)
Other	(100,810)	(73,866)
Total Non Operating Expenses	<u>(107,545)</u>	<u>(84,476)</u>
	<u>\$ 94,074</u>	<u>46,831</u>

(29) Transactions with Related Parties

Classification as related parties is given to main shareholders, members of the Board of Directors, and to the companies in which Grupo Aval Acciones y Valores S.A. holds interest ownership through investments higher than 10% or in which there are interests of economic, administrative or financial nature. Additionally included are those companies in which members of the Board of Directors hold interest ownership higher than 10%.

Below please find outstanding balances as of June 30, 2012 and December 31, 2011

**Consolidated
June 30, 2012**

	Directores with Rlegal Irepresentation	Members of the Board of Directors Directiva	Entities making part of the combination	Shareholders with participation higher than 10%	Linked companies	Societies related to directors	Shareholders with obligation higher than 5% of PT
ASSETS							
Available	-	-	1,083,712,23	-	1,088,795,30	852,131,00	-
Investments	-	-	9,508,186,00	-	15,344,423,00	6,549,949,00	-
Loan Portfolio and financial leasing operations	3,072,59	243,12	49,866,30	-	46,495,50	477,745,00	525,108,00
Accounts receivable	-	-	191,643,83	-	204,007,60	125,872,00	-
Other Assets	-	-	417,954,00	-	517,954,00	376,292,00	-
LIABILITIES							
Deposits	737,647,77	3,264,69	151,665,59	9,971,00	839,608,38	130,620,21	594,586,00
Accounts Payable	83,728,20	-	13,922,18	92,008,00	38,651,33	-	-
Bonds	-	-	892,30	-	4,771,20	-	-
Other liabilities	-	-	143,03	-	2,850,70	-	-
NET WORTH							
Unrealized profit or loss	-	-	-	-	1,419,619	-	-
INCOME							
Interest	-	-	48,128,54	-	37,867,50	27,918,00	-
Commissions	-	2,19	21,719,09	-	1,852,03	-	4,271,00
Rentals	-	-	1,073,99	-	245,20	-	-
Other income	-	-	864,633,01	76,00	802,449,00	617,675,00	-
EXPENSES							
Interest	8,00	-	1,709,66	-	16,962,07	-	15,209,00
Commissions	178,50	-	3,384,35	2,047,00	1,795,10	-	2,876,00
Fees	7,129,70	415,57	309,00	-	-	-	-
Rentals	-	-	572,99	-	706,10	-	-
Other expenses	354,00	-	44,521,26	11,641,00	46,062,94	22,416,00	-

**Consolidated
December 31 de 2011**

	Directores with legal representation	Members of the Board of Directors	Entities making part of the combination	Shareholders with participation higher than 10%	Linked companies	Societies related to directors	Shareholders with obligation superior to 5% of PT
ASSETS							
Available	-	-	1,675,977,83	464,215,16	1,600,721,79	1,226,119,00	-
Investments	-	-	264,20	-	16,443,740,84	6,767,637,00	-
Provision of investments	-	-	-	-	752,80	-	-
Portfolio and financial leasing operations	4,136,00	239,71	48,397,73	-	32,406,72	667,432,65	487,611,20
Accounts receivable	4,15	54,33	190,413,47	-	252,320,20	134,613,00	-
Valuations	-	-	1,122,61	-	248,955,30	-	-
Other assets	-	-	529,208,88	180,602,42	851,796,35	381,377,00	-
LIABILITIES							
Deposits	2,008,05	2,072,94	104,233,46	113,924,00	2,001,669,68	-	337,912,00
Accounts Payable	-	-	11,518,19	470,565,09	80,398,66	-	-
Other liabilities	-	-	17,940,46	10,427,05	963,03	478,00	-
NET WORTH							
Unrealized profits or loss	-	-	-	-	1,678,234,50	-	-
INCOME							
Interest	22,18	5,49	197,02	-	5,659,45	-	12,251,80
Commissions	3,00	-	13,281,73	-	11,218,05	-	3,757,00
Rentals	-	-	3,209,22	280,97	519,42	-	-
Other income	-	-	898,218,73	17,832,45	898,331,95	538,939,00	-
EXPENSES							
Interest	1,95	0,01	1,958,44	-	14,001,33	-	4,675,00
Commissions	-	-	4,443,00	3,880,17	2,354,50	-	2,526,00
Fees	184,55	2,401,77	-	-	-	-	-
Rentals	-	-	304,51	55,14	51,40	-	-
Other expenses	3,108,00	1,979,31	22,982,81	51,320,85	15,414,34	214,00	-

(30) Other Disclosures

On June 30, 2012 and December 31, 2011 the total number of employees of the parent company and consolidated entities as well as personnel expenses is as follows:

	June 30		December 31	
	No. Total	Personnel expenses	No. Total	Personnel Expenses
Directors	1,244	\$ 79,764	1,279	\$ 81,474
Other	50,287	1,001,254	47,841	957,734
Total	51,531	\$ 1,081,018	49,120	\$ 1,039,208

(31) Relevant Events

On January 23, 2012, Grupo Aval Limited a subsidiary in Cayman Islands of Grupo Aval Acciones y Valores S.A. issued bonds in the international capital market, in accordance with Regulation S of the Law of Capital Markets and Rule 144A, for a total of US\$600 million, with maturity in January 2017 with a deduction of 54.2 Basic points, price of 99,458% with an annual interest of the 5.25%.

GRUPO **AVAL**

