

**FREE ENGLISH LANGUAGE TRANSLATION  
STATUTORY AUDITOR'S REPORT**

To the Shareholders  
Banco Davivienda S.A.:

I have audited the balance sheets of Banco Davivienda S.A., as of December 31, and June 30, 2011 and the related income statements, changes in shareholders' equity and cash flows, the summary of significant accounting policies and explanatory notes for the semester that ended on those dates.

Management's Bank is responsible for the preparation and fair presentation of these financial statements according to generally accepted accounting principles in Colombia, and instructions by the Financial Superintendence of Colombia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation, fair presentation and disclosure of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these financial statements based on my audits. I obtained the necessary information and carried out my examinations in accordance with auditing standards generally accepted in Colombia. Such standards require that comply with the ethical requirements, plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risk of material misstatement of the financial statements. In making this risk assessment, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes assessing the accounting policies used, the reasonableness amount and estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the above mentioned financial statements, taken accurately from books and attached to this report, present fairly, in all significant respects, the financial position of Banco Davivienda S.A. at December 31 and June 30, 2011 the results of its operations and its cash flows for the six months ended on that date, in local currency (Colombian pesos), in conformity

with generally accepted accounting principles in Colombia, and instructions by the Financial Superintendence of Colombia, applied on a consistent basis.

Without qualifying my opinion, I draw attention to notes 25, 37 and 38 to the financial statements, in which it was indicated that:

As it is indicated in note 25 to the financial statements in accordance to the External Circular No. 047 of 2008 issued by the Financial Superintendence of Colombia, effective January 1, 2009, the Bank recorded the balances of the Universalities of Loans Write-Off in the trust memorandum accounts; however, at June 30, 2011, the Financial Superintendence of Colombia has not authorized its transmission, for that reason the Balance Sheet transmitted to the Financial Superintendence of Colombia differs from the official accounting books of the Bank in the record of these accounts.

Note 25: In accordance with the provisions of External Bulletin No. 047 of 2008 issued by the Financial Superintendence of Colombia.

Note 37: The Board of Directors approved the initiation of steps towards the merging of Confinanciera S.A. Compañía de Financiamiento with Banco Davivienda S.A., the latter being the acquiring company.

Note 38: According to Act 825 of January 23, 2012, the Board of Directors of Banco Davivienda S.A. approved the acquisition of operations the HSBC Group has in Costa Rica, El Salvador and Honduras.

Based on the results of my examination, I believe:

- a. The Bank's bookkeeping has been performed in conformity with legal rules and accounting pronouncements.
- b. The operations recorded in the books and management performances are in conformity with the bylaws and decisions of General Stockholders' Meeting.
- c. The correspondence, the vouchers of accounts and the minute and record of shares books have been properly maintained.
- d. There are adequate measures of: internal control that include risk management systems implemented, maintenance and custody of its and third parties' assets in its possession.
- e. It has been applied the rules and instructions by the Financial Superintendence of Colombia related to the management and accounting of the foreclosed assets received as payment and the implementation and impact in the balance sheet and in the statement of income of applicable Risk Management Systems.
- f. The information contained in the documents supporting payments of Social Security contributions, in particular, those related to employees and their base salary for those contributions, has been taken from the records and the accounting supporting documents. The Bank is up to date in payment of contributions to the Social Security System.

- g. The administration report prepared by management agrees with the accompanying financial statements.

I carried out monitoring to the answers about the recommendation letters addressed to the Bank's management and there are not issues of significant importance pending that can affect my opinion.

Original signed by  
Jorge Enrique Peñaloza Porras  
Statutory Auditor of Banco Davivienda S.A.  
Registration No. 43402 - T  
Member of KPMG Ltda.

February 6, 2012

The accompanying financial statements are not intended to present the financial position, the results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Colombia. The standards and procedures to audit such financial statements are those generally accepted and applied in Colombia.



**BANCO DAVIVIENDA S.A.**  
**Balance Sheet**  
**December 31, and June 30, 2011**  
**(Millions of Colombian pesos)**

<b>ASSETS</b>	<b>December 31</b>	<b>June 30</b>
Cash and cash equivalents (note 4)	\$ 1,278,740.7	1,950,526.7
Active positions in monetary market operations and those related (note 5)	1,928,630.0	465,615.2
Investments (note 6)	4,489,025.4	3,811,448.6
Trading debt securities	2,970,948.5	1,975,656.7
Held to maturity	289,556.3	305,029.7
Available for sale debt securities	710,590.5	1,219,447.7
Available for sale equity securities	302,876.6	297,876.2
Available for sale	239,345.4	0.0
Delivered negotiable guarantees	0.0	41,140.7
Less: Allowance	(24,291.9)	(27,702.4)
Loan and financial leases (note 7)	24,338,046.1	22,200,688.1
Mortgage Loans	2,459,215.0	2,255,194.5
Consumer Loans	8,495,501.1	8,371,609.1
Micro-credit Loans	5.3	25.9
Commercial Loans	14,632,416.1	12,806,601.3
Less: Allowance	(1,249,091.4)	(1,232,742.7)
Bankers Acceptances, spot transactions and Derivatives (note 8)	125,319.2	111,965.6
Cash transactions	21.7	7.4
Operations with derivative financial instruments - speculation	123,861.2	111,882.9
Others	1,436.3	75.3
Accounts receivable (note 9)	368,543.7	301,509.4
Interest Receivable	245,090.0	210,939.6
Fees and Commissions	2,229.2	1,223.3
Payment on account of portfolio customers	44,524.7	43,478.1
Others	192,922.0	115,864.4
Less: Allowance	(116,222.2)	(69,996.0)
Foreclosed Assets (Note 10)	38,821.5	36,891.4
Properties and Equipment (Note 11)	388,759.2	384,740.1
Others Assets (note 12)	1,557,869.1	1,645,263.7
Expenses paid, Intangible Assets in Advance and Deferred Charges	1,411,890.7	1,471,369.2
Employees Portfolio	125,385.2	120,487.6
Others	23,637.8	57,351.2
Less: Allowance	(3,044.6)	(3,944.3)
Nets Valuations	669,991.9	589,392.2
Investments (note 6)	192,520.7	123,555.0
Properties and Equipment (Note 11)	473,857.5	462,223.5
Art and culture	3,613.7	3,613.7
<b>TOTAL ASSETS</b>	<b>\$ 35,183,746.8</b>	<b>31,498,041.0</b>
Creditor Contingent Accounts (note 23)	\$ 15,276,180.1	13,832,457.0
Debtor Contingent Accounts (note 23)	476,062.0	320,364.2
Debtor Memorandum Account (note 24)	43,844,660.5	42,738,591.6
Creditor Memorandum Account (note 24)	76,258,972.1	71,463,804.3
<b>Total Contingent and Memorandum Accounts</b>	<b>\$ 135,855,874.7</b>	<b>128,355,217.1</b>
<b>Trust Memorandum Accounts (Note 25)</b>		
Assets	\$ 46,284.7	37,578.6
Contingent accounts receivable	372,006.6	380,442.9
Debtor accounts by order against	58,107.2	64,451.7
Credit memorandum accounts	187,889.4	194,856.6



**BANCO DAVIVIENDA S.A.**  
Balance Sheet  
December 31, and June 30, 2011  
(Millions of Colombian pesos)

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>December 31</b>	<b>June 30</b>
<b><u>Liabilities</u></b>		
Deposits (Note 13)	\$ 21,706,782.6	19,959,923.3
Checking accounts	3,447,946.6	3,019,174.6
Term deposits	5,696,304.4	5,604,604.3
Savings deposits	12,323,674.7	11,143,714.0
Savings certificates real value	0.0	26,170.1
Others	238,856.9	166,260.3
Passive positions in monetary market operations and those related (Note 14)	81,451.5	42,301.2
Bank acceptances outstanding (Note 15)	96,582.3	138,435.2
Operations with derivative financial instruments - speculation	90,182.8	106,387.6
Operations with derivative financial instruments - hedging	6,399.5	32,047.6
Banking credits and other financial obligations (Note 16)	3,466,820.8	2,708,143.1
Other entities in the Country	1,796,266.9	1,392,933.6
Foreign Entities	1,670,553.9	1,315,209.5
Accounts payable (Note 17)	886,674.9	902,986.6
Interests	134,609.5	118,495.6
Commissions and Fees	4,022.7	524.6
Tax collection	56,899.9	114,368.6
Suppliers	168,645.8	175,084.4
Others	522,497.0	494,513.4
Long Term (note 18)	3,700,988.4	3,491,208.2
Others Liabilities (note 19)	320,710.4	271,940.9
Consolidated Labor obligations	35,065.4	30,638.7
Others	285,645.0	241,302.2
Estimated Liabilities and allowances (Note 20)	111,181.7	150,561.9
Tax	0.0	46,925.8
Others	111,181.7	103,636.1
<b>TOTAL EXTERNAL LIABILITIES</b>	<b>\$ 30,371,192.6</b>	<b>27,665,500.4</b>



**BANCO DAVIVIENDA S.A.**  
Balance Sheet  
December 31, and June 30, 2011  
(Millions of Colombian pesos)

<b><u>STOCKHOLDERS' EQUITY</u></b>	<b><u>December 31</u></b>	<b><u>June 30</u></b>
Capital Stock (Note 21)	\$ 55,479.6	51,007.1
Reserves (note 22)	3,796,979.3	2,877,605.0
Legal reserve	2,269,996.3	1,558,873.5
Statutory and occasional reserves	1,526,983.0	1,318,731.5
Surplus	667,432.8	603,778.2
Gross unrealized gain or loss on investments available		
For sale	(2,559.1)	14,386.0
Reappraisal of assets (notes 6 and 11)	669,991.9	589,392.2
Net income	292,662.5	300,150.3
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>4,812,554.2</b>	<b>3,832,540.6</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 35,183,746.8</b>	<b>31,498,041.0</b>
Creditor contingent accounts (note 23)	\$ 15,276,180.1	13,832,457.0
Debtor contingent accounts (note 23)	476,062.0	320,364.2
Debtor memorandum accounts (note 24)	43,844,660.5	42,738,591.6
Creditor memorandum accounts (note 24)	76,258,972.1	71,463,804.3
<b>Total contingent and memorandum accounts</b>	<b>\$ 135,855,874.7</b>	<b>128,355,217.1</b>
<b>Trust Memorandum Accounts (Note 25)</b>		
Liabilities	\$ 46,284.7	37,578.6
Contingent accounts receivable by contrast	372,006.6	380,442.9
Memorandum accounts by order against	58,107.2	64,451.7
Credit memorandum accounts	187,889.4	194,856.6

See the notes accompanying the financial statements.

**OLGA LUCÍA RODRÍGUEZ SALAZAR**  
Legal Representative

**CARMEN ANILSA CIFUENTES BARRERA**  
Financial Director  
TP. No. 35089-T

**JORGE ENRIQUE PEÑALOZA PORRAS**  
Statutory Auditor of Banco Davivienda S.A.  
Registration No.43402-T  
Member of KPMG Ltda.



## BANCO DAVIVIENDA S.A.

### Statements of Income

Semesters ended on December 31, and June 30, 2011

(Millions of Colombian pesos, except the profit per share)

	<u>December 31</u>	<u>June 30</u>
Direct operating income	\$ 2,947,038.7	2,324,568.1
Amortized interests and discounts- Credit portfolio and others	1,537,000.5	1,319,690.2
Commissions and fees	286,059.8	256,725.1
Appraisal of Investments	99,391.2	97,512.7
Realized gains on investments available for sale	9,286.6	0.0
Useful in operat short positions open repo, simultaneous operations and temporary trasfer of securities	245.8	255.6
Changes	123,159.7	105,136.5
Profit on the appraisal of derivatives	862,783.3	518,703.6
Profit on portfolio sale	9,547.3	2,536.5
Profit on investments sale	19,564.5	24,007.9
<b>Direct Operating Expenses</b>	<b>1,520,793.7</b>	<b>1,050,715.8</b>
Interests amortized premium and discount amortized (note 13)	487,153.2	378,691.3
Allowances	54,534.0	45,944.3
Lost on the appraisal of derivatives	827,832.3	529,941.8
Lost on short positions open repo, simultaneous operations and temporary trasfer of securities	869.6	1,392.5
Changes	140,895.7	81,084.8
Lost on investments sale	9,508.9	13,661.1
<b>Direct Operating Income</b>	<b>1,426,245.0</b>	<b>1,273,852.3</b>
Operating Income	634,233.6	528,608.7
Dividends and participations (note 6)	8.8	45,595.9
Recovery allowance portfolio (note 7)	533,075.0	377,522.8
Recovery allowance accounts receivable (note 9)	23,155.6	22,599.2
Others (note 26)	77,994.2	82,890.8
<b>Operating Expenses</b>	<b>718,370.7</b>	<b>651,125.6</b>
Employees expenses	275,039.8	281,143.9
Others (note 27)	443,330.9	369,981.7
<b>Operating result before allowances, depreciation and amortizations</b>	<b>1,342,107.9</b>	<b>1,151,335.4</b>



**BANCO DAVIVIENDA S.A.**

**Statements of Income**

**Semesters ended on December 31, and June 30, 2011**

**(Millions of Colombian pesos, except the profit per share)**

	<u>December 31</u>	<u>June 30</u>
Allowances	971,343.2	761,349.6
Investments (note 6)	8.7	245.5
Credit Portfolio and Financial Leasing (note 7)	881,125.9	713,502.3
Accounts Receivable (note 9)	84,675.8	33,139.6
Properties and equipment (note 11)	190.4	9,614.7
Others (note 28)	5,342.4	4,847.5
Depreciations	25,110.9	23,818.3
Amortizations	59,927.1	85,246.3
<b>Operating Income - Net</b>	<b>285,726.7</b>	<b>280,921.2</b>
Non-operating income (note 29)	137,886.5	113,406.8
Gain on sale of foreclosed assets	2,395.2	2,316.0
Gain on sale of property and equipment	9,605.3	1,607.7
Recoveries	108,857.9	94,669.4
Other non-operating income	17,028.1	14,813.7
Non-operating expenses (note 30)	38,102.0	33,277.4
Lost on sale of foreclosed assets	2,845.2	1,269.9
Lost on sale of property and equipment	132.9	431.5
Casualty losses	11,236.7	6,839.7
Other non-operating expenses	23,887.2	24,736.3
<b>Non-operating income - Net</b>	<b>99,784.5</b>	<b>80,129.4</b>
<b>Profit before income tax</b>	<b>385,511.2</b>	<b>361,050.6</b>
Tax on Income and Others (note 31)	92,848.7	60,900.3
<b>Net Income</b>	<b>\$ 292,662.5</b>	<b>300,150.3</b>
Net Income per share (in Colombian Pesos) (note 21)	\$ <u>704.77</u>	<u>735.56</u>

See the notes accompanying the financial statements.

**OLGA LUCÍA RODRÍGUEZ SALAZAR**  
Legal Representative

**CARMEN ANILSA CIFUENTES BA**  
Financial Director  
TP. No. 35089-T

**JORGE ENRIQUE PEÑALOZA PORRAS**  
Statutory Auditor of Banco Davivienda S.A.  
Registration No.43402-T  
Member of KPMG Ltda.  
(See my opinion dated February 6, 2012)





**BANCO DAVIVIENDA S.A.**  
**Statements of Changes in the Stockholders' Equity**  
**Semesters ended on December 31, and June 30, 2011**  
**(millions of pesos, except per share information)**

	Surplus or Deficit for							
	Stock Capital	Legal Reserve	Occasional Reserves	Unrealized Gains or losses on investments available for sale	Valuation (net)	Stockholders' Equity Revaluation	Net Income	Total Stockholders' Equity
Balance at December 31, 2010	\$ 51,006.4	1,557,427.4	1,135,845.5	15,482.4	538,967.2	0.2	269,832.8	3,568,561.9
Donations			(3,985.4)					(3,985.4)
6,003 preference shares receivable, paid	0.7	96.1						96.8
Distribution of the net income of the semester ended on December 31, 2010								
Legal Reserve		1,350.0					(1,350.0)	0.0
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			186,871.4				(186,871.4)	0.0
Dividends paid in cash at Cop \$200 pesos per share on 408.056.976 shares subscribed and paid. March 14, 2011							(81,611.4)	(81,611.4)
Movement of the semester				(1,096.4)	50,425.0	(0.2)		49,328.4
Net income							300,150.3	300,150.3
Balance at June 30, 2011	51,007.1	1,558,873.5	1,318,731.5	14,386.0	589,392.2	0.0	300,150.3	3,832,540.6
Donations			(2,126.3)					(2,126.3)
Issuing of 35,809,649 preferred shares at Cop \$20,000 each	4,476.2	711,716.8						716,193.0
Preferred stock receivable 29,886	(3.7)	(594.0)						(597.7)
Distribution of the net income of the semester ended on June 30, 2011								
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			182,555.9				(182,555.9)	0.0
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			27,821.9				(27,821.9)	0.0
Dividends paid in cash at Cop \$220 pesos per share on 408.056.976 shares subscribed and paid September 22, 2011							(89,772.5)	(89,772.5)
Movement of the semester				(16,945.1)	80,599.7			63,654.6
Net income							292,662.5	292,662.5
Balance at December 31, 2011	\$ 55,479.6	2,269,996.3	1,526,983.0	(2,559.1)	669,991.9	0.0	292,662.5	4,812,554.2

See the notes accompanying the financial statements.

OLGA LUCÍA RODRÍGUEZ SALAZAR  
 Legal Representative

CARMEN ANILSA CIFUENTES BARRERA  
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 (See my opinion dated February 6, 2012)



**BANCO DAVIVIENDA S.A.**  
**Statements of Cash Flows**  
**Semesters ended on December 31, and June 30, 2011**  
**(Millions of pesos)**

	<u>December 31</u>	<u>June 30</u>
<b>Cash flows provided by operating activities:</b>		
<b>Net income</b>	<b>\$ 292,662.5</b>	<b>300,150.3</b>
<b>Adjustments to reconcile net income to cash used</b>		
<b>by operating activities:</b>		
Allowance for investments	8.7	245.5
Allowance for credit portfolio and Financial Leasing	881,125.9	713,502.3
Allowance for accounts receivable	84,675.8	33,139.6
Allowance foreclosed assets	4,396.6	4,120.7
Allowance for properties and equipment	190.4	9,614.7
Other assets allowance	288.6	408.4
Allowance for severance payments	11,382.4	11,504.2
Otras provisiones	384.8	50.9
Depreciations	25,110.9	23,818.3
Amortizations	59,927.1	85,246.3
Gain on sale of portfolio	(9,547.3)	(2,536.5)
Valuation of investments, net	(99,391.2)	(97,512.7)
Valuation of derivatives and cash transactions, net	(34,951.0)	11,238.2
Profit on the sale of investments, net	(10,055.6)	(10,346.8)
Profit on sale of foreclosed assets, net	(687.7)	(824.9)
Profit on sale of properties and equipment, net	(8,335.2)	(1,397.4)
Reinstatement of investments allowance	(3,419.2)	(463.4)
Reinstatement of accounts receivable allowance	(533,075.0)	(377,522.8)
Reinstatement of foreclosed assets allowance	(23,155.6)	(22,599.2)
Reinstatement of property and equipment allowance	(3,448.9)	(2,310.3)
Reinstatement of other assets allowance	(5,515.5)	(4,591.5)
Other recoveries of estimated liabilities	(1,188.3)	(202.6)
Other recoveries accrued liabilities	(6,578.0)	(1,538.8)
Increase in deferred income taxes, net	32,994.4	25,340.5
Estate tax payment	22,333.8	22,333.5
Severance pay	(5,190.8)	(4,492.0)
<b>Changes in operating assets and liabilities:</b>		
Decrease of gross unrealized gain on investments	(16,945.1)	(1,096.4)
Increase in credit portfolio and financial leasing operations	(2,851,930.6)	(2,819,738.3)
(Increase) Decrease in accounts receivable	(128,554.5)	9,927.0
Foreclosed assets additions	(13,645.2)	(6,769.4)
Proceeds from the sale of foreclosed assets		
Foreclosed Assets and property returned	10,773.6	20,334.1
(Decrease) Increase in long term-debt	28,367.2	(246,728.0)
Increase in other liabilities	1,746,859.3	1,897,138.2
(Decrease) Increase in estimated liabilities and allowances	(41,669.8)	232,386.5
Increase (Decrease) Other Liabilities	9,583.5	(31,520.4)
(Decrease) increase in accrued liabilities and provisions	(33,187.0)	68,114.0
<b>Net cash used by operating activities</b>	<b>\$ (619,406.0)</b>	<b>(163,578.2)</b>



**BANCO DAVIVIENDA S.A.**  
**Statements of Cash Flows (continued)**  
**Semesters ended on December 31, and June 30, 2011**  
**(Millions of pesos)**

	<u>December 31</u>	<u>June 30</u>
<b>Cash flows by investment activities:</b>		
(Increase) Decrease of investment	\$ (564,719.5)	362,844.9
(Decrease) Increase acceptances, cash and derivatives operations	21,597.4	(50,940.0)
Increase in property and equipment	(479.7)	(231.9)
Additions in property and equipment	(35,345.5)	(65,153.8)
Product from the sale of properties and equipment	21,037.0	18,708.5
<b>Net Income to cash (used) provided by operating activities</b>	<b>(557,910.3)</b>	<b>265,227.7</b>
<b>Cash flows provided by financing activities:</b>		
Product of sale Credit Portfolio	376,069.0	105,046.3
Increase (decrease) in Liability Positions in Monetary Market operations and those Related	39,150.3	(15,710.7)
(Decrease) Increase Bankers Acceptances outstanding, and derivative financial instruments	(41,852.9)	58,248.5
Increase in banking credits and other financial obligations	758,677.7	323,418.8
Increase in outstanding securities investment	209,780.2	408,612.7
Donations	(2,126.3)	(3,985.4)
Suscription of shares	715,595.3	96.8
Payment of cash dividends	(86,748.2)	(78,329.6)
<b>Net cash provided by financing activities</b>	<b>1,968,545.1</b>	<b>797,397.4</b>
<b>Net Increase in cash and cash equivalents</b>	<b>791,228.8</b>	<b>899,046.9</b>
<b>Cash and cash equivalents at the beginning of the semester</b>	<b>2,416,141.9</b>	<b>1,517,095.0</b>
<b>Cash and cash equivalents at the end of the semester</b>	<b>\$ 3,207,370.7</b>	<b>2,416,141.9</b>

See the notes accompanying the financial statements.

**OLGA LUCÍA RODRÍGUEZ SALAZAR**  
Legal Representative

**CARMEN ANILSA CIFUENTES BARRE**  
Financial Director  
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**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

December 31, and June 30, 2011  
(Millions of Colombian pesos)

**1. Reporting Entity**

Banco Davivienda is a private entity incorporated by Public Deed Number 3892 dated October 16, 1972 from Notary Fourteen of the Bogotá Circle; it has its main domicile in the city of Bogotá, D.C. By means of Resolution 562 of June 10, 1997, it obtained its operating permit. The term established by Public Deed 5145 of October 2003, is up to October 17, 2053, but it may be dissolved or extended prior to that term. The Bank is part of the Sociedades Bolívar Business Group and its purpose is to enter into or perform all operations and contracts legally permitted to Banking institutions of a commercial nature subject to the requirements and limitations of the Colombian Law.

The most representative bylaw reforms are:

- By means of Resolution 562 dated June 10, 1997, the Colombian Superintendence of Finance approved the transformation from saving and Loan Corporation to a Commercial Bank.
- By Public Deed No. 4541 dated August 28, 2000, From Notary Eighteen of the Bogotá Circle, Davivienda legalized the acquisition of 100% of Delta Bolívar S.A. shares. As a consequence, Delta Bolívar S.A. was dissolved without liquidation and the company and its stockholders' equity were absorbed by the Bank on September 1, 2000, and the Delta Bolívar S.A. legal capacity was extinguished.
- By means of Public Deed No. 2369 dated April 27, 2006, from Notary One of the Bogotá Circle, Banco Davivienda S.A. formalized the absorption by merger of Bansuperior S.A. Consequently, Bansuperior S.A. was dissolved without liquidation and the company and its stockholders' equity were absorbed by the Bank on May 2, 2006, extinguishing the legal status of Bansuperior S.A.
- By Public Deed No. 7019 dated August 29, 2007, the Seventy One Notary Bogotá, registered on September 3, 2007 in the Cámara de Comercio, Banco Davivienda S.A. formalized the takeover through merger of Granbanco S.A. As a consequence, Granbanco S.A. was dissolved without liquidation and the company and the stockholders equity were absorbed by the Bank on September 1, 2007, extinguishing Granbanco S.A. as a legal entity.
- By Public Deed No. 3202 of April 30, 2010 in Notary Seventy-one in the District of Bogotá, registered on May 4, 2010 in the Cámara de Comercio, the Banco Davivienda S.A. formalized the change of nominal share value from one thousand pesos (\$1,000.00) to one hundred and twenty-five pesos (\$125.00). The authorized capital remains as 480.000.000 million shares.

At December 31, 2011, it operated with ten thousand seven hundred eighty-three (10,783) employees in five hundred and fifty nine (559) offices in twenty one (21) branches and agencies in Colombia and one (1) branch in the outside the city of Miami (USA). Owns 60% of the shares of Fiduciaria Davivienda SA, 94.90% of the shares of Confinanciera S.A., 79% of shares of the stock exchange broker company Davivalores SA, 99.99% of Bancafé Panamá S.A. and 94,011% of Fiduciaria Cafetera S.A. (see detail in note 6 literal 9).

The financial statements combine the assets, liabilities and results of the offices. The consolidated and combined financial statements are prepared separately.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**2. Conversion of subsidiary branch in Miami**

In 2009, Davivienda S.A. requested authorization from the responsible government agencies in Colombia, to convert its subsidiary Banco Cafetero International Corporation, based in Miami, in an international branch. The Colombian Superintendence of Finance informed Banco Davivienda S.A. that there was no objection to the establishment in advance to the conversion process referred to above, which the Bank initiated the formalities before the authorities of the United States.

By obtaining authorization from the competent authorities of the United States, Banco Davivienda S.A., informed the Colombian Superintendence of Finance, who on December 29, 2010, commented on the feasibility to start operations of its branch in Miami, United States, upon compliance with all legal requirements required by the authorities of the United States and foreign exchange regulations arising from the decommissioning of its subsidiary Banco Cafetero International Corporation.

From January 1, 2011 Bancafé International ceased to be a subsidiary in order to become Davivienda International Branch.

The Branch is regulated and supervised by the Federal Reserve of the United States (FED) and the Florida Office of Financial Regulation (OFR).

The Miami branch integration generated a net income of \$3,364.0 during the first half of 2011

**3. Summary of Main Accounting Policies**

**3.1. Basic Accounting Policy**

The Accounting policies and the preparation of Banks' financial statements are according with generally accepted accounting principles in Colombia and instructions by the Colombian Superintendence of Finance.

The accounting policies and preparation of the financial statements of the Bank are in accordance with generally accepted accounting principles in Colombia and instructions by the Colombian Superintendence of Finance.

The special accounting rules established by the Colombian Superintendence of Finance present some differences with the accounting standards generally accepted in Colombia, as described bellow:

**Properties and Equipment**

The generally accepted accounting standards dictate that at the end of a period the net value of property, plant and equipment of a set value exceeds twenty (20) monthly minimum wage must be adjusted to net realizable value or present value, recording the valuations and allowances as may be necessary, while the special rules do not present conditions for the asset class.

**Additional pain in shares**

The special rule establishes that the additional pain in shares is recorded as legal reserve; the generally accepted accounting standard indicates that it will be accounted for separately within equity.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**Financial statements**

For the case of the statement of changes in the financial position, Decree 2649 of 1993 defines it as a basic financial statement; the Colombian Superintendence of Finance does not require it.

**3.2. Cash flow statement and Cash Equivalents**

The cash flow statement reported is prepared using the indirect method. Active positions in money market operations are considered as cash for purposes of this statement.

**3.3. Active and Passive Positions in Monetary Market Operations and those Related**

Includes all operations of interBank funds, repo operations, simultaneous operations and temporary transfer of securities.

**Inter-banking Funds**

Are operations agreed to a period not longer than thirty (30) calendar days, also, included transactions denominated overnight, performed with foreign Banks.

Interest income from the operation is recorded in the income statement.

**Repo Operations**

Asset or Active Position: Securities acquired in exchange for a sum of money (with or without discount), assuming at the same time the commitment to retransfer ownership to the counterparty at a given date.

Liability or Passive Position: The transfer of ownership of securities in exchange for a payment of a sum of money, assuming at the same time the commitment to reacquire securities of the same type and features from the counterpart on the same day or at a later date, which shall not exceed one (1) year, at a predetermined price or amount.

The initial amount will be calculated at a discount to the market price of the securities involved in the operation, may be established for the duration of the operation, replacing the initial values given by others and may put restrictions on the mobility of securities subject to the operation.

**Simultaneous Operations**

Asset or Active Position: Securities acquired at market price in exchange for a sum of money assuming at the same time the commitment to retransfer ownership of securities of the same type and features to the counterparty on the same day or at a later date, which shall not exceed one (1) year, at a predetermined price.

Liability or Passive Position: Transfers ownership of securities in exchange for a sum of money, assuming at the same time the commitment to reacquire securities of the same type and features from the counterparty on the same day or at a later date, which shall not exceed one (1) year, at a predetermined price or amount.

The initial amount can not be calculated with a discount on the market price for the securities given; it may not established that throughout the duration of the operation, the initially delivered securities could be substituted by others and restrictions not be placed on the mobility of the securities given.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**Accounting and valorization of Repo transactions and Simultaneous**

The seller, the originator or the recipient, as applicable, shall reclassify its balance sheet values are given in a repo, simultaneously or temporary transfer of securities and in addition, must register their accounts in order to reveal delivery thereof.

The purchaser must include the reception of securities in their memorandum accounts.

All persons participate in repo operations, simultaneous and temporary transfer of securities must register the monetary resources from these operations within their respective balances as an obligation or right, depending on the position.

When the purchaser, is in a short position a financial obligation must be recorded in the balance sheet on behalf of the transferor, for the fair value of the respective securities.

The profits of repo transactions or operations concurrent cause exponentially by the parties during the term of the respective operation and will be an expense or income for each of these, as appropriate.

**3.4. Investments**

It Includes investments acquired in order to maintain secondary liquidity reserve, acquire direct or indirect control of any company or financial sector services, meet legal or regulatory allowances or with the sole purpose of eliminating or reducing the risk in which assets are exposed to the market, liabilities or other financial statement.

The valorization of investments, has as main objective the calculation, record keeping and disclosure of fair value or price of exchange, which a title or value may be negotiated on a date determined in accordance with its particular characteristics and conditions within prevailing in the market on that date.

Investments are classified, evaluated and accounted according to the established in the first chapter of the basic accounting memorandum 100 dated in 1995, issued by the Colombian Superintendence of Finance, which may be summarized as follows:



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

Classification	Characteristics	Valuation	Accounting
Trading	Titles acquired in order to obtain profits from price fluctuation in short-term.	They use fair trade prices, reference rates and / or margins, calculated and published daily by the Colombian Stock Exchange or main market.	<p>The difference between the current market value and that immediately before is recorded as greater or lesser value of the initial investment and its affecting prior results.</p> <p>The investments are valued at market prices, since the same day of their acquisition, therefore accounting of changes between the acquisition cost and market value of the investments are recorded since the date of Purchase.</p>
Held to maturity	Instruments to which the Bank has a serious purpose and the legal, contractual, financial, and operative capacity, to maintain until their maturity.	<p>Exponentially from the the internal rate of return calculated at the time of purchase.</p> <p>When in the terms of the issue is established the use of the value indicator for the starting date of the compensation period, the internal rate of return must be recalculated every time the value of the indicator with which the next flow will be paid, changer.</p> <p>In the case of securities that incorporate prepay options, the internal rate of return must be recalculated every time the future cash flows and payment dates change. The value at the recalculation date of future cash flows should be taken as the purchase value.</p> <p>This procedure is done on a daily basis.</p>	This amount is accounted as a greater value of investment and it setoff is recorded in period results.
Available-for-sale – debt securities	<p>Securities that do not fall in any of the above mentioned categories are classify under this category; should be kept at least one year.</p> <p>Once the year is completed, they may be reclassified the following working day, as negotiable or held to maturity.</p>	Exchange fair prices are used for valuation, reference rates and margins, calculated and published daily by the Colombian Stock Exchange or the main market.	<p>Are accounted in accordance with the following procedure:</p> <ul style="list-style-type: none"> <li>- The difference between the present value on the date of valuation and the previous one is registered as a greater or lesser value of the investment with a loan or charge accounts.</li> <li>- The difference between market value and the present value is recorded as a profit or accumulated unrealized loss within equity accounts.</li> </ul>





**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

Classification	Characteristics	Valuation	Accounting
Available-for-sale – share securities	With low or minimum trading volume, those that doesn't have quotation, titles held by the Bank in its capacity as controlling party or matrix.	<p>Investments in equity securities are valued according to the rate of trading volume to keep the valuation date, as follows: Low or minimum marketability or no contribution are valued monthly and increase or decrease in the percentage of participation of changes in equity, subsequent to the acquisition of the investment, calculated based on the last audited financial statements.</p> <p>When the Bank is the controlling party valuation should be done with the Financial Statements of semi-closure of each company in which it has investments.</p>	<p>Low or minimum marketability or no contribution.</p> <p>-</p> <p>- The difference between the market value or value of the investment date and the amount by which investment is registered, is recorded as follows:</p> <p>If it is higher in the first instance reduces the depreciation allowance or to exhaustion and the excess is recorded as revaluation surplus.</p> <p>If it is lower, affecting the valuation surplus until exhausting it and the excess is recorded as impairment.</p> <p>- When dividends or profits are distributed in kind, including those from the capitalization of the equity revaluation account is recorded as income the part that has been accounted for as revaluation surplus, under investment and the surplus is reversed.</p> <p>- When dividends or profits are distributed cash is recorded as income the value recorded as revaluation surplus, reversing the surplus and the amount of dividends that exceeds the same is recorded as a decrease in investment.</p>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

Classification	Characteristics	Valuation	Accounting
Available-for-sale – share securities	High and medium marketability: Titles or equity securities that according to the rate of trading volume to keep the valuation date, according to calculations made or authorized by the Colombian Superintendence of Finance are classified in this category. The stock index trading volume determines the degree of liquidity that has an action in the stock market.	Middle marketability, are valued based on the average price determined and published by the stock exchanges, in which they are negotiated. This average corresponds to the weighted average price for the quantity traded in the last five (5) days in which there have been negotiations. High liquidity, are valued based on the weighted average price last daily trading published by the stock exchange in the negotiation	High and Medium Marketability. The update of the market value for high or medium marketability or are listed on foreign exchanges internationally recognized, is recorded as a profit or accumulated unrealized loss within equity accounts with loan or charge to the investment.  Dividends or profits that are distributed in kind or in cash, including those from the capitalization of the equity revaluation account, should be recorded as income until the amount that corresponds to the investor on profits or improvement of the issuer accounted for thereof from the date of acquisition of the investment, against accounts receivable.

**Investments reclassification**

The Bank perform a reclassification of investments at any time, with proper authorization of the Colombian Superintendence of Finance, as stipulated in paragraph 4 of Chapter 1 of the Basic Accounting and Financial Circular and annual maturities of investments available for sale.

**Investment Transfer Rights**

It registers investment in securities or debt securities or equity that the seller, the originator or the recipient, as applicable, are delivered in a repo, simultaneously or temporary transfer of securities.

Corresponds to investments in securities or debt or equity securities that are restricted from transferring ownership of those securities against payment of a sum of money, or receipt of securities as a backup in the operation TTS (temporary transfer of securities) values against values, assuming the same act and time commitment to buy back its counterpart thereof or acquire securities of the same species and features the same day or at a later date at a price or predetermined amount.

It also accounts for investment in securities or debt securities or equity that a lending institution, has endorsed the property to the Central Bank when it uses resources of temporary liquidity support, in accordance with regulations issued by the Central Bank itself.

**Allowances or Losses by Credit Risk Rating**

The price of securities or debt securities and the securities or equity securities with low or minimum marketability or no contribution, are adjusted in each valuation date based on the loan rating as follows:

- The titles and / or values that have one or more ratings from external rating agencies recognized by the Colombian Superintendence of Finance, or the titles and / or securities issued by entities that are qualified by them, cannot be accounted for an amount exceeding the percentage of their nominal value net of repayments made to the valuation date.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

Long Term Rating	Short Term Rating	Maximum Amount %
BB+, BB, BB-	3	Ninety 90%
B+, B, B-	4	Seventy 70%
CCC	5 y 6	Fifty 50%
DD, EE	5 y 6	0%

- For the titles and / or values that do not have an external rating or securities and / or debt securities issued by entities that are not qualified or securities or equity securities, the amount of allowances should be determined on the basis of the methodology for the purpose by the investment entity. This methodology must be approved in advance by the Colombian Superintendence of Finance.
- The Bank evaluates the loan risk of investments that have no rating and establishes allowances in accordance with the ranges defined by the Colombian Superintendence of Finance

Not subject to loan risk rating of securities or debt securities internally or externally issued or guaranteed by the Nation, issued by the Central Bank and those issued or guaranteed by the Fondo de Garantías de Instituciones Financieras known as Fogafin in Colombia.

### **3.1 Loans and Financial Leases**

It registers the loans and / or Financial Leasing operations granted under the various authorized forms. The resources used in granting of loans come from own resources, the public in the modality of deposits and other sources of external and internal financing

Loans are accounted for the value of disbursement, excluding portfolio purchases which are recorded at cost; the agreed interest rate does not affect the value by which loans are recorded.

#### **Loans arrangements**

The structure of the loan portfolio includes the following types of loans:

##### **- Commercial**

Commercial loans are defined as those granted to individuals or companies in order to perform to organized economic activities, different to those granted under the mode of microloans.

##### Mortgage Leases.

The Colombian Superintendence of Finance established that for classification purposes, Home Leasing operations must be classified as commercial loans.

The real estate properties of this type of operations are owned by the Bank, and are insured for fire and earthquake.

It records the value of real estate financed housing lease delivered to the user for use and enjoyment, in exchange for periodic payment of a fee, during the agreed period, for which the property is restored due to the owner or tenant is transferred to if it decides to exercise the purchase option agreed in their favor and pay their value.

The value to finance the operations of financial leasing is amortized payment of fees for leasing in the share capital subscription.



**BANCO DAVIVIENDA S.A.**  
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**- Consumer Loans**

- Are loans that regardless of amount are granted to individuals whose purpose are to finance the acquisition of consumer goods or services to pay for non-commercial or business, other than those granted in the form of microcredit
- Records regardless of amount, the loans granted to natural persons, for the purchase of new or used, or the construction of individual housing. Must be agreed in Current Value Units (UVR), be legal tender and protected with first-degree home equity, building on housing financed. The amortization period should be five (5) years and not more than thirty (30).
- Loans may be fully or partially pre-paid at any time without penalty whatsoever. If there are partial prepayments, the debtor shall be free to choose whether the amount paid decreases the value of the fee or term of the bonds; that have an interest rate of remuneration, which is applied to the balance of the debt denominated in UVR or in pesos, depending on whether the loan is denominated in UVR or legal currency, respectively.
- Interest should be charged as expired and cannot be capitalized. The loan amount may be up to seventy percent (70%) of the property's value. This value will be the purchase price or appraised technically practiced within six (6) months prior to the granting of the loan. The loans to finance affordable housing, the amount of the loan may be up to eighty percent (80%) of the property's value.

Property value should be insured against fire and earthquake.

**- Mortgage**

Records regardless of amount, the loans granted to natural persons, for the purchase of new or used, or the construction of individual housing. Must be agreed in Current Value Units (UVR), be legal tender and protected with first-degree home equity, building on housing financed. The amortization period should be five (5) years and not more than thirty (30).

Loans may be fully or partially pre-paid at any time without penalty whatsoever. If there are partial prepayments, the debtor shall be free to choose whether the amount paid decreases the value of the fee or term of the bonds; that have an interest rate of remuneration, which is applied to the balance of the debt denominated in UVR or in pesos, depending on whether the loan is denominated in UVR or legal currency, respectively.

Interest should be charged as expired and cannot be capitalized. The loan amount may be up to seventy percent (70%) of the property's value. This value will be the purchase price or appraised technically practiced within six (6) months prior to the granting of the loan. The loans to finance affordable housing, the amount of the loan may be up to eighty percent (80%) of the property's value.

Property value should be insured against fire and earthquake.

**- Micro-credit**

Microcredit is defined as the set of active loans operations to which Article 39 of Law 590 of 2000 or the rules that could modify it, substitute or add as well as those made with micro-enterprises in which the main source payment of the obligation comes from the income from their activity.

A micro-company is also defined as a unit of economic exploitation performed by natural or legal person in business, agricultural, industrial, commercial or services, rural or urban, whose ground staff does not exceed ten (10) workers or their total assets are less than five hundred (500) minimum monthly wages.



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The balance of indebtedness of the debtor must not exceed one hundred and twenty (120) minimum legal monthly salaries, in effect at the time of approval of the active loan operation. Balance of indebtedness means that the amount of current debt obligations in charge of the corresponding micro-company in the financial sector and other sectors that are in the records of operators of databases accessed by the respective creditors, excluding mortgage loans for housing finance and adding the value to the new obligation.

**Restructured Loans**

Restructured loan is defined as anyone who by entering any legal business, seeking to modify the conditions originally submitted to allow the debtor to the proper care of their obligation. For this matter, restructuring is considered a novation. Before restructuring a loan it should be established reasonably that the same will be recovered under the new conditions.

Credit alleviations granted by Laws, as it was the case of what was set forth by Law 546 dated 1999 for home loans, are not considered loan restructuring.

Rules for accounting for interest on restructured loans: in those cases where as a result of restructuring agreements or any other form of agreement contemplates the capitalization of interest are recorded under memorandum accounts or punishable portfolio balances including capital, interest and other concepts, are recorded as deferred payment and capital repayment to be made in proportion to the amounts actually collected.

Rules for reclassification of restructured loans: Loans can improve their qualification, after having been restructured, only when the debtor proves a regular and effective payment behavior.

When an obligation is restructured maintaining the current rating at the time of restructuring and 3 regular payments is considered standard and improved its rating to "A". If it goes overdue over 30 days will return to the initial qualification and held until it becomes once again regularized to return to the rating "A". If after two years, the restructured loan is current moves to normal, except those recorded below:

Bankruptcy rules Law 1116 dated 2006

The judicial Bankruptcy rules objective is to protect the loan and the recovery and conservation of the company as a unit of economic exploitation and a source of employment, through the reorganization and judicial liquidation processes, always under the value aggregation criterion.

Fiscal Restructuring Law 617 of 2000

The Nation grants guarantees to the obligations assumed by territorial entities with financial institutions supervised by the Colombian Superintendence of Finance, when all requirements established by law are met, among others, fiscal agreements were underwritten by 30 June 2001. This guarantee is up to forty percent (40.0%) for loans outstanding at December 31, 1999 and up to one hundred percent (100.0%) for new appropriations for fiscal adjustment.

Such restructuring are characterized to roll back allowances made for restructured obligations on the part which is guaranteed by the Nation and the part of the restructured obligations with no guarantee of the nation can maintain the rating they had up to June 30, 2001.

Restructuring Law 550

Law 550 of 1999 and 1116, 2006, promoted and facilitated business reactivation and restructuring of local authorities. When the negotiation of restructuring started it suspended the causation of interest on current loans and it maintains the rating they had on the trade date.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**Suspension of causation of interest**

Is not cause in the income statement the accrual of interest, monetary correction, exchange adjustments, fees and other income when a loan is not up to date as shown in the following table:

<b>Credit Modality</b>	<b>Default level to</b>
Commercial	3 months
Consumer	2 months
Housing	2 months
Micro-credits	1 month

The accrual is recorded in contingent accounts without affecting the income statement until such time as the effective collection.

For those cases in which, as a result of restructuring agreements or any other form of agreement, is contemplated that the capitalization of interest that is recorded under memorandum accounts or balance from punishable portfolio including the capital, interest and other concepts, this income is recorded as deferred payment and taken to the income statement so far as the collection occurs effectively.

Those credits entering in default and that have ever stopped to cause interest, monetary correction, exchange adjustments, fees and other income for other concepts, such loans will no longer cause income since the first day of default. Once those loans are up to date on the payments, they will accrue income again. While this collection occurs, the corresponding records will be taken in the memorandum accounts.

When it is necessary to stop the accrual of income, restatement, exchange adjustments, fees and other income, the whole amount of what is accrued and not collected, must be allowed.

**Regulation for penalties**

Penalties on the loan portfolio, accounts receivable and other assets are approved by the Board taking into account the allowances of Circular 100 of 1995 of the Colombian Superintendence of Finance.

Given the internal policies for writing offs, these are recorded at the time in which the different loans, reach the following arrears levels and Requires loans to be 100% provisioned in capital, interest and other concepts.

<u>Portfolio</u>	<u>Default Levels</u>
Commercial	570
Consumer	180 (different of vehicle without guarante)
Housing	540
Housing Leasing	540 (Commercial Portfolio)
Commercial Vehicles	360
Consumer Vehicles	360
Microcredit	180

For the low income segment: private label credit cards and visa practica 120 days overdue; penalties may be imposed to current customers whose balances have a probability of default of 100%.



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Likewise, specific penalties may be applied under the parameters defined by the Bank when the Board approves it. These parameters can be changed at any time in accordance with the policies adopted by the Board.

The writing off does not release the Bank's management from continuing with the collection procedures that are considered appropriate.

**Regulations for the guarantees**

The guarantee is an instrument whereby it reduces the Expected Loss (EL) where there is an event of default. The warranty is a right acquired by the Bank if the debtor ceases for failure to pay its obligations.

Loan approvals in the Bank must include the guarantee in order to authorize the operation. The improvement of it will be prior to disbursement.

The guarantee analysis should include the following:

- Adequacy: As defined by law.
- Legality: Document properly perfected to offer legal support to facilitate the management of the collection of obligations granted.
- Value: Established on technical and objective criteria.
- Possibility of creation: Adequate to give effect to the guarantee.

For consumer and commercial loans, admissible and not admissible guarantees are admitted in accordance with set out in the Decree 2360 of 1993.

In the case of mortgages loans, these shall be classified as first degree and by an unspecified amount in favor of the Bank over the mortgaged property. Mortgages must be completed through public deed before a notary and registered at the corresponding Public Document Registration Office.

The update of the realizable value apply to the guarantee for mortgage portfolio is established by taking the value of initial registration of the security as adjusted by the housing price index published by the National Planning Department.



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**Criteria for the Evaluation and Reclassification of credit risk**

The Bank has adopted a Credit Risk Management System (Sistema de Administración de Riesgo de Crédito - SARC), which includes policies, processes, models and control mechanisms to identify, measure and adequately mitigate credit risk; not only from the perspective of their coverage through a reserves system but also through the administration process for granting credit and ongoing monitoring.

The Bank evaluates and ranks the credit agreements of customers regardless of the credit class. The behavior of the customers' portfolios is updated monthly with respect to payments, cancellations, penalties and amount of arrears of the agreements.

It has methodologies and analytical techniques to measure the credit risk inherent in a credit transaction and future potential changes in its service conditions. These methodologies and techniques are based on information relating to historical performance of the portfolios and loans; the particular characteristics of borrowers, their loans and guarantees to support them; the credit performance of the borrower with other organizations and financial information from it, or alternative information that allows the financial situation to be adequately known; and the sector and macroeconomic variables that affect their normal development.

In the evaluation of the capacity of payments of the territorial public entities, it verify the compliance with the indicators of Law 617 - Operating costs - Law 358 - Solvency and Sustainability - Primary Surplus and Law 819.

The Bank carries out the valuation and re-evaluation of the loan portfolio in May and November at least, recording the results at the close of the following month.

**Alignment Rules**

Monthly and for each debtor there is a process of internal alignment performed by the Bank, in which it takes the loans to the higher risk category to those, granted to this same mode, unless they can prove the existence of grounds for its classification in a lower risk category of as permitted by the policies.

**Credit Risk Rating for reports**

For the purpose of approving the credit ratings for the reports to credit bureaus, the following table is applied for the credit debt reports and registration in the statements

**Commercial Portfolio**

<b>Risk Type</b>	<b>Reporting Rating</b>	<b>Rating Group</b>	<b>Default levels (days)</b>
Normal	AA	A	0-29
Acceptable	A	B	30-59
Acceptable	BB	B	60-89
Appreciative	B	C	90-119
Appreciative	CC	C	120-149
Unpaid	D	D	150- 569
Irrecoverable	E	E	More than 569

A commercial loan is considered on default when it hasn't been paid for more than or equal to 150 days; the same applies to treasury loans in the same situation.





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Notes to the Financial Statements

**Consumer Portfolio**

To determine the rating the model of reference calculates a score depending on the consumer loan segment which is the product of the particular characteristics of each debtor as set out in Appendix 5 of Chapter II of External Circular 100 of 1995 of the Colombian Superintendence of Finance, as shown below:

Risk Type	Reporting Category	Rating Group	Vehicles Score	Others Score	Credit Card Score
Normal	AA	A	0.2484	0.3767	0.3735
Normal	A *	A	0.6842	0.8205	0.6703
Acceptable	A	B	0.6842	0.8205	0.6703
Acceptable	BB	B	0.81507	0.89	0.9382
Appreciative	B	C	0.94941	0.9971	0.9902
Appreciative	CC	C	1	1	1
Unpaid	D	D	1	1	1
Irrecoverable	E	E	1	1	1

A consumer loan is considered on default when it hasn't been paid for more than or equal to 90 days.

\* To avoid affecting the portfolio indicators, the Colombian Superintendence of Finance defined a delay range of between 0 and 30 days to be reported in the accounts defined as group A in addition to the characteristics of the reference model of Consumer for this qualification.

**Mortgage and Microcredit Loans**

The Bank classifies the mortgage loan and micro-credits operations into the following risk categories.

Rating	Risk	Housing	Micro-credit
		Months in arrears	
A	Normal	0 until 2	0 until 1
B	Acceptable	More than 2 until 5	More than 1 until 2
C	Appreciative	5 until 12	More than 2 until 3
D	Significative	12 until 18	More than 3 until 4
E	Uncollectibility	More than 18	More than 4

**Qualification of Loans to Territorial Entities**

For qualification of loans granted to territorial entities, the Entity reviews and verifies the fulfillment of the different conditions set forth in Law 358 dated 1997.

**3.5. Rules on provisions for loans**

The Bank constitutes provisions in reference to the results as follows:

**General Allowance**



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As of June 30, 2011 and December 31, 2010, the allowance for the different kinds of micro credits and mortgage loans, are equivalent to the 1.0% of total gross loans.

**Individual provisions using reference models.**

As established by the Colombian Superintendence of Finance for the commercial and consumer reference models the individual allowances of consumer loan portfolio are set as the sum of two individual components procyclical and countercyclical.

The individual procyclical component reflects the current risk of each borrower.

The individual countercyclical component reflects the possible changes in the credit risk of borrowers at the time in which the deterioration of these assets increases. This component is used to reduce the impact on the Bank's income statement when the situation arises.

The two components are calculated separately for capital and accounts receivables of the holdings and leasing obligations.

The following indicators should be evaluated monthly to determine the calculation methodology to use from the next month for the calculation of individual provisions.

Indicators	Activation Threshold
1. Increase of allowance in risk category B,C,D,E	$\geq 9\%$
2. Net expenditure of allowance as % of portfolio revenue	$\geq 17\%$
3. Net expenditure of allowance as % of Adjusted Gross Financial Margin	$\leq 0\%$ ó $\geq 42\%$
4. Real annual growth of Gross Portfolio	$< 23\%$

If the conditions of these indicators are met for the following three months, the methodology to be applied for the following six months will be the one established for the non-cumulative phase. On June 30, 2011 and December 31, 2010, the Bank applied the cumulative phase methodology.

**Calculation methodology in accumulation phase**

Individual pro-cyclical component (CIP): For the commercial and consumer portfolio it is the expected loss calculated using matrix A, i.e. the result obtained by multiplying the exposure value of the debtor, the matrix A default probability and the loss given the default.

Individual countercyclical component (CIC): It is the maximum value between the individual countercyclical component in the previous period affected by the exposure, and the difference between the expected loss calculated with matrix B and the expected loss calculated with matrix A at the time of calculating the provision.

In no case, the individual component countercyclical for each obligation may be less than zero and it could not exceed the value of the expected loss calculated with the matrix B, likewise the sum of these two components may not exceed the exposure value.

Each year the Colombian Superintendence of Finance informed the migration matrices applied to quantify the expected losses.

The countercyclical component allows entities to maintain a reserve (individual countercyclical provision) to be used during periods of deterioration in credit quality to meet the increase in provisions without significantly impacting the profits generated by the unfavorable environment.



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**Individual Allowance**

Without prejudice of the general provision, the individual provisions, for the protecting loans qualified in all risk categories, have the following parameters at December 31, and June 30, 2011:

**Commercial Portfolio**

The Bank adopted the Commercial Reference Model (CMR), established by the Colombian Superintendence of Finance, which is used for recording provisions resulting from its application.

The Leasing Operations provisions are recorded in compliance with the commercial loans portfolio policies "natural person with business".

To estimate the expected loss, segments are differentiated by the borrowers' assets thus as follows:

<u>Company Size</u>	<u>Assets Level</u>
Large Companies	More than 15.000 MCMLW
Medium Companies	From 5.000 to 15.000 MCMLW
Small Companies	Less 5.000 MCMLW

CRM also has a category named "individuals" in which all individuals that are commercial loans debtors, are grouped.

The estimation of expected loss (provisions) results from applying the following formula:

$$\text{Expected Loss} = [\text{Probability of failing}] \times [\text{Asset exposure at the time of failing}] \times [\text{Loss due to failing}]$$

Where:

**Probability of failing (PF)**

It corresponds to the probability that in a period of twelve (12) months, the debtor of a certain commercial loan portfolio incurs in default.

The Individual allowances are calculated using the percentages given in the following matrix:

<u>Rating</u>	<u>Large</u>		<u>Medium</u>		<u>Small</u>		<u>Individual</u>	
	<u>Company</u>		<u>Company</u>		<u>Company</u>			
	<u>Matrix A</u>	<u>Matrix B</u>	<u>Matrix A</u>	<u>Matrix B</u>	<u>Matrix A</u>	<u>Matrix B</u>	<u>Matrix A</u>	<u>Matrix B</u>
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%
Non-compliance	100%	100%	100%	100%	100%	100%	100%	100%



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- Loss due to failing (LDF)

Is defined as the economic deterioration in which it would incur if non-compliance materializes in any way. The LDF for qualified borrowers that are in the default category will increase according to the days that have passed after qualifying in that category. The LDF applied by the Bank considers the different rank of warrantees "without guarantee".

Type of guarantee	<u>L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>
Without guarantee	55.00%	210	80.00%	420	100.00%
Assets given in real estate leasing	35.00%	540	70.00%	1.080	100.00%

Additionally, the portfolio is allowance in a 100% to those loans qualified in the description D and E.

The LDF applied by Confinanciera for inadmissible guarantee is:

<u>Type of guarantee</u>	<u>L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>
subordinated claims	75%	270	90%	540	100%
Eligible financial collateral	0 – 12%	-	-	-	-
Commercial and residential real estate	40%	540	70%	1080	100%
Assets in real estate leasing	35%	540	70%	1080	100%
Assets other than real estate leasing	45%	360	80%	720	100%
Other side	50%	360	80%	720	100%
Receivables	45%	360	80%	720	100%
No Warranty	55%	210	80%	420	100%

Exposed value of asset

The exposed value for assets is defined as the current balance in capital, interest, and accounts receivable for interest and other accounts receivable, from the obligations on the commercial portfolio.

**Concordat Processes Provisions**

With regards to the loans granted, the persons who are admitted to universal competition processes of lenders, are scored immediately in the "E" being subject to be taken into the allowance, suspension of accrual of income and other items provided for this category.

If the agreement to recover the company is approved before to the following year to the admission of the concordat, loans can be reclassified to category "D".

**Consumer Loans**

The Bank adopted the Reference Model for consumer portfolio (MRCO), established by the Colombia Superintendence of Finance, which is used for recording allowances that result from their application.



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It is based on Segments from different products, general automobile, general others, and credit cards in order to preserve the characteristics of the market niches and products granted.

The expected losses are determined, and the allowance are recorded according to the following formula:

$$\text{Expected Loss} = [\text{Probability of failing}] \times [\text{Asset exposure at time of failing}] \times [\text{Loss due to failing}].$$

Where:

- Probability of failing

It corresponds to the probability that in a period of twelve (12) months, debtors of a specific segment and consumer portfolio qualification incur in failing.

The Bank defines the probability of failing according to the following matrix:

Rating	<u>Vehicles</u>		<u>Others</u>		<u>Credit</u>	
	<u>General</u>		<u>General</u>		<u>Card</u>	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	0.97%	2.75%	2.10%	3.88%	1.58%	3.36%
A	3.12%	4.91%	3.88%	5.67%	5.35%	7.13%
BB	7.48%	16.53%	12.68%	21.72%	9.53%	18.57%
B	15.76%	24.80%	14.16%	23.20%	14.17%	23.21%
CC	31.01%	44.84%	22.57%	36.40%	17.06%	30.89%
Non-compliance	100%	100%	100%	100%	100%	100%

- Loss due to failing (LDF)

Is defined as the economic deterioration in which the Bank would incur if some of the non-compliance materializes. The LDF for those borrowers qualified on the default category will increase according to the days that have passed after qualifying in that category. The LDF applied by the Bank considers only the rank of warranty "without guarantee" and additionally applies a higher percentage in the first rank of defaulted as follows:

<u>Type of guarantee</u>	<u>L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>
Without guarantee	75,00%	30	85,00%	90	100,00%

The Bank uses 365 calendar days base, for the calculation of the maturity of the PDI

- The value of assets exposed

In MRCO, the exposure value of the asset is the outstanding balance of principal, interest, interest receivables and other receivables, obligations of the consumer portfolio.



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**Mortgage loans**

The individual allowances to protect those loans classified in all risk categories should have as minimum the following percentages to June 30, 2011 and December 31, 2010:

Rating	% Minimum standard		% Bank's minimum	
	Covered	Uncovered	Covered	Uncovered
	Part	Part	Part	Part
A	1.00%	1.00%	1.50%	3.00%
B	3.20%	100.00%	5.00%	100.00%
C	10.00%	100.00%	20.00%	100.00%
D	20.00%	100.00%	60.00%	100.00%
E	30.00%	100.00%	100.00%	100.00%

For mortgage loans an allowance is kept on the guaranteed portion for the corresponding percentage according to the rating. On the part that hasn't been allowance it should be guaranteed one hundred percent (100%) based on a credit rating "B" (acceptable).

If in the period of two (2) consecutive years, the loan remains in the "E" category, the allowance rate on the guaranteed portion; it will be set up to sixty percent (60.0%). If one (1) additional year passes under these conditions, the provisioning rate on the guaranteed portion will rise to one hundred zero percent (100.0%).

**Micro-credit portfolio**

The individual provisions, for the protecting loans qualified in all risk categories, have at least the following percentages at December 31, and June 30, 2011:

Rating	% Minimum Standard		% Bank's minimum	
	Capital	Uncovered	Capital	Uncovered
	Balance	Part	Balance	Part
A	1.00%	0.00%	1.60%	1.60%
B	2.20%	1.00%	4.00%	5.00%
C	0.00%	20.00%	0.00%	30.00%
D	0.00%	50.00%	0.00%	60.00%
E	0.00%	100.00%	0.00%	100.00%

Starting at B rating, interest and other receivables are provisioned at 100%.

**Effect of Suitable Guarantees on the Establishment of Individual Allowance**

Guarantees for consumer and housing loans only support the capital of the credits; consequently, the balances pending amortization of the credits covered with securities that have a suitable guarantee nature, are provisioned by the percentage corresponding according to the credit rating, by applying that percentage to the difference between the value of the outstanding balance and seventy percent (70%) of the guarantee value.



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With regard to home loans, in the non secured part, the difference between the unpaid balance and hundred percent (100%) of the guarantee. For the secured part, a hundred per cent (100%) of the amount of the guarantee will be applied.

Depending on type the guarantee and the time of the respective loan arrears, the percentages of the total value of the guarantee for the establishment of allowances are considered as follows:

For Non-Mortgage Guaranties:

<u>Credit Time in Delay</u>	<u>Percentage</u>
0 to 12 months	70%
More than 12 months to 24 months	50%
More than 24 months	0%

For Mortgage Guaranties:

<u>Credit Time in Delay</u>	<u>Percentage</u>
0 a 18 months	70%
More than 18 months to 24 months	50%
More than 24 months to 30 months	30%
More than 30 months to 36 months	15%
More than 36 months	0%

As of December 31 and June 30, 2011, in order to calculate the expected loss for the reference models in the MRC commercial Loans and in the MRCO Consumer Loans, the amount of the collateral was not contemplated. except for the leasing portfolio ("Real Estate Leasing") where what was set forth in the standard was applied, starting November 2011.

**3.6. Acceptances, Cash Operations and Derivates**

**Cash Operations**

Definition

A cash trade operation is one that is registered with a deadline for clearing and settlement on the same date of execution or registration of the operation, from today for today (1+0), or up to three (3) business days counted from the day following the registration of the operation (1+3).

Valorization

In this case the seller of the asset values the obligation. For its part, the buyer sets the value of the right, at market prices, according to the rules established in Chapter I of Circular 100 of 1995 of the Colombian Superintendence of Finance.

Accounting records

The financial assets purchased in cash transactions are recorded on the balance sheets of entities on the date of compliance or settlement thereof and not on the trade date, unless the two coincide. Changes in market value of disposed instruments must be reflected in the income statement from the trade date, as appropriate.



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Under the settlement date method the seller will maintain the financial asset on its balance sheet until its delivery. Additionally, a right to receive the money from the transaction and an obligation to deliver the asset traded will be recorded in the accounting records in the accounts designated for this type of operation.

For its part the purchaser of the asset will not record a financial asset on its balance sheet until its delivery, but it will record those kinds of operations enabled in the asset accounts, a right to receive the asset and an obligation to deliver the money agreed upon in the operation.

### **Derivatives Transactions**

It is an operation whose main characteristic is that its exchange fair price depends on one or more underlying compliance or settlement on a subsequent time. The liquidation may be in cash, financial instruments or products or tradable goods, as stated in the contract or in the regulations concerning the trading of securities, the registration system of securities trading or clearing and settlement system.

A financial derivative allows the administration or accession of one or more risks associated with the underlying and complies with either of the following two (2) alternative conditions: (i) It doesn't require an initial net investment. (ii) It requires an initial net investment lower than the one needed to acquire instruments that provide the same expected payoff in response to changes in market factors.

Financial derivative for hedging purposes: It is negotiated to cover a primary position for any loss resulting from adverse movements in market factors affecting the loans or the asset, liability or contingency. With these kinds of negotiations the Bank seeks to limit or control one or more financial risks generated by the primary position being hedged.

Financial Derivative for speculative purposes: It is not framed within the definition of financial derivative for hedging purposes, or meets all conditions set forth in paragraph 6 of Chapter XVIII of the Circular 100 of 1995 of the Colombian Superintendence of Finance. These are tools whose purpose is to make profit by any market movements.

Financial derivatives can be traded for one of the following reasons: 1) Insurance against other positions. 2) Speculation looking for a profit, or 3) Conducting market arbitrage.

As of December 31 and June 30, 2011 the Bank operates a policy of trading derivatives exclusively for speculative purposes, there is only one hedge transaction registered as fair exchange price coverage according to what is defined in paragraph 7.3.2.1 of Chapter XVIII of the External Circular 100 of 1995 of the Colombian Superintendence of Finance for the Currency Cross Swap transaction taken by Bank, to cover the financing of the Granbanco S.A. purchase.

### **Basic Financial Instruments**

#### **Forward Contracts**

##### **Definition**

A 'forward' is a derivative formalized by a contract between two (2) parts, to meet both the customer and the bank needs, to buy / sell a certain amount of a specified underlying at a future date, fixing the basic conditions of the derivative on the same day, including mainly price, delivery date of the underlying mode of delivery. The settlement of the instrument in the compliance date may be caused by physical delivery or liquidation of the underlying dispute, depending on the underlying and agreed delivery mode, this last one may be modified by mutual agreement of the parties during the term of the instrument.





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**Valorization**

**Peso-dollar 'forward' transactions**

The valuation of the peso-dollar 'forward' transactions with term remaining of less than or equal to the last period for which daily information is published must be conducted using 'forward points' (PIPS, expressed in COP/1USD) recorded at the daily closing of the 'forward' market, published by accredited price suppliers that offer permanent quotes throughout the trading day. In all cases, to value the 'forward' transactions, both buying and selling, the average of the quoted closing bid price and asking price should be used, i.e. the 'mid' price.

However, when there is the availability and the constant information from different "forward" operations negotiated in the market, the valuation should be established using the weighted average for the different terms and amounts negotiated during the day. When such estate of the information is met, the Colombian Superintendence of Finance determines the source of the calculation and publication of those weighted averages.

For purposes of valuation of derivative financial instruments with remaining terms that do not correspond directly to the most liquid quotations published, the bank must calculate the 'forward points' for the respective term by making simple linear interpolation between existing contributions (lower and upper) closer to that period.

To quantify the gains or losses on such contracts, the difference is kept between the rate 'forward' rate agreed and 'forward' on the valuation date that corresponds to the remaining term of the derivative financial instrument, after which it must be brought to present value using a zero coupon interest rate.

**Forward foreign exchange transactions:**

To calculate the gains or losses in Colombian pesos for this type of instruments, the rate must be set to establish the difference between the 'forward' rate agreed and the 'forward' market rate at the valorization date corresponding to the remaining term of the instrument must be established, both rates expressed in terms of currency X per unit of currency Y. When the 'forward' rate of the foreign exchange market is sufficiently liquid, this is obtained by adding to the 'spot' rate valuation the 'forward' points of the corresponding market, i.e. taking into account the devaluation expected by the market. If there are no 'forward' points for the term of the instrument being valued, the Bank must use an appropriate methodology that is based on the differential of zero coupon interest rates of the two currencies in the transaction (currency X, currency Y).

It must then be brought to present value using the zero-coupon low risk interest rate of currency X for the same period, multiplying that value by the respective exchange rate calculated on the valuation date (to change currency X to US dollars), and then by the representative rate of the peso-dollar market calculated on the same date (to change US dollars to Colombian pesos) and by the nominal value of the contract.

**Accounting records**

If financial derivatives results in positive fair exchange price, favorable to the Bank, are recorded as assets, separating the rights value and the obligation value, except in the case of options, where the accounting record is performed in a single account. Those that yield a negative fair exchange price, that is unfavorable to the Bank, must be registered as a liability, performing the same separation.

When the fair price of exchange from the financial derivative results as a zero (0), either at the first day or at a later day, for a financial derivative for speculative purposes its accounting should be recorded as an asset. But if it is a financial derivative for hedging purposes, the accounting records in this case, must be recorded on the appropriate side of the balance sheet, -asset or liability-, on the base that it must be recorded on the opposite side to that in which the primary position being covered is registered.



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There are not net deductions made to favorable and unfavorable balances from the different derivatives financial instruments in the balance sheet, even if they are the same type, but each is recorded as assets or liabilities as appropriate.

Since derivative financial instruments should be valued on the day of its conclusion, the fair value of exchange may be different from zero (0) at the end of the start date and must be recorded in the accounts.

### **Future Contracts**

#### Definition

A future is a standardized contract as to its compliance date, size or value, the characteristics of the respective underlying, place and manner of delivery (in kind or cash). This is negotiated in a camera bag with central counterparty risk, whereby two (2) Parties undertake to buy / sell an underlying at a future date (maturity date) at a price established at the time of the celebration the contract.

Under this heading, the Bank records transactions denominated Bond Futures and Futures TRM Notion.

#### Valorization

The futures should be valued on the basis of the relevant market price at the valorization date. Such prices are provided by the respective stock exchange or trading system where the entity has negotiated the financial derivative instrument.

To quantify the gains or losses on futures contracts, it is necessary to calculate the difference between the market price of each unit of the relevant contract and the agreed price, multiplied by the value of the contract and the number of contracts traded.

#### Accounting records

Futures transactions are settled daily, the fair price of the derivative financial instruments must be valued the same day as completion, their fair exchange price may be different from zero (0) at the closing of the start date and must be registered as an asset or liability depending in which it corresponds to.

### **Swaps**

#### Definition

A 'swap' is a contract between two (2) parties which establishes the bilateral obligation to exchange a series of flows for a period of time on predetermined dates.

Basic 'swaps' are those known as Interest Rate Swap (IRS), Cross Currency Swap (CCS) or a combination of the two (2) types.

#### Hedging Swaps

These are negotiated transactions assigned to reduce or cancel a specific risk that may impact on the income statement as a result of changes in the fair price of trade, cash flow or exchange of one or more items, called primary positions.



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In compliance with the existing regulations, instruments of financial derivatives traded for hedging purposes must be clearly identified at the time of its conclusion and authorized by the Colombian Superintendence of Finance.

The Colombian Superintendence of Finance recognizes three types of accounting hedges:

- Coverage of fair exchange price: These cover the exposure to changes in the fair exchange price of a primary position, provided that such variation is attributable in particular to one or more risk and affect, or may affect the income statement of the controlled entity.
- Cash Flow Coverage: These cover the exposure to variability in cash flows of a primary position, provided that such variation is attributable to one or more risks and affect, or may affect, the income statement of the controlled entity.
- Coverage of assets or liabilities in foreign currency: These cover only the exchange rate risk of a particular value of assets or liabilities which are denominated or indexed in currencies other than the Colombian peso.

To evaluate the effectiveness of a hedge with instruments of financial derivatives, it must calculate the ratio of hedging effectiveness, defined as the variation between the ratio of the cumulative absolute change in fair price in exchange or in the cash flows of the derivative is attributable exclusively to the risks that are being hedged and the cumulative absolute change in the present value or cash flows of the primary position hedged, from the date on which the hedge initiated until the date of its evaluation. In any case, to calculate this ratio, the lower of the two above absolute changes should always be the numerator of the same.

A hedge is considered as highly effective if the initial evaluation and any other evaluation during the term thereof, the ratio of effective hedge lies in between the range of eighty percent (80%) and one hundred percent (100 %).

When the effectiveness of the hedge is located outside the range set forth above (80% - 100%), for two (2) consecutive closures after the inception of the hedge, the financial derivative instrument is not considered for hedging purposes, which means that loses its capacity.

In this case, the derivative financial instrument for hedging is no longer subject to special accounting rules established for these operations and must immediately comply with the accounting procedures established for transactions of financial derivatives for speculative purposes.

### **Valorization**

The evaluation of a 'swap' in currency in which one end is denominated in foreign currency and the other end is in Colombian pesos, and when the flow of a currency coincide in time with the flow of the other currency, the standard methodology that is been accepted could be effected, according to which is valued as a portfolio or series of 'forwards'. Some act as if the 'forwards' were sold and the other part as if they were purchase. Then we obtain the net value of the portfolio of 'forwards', by the sum of the valorization of the various 'forward' where it can decompose the 'swap' of currencies.

Since the net value of the 'forwards' portfolio is established as indicated above, the Bank must finally estimate the fair price of the 'swap' contract exchange.

### **Accounting records**

The accounting for financial derivatives for hedging depends on the specific type of coverage involved in our case the existing coverage corresponds to fair trade prices.



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Flow coverage of the fair exchange price should be accounted for as follows:

- a) Financial derivatives for hedging purposes: The total gain or loss arising in valuing financial derivatives of fair exchange price for hedging should be recognized immediately in the income statement, using the corresponding PUC accounts for hedging instruments.
- b) Primary Positions: The total profit or loss attributable to the risk being covered should be recognized in the book value of the primary position, so that the fair exchange price is found. The variations are counterbalanced by the relevant sub-statement, even if it is a primary position covered that is valued at cost.

Where it signs a firm commitment to acquire an asset or assume a liability that is a primary position within a fair exchange price coverage, the initial book value of the asset or liability resulting from compliance with the firm commitment must be adjusted to include the cumulative change in fair exchange price of the commitment attributable to the covered risk that is recognized in the balance.

The derivative financial instruments that they throw right price of positive, that is to say favorable interchange for the Bank, are due to register in the assets, being separated the value of the right and the value of the obligation; on the other hand, those that throw right price of negative, that is to say unfavorable interchange for the Bank, the same separation must be registered in the liabilities, carrying out. Such countable treatment must be applied whether the derivative financial instruments are realised with aims of speculation or aims of cover.

### **Speculation Swaps**

#### Definition

Swap transactions undertaken in order to profit from market movements.

#### Valuation

The valuation of an interest rate 'swap' in which the two (2) points are in the same currency can be carried out using the accepted standard methodology in accordance with that which resembles the way of setting the fair trade price for a portfolio of two (2) bonds, one (1) as a short position and the other as a long position, both in the same currency, including in each case the capital of the operation. The fundamental distinction between the way the IRS 'swap' is valued and the bonds lies in two aspects: 1) That the valuation of a bond in the spot market is done by discounting the interest rate negotiated by the market on the valuation date, while the valuation of the 'swap' flows is done using the appropriate zero coupon rates as discount rates, and 2) that the projection of future flows of variable rate bonds is calculated using the market rates in force on the date of valuation, while the projection of the swaps flows is done using implicit future rates.

The net value of the portfolio is then obtained from the difference between the present values of the two (2) 'bonds'. This methodology should be applied both for fixed rate against variable rate 'swaps', as well as for 'swaps' where parties exchange flows at a variable rate. If the currency of the flows is not Colombian pesos the conversion to pesos should be carried out using the corresponding exchange rate, calculated on the valuation date.

From the net value of the portfolio of the two 'bonds', established as indicated above, the fair trade value of the 'swap' can be estimated and registered in the financial statements.

To perform the valuation, future cash flows should be projected to estimate the present value thereof and determine the fair trade value of the 'swaps'.



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The accounting records must isolate the effect of the valuation model used. Therefore, at the end of the day in which the 'swap' is agreed (day zero (0)) the controlled entity should not affect the income statement and / or property, nor the profit or loss for valuation purposes of the right and the obligation must be registered in a deferred account.

Between the day immediately following the agreement date of the 'swap' and the maturity date, the controlled entity must account for the daily value of the linear amortization of the deferred, increasing or decreasing the valuation daily, as the case may be.

**Options**

Definition

An "option" is a contract that gives its holder the option or the right, but that does not imply an obligation to buy or sell a specific amount of an asset at a certain price or date, or for a certain amount of time. Such contract forces the subscriber to sell or buy the asset in the date that the "option" is taken by the holder, in accordance with the conditions of quantity, quality and Price established to that effect in the contract.

Standard European options to buy or sell (Call - Put)

Definition

The standard European options are contracts which establish the buyer's option of the right, but not the obligation, to buy or sell the underlying security, depending on whether it is a call or put option respectively, at a set price, called the option price, at a previously established future date which corresponds to the maturity date.

In options contracts involving two (2) parties:

- a) The party who buys the option takes a long position in the option and, therefore, pays a premium to its counterpart to accept the risk. The buyer of a Call option obtains the right, but not the obligation, to buy (receive) the underlying in the case that the option price is favorable. The buyer of a Put option obtains the right, but not the obligation, to sell (deliver) the underlying in the case that it wants to execute it.
- b) The party who issues the option takes a short position in it and therefore has the right to receive a premium for assuming the risks of the buyer. The seller of an Call option has the obligation to sell (deliver) the underlying if the buyer executes the option. The seller of a Put option is obliged to buy (receive) the underlying if the buyer executes the option.

Valorization

European options traded through stock exchanges or stock trading systems must always be treated on the base of the relevant market price on the valorization date. These prices are provided by the respective stock exchange or securities trading system where the controlled entity has negotiated the financial derivative instrument.

In the case of European options traded in the counter market, the Black-Scholes/Merton pricing model should be used, regardless of the underlying type. It should be emphasized that this model requires that the interest rates used correspond to ongoing compound rates and the use of a base year of 365 days.



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When the Bank buys options, whether 'call' or 'put', the accounting records of both the premium paid as well as the daily variations in the fair trade value should be provided in the respective sub-accounts on the Assets side. For its part, when the Bank sells options, whether 'call' or 'put', the accounting for the premium received and the daily variations in the fair trade value should be placed in the respective sub-accounts on the Liabilities side.

The agreed nominal fixed amount multiplied by the respective price or option rate agreed by the contracting parties should be reported by the monitored entities in the respective contingency accounts authorized for this purpose.

**3.7. Accounts Receivable**

It records the amounts of the pending collection such as the returns derived from financial intermediation, commissions for services rendered and payment for account of customers, as well as the resulting sums originated in the sale of goods and services, leases, purchase-sale promises, dividends and participations, contract and supplier advances, fees and advances to employees.

The Bank establishes allowances for the total interest, monetary correction and other items accrued and not paid of loans, at the same time that the accrual of their financial returns is suspended. The court fees in mortgage loans are 100% allowance.

The Bank establishes allowances for the protection of its rated accounts receivable with charge to the statement of income, whenever the existence of contingencies of probable and reasonable quantified loss is established, also, when maturity exceeds one hundred eighty (180) days.

**3.8. Foreclosed Assets, returned, and not used to the corporate purpose**

**Realizable property and foreclosed assets**

In this item is recorded the value of goods received as payment of the unpaid balances resulting from obligations in favor of the Bank.

The goods received in payment represented in real estate properties are received based on the technically determined commercial appraisal and personal properties, shares and participations vehicles, based on fair market value.

The goods are records, taking into account the following conditions:

- The initial record is done according to the amount determined in the legal award or that amount agreed with the debtors, registered by public deed and legalized by the office for registration of public documents
- When the amount received of the goods received as payment is lower than the amount of the debt recorded in the balance, the difference is immediately recognized in the profit and loss statement in the loans provision account
- If between the value at which the goods received and the value of the loan to cancel is a balance in favor of the debtor, this difference is accounted for as a payable account.
- These goods are received on a temporary basis and the Bank must make the sale within two (2) years following the date of their receipt. However, the Bank may request an extension for the sale foreclosed assets, which shall not exceed in any event two (2) years, counted as of the expiration of the initial term.



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- The valuations valorizations are used only for three (3) years before the closure of the accounts in which they are used; and the outcome of these is recognized as the valorization of the property received in lieu of payment that are recorded in clearing accounts and in all cases the devaluations are allowed on the statement
- The profits generated as a result of the sale of these assets through the mutual holding operations and forward sale shall be different in the agreed period of operation; its amortization is carried out against the income statement to the extent that its collection is effective.
- When the sale is in cash, the profit derived from the transaction is registered as income in the statement.

**Goods Returned**

In this item is registered the value of the goods that are returned to the Bank and its subordinate Confinanciera S.A. for financial leases operations by non-compliance in the mentioned agreement by the lessees or tenants or for failure to execute the purchase option, which will not be subject to depreciation.

For returned assets a term of two (2) years for their sale shall apply.

**Goods not used in the corporate object**

This item is registered in the value of the assets that the Bank itself has ceased to use for the development of its corporate purpose.

These assets are depreciated at the time of its completion and counted along with the Bank's assets to the effects of the limits stipulated in Section 1.2 of Chapter VII of Title I of the Basic Legal Circular of the Financial Superintendence of Colombia

For assets not used for social purposes a term of two (2) years for their sale shall apply.

**3.9. Allowance Foreclosed Assets**

The calculation for the allowances of the real estate received in payment the Bank have no internal model. For this reason these are recorded in accordance with the provisions of Chapter III of External Circular 034 of 2003 of the Financial Superintendence of Colombia, according to which the following criteria apply:

- Within one year of receiving the real estate, an allowance is constituted in monthly aliquots equivalent to 30% of the cost of acquisition of the asset (value received) which should be increased in the second year in a further 30% to reach 60% the cost of acquisition.
- Upon expiration of the legal term for the sale (from two to four years), allowance is adjusted to 100%.
- In any case, independent of the constitution of the 100% allowance, before the expiration of two years for the sale of the property, an extension of two additional years should be made, to their transfer to the Financial Superintendence of Colombia. When the market value of the property is less than the carrying value of foreclosed assets an allowance is registered for the difference.

For the allowance constitution the property received in payment an allowance equivalent to 35% of the cost of acquisition of the asset is constituted, which is increased in the second year in a further 35% to reach 70% of the book value before allowance. Upon expiration of the independent legal term for sale to the approval of the extension, the allowance is adjusted to 100% of book value.



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**3.10. Properties and Equipment**

It registers the acquired tangible assets, built or in importation process, construction or assembly used in a permanent development of business and whose useful life exceeds one (1) year. It includes direct and indirect costs and expenses incurred to the time the asset is ready for its use.

As an exception in accordance to what it was established by the Article 6 of Decree 3019, fixed assets whose purchase price is equal to or less than 50 Tax Value Units may be depreciated in the same year.

Extraordinary additions, improvements and repairs that significantly increase the useful life of the assets, are registered as higher value of the assets and the disbursements for maintenance and repairs made for the conservation of these assets, are charged to expenses as they are accrued.

The Bank updates appraisals of the properties on a regular basis, which are performed by specialized experts registering increases and / or decreases in the valorization as appropriate.

For assets acquired up to December 31, 2006, as equipment, furniture and fixtures and computer equipment, the Bank calculates depreciation on the method of reduction balances. Purchases made from 1 January 2007 are depreciated by the straight line method and useful life and annual depreciation rates are:

Buildings	20 years	5%
Office equipment, future and fixed	10 years	10%
Computer equipment and vehicles	5 years	20%

Straight line method

This method consists of dividing the amount of the asset into the useful life of the same. The result of the annual depreciation is distributed in equal monthly amounts. This procedure is done every period until the entire asset is depreciated.

Balance reduction method

This method allows accelerated depreciation of the asset; maintaining the same periods of depreciation but presenting a larger monthly outlay for the early years. For its implementation, it necessarily demands the utilization of a salvage value.

**3.11. Branches and Agencies**

It records the movement of operations carried out between the General Direction, the Branch and the Agencies.

The balances are reconciled monthly and the items that result pending are cleared within a term not exceeding thirty (30) calendar days.

As of the accounting closing the net balances reflected by the subaccounts of branches and agencies are reclassified to asset or liability accounts and the respective income and expenses are recognized.

**3.12. Prepaid Expenses, Deferred Charges and Intangible Assets**

Expenses paid in advance correspond to disbursements incurred by the Bank in the performance of their activity, which benefit is received in several periods, they may be recoverable and suppose the successive performance of the services to be received.





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The deferred charges correspond to goods and services received by the Bank, from which it is expected to obtain a future economic benefit and due to its amount and nature, it is considered amortizable in a specific moment.

The expenses whose amounts are of two hundred ten (210) tax value units do not have treatment of deferred charges.

Amortization is recognized as of the date on which they contribute to the generation of income taking into account the following:

**Prepaid Expenses**

- Interests during the prepaid period,
- The rents are amortized in accordance to the terms of the contract,
- Insurance during the effective term of the policy,
- Other items are amortized in a period of twelve (12) months.

**Deferred charges**

- Renovations to private property are depreciated over a period not exceeding two (2) years, and for the term of the contract for leased property. In the lower period between the validity of the respective contract (without regard to extensions) and its expected life.
- Computer software in a period not exceeding three (3) years.
- The tax on equity created by Law 1370 of December 2009, whose accrual is based on the net equity as of January 1st, 2011, amortized in forty-eight (48) months starting on that date.
- Commissions and advisory in a sixty (60) months period, Corresponding to larger scale projects with long term recovery expectation.
- The equity tax created by Law 1370 dated December 2009, whose causation is based on the liquid assets held on January 1, 2011, is amortized in forty-eight (48) months counting from this date.
- Amortization of the marketing strategy for pre-purchase of tickets is carried out according to its execution.
- The other concepts are amortized over the estimated recovery period of the outlay or of by obtaining of the expected benefits.

**Intangible assets**

The commercial credit is amortized monthly using the straight-line method over a period of six (6) and seven (7) years for Bansuperior S.A. and Confinanciera S.A., respectively, and by the exponential method over twenty (20) years for Granbanco S.A.

**3.13. Valuation and Revaluation**

Assets object of Valorization:

- Investments available for sale in equity securities.

Valuation and Revaluations of investments available for sale in equity securities are accounted for based on the equity variations of the issuer.

- Properties and equipment, specifically real estates.

The valorization of real estate property corresponds to the exceeding commercial value appraised, which



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are conducted by people or companies of recognized specialty and independence, over the net cost in books. Counterparties are recorded in equity accounts

In the event of devaluation, there is an allowance constituted against the status of results is applied for each individual real estate property.

– Foreclosed Assets

Valorizations of goods received as lieu of payment are recorded in memorandum accounts.

**3.14. Deferred Tax**

The Bank acknowledges the effect of the tax generated from temporary differences between the valorization at market prices and the straight-line portfolio of investments, derivatives, and bonds I.F.C., It also acknowledges the deferred tax on tax allowance for industry and commerce, and the higher value applied as a deductible expense for mercantile credit. As mentioned in the note of deferred charges, the deferred income tax generated by the effect of temporary differences, will be amortized over in the originating periods in which temporary differences are reversed.

**3.15. Income in Advance and Deferred Liabilities**

Interest received in advance are for quarterly interest paid by the builders, are amortized over the period hedged by the payment of capitalized interest and restructured loans that are amortized to income in proportion according to the values collected by capital.

The profit on sale of foreclosed assets that were sold, is amortized in proportion to the amounts collected by capital.

Real Value Unit – R.V.U. Adjustment

The law 546 of 1999, Article 3, set the real value unit R.V.U., as a unit of account that reflects the purchasing power of money based exclusively on the variation in the consumer price certified by DANE, whose value is calculated in accordance with the methodology adopted by the Government.

In order to eliminate distortion caused by the seasonal nature of inflation in the transactions agreed in that unit, income from these concepts it is normalized in one year period.

**3.16. Estimated Liabilities and Allowances**

The Bank records allowances to cover estimated liabilities related to fines, lawsuits, penalties and demands that may exist and that fulfill the following conditions:

- a. There is a right acquired and, consequently, an obligation contracted.
- b. The payment is enforceable or probable.
- c. The allowance is rationalized, quantified and verified.
- d. In addition, it records the estimated values corresponding to taxes, contributions and enrollments.
- e. In accordance to what it was established on the Decree 2649, dated 1993 which regulates general accounting and issues rules and principles generally accepted in Colombia, the classification of the possible outcome of legal proceedings initiated against the Bank, the allowance is made depending on a contingency that is designated as probable, possible or remote and according to this classification, provisioning rates have been defined up to:



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Probable contingency	100%
Possible contingency up to	50%
Remote contingency	0%

- f. The estimated labor liabilities are recorded based on laws and labor agreements in force based on calculations of the amounts that must be paid to employees.

**3.17. Translation of Transactions in Foreign Currency**

Transactions and balances in foreign currencies are translated into pesos at the current representative market rate on the corresponding dates, certified by the Colombian Superintendence of Finance. On December 31, and June 30, 2010, the rates were \$1,913.98 (pesos per dollar) and \$1,913.15 (pesos per dollar), respectively.

**3.18. Contingent Accounts**

These accounts register the transactions by which the Bank has a right or assumes an obligation whose coverage is conditional on an event that may occur or not, depending on future factors, possible or remote. Among the debt contingencies the financial returns are registered at the time the accrual in the accounts receivable are suspended.

The contingencies for fines and penalties are reviewed by the Legal Department and Legal Advisors. The estimated contingencies for losses necessarily involve a trial exercise, evaluating among other things: merit of the claim, case law on the subject and the current status of the process.

The judicial contingency by definition is a condition, situation or set of existing circumstances, which implies doubt about a potential gain or loss by the Bank from judicial proceedings or litigation brought against it that will generate liability contingency, doubt that is finally resolved when one or more future events occur or fail to occur.

**3.19. Memorandum Accounts**

In these accounts the transactions performed with third parties are registered, and that by their nature, it does not affect the financial situation from Bank. It also, include tax memorandum accounts, where the figures are for the preparation of tax returns or investment control requirements on internal control or management information and portfolio's default height..

**3.20. Trust accounts**

The Bank registers loan universalities operations in the fiduciary accounts.

In accordance with the allowances of to what it was established on the 047 External Circular of September 2008 issued by the Colombian Superintendence of Finance, from January 1, 2009, the Bank updated and approved instructions concerning the determination and accounting for the securitization process.

Because the Colombian Superintendence of Finance has not authorized the corresponding accounts, the Balance sheet sent to the Superintendence differs from the Bank's official accounts.

**3.21. Net Profit per Share**

In order to offermine the net profit per share, the Bank uses to December 31,2011 the weighted average method of shares subscribed and paid by the outstanding time of these and June 30,2011; the number of shares subscribed and paid in circulation.



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**4. Cash and Cash Equivalents**

The detail of available funds in local and foreign currency, reduced to local currency, is the following:

	<u>December 31</u>	<u>June 30</u>
Legal Currency:		
Cash	\$ 795,003.6	905,583.1
Banco de la República	249,669.0	858,906.5
Banks and other financial entities	25,847.6	3,327.3
Exchange	36,203.1	29,629.3
Remittances in transit	145.9	3.1
Allowance	<u>(353.0)</u>	<u>(352.8)</u>
	<u>1,106,516.2</u>	<u>1,797,096.5</u>
Foreign currency translated into local currency:		
Cash	1,262.1	1,470.8
Banco de la República	60.4	55.1
Banks and other financial entities	170,762.2	146,583.5
Remittances in transit	155.4	5,379.2
Allowance	<u>(15.6)</u>	<u>(58.4)</u>
	<u>172,224.5</u>	<u>153,430.2</u>
	<u>\$1,278,740.7</u>	<u>1,950,526.7</u>

Cash balances and Banco de la República are counted for purposes of reserve requirements that the Bank must maintain on deposits received from customers, according to the laws.

These deposits don't have compensation.

**4.1. Reconciliations of Transactions in Legal Currency**

The following is the detail of the Banking reconciliations at December 31, 2011:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value</u>
Credit notes in balance statement not recorded	41	\$ 187.4
Credit notes in balance statement not recorded	117	(317.6)
CN recorded in books and not recorded in balance statement	18	79.2
CN recorded in books and not recorded in balance statement	<u>1</u>	<u>(1.2)</u>
	<u>177</u>	<u>\$ (52.2)</u>

At December 31, 2011, the reconciliations of accounts in local Banks have 38 items of under 30 days, for a net value of \$27.5, the reconciling items over 30 days have no significant impact and are allowed for \$251.8.



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The following is the detail of the Banking reconciliations at June 30, 2011:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value</u>
Credit notes in balance statement not recorded	35	\$ 174.4
Credit notes in balance statement not recorded	98	(366.6)
CN recorded in books and not recorded in balance statement	15	51.0
CN recorded in books and not recorded in balance statement	<u>1</u>	<u>(1.1)</u>
	<u>149</u>	<u>\$ (142.3)</u>

On June 30, 2011, the reconciliations of accounts in local Banks have 74 items of unofr 30 days, for a net value of \$40.5 the reconciling items over 30 days have no significant impact and are allowed for \$225.4.

**4.2. Reconciliations of Transactions in Foreign Currency**

The following is the detail of the Banking reconciliations at December 31, 2011:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value USD \$</u>
Credit notes in balance statement not recorded	2	(11.9)
CN recorded in books and not recorded in balance statement	2	8.0
CN recorded in books and not recorded in balance statement	<u>10</u>	<u>(9.4)</u>
	<u>14</u>	<u>(13.3)</u>

The conciliatory items are allowed for \$15.6.

The following is the detail of the Banking reconciliations at June 30, 2011:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value USD \$</u>
Credit notes in balance statement not recorded	8	32.9
Credit notes in balance statement not recorded	11	(13.2)
CN recorded in books and not recorded in balance statement	2	0.1
CN recorded in books and not recorded in balance statement	<u>22</u>	<u>(63.0)</u>
	<u>43</u>	<u>(43.2)</u>

The reconciling items are provisioned for \$58.4.

There is a restriction on the foreign currency available as of December 31 and June 30, 2011 for US\$3,500,000, equivalent to \$6,799.5 and US\$8,005,461.54, equivalent to \$14,188.2, respectively, given by:

As an international Banking agency, there exists an obligation to maintain a security deposit in U.S. dollars, or investments in securities in favor of the Office of Financial Regulation of Florida (OFR), according to the Statute 69U-140.015 Office of Financial Regulation of Florida (OFR)

According to chapter 69 U-140.01Sección 663.07, FS equivalence of capital or maintenance of assets requires each international Banking agency or international branch to keep eviofnce of dollar Deposits or investments in securities that can be kept by the Bank in favor of the OFR of at least the equivalent of



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U.S. \$4,000,000.0 or 7% of total liabilities of the agency or international branch (excluding miscellaneous expenses and amounts of other branches, subsidiaries, offices or agencies).

The capital equivalent of the deposit should be held as a guarantee and must be free of any lien, charge, right of assignment, credit or preference in connection, and segregated in the books and records.

**4.3. Allowance on liquid assets:**

The movement of the allowance on liquid assets is as follows:

	<u>December 31</u>	<u>June 30</u>
Opening balance	\$ 411.2	566.6
Plus:		
Allowance charged to operating expenses	272.4	267.5
Less:		
Penalties	0.0	17.1
Refund revenue	<u>315.0</u>	<u>405.8</u>
Closing balance	\$ <u>368.6</u>	<u>411.2</u>

**5. Active Positions in Monetary Market Operations and those Related**

The following is the detail of the interBank funds sold and resale agreements:

<u>Entity</u>	<u>Amount of dollars</u>	<u>December 31</u>		Date of		Amount of pesos	TRM (pesos)
		<u>Rate</u>	<u>Initiation</u>	<u>Cancellation</u>			
<u>Foreign Currency</u>							
Overnight Foreign Banks:	USD 2,400,000.0	0.030%	Dic.30.11	Ene.03.12	\$ 4,662.5	1,942.70	
	<u>5,000,000.0</u>	0.350%	Dic.28.11	Ene.03.12	<u>9,713.5</u>	1,942.70	
	USD <u>7,400,000.0</u>				<u>14,376.0</u>		
<u>Legal Currency</u>							
Concurrent Banco de la República		5.25%	Dic.15.11	Ene.04.12	\$50,020.3		
		5.30%	Dic.16.11	Ene.05.12	77,714.0		
		5.20%	Dic.20.11	Ene.02.12	58,275.3		
		5.20%	Dic.20.11	Ene.04.12	32,066.5		
		5.20%	Dic.21.11	Ene.04.12	31,483.8		
		5.20%	Dic.21.11	Ene.13.12	39,377.4		
		5.10%	Dic.22.11	Ene.04.12	68,566.8		
		5.15%	Dic.22.11	Ene.04.12	48,674.5		
		5.15%	Dic.22.11	Ene.05.12	67,483.2		
		5.15%	Dic.22.11	Ene.06.12	10,266.5		
		4.75%	Dic.26.11	Ene.02.12	21,684.1		
		4.75%	Dic.26.11	Ene.03.12	104,451.7		
		4.75%	Dic.26.11	Ene.04.12	18,536.4		
		4.80%	Dic.26.11	Ene.02.12	46,233.4		
		4.80%	Dic.26.11	Ene.03.12	82,911.5		
		4.80%	Dic.26.11	Ene.05.12	46,312.6		
		4.85%	Dic.26.11	Ene.02.12	21,415.1		



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	4.85%	Dic.26.11	Ene.04.12	25,706.0
	4.75%	Dic.27.11	Ene.02.12	99,185.6
	4.75%	Dic.27.11	Ene.03.12	70,094.8
	4.75%	Dic.27.11	Ene.05.12	21,154.8
	4.75%	Dic.27.11	Ene.06.12	101,185.6
	4.80%	Dic.27.11	Ene.02.12	363,856.2
	4.80%	Dic.27.11	Ene.03.12	16,863.7
	4.90%	Dic.27.11	Ene.11.12	28,056.4
	4.90%	Dic.28.11	Ene.02.12	50,394.2
	4.90%	Dic.29.11	Ene.04.12	<u>18,101.5</u>
				<u>1,620,071.9</u>
				<u>\$1,634,447.9</u>
Banks	4.60%	Dic.14.11	Ene.02.12	40,000.0
	4.65%	Dic.21.11	Ene.18.12	6,000.0
	4.60%	Dic.27.11	Ene.02.12	75,000.0
	4.60%	Dic.28.11	Ene.02.12	30,000.0
	4.65%	Dic.28.11	Ene.25.12	6,000.0
	4.64%	Dic.29.11	Ene.02.12	<u>22,000.0</u>
				<u>179,000.0</u>
Financial Corporations	4.62%	Dic.16.11	Ene.02.12	15,000.0
	4.62%	Dic.27.11	Ene.02.12	<u>8,500.0</u>
				<u>23,500.0</u>
Brokerage Firms	4.85%	Dic.27.11	Ene.02.12	21,158.4
	6.50%	Dic.27.11	Ene.02.12	1,933.0
	5.00%	Dic.27.11	Ene.02.12	9,933.8
	4.80%	Dic.28.11	Ene.03.12	21,160.4
	4.90%	Dic.28.11	Ene.03.12	16,324.1
	4.80%	Dic.29.11	Ene.04.12	<u>21,172.4</u>
				<u>91,682.1</u>
				<u>1,914,254.0</u>
				<u>\$ 1,928,630.0</u>



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Entity	Amount of dollars	June 30 Rate	Date of		Amount of pesos	TRM (pesos)
			Initiation	Cancellation		
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
	USD	<u>4,800,000.0</u>	0.030%	Jun.30.11	Jul.01.11	<u>\$ 8,507.1</u> 1,772.32
	USD	<u>4,800,000.0</u>				<u>\$ 8,507.1</u>
<u>Legal Currency</u>						
Concurrent						
Banco de la República			4.300%	Jun.03.11	Jul.05.11	73,267.7
			4.080%	Jun.24.11	Jul.01.11	239,399.0
			4.000%	Jun.24.11	Jul.01.11	<u>39,899.6</u>
						<u>352,566.3</u>
Brokerage Firms			4.40%	Jun.29.11	Jul.05.11	15,606.3
			4.45%	Jun.30.11	Jul.06.11	4,578.2
			4.50%	Jun.30.11	Jul.05.11	5,263.7
			4.50%	Jun.30.11	Jul.05.11	<u>5,093.6</u>
						<u>30,541.8</u>
Banks			4.13%	Jun.08.11	Jul.06.11	6,000.0
			4.13%	Jun.15.11	Jul.13.11	6,000.0
			4.25%	Jun.20.11	Jul.01.11	25,000.0
			4.25%	Jun.30.11	Jul.01.11	22,000.0
			4.31%	Jun.22.11	Jul.21.11	6,000.0
			4.31%	Jun.29.11	Jul.27.11	1,500.0
			4.32%	Jun.29.11	Jul.27.11	4,500.0
			4.40%	Jun.28.11	Jul.01.11	<u>3,000.0</u>
					<u>74,000.0</u>	
					<u>\$ 465,615.2</u>	

For the 1<sup>st</sup> and 2<sup>st</sup> half of 2011, the balance and the monthly average yield of active positions (local and foreign currency) totaled \$ 1.928.630.0 and \$ 2.138.2 and \$465,615.2 and \$1.587.4 respectively.

There are no restrictions on these funds.

**6. Investments**

The following is the detail of the investment portfolio, at December 31, and June 30, 2011:





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<u>December 31</u>	<u>Cost</u>	<u>Allowance</u>
Trading Investments	\$ 2,970,948.5	9,640.3
Ofbt securities Held to maturity	289,556.3	167.0
Ofbt securities available for sale	710,590.5	1,042.0
Equity securities available for sale	302,876.6	13,442.6
Repurchase rights of marketable investments given in guarantee	<u>239,345.4</u>	<u>0.0</u>
	\$ <u>4,513,317.3</u>	<u>24,291.9</u>
 <u>June 30</u>		
Trading Investments	1,975,656.7	12,730.9
Ofbt securities Held to maturity	305,029.7	381.0
Ofbt securities available for sale	1,219,447.7	1,147.9
Equity securities available for sale	297,876.2	13,442.6
Repurchase rights of marketable investments	<u>41,140.7</u>	<u>0.0</u>
	\$ <u>3,839,151.0</u>	<u>27,702.4</u>

**6.1 Investment portfolio according to classification, kind and credit risk classification**

<u>- Debt trading securities</u>	<u>December 31</u>	<u>June 30</u>
TES	\$ 1,673,832.9	568,368.2
TRD	1,545.1	1,527.6
Bonds	221,690.6	220,373.6
TDA Finagro (1)	144,347.6	194,101.2
CDT	284,090.1	259,749.8
TIPS	557,168.2	653,202.4
Credit content titles	21,887.2	28,039.5
Securities Issued Foreign	41,589.4	33,072.3
Commercial papers	6,827.8	1,642.9
Other Investments	<u>17,969.6</u>	<u>15,579.2</u>
	\$ <u>2,970,948.5</u>	<u>1,975,656.7</u>
 <u>- Held to maturity investments</u>		
TRD	288,665.7	300,236.7
CDT	0.0	3,012.0
TIPS	<u>890.6</u>	<u>1,781.0</u>
	\$ <u>289,556.3</u>	<u>305,029.7</u>

(1) Corresponds to mandatory investments made in compliance with laws and conform to established rates on savings accounts, checking accounts, deposit certificates, Banking services for collection and trust liabilities (Note 13) in terms of Resolution 14 dated 2008, as follows: on average daily demand in legal currency each quarter, after deducting the reserve 5.8% from the savings and checking accounts and 4.3% from the term deposit certificates

These percentages apply as of the calculation of the requirement of investment in securities of Agricultural development TDA, corresponding to the demandable items of the quarter March to June of 2009. And these are percentages in effect to date (Note 36).



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Notes to the Financial Statements

		<u>December 31</u>	<u>June 30</u>
- <u>Investments debt securities available for sale</u>			
TES	\$	0.0	490,212.6
TIPS		688,148.0	729,235.1
Securities issued by foreign entities		<u>22,442.5</u>	<u>0.0</u>
	\$	<u>710,590.5</u>	<u>1,219,447.7</u>
- <u>Securities available for sale, Equity</u>			
Shares with low and minimum marketability (Note 6.9)	\$	<u>302,876.6</u>	<u>297,876.2</u>
- <u>Investments provided as security negotiable</u>			
Trading in debt securities			
TES	\$	<u>0.0</u>	<u>41,140.7</u>
- <u>Trading securities under warranty</u>			
Available for debt debt securities			
TES	\$	<u>239,345.4</u>	<u>0.0</u>
- Investment allowance		<u>(24,291.9)</u>	<u>(27,702.4)</u>
Total Investments, net	\$	<u>4,489,025.4</u>	<u>3,811,448.6</u>

There are no additional restrictions on investments to those defined in the Basic Accounting and Financial Circular relating to the securities delivered as guarantees for InterBank debit transactions, repos, repurchases and futures guarantees, these values are registered in the accounts for Repurchase Rights and Transfer Rights.

There is restriction on the investment portfolio for the Miami branch as of December 31, 2011 for US\$10,938,652.95, equivalent to \$21,250.5, and in Colombia for provisional seizure of \$150.0, corresponding to 7 CDT's and 1 bond.

On December 31 and June 30, 2011 the investments in equity securities and debt securities were evaluated and rated under loans risk in accordance to what it was established on the 100<sup>th</sup> External Circular of the Financial Superintendence of Colombia; the result can be seen in note 6.9.

## **6.2 Investment Reclassification Effect**

During the first half-year of 2010 there were no investment reclassifications.



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**6.3 Investment portfolio by rating**

	<u>December 31</u>	<u>% partic.</u>	<u>Allowance</u>	<u>June 30</u>	<u>% partic.</u>	<u>Allowance</u>
<u>Qualification Long Term</u>						
A	\$79,071.4	1.88%	0.0	34,772.9	0.98%	0.0
A-	35,374.2	0.84%	0.0	29,976.3	0.85%	0.0
A+	60,368.0	1.43%	0.0	58,309.5	1.65%	0.0
AA-	40,834.5	0.97%	0.0	32,397.1	0.91%	0.0
AA	126,252.2	3.00%	0.0	133,412.0	3.77%	0.0
AA+	47,004.0	1.12%	0.0	22,460.9	0.63%	0.0
AAA	1,189,283.1	28.25%	0.0	1,312,370.9	37.06%	0.0
B+	15,636.4	0.37%	4,690.9	16,223.8	0.46%	4,867.1
BB	8,143.5	0.19%	814.4	9,207.0	0.26%	920.7
BB-	1,037.8	0.02%	103.8	18,834.9	0.53%	1,883.5
BB+	2,276.3	0.05%	227.6	2,271.9	0.06%	227.2
BBB-	52,383.6	1.24%	0.0	32,396.2	0.91%	0.0
BBB	47,565.6	1.13%	0.0	26,309.5	0.74%	0.0
BBB+	23,830.7	0.57%	0.0	17,890.7	0.51%	0.0
C	9,553.7	0.23%	4,776.8	11,960.5	0.34%	5,980.3
CC	471.4	0.01%	235.8	762.0	0.02%	381.0
Multilateral	3,815.6	0.09%	0.0	0.0	0.00%	0.0
Nation	<u>2,257,906.3</u>	<u>53.63%</u>	<u>0.0</u>	<u>1,653,835.1</u>	<u>46.70%</u>	<u>0.0</u>
	<u>4,000,808.3</u>	<u>95.02%</u>	<u>10,849.3</u>	<u>3,413,391.2</u>	<u>96.39%</u>	<u>14,259.8</u>
<u>Qualification short term</u>						
1	10,086.7	0.24%	0.0	14,104.7	0.40%	0.0
1+	194,888.4	4.63%	0.0	113,778.9	3.21%	0.0
2	<u>4,657.3</u>	<u>0.11%</u>	<u>0.0</u>	<u>0.0</u>	<u>0.00%</u>	<u>0.0</u>
	<u>209,632.4</u>	<u>4.98%</u>	<u>0.0</u>	<u>127,883.6</u>	<u>3.61%</u>	<u>0.0</u>
	<u>4,210,440.7</u>	<u>100.00%</u>	<u>10,849.3</u>	<u>3,541,274.8</u>	<u>100.00%</u>	<u>14,259.8</u>
<u>Equity Securities</u>						
A	302,866.8	100.00%	13,440.7	297,866.3	100.00%	13,440.7
B	<u>9.8</u>	<u>0.00%</u>	<u>1.9</u>	<u>9.9</u>	<u>0.00%</u>	<u>1.9</u>
	<u>302,876.6</u>	<u>100.00%</u>	<u>13,442.6</u>	<u>297,876.2</u>	<u>100.00%</u>	<u>13,442.6</u>
	<b>\$ <u>4,513,317.3</u></b>	<b><u>100.00%</u></b>	<b><u>24,291.9</u></b>	<b><u>3,839,151.0</u></b>	<b><u>100.00%</u></b>	<b><u>27,702.4</u></b>

For the allowance constitution for titles that do not have an external rating, an internal evaluation is performed to provide a rating in accordance with the provisions of Chapter I of the 100th External Circular of 1995.

As a result of the loan securitization processes, the Bank purchased "C" Tips securities, which are rated as CCC and are registered, in trade able investments in debt securities for (\$15,167.84) fifteen thousand one hundred and sixty seven pesos and eighty four cents at December 31 and June 30, 2011. Likewise, there are records in the contingent accounts for \$33.154.9 y \$33.874.6, at December 31 and June 30, 2011, respectively.



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**6.4 Investment Portfolio by issuing**

	<u>December 31</u>			<u>June 30</u>		
	<u>Gross Value</u>	<u>provisión</u>	<u>Net</u>	<u>Gross Value</u>	<u>provisión</u>	<u>Net</u>
<u>Foreign currency</u>						
Financial Institutions	\$ 79,945.2	0.0	79,945.2	51,574.2	0.0	51,574.2
Foreign Banks	39,608.1	0.0	39,608.1	15,746.2	0.0	15,746.2
Foreing Governments	7,324.2	0.0	7,324.2	0.0	0.0	0.0
Multilateral Lending Agencies	7,211.0	0.0	7,211.0	1,983.4	0.0	1,983.4
Corporate	0.0	0.0	0.0	23,790.7	0.0	23,790.7
Others	8,639.4	0.0	8,639.4	0.0	0.0	0.0
<u>Legal Currency</u>						
National Government	2,257,812.4	0.0	2,257,812.4	1,459,290.1	0.0	1,459,290.1
Regional Government and local authorities	3,296.2	0.0	3,296.2	443.9	0.0	443.9
Financial Institutions	1,993,381.3	10,851.1	1,982,530.2	2,155,741.2	14,261.7	2,141,479.5
Corporate	116,099.5	13,440.8	102,658.7	130,581.3	13,440.7	117,140.6
Others	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	\$ <u>4,513,317.3</u>	<u>24,291.9</u>	<u>4,489,025.4</u>	<u>3,839,151.0</u>	<u>27,702.4</u>	<u>3,811,448.6</u>

**6.5 Investment portfolio by currency**

	<u>December 31</u>	<u>June 30</u>
Pesos	\$ 3,830,672.8	3,160,514.0
Dólares	142,727.8	95,169.7
Uvr	<u>539,916.7</u>	<u>583,467.3</u>
	\$ <u>4,513,317.3</u>	<u>3,839,151.0</u>

**6.6 Investments Portfolio by maturity periods**

<u>December 31</u>	<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Trading Investments	\$ 403,589.7	1,435,114.2	497,963.6	634,281.0	2,970,948.5
Investments debt securities available for sale	0.0	261,772.9	459,135.1	229,027.9	949,935.9
Investments equity securities available for sale	0.0	0.0	0.0	302,876.6	302,876.6
Investments debt securities Held to maturity	<u>32,848.6</u>	<u>255,817.2</u>	<u>890.5</u>	<u>0.0</u>	<u>289,556.3</u>
	\$ <u>436,438.3</u>	<u>1,952,704.3</u>	<u>957,989.2</u>	<u>1,166,185.5</u>	<u>4,513,317.3</u>



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<u>June 30</u>		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Trading Investments	\$	381,710.9	790,178.0	338,449.6	506,458.9	2,016,797.4
Investments debt securities available for sale		0.0	490,212.6	545,631.5	183,603.6	1,219,447.7
Investments equity securities available for sale		0.0	0.0	0.0	297,876.2	297,876.2
Investments debt securities Held to maturity		<u>20,674.4</u>	<u>282,574.3</u>	<u>1,781.0</u>	<u>0.0</u>	<u>305,029.7</u>
	\$	<u>402,385.3</u>	<u>1,562,964.9</u>	<u>885,862.1</u>	<u>987,938.7</u>	<u>3,839,151.0</u>

**6.7 Maximum, Minimum and Average values**

The Maximum, Minimum and Average values of Fixed Income Investment Portfolio, during the first semester of 2011, were:

<u>Investments</u>		<u>December 31</u>		
Instruments by specie		<u>Mínimo</u>	<u>Máximo</u>	<u>Promedio</u>
Bonds	\$	256,319.2	363,918.2	311,552.0
CDT		261,309.1	403,350.8	327,900.5
Foreign Entities		0.0	18,506.4	14,955.2
Commercial Papers		1,005.3	5,028.7	3,016.2
TDA Finagro		144,347.6	210,017.8	180,058.0
TES		756,638.0	1,673,832.9	1,242,936.1
TIPS		557,168.2	611,788.2	577,752.5
Títulos credit content		21,887.3	28,587.7	25,720.0
TRD		1,532.3	1,545.2	1,538.5
Available for sale				
TES		237,932.9	498,306.6	327,947.9
TIPS		688,148.1	714,720.1	704,220.1
Foreign Entities		15,541.6	22,442.5	15,820.7
At maturity				
CDT		0.0	3,027.7	2,516.2
TIPS		890.6	1,483.6	1,113.7
TRD		<u>288,610.1</u>	<u>300,780.7</u>	<u>293,638.5</u>
	\$	<u>3,231,330.2</u>	<u>4,857,336.9</u>	<u>4,030,686.1</u>
Active Positions in Monetary Market Operations and those Related				
Inter-Bank liabilities		0.0	202,500.0	76,250.0
Repos and simultaneous operations liabilities		<u>50,000.0</u>	<u>1,711,754.0</u>	<u>664,475.3</u>
	\$	<u>50,000.0</u>	<u>1,914,254.0</u>	<u>740,725.3</u>



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Active Positions in Monetary Market Operations and those Related

Inter-Bank assets	12,000.0	46,000.0	22,750.0
Repos and simultaneous operations assets	<u>0.0</u>	<u>473,531.1</u>	<u>182,563.8</u>
	\$	<u>12,000.0</u>	<u>519,531.1</u>
		<u>205,313.8</u>	

The Maximum, Minimum and Average values of Fixed Income Investment Portfolio, during the first semester of 2011, were:

<u>Investments</u>	<u>June 30</u>		
Instruments by specie	<u>Mínimum</u>	<u>Máximun</u>	<u>Average</u>
Bonds	\$ 167,428.9	220,373.6	190,929.6
CDT	105,161.8	259,749.8	183,745.4
Foreign Entities	33,072.3	33,691.3	34,921.6
Comercial Paper	520.7	12,059.5	5,029.2
TDA Finagro	123,730.5	202,954.2	175,185.4
TES	512,396.2	1,477,992.8	909,653.3
TIPS	653,202.4	732,020.8	688,360.8
Títulos credit content	28,039.5	31,788.2	29,044.0
TRD	1,492.2	1,527.6	1,514.1
Bonds issued by multilateral	1,629.0	3,560.1	198.8
Other Inverstmnts	8,527.1	12,829.5	977.1
Available for sale			
TES	484,383.5	495,034.1	490,731.4
TIPS	729,235.2	806,793.1	759,254.4
At maturity			
CDT	3,012.0	3,029.3	3,022.2
TIPS	1,781.0	2,213.0	2,044.9
TRD	<u>300,236.7</u>	<u>311,426.3</u>	<u>306,645.2</u>
	\$	<u>3,153,848.9</u>	<u>4,607,043.2</u>
		<u>3,781,257.5</u>	

Active Positions in Monetary Market Operations and those Related

Inter-Bank liabilities	21,000.0	274,000.0	134,333.3
Repos and simultaneous operations liabilities	<u>12,977.2</u>	<u>946,096.8</u>	<u>287,862.3</u>
	\$	<u>33,977.2</u>	<u>1,220,096.8</u>
		<u>422,195.6</u>	

Active Positions in Monetary Market Operations and those Related

Inter-Bank assets	30,706.0	84,017.3	49,018.2
Repos and simultaneous operations assets	0.0	325,451.1	91,104.1
Short Operations	<u>0.0</u>	<u>43,186.8</u>	<u>7,197.8</u>
	\$	<u>30,706.0</u>	<u>452,655.2</u>
		<u>147,320.1</u>	



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**6.8 Investments Allowance**

The movement of the investment allowance is the following:

	<u>December 31</u>	<u>June 30</u>
Beginning Balance	\$ 27,702.4	27,920.3
Plus:		
Allowance charged to operating expenses	8.7	245.5
Less:		
Reinstatement of allowance	<u>3,419.2</u>	<u>463.4</u>
Ending Balance	\$ <u>24,291.9</u>	<u>27,702.4</u>

**6.9 Investment available for the sale in equity securities**

The following is the detail of the investments available for the sale in equity securities, as well as their risk rating to December 31 and December 31, 2011:

<u>Entity</u>	<u>December 31</u>							<u>Rating Credit Risk</u>	<u>Dividends</u>
	<u>Capital Stock</u>	<u>%parti- cipat.</u>	<u>Costo Acquisition</u>	<u>Costo Adjusted</u>	<u>Valuation / Ofvaluation</u>	<u>Allowance</u>	<u>Rating Credit Risk</u>		
Bancafé Panamá S.A.	USD29,100.000	99.999%	62,884.3	56,532.1	97,421.2	0.0	A	0.0	
Corporación Andina de Fomento	3,182	0.004%	<u>328.8</u>	<u>383.0</u>	<u>98.7</u>	<u>0.0</u>	A	<u>8.8</u>	
			<u>63,213.1</u>	<u>56,915.1</u>	<u>97,519.9</u>	<u>0.0</u>		<u>8.8</u>	
Finagro	\$156,607	12.670%	52,149.7	67,984.8	6,163.2	0.0	A	0.0	
Fiduciaria Cafetera S.A.	33,462	94.011%	44,586.9	55,631.0	11,402.0	0.0	A	0.0	
Compañía de Inv. del Café	8,024	29.537%	13,440.7	13,440.7	0.0	13,440.7	A	0.0	
Cámara de Riesgo Central de Contraparte	40,000	4.681%	1,563.7	1,872.4	(496.8)	0.0	A	0.0	
Almacafé	14,472	0.009%	9.8	9.8	0.0	1.9	B	0.0	
Confianciera S.A.	38,052	94.900%	31,880.4	54,801.6	23,426.7	0.0	A	0.0	
Davivalores S.A.	2,384	79.000%	2,405.7	2,981.5	7,113.8	0.0	A	0.0	
Fiduciaria Davivienda S.A.	27,475	60.000%	381.0	16,204.5	16,934.7	0.0	A	0.0	
Titularizadora Colombiana S.A.	59,855	21.120%	17,499.8	14,563.2	15,411.0	0.0	A	0.0	
Redeban Multicolor S.A.	10,120	26.039%	8,229.8	8,229.9	9,182.5	0.0	A	0.0	
A.C.H. Colombia S.A.	6,595	18.418%	1,848.5	1,848.5	1,703.8	0.0	A	0.0	
Deceval S.A.	12,051	11.846%	4,488.9	5,072.1	2,673.8	0.0	A	0.0	
Cámara de Compensación Divisas de Colombia S.A.	2,500	6.375%	159.4	159.4	39.6	0.0	A	0.0	
Tecnibanca S.A.	16,410	0.941%	85.6	225.5	159.8	0.0	A	0.0	
Multiactivos	12,070	21.120%	<u>2,548.9</u>	<u>2,936.6</u>	<u>1,286.7</u>	<u>0.0</u>		<u>0.0</u>	
			<u>181,278.8</u>	<u>245,961.5</u>	<u>95,000.8</u>	<u>13,442.6</u>		<u>0.0</u>	
			\$ <u>244,491.9</u>	<u>302,876.6</u>	<u>192,520.7</u>	<u>13,442.6</u>		<u>8.8</u>	

In the second half of 2011 received Dividends in shares for \$8.8.



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<u>Entity</u>	<u>Capital Stock</u>	<u>%participat.</u>	<u>Costo Acquisition</u>	<u>Costo Adjusted</u>	<u>Valuation / Ofvaluation</u>	<u>Allowance</u>	<u>Rating Credit Risk</u>	<u>Dividends</u>
Bancafé Panamá S.A.	USD 29,100,000	99.999%	62,884.3	51,574.2	59,060.6	0.0	A	0.0
Corporación Andina of Fomento	3,080	0.004%	<u>328.8</u>	<u>340.6</u>	<u>67.3</u>	<u>0.0</u>	A	<u>0.0</u>
			<u>63,213.1</u>	<u>51,914.8</u>	<u>59,127.9</u>	<u>0.0</u>		<u>0.0</u>
Finagro	\$156,607	12.670%	52,149.7	67,984.8	2,664.0	0.0	A	7,067.2
Fiduciaria Cafetera S.A.	33,462	94.011%	44,586.9	55,631.0	7,250.7	0.0	A	4,700.5
Compañía of Inv. ofl Café	8,024	29.537%	13,440.7	13,440.7	0.0	13,440.7	A	0.0
Cámara of Riesgo Central of Contraparte	40,000	4.681%	1,563.7	1,872.4	(460.9)	0.0	A	0.0
Almacafé	14,472	0.009%	9.8	9.8	0.0	1.9	B	0.0
ConFinance S.A.	38,052	94.900%	31,880.4	54,801.6	13,239.5	0.0	A	14,403.1
Davivalores S.A.	2,384	79.000%	2,405.7	2,981.5	4,904.6	0.0	A	0.0
Fiduciaria Davivienda S.A.	27,475	60.000%	381.0	16,204.6	12,545.9	0.0	A	9,825.2
Titularizadora Colombiana S.A. (1)	59,855	21.118%	17,499.8	14,950.9	11,582.7	0.0	A	4,829.3
Reofban Multicolor S.A.	10,120	26.039%	8,229.8	8,229.9	8,012.5	0.0	A	1,041.5
A.C.H. Colombia S.A.	6,595	18.418%	1,848.5	1,848.5	1,545.5	0.0	A	957.8
Ofceval S.A.	12,051	11.846%	4,488.9	5,072.1	1,365.9	0.0	A	2,677.2
Cámara of Compensación Divisas de Colombia S.A.	2,500	6.375%	159.4	159.4	7.0	0.0	A	0.0
Tecnibanca S.A.	16,410	0.941%	85.6	225.5	95.0	0.0	A	94.0
Multiactivos (2)	12,070	21.120%	<u>2,548.9</u>	<u>2,548.8</u>	<u>1,674.7</u>	<u>0.0</u>		<u>0.0</u>
			<u>181,278.8</u>	<u>245,961.4</u>	<u>64,427.1</u>	<u>13,442.6</u>		<u>45,595.9</u>
			\$ <u>244,491.9</u>	<u>297,876.2</u>	<u>123,555.0</u>	<u>13,442.6</u>		<u>45,595.9</u>

In the first semester of 2011, Dividends of \$8,607.0 in stock and \$36,988.9 cash were received.

- (1) March 9, 2011, the public document No. 222 of March 3, 2011 was registered in the Camara de Comercio de Bogotá which formalized the split of the shares of the Titularizadora Colombiana.

As a result of the division, the paid up capital of Titularizadora Colombiana SA was reduced, and therefore the number of shares in circulation, the Bank holding 12,640,554 shares with a nominal value of \$1,000 (pesos) each.

- (2) Through the same process and by Public document No. 222 of March 3, 2011, the company Multiactivos S.A. STANH was created, with the Bank holding 2,548,940 shares with a nominal value of \$1,000 (pesos) each.





**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**7. Credit Portfolio and Financial Leasing**

**7.1 Credit portfolio and financial leasing by modality**

	<u>December 31</u>	<u>June 30</u>
<u>Commercial Loans:</u>		
Corporate and builders	\$ 9,100,304.4	7,800,331.6
Others commercial lines	3,479,610.5	3,085,155.3
Credit cards	268,023.6	272,967.5
Vehicles	3,102.1	5,818.0
Overdrafts in current account	<u>74,501.9</u>	<u>125,299.8</u>
	<u>12,925,542.5</u>	<u>11,289,572.2</u>
Mortgage Leases	<u>1,706,873.6</u>	<u>1,517,029.1</u>
	<u>14,632,416.1</u>	<u>12,806,601.3</u>
<u>Mortgage Loans</u>	<u>2,459,215.0</u>	<u>2,255,194.5</u>
<u>Consumer Loans:</u>		
Credit card	2,330,485.2	2,098,654.3
Other Consumer lines	5,095,541.6	5,200,677.8
Vehicles	1,021,652.3	1,002,562.2
Overdrafts in current account	<u>47,822.0</u>	<u>69,714.8</u>
	<u>8,495,501.1</u>	<u>8,371,609.1</u>
<u>Micro-credit</u>	<u>5.3</u>	<u>25.9</u>
Loans total	\$ <u>25,587,137.5</u>	<u>23,433,430.8</u>
Less individual allowance	<u>(1,224,499.2)</u>	<u>(1,210,190.5)</u>
Net Loans sub-total	\$ <u>24,362,638.3</u>	<u>22,223,240.3</u>
Less general allowance	<u>(24,592.2)</u>	<u>(22,552.2)</u>
Net Loans total	\$ <u>24,338,046.1</u>	<u>22,200,688.1</u>



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At December 31, and June 30, 2011, the issue of mortgage and ancillary bonds with housing portfolio rated at A and a term of 7 years (prepaid for the issuer every three months), are guaranteed, thus:

		<u>December 31</u>	<u>June 30</u>
Issuance III	\$	<u>30,698.5</u>	<u>33,051.7</u>

**7.2 Social Interest Housing**

The Bank has assigned recourses to Finance social interest housing in compliance with the provisions of Decrees 1041 dated in 1995 and 1122 dated in 1996.

For the second and first half of 2011, the Bank placed resources for \$405,341.1, \$233,585.4 in individual loans, and \$171,755.7 in construction loans, and \$369,609.3, \$255,286.4 in individual loans, and \$114,332.9 in construction loans respectively.

The value of social interest housing portfolio is as follows:

		<u>December 31</u>	<u>June 30</u>
Individuales	\$	1,649,529.7	1,410,559.5
Builders		<u>173,325.1</u>	<u>98,864.3</u>
	\$	<u>1,822,854.8</u>	<u>1,509,423.8</u>

**Portfolio rate subsidy**

To comply with Decree 1143 created in 2009, issued by the government through which the mechanism of "Conditional Coverage" is created, the Bank implemented procedures for the implementation of this mechanism in the disbursement of housing portfolio and leasing contracts for new home purchases.

This procedure allows lower interest rates to be charged during the first seven years of each loan and in accordance with established ranges, as follows:

Property Value	Coverage Rate
<u>Legal Minimum Wage</u>	<u>Percentage</u>
Public Housing Up to 135	5%
>135 up to 235	4%
>235 up to 335	3%*

\* On May 12, 2011, the Banco de la República reported that the quotas for the 3% coverage rate benefit were filled.

The Bank will generate a monthly bill to the Banco de la República for the implementation of coverage benefit in accordance with established procedures.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

The coverage benefit will end for:

- Early cancellation of credit or lease contract,
- If the debtor is in arrears exceeding three consecutive months,
- At the request of the credit debtors,
- By credit subrogation,
- By transfer/surrender of the lease,
- For bringing the deadline forward.

Cover granted by the Bank

The Bank offered its customers an additional incentive from installment 85 for the maximum next eight (8) years; the Bank will assume the value that the government had been paying under the same conditions. to December 31 and June 30, 2011 a provision of \$11,283.0 was estimated for \$9,150.0, respectively based on a model that considers the actual conduct of the loans.

At December 31 and June 30, 2011 the Bank has disbursed 51,203 and 42,065 Mortgage Loans obligations under this benefit for \$1.768.630.7 and \$1.581.576.8, respectively.

**7.3 Credit portfolio and financial leasing per risk ratings and guarantee**

At December 31 and June 30, 2011, the Bank rated one hundred percent (100%) of its credit portfolio and financial leasing, interest and other concepts in accordance with the External Circular 100 dated 1995 from the Colombia Superintendence of Finance. The result of said rating is the following:



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

December 31

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u> <u>ADMISIBLE</u>	<u>ALLOWANCE</u> <u>CAPITAL</u>	<u>ALLOWANCE</u> <u>INTERESTS</u>	<u>ALLOWANCE</u> <u>OTHERS</u>
<b>COMMERCIAL SUITABLE GUARANTY</b>								
A - Normal	\$ 2,887,956.7	25,452.7	1,618.9	2,915,028.3	10,902,929.0	59,206.4	584.6	224.8
B - Acceptable	119,733.1	1,690.6	240.1	121,663.8	476,494.6	10,667.9	157.8	130.5
C – Officient	27,843.5	593.6	149.8	28,586.9	74,916.7	4,761.4	448.2	138.9
D – Difficult collection	31,772.2	987.8	326.0	33,086.0	81,924.0	31,772.2	987.8	326.0
E – Irrecoverable	<u>18,844.9</u>	<u>218.6</u>	<u>37.7</u>	<u>19,101.2</u>	<u>57,820.7</u>	<u>18,844.9</u>	<u>218.6</u>	<u>37.7</u>
	<u>3,086,150.4</u>	<u>28,943.3</u>	<u>2,372.5</u>	<u>3,117,466.2</u>	<u>11,594,085.0</u>	<u>125,252.8</u>	<u>2,397.0</u>	<u>857.9</u>
<b>COMMERCIAL OTHERS GUARANTIES</b>								
A - Normal	11,094,116.4	97,777.0	6,218.9	11,198,112.3	0.0	227,441.9	2,245.7	863.4
B - Acceptable	315,601.5	4,456.3	632.8	320,690.6	0.0	28,119.3	415.9	344.1
C – Officient	35,169.8	749.8	189.2	36,108.8	0.0	6,014.3	566.1	175.5
D – Difficult collection	69,234.1	2,152.5	710.5	72,097.1	0.0	69,234.1	2,152.5	710.5
E – Irrecoverable	<u>32,143.9</u>	<u>372.9</u>	<u>64.3</u>	<u>32,581.1</u>	<u>0.0</u>	<u>32,144.0</u>	<u>372.9</u>	<u>64.3</u>
	<u>11,546,265.7</u>	<u>105,508.5</u>	<u>7,815.7</u>	<u>11,659,589.9</u>	<u>0.0</u>	<u>362,953.6</u>	<u>5,753.1</u>	<u>2,157.8</u>
	<u>\$ 14,632,416.1</u>	<u>134,451.8</u>	<u>10,188.2</u>	<u>14,777,056.1</u>	<u>11,594,085.0</u>	<u>488,206.4</u>	<u>8,150.1</u>	<u>3,015.7</u>
<b>CONSUMER SUITABLE GUARANTY</b>								
A - Normal	\$ 852,369.0	8,577.7	2,169.3	863,116.0	2,298,737.6	26,265.3	328.9	113.7
B - Acceptable	37,087.5	764.6	120.9	37,973.0	103,507.1	4,630.0	247.9	45.1
C – Officient	22,048.6	439.4	65.9	22,553.9	66,651.6	4,289.1	397.6	60.7
D – Difficult collection	18,444.1	528.1	74.6	19,046.8	39,158.7	15,602.3	528.1	74.6
E – Irrecoverable	<u>24,449.7</u>	<u>491.6</u>	<u>157.5</u>	<u>25,098.8</u>	<u>52,425.9</u>	<u>23,656.9</u>	<u>491.6</u>	<u>157.5</u>
	<u>954,398.9</u>	<u>10,801.4</u>	<u>2,588.2</u>	<u>967,788.5</u>	<u>2,560,480.9</u>	<u>74,443.6</u>	<u>1,994.1</u>	<u>451.6</u>
<b>OTHER CONSUMER GUARANTEES</b>								
A - Normal	6,604,654.4	66,464.9	16,809.4	6,687,928.7	0.0	203,519.0	2,548.3	880.7
B - Acceptable	368,327.6	7,593.3	1,201.2	377,122.1	0.0	45,981.7	2,462.2	447.8
C - Officiente	208,848.8	4,161.7	623.8	213,634.3	0.0	40,627.2	3,766.1	575.3
D - Difícil Cobro	263,551.6	7,546.8	1,065.9	272,164.3	0.0	222,944.4	7,546.8	1,065.9
E - Irrecuperable	<u>95,719.8</u>	<u>1,924.5</u>	<u>616.4</u>	<u>98,260.7</u>	<u>0.0</u>	<u>92,616.2</u>	<u>1,924.5</u>	<u>616.4</u>
	<u>7,541,102.2</u>	<u>87,691.2</u>	<u>20,316.7</u>	<u>7,649,110.1</u>	<u>0.0</u>	<u>605,688.5</u>	<u>18,247.9</u>	<u>3,586.1</u>
	<u>\$ 8,495,501.1</u>	<u>98,492.6</u>	<u>22,904.9</u>	<u>8,616,898.6</u>	<u>2,560,480.9</u>	<u>680,132.1</u>	<u>20,242.0</u>	<u>4,037.7</u>



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December 31

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u> <u>ADMISIBLE</u>	<u>ALLOWANCE</u> <u>CAPITAL</u>	<u>ALLOWANCE</u> <u>INTERESTS</u>	<u>ALLOWANCE</u> <u>OTHERS</u>
<b>MICROCREDIT OTHER WARRANTIES</b>								
A - Normal	\$1.1	0.0	0.0	1.1	0.0	0.0	0.0	0.0
C – Officient	2.3	0.0	0.0	2.3	0.0	0.7	0.0	0.0
E – Irrecoverable	<u>1.9</u>	<u>0.0</u>	<u>0.0</u>	<u>1.9</u>	<u>0.0</u>	<u>2.0</u>	<u>0.0</u>	<u>0.0</u>
	<u>5.3</u>	<u>0.0</u>	<u>0.0</u>	<u>5.3</u>	<u>0.0</u>	<u>2.7</u>	<u>0.0</u>	<u>0.0</u>
	<u>5.3</u>	<u>0.0</u>	<u>0.0</u>	<u>5.3</u>	<u>0.0</u>	<u>2.7</u>	<u>0.0</u>	<u>0.0</u>
<b>MORTGAGE LOANS</b>								
A – Normal	2,312,501.8	11,529.8	9,066.0	2,333,097.6	5,684,146.5	34,808.9	879.8	2,340.4
B – Aceptable	2,312,501.8	232.2	1,251.1	98,905.2	275,081.9	5,081.8	232.2	1,251.1
C – Officient	97,421.9	87.9	627.2	35,777.2	105,220.4	7,044.0	87.9	627.2
D – Difficult collection	35,062.1	47.5	384.1	12,957.4	38,621.1	7,519.9	47.5	384.1
E – Irrecoverable	12,525.8	<u>7.8</u>	<u>103.3</u>	<u>1,814.5</u>	<u>4,899.4</u>	<u>1,703.4</u>	<u>7.7</u>	<u>103.2</u>
	<u>2,459,215.0</u>	<u>11,905.2</u>	<u>11,431.7</u>	<u>2,482,551.9</u>	<u>6,107,969.3</u>	<u>56,158.0</u>	<u>1,255.1</u>	<u>4,706.0</u>
General Allowance						<u>24,592.2</u>		
	<u>\$2,459,215.0</u>	<u>11,905.2</u>	<u>11,431.7</u>	<u>2,482,551.9</u>	<u>6,107,969.3</u>	<u>80,750.2</u>	<u>1,255.1</u>	<u>4,706.0</u>
	<u>\$ 25,587,137.5</u>	<u>244,849.6</u>	<u>44,524.8</u>	<u>25,876,511.9</u>	<u>20,262,535.2</u>	<u>1,249,091.4</u>	<u>29,647.2</u>	<u>11,759.4</u>



**BANCO DAVIVIENDA S.A.**  
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June 30

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u> <u>ADMISIBLE</u>	<u>ALLOWANCE</u> <u>CAPITAL</u>	<u>ALLOWANCE</u> <u>INTERESTS</u>	<u>ALLOWANCE</u> <u>OTHERS</u>
<b>COMMERCIAL SUITABLE GUARANTY</b>								
A - Normal	\$ 2,458,562.7	20,316.3	1,439.7	2,480,318.7	8,494,405.6	58,035.5	500.7	189.8
B - Aceptable	104,650.9	1,355.6	207.1	106,213.6	401,123.6	17,152.6	144.0	103.4
C – Officient	30,565.9	515.5	179.0	31,260.4	99,852.3	6,938.7	381.4	162.2
D – Difficult collection	29,685.6	821.9	289.3	30,796.8	87,106.5	29,685.6	799.8	285.3
E – Irrecoverable	<u>22,914.5</u>	<u>252.6</u>	<u>35.4</u>	<u>23,202.5</u>	<u>57,322.0</u>	<u>22,914.5</u>	<u>247.2</u>	<u>35.2</u>
	<u>2,646,379.6</u>	<u>23,261.9</u>	<u>2,150.5</u>	<u>2,671,792.0</u>	<u>9,139,810.0</u>	<u>134,726.9</u>	<u>2,073.1</u>	<u>775.9</u>
<b>COMMERCIAL OTHERS GUARANTIES</b>								
A - Normal	9,733,707.4	80,434.5	5,700.1	9,819,842.0	0.0	229,768.8	1,982.5	751.5
B - Aceptable	265,801.6	3,443.0	525.9	269,770.5	0.0	43,565.7	365.8	262.5
C – Officient	39,189.1	661.0	229.5	40,079.6	0.0	8,896.4	489.0	208.0
D – Difficult collection	89,956.0	2,490.5	876.6	93,323.1	0.0	89,956.0	2,423.8	864.5
E – Irrecoverable	<u>31,567.6</u>	<u>348.0</u>	<u>48.8</u>	<u>31,964.4</u>	<u>0.0</u>	<u>31,568.0</u>	<u>340.5</u>	<u>48.5</u>
	<u>10,160,221.7</u>	<u>87,377.0</u>	<u>7,380.9</u>	<u>10,254,979.6</u>	<u>0.0</u>	<u>403,754.9</u>	<u>5,601.6</u>	<u>2,135.0</u>
	<u>\$ 12,806,601.3</u>	<u>110,638.9</u>	<u>9,531.4</u>	<u>12,926,771.6</u>	<u>9,139,810.0</u>	<u>538,481.8</u>	<u>7,674.7</u>	<u>2,910.9</u>
<b>CONSUMER SUITABLE GUARANTY</b>								
A - Normal	\$ 823,349.9	7,858.0	1,978.7	833,186.6	2,265,067.1	23,119.2	264.4	91.5
B - Aceptable	39,270.0	784.6	140.2	40,194.8	104,350.9	4,044.0	198.3	40.2
C – Officient	18,980.3	386.6	62.3	19,429.2	59,145.3	3,073.8	320.0	52.2
D – Difficult collection	19,199.0	488.8	87.8	19,775.6	48,609.7	19,199.0	467.4	85.4
E – Irrecoverable	<u>15,401.9</u>	<u>222.4</u>	<u>92.1</u>	<u>15,716.4</u>	<u>39,260.4</u>	<u>15,401.9</u>	<u>209.7</u>	<u>90.2</u>
	<u>916,201.1</u>	<u>9,740.4</u>	<u>2,361.1</u>	<u>928,302.6</u>	<u>2,516,433.4</u>	<u>64,837.9</u>	<u>1,459.8</u>	<u>359.5</u>
<b>OTHER CONSUMER GUARANTEES</b>								
A - Normal	6,650,412.4	63,470.8	15,982.1	6,729,865.3	0.0	186,740.2	2,135.9	739.2
B - Aceptable	339,513.4	6,783.5	1,212.4	347,509.3	0.0	34,962.6	1,714.6	347.5
C – Officient	159,588.2	3,250.9	524.2	163,363.3	0.0	25,844.4	2,690.3	438.7
D – Difficult collection	221,331.8	5,635.0	1,012.7	227,979.5	0.0	221,331.8	5,388.4	984.4
E – Irrecoverable	<u>84,562.2</u>	<u>1,221.0</u>	<u>505.7</u>	<u>86,288.9</u>	<u>0.0</u>	<u>84,562.1</u>	<u>1,151.1</u>	<u>495.4</u>
	<u>7,455,408.0</u>	<u>80,361.2</u>	<u>19,237.1</u>	<u>7,555,006.3</u>	<u>0.0</u>	<u>553,441.1</u>	<u>13,080.3</u>	<u>3,005.2</u>
	<u>\$ 8,371,609.1</u>	<u>90,101.6</u>	<u>21,598.2</u>	<u>8,483,308.9</u>	<u>2,516,433.4</u>	<u>618,279.0</u>	<u>14,540.1</u>	<u>3,364.7</u>



**BANCO DAVIVIENDA S.A.**  
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June 30

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES ADMISIBLE</u>	<u>ALLOWANCE CAPITAL</u>	<u>ALLOWANCE</u>	
							<u>INTERESTS</u>	<u>OTHERS</u>
<b>MICROCREDIT OTHER WARRANTIES</b>								
A - Normal	\$19.9	0.1	0.0	20.0	0.0	0.3	0.0	0.0
B - Acceptable	2.8	0.0	0.0	2.8	0.0	0.1	0.0	0.0
C – Officient	0.7	0.0	0.0	0.7	0.0	0.2	0.0	0.0
D – Difficult collection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E – Irrecoverable	<u>2.5</u>	<u>0.0</u>	<u>0.1</u>	<u>2.6</u>	<u>0.0</u>	<u>2.6</u>	<u>0.0</u>	<u>0.1</u>
	<u>25.9</u>	<u>0.1</u>	<u>0.1</u>	<u>26.1</u>	<u>0.0</u>	<u>3.2</u>	<u>0.0</u>	<u>0.1</u>
General Allowance						<u>0.3</u>		
	<u>25.9</u>	<u>0.1</u>	<u>0.1</u>	<u>26.1</u>	<u>0.0</u>	<u>3.5</u>	<u>0.0</u>	<u>0.1</u>
<b>MORTGAGE LOANS</b>								
A - Normal	2,104,367.6	9,705.4	9,636.7	2,123,709.7	4,808,265.3	31,715.6	586.6	2,519.0
B - Acceptable	101,179.4	251.1	1,500.4	102,930.9	283,022.2	5,262.8	240.8	1,496.1
C – Officient	34,981.0	95.8	709.0	35,785.8	106,010.5	7,035.5	95.8	709.0
D – Difficult collection	13,157.0	56.7	415.0	13,628.7	38,756.7	7,903.4	56.7	415.0
E – Irrecoverable	<u>1,509.5</u>	<u>6.5</u>	<u>87.3</u>	<u>1,603.3</u>	<u>5,358.2</u>	<u>1,509.3</u>	<u>6.3</u>	<u>87.6</u>
	<u>2,255,194.5</u>	<u>10,115.5</u>	<u>12,348.4</u>	<u>2,277,658.4</u>	<u>5,241,412.9</u>	<u>53,426.6</u>	<u>986.2</u>	<u>5,226.7</u>
General Allowance						<u>22,551.8</u>		
	<u>\$2,255,194.5</u>	<u>10,115.5</u>	<u>12,348.4</u>	<u>2,277,658.4</u>	<u>5,241,412.9</u>	<u>75,978.4</u>	<u>986.2</u>	<u>5,226.7</u>
	<u>\$ 23,433,430.8</u>	<u>210,856.1</u>	<u>43,478.1</u>	<u>23,687,765.0</u>	<u>16,897,656.3</u>	<u>1,232,742.7</u>	<u>23,201.0</u>	<u>11,502.4</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**7.4 Credit portfolio and financial leasing by economic sector**

<u>Sectors</u>	<u>December 31</u>		<u>June 30</u>	
	<u>% Particip.</u>	<u>Sectors</u>	<u>% Particip.</u>	<u>% Particip.</u>
To the families for their acquisition of goods and services	\$8,495,501.1	33.20%	8,371,609.1	35.73%
To the families for Mortgage	4,166,088.4	16.28%	3,772,223.5	16.10%
Services provided to businesses	1,376,861.0	5.38%	854,906.6	3.65%
Construction	1,413,968.1	5.53%	1,119,299.5	4.78%
Wholesale and retail business	1,192,983.5	4.66%	1,070,373.3	4.57%
Transport and communications	1,027,708.4	4.02%	892,939.2	3.81%
Agriculture, forestry, cattle breeding, fishing and hunting	548,843.0	2.14%	478,502.2	2.04%
Manufacturing of food products	765,417.2	2.99%	793,700.9	3.39%
Health, education, recreation and culture services	382,359.5	1.49%	423,613.3	1.81%
Vehicles	285,719.2	1.12%	258,764.5	1.10%
Public administration and offense	473,121.4	1.85%	513,903.4	2.19%
Manufacturing of textile products, garments, leathers and their products	249,453.2	0.97%	248,941.1	1.06%
Electricity, gas and water supply	949,241.1	3.71%	862,924.3	3.68%
Manufacturing of metallic products of bases and manufactured	272,440.2	1.06%	321,370.1	1.37%
Manufacturing of mineral products not metallic	137,473.6	0.54%	136,127.6	0.58%
Manufacturing of chemical substances, chemical products and rubber	1,025,209.5	4.01%	858,580.5	3.66%
Manufacturing of paper and its printing and publishing products	171,508.1	0.67%	86,323.6	0.37%
Manufacturing of other manufactured products, include wood	21,901.3	0.09%	24,120.7	0.10%
Exploitation of coal mines, extraction of crude oil and natural gas	651,570.6	2.55%	756,015.8	3.23%
Manufacturing of transport equipment	3,063.9	0.01%	3,761.4	0.02%
Manufacturing of Machinery and Equipment	34,097.9	0.13%	44,694.9	0.19%
Hotels and restaurants	153,600.8	0.60%	163,807.7	0.70%
Extraction of metallic and not metallic minerals	11,828.8	0.05%	22,183.2	0.09%
To the families for their acquisition of goods and services	159,720.2	0.62%	160,013.6	0.68%
Manufacturing of drinks and tobacco	28,864.3	0.11%	28,946.0	0.12%
Others	<u>1,588,593.2</u>	<u>6.22%</u>	<u>1,165,784.8</u>	<u>4.98%</u>
	<u>\$ 25,587,137.5</u>	<u>100.00%</u>	<u>\$ 23,433,430.8</u>	<u>100.00%</u>





**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**7.5 Credit Portfolio and Financial Leasing by geographical area**

**COMMERCIAL LOANS**

**December 31**

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCE		
						CAPITAL	INTERESTS	OTHERS
Bogotá	\$ 7,036,364.2	63,092.7	3,608.7	7,103,065.6	6,176,959.6	214,661.7	3,006.9	1,495.3
Antioquia	3,238,584.0	29,465.9	2,874.1	3,270,924.0	2,395,846.0	111,869.5	1,984.6	388.0
Nororiental	2,497,600.0	25,608.5	2,445.9	2,525,654.4	2,054,938.8	104,916.3	2,268.9	729.5
Suroccidental	1,663,953.2	14,891.0	1,259.5	1,680,103.7	964,489.9	53,983.4	871.6	402.9
Miami	<u>195,914.7</u>	<u>1,393.7</u>	<u>0.0</u>	<u>197,308.4</u>	<u>1,850.7</u>	<u>2,775.5</u>	<u>18.1</u>	<u>0.0</u>
	<u>\$ 14,632,416.1</u>	<u>134,451.8</u>	<u>10,188.2</u>	<u>14,777,056.1</u>	<u>11,594,085.0</u>	<u>488,206.4</u>	<u>8,150.1</u>	<u>3,015.7</u>

**CONSUMER LOAN**

Bogotá	4,247,144.3	51,152.2	12,067.3	4,310,363.8	1,393,576.5	362,652.0	11,637.4	2,158.0
Antioquia	1,310,395.4	13,935.3	3,279.3	1,327,610.0	385,722.9	88,669.6	2,249.4	464.7
Nororiental	1,812,713.8	21,034.9	4,599.4	1,838,348.1	496,605.3	144,796.4	4,072.3	904.2
Suroccidental	<u>1,125,247.6</u>	<u>12,370.2</u>	<u>2,958.9</u>	<u>1,140,576.7</u>	<u>284,576.2</u>	<u>84,014.1</u>	<u>2,282.9</u>	<u>510.8</u>
	<u>8,495,501.1</u>	<u>98,492.6</u>	<u>22,904.9</u>	<u>8,616,898.6</u>	<u>2,560,480.9</u>	<u>680,132.1</u>	<u>20,242.0</u>	<u>4,037.7</u>

**MICRO-CREDIT**

Bogotá	2.2	0.0	0.0	2.2	0.0	1.9	0.0	0.0
Antioquia	3.0	0.0	0.0	3.0	0.0	0.8	0.0	0.0
Nororiental	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	<u>5.3</u>	<u>0.0</u>	<u>0.0</u>	<u>5.3</u>	<u>0.0</u>	<u>2.7</u>	<u>0.0</u>	<u>0.0</u>

**MORTGAGE LOAN**

Bogotá	1,704,667.5	8,087.2	7,469.0	1,720,223.7	4,127,156.6	39,701.4	861.5	3,100.3
Antioquia	220,654.5	1,107.5	1,193.2	222,955.2	639,695.7	4,650.2	115.8	445.9
Nororiental	296,982.5	1,545.4	1,993.5	300,521.4	790,951.3	6,666.3	176.5	862.7
Suroccidental	<u>236,910.5</u>	<u>1,165.1</u>	<u>776.0</u>	<u>238,851.6</u>	<u>550,165.7</u>	<u>5,140.1</u>	<u>101.3</u>	<u>297.1</u>
General allowance						<u>24,592.2</u>		
	<u>2,459,215.0</u>	<u>11,905.2</u>	<u>11,431.7</u>	<u>2,482,551.9</u>	<u>6,107,969.3</u>	<u>80,750.2</u>	<u>1,255.1</u>	<u>4,706.0</u>
	<u>\$ 25,587,137.5</u>	<u>244,849.6</u>	<u>44,524.8</u>	<u>25,876,511.9</u>	<u>20,262,535.2</u>	<u>1,249,091.4</u>	<u>29,647.2</u>	<u>11,759.4</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**COMMERCIAL LOAN**

June 30

						<u>ALLOWANCE</u>		<u>ALLOWANCE</u>	
	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	
Bogotá	\$ 6,370,014.3	55,719.8	3,528.9	6,429,263.0	4,675,967.3	255,847.2	2,925.9	1,402.7	
Antioquia	2,740,810.1	22,875.7	2,590.7	2,766,276.5	2,068,236.5	126,593.6	2,034.4	395.4	
Nororiental	2,201,556.6	20,532.3	2,244.2	2,224,333.1	1,532,124.3	103,726.8	1,822.2	767.1	
Surocciofntal	1,362,501.1	11,102.0	1,167.6	1,374,770.7	863,481.0	50,275.1	885.7	345.7	
Miami	<u>131,719.2</u>	<u>409.1</u>	<u>0.0</u>	<u>132,128.3</u>	<u>0.9</u>	<u>2,039.1</u>	<u>6.5</u>	<u>0.0</u>	
	<u>\$ 12,806,601.3</u>	<u>110,638.9</u>	<u>9,531.4</u>	<u>12,926,771.6</u>	<u>9,139,810.0</u>	<u>538,481.8</u>	<u>7,674.7</u>	<u>2,910.9</u>	

**CONSUMER LOAN**

Bogotá	4,253,031.1	47,025.0	11,447.1	4,311,503.2	1,455,845.3	334,741.6	8,472.0	1,824.9
Antioquia	1,258,666.9	12,793.1	3,078.1	1,274,538.1	359,905.6	79,515.4	1,584.9	369.3
Nororiental	1,769,977.5	19,008.2	4,312.7	1,793,298.4	440,656.0	129,113.0	2,860.9	760.3
Surocciofntal	<u>1,089,933.6</u>	<u>11,275.3</u>	<u>2,760.3</u>	<u>1,103,969.2</u>	<u>260,026.5</u>	<u>74,909.0</u>	<u>1,622.3</u>	<u>410.2</u>
	<u>\$8,371,609.1</u>	<u>90,101.6</u>	<u>21,598.2</u>	<u>8,483,308.9</u>	<u>2,516,433.4</u>	<u>618,279.0</u>	<u>14,540.1</u>	<u>3,364.7</u>

**MICRO-CREDIT**

Bogotá	6.0	0.0	0.0	6.0	0.0	1.3	0.0	0.0
Antioquia	16.2	0.1	0.1	16.4	0.0	2.0	0.0	0.1
Nororiental	2.4	0.0	0.0	2.4	0.0	0.0	0.0	0.0
Surocciofntal	<u>1.3</u>	<u>0.0</u>	<u>0.0</u>	<u>1.3</u>	<u>0.0</u>	<u>0.2</u>	<u>0.0</u>	<u>0.0</u>
	<u>\$25.9</u>	<u>0.1</u>	<u>0.1</u>	<u>26.1</u>	<u>0.0</u>	<u>3.5</u>	<u>0.0</u>	<u>0.1</u>

**MORTGAGE LOAN**

Bogotá	1,547,322.5	6,818.0	7,948.5	1,562,089.0	3,558,834.7	37,247.3	698.9	3,343.7
Antioquia	206,174.9	997.6	1,344.2	208,516.7	526,800.8	4,564.4	88.4	523.4
Nororiental	286,138.3	1,335.4	2,223.3	289,697.0	680,008.7	6,826.2	126.6	1,002.3
Suroccidental	<u>215,558.8</u>	<u>964.5</u>	<u>832.4</u>	<u>217,355.7</u>	<u>475,768.7</u>	<u>4,788.6</u>	<u>72.3</u>	<u>357.3</u>
General allowance						<u>22,551.9</u>		
	<u>\$2,255,194.5</u>	<u>10,115.5</u>	<u>12,348.4</u>	<u>2,277,658.4</u>	<u>5,241,412.9</u>	<u>75,978.4</u>	<u>986.2</u>	<u>5,226.7</u>
	<u>\$ 23,433,430.8</u>	<u>210,856.1</u>	<u>43,478.1</u>	<u>23,687,765.0</u>	<u>16,897,656.3</u>	<u>1,232,742.7</u>	<u>23,201.0</u>	<u>11,502.4</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**7.6 Credit Portfolio and Financial Leasing by monetary unit**

CONCEPT	December 31			Total
	Legal Currency	Foreign Currency	UVR	
Commercial	\$ 12,528,044.8	2,104,371.3	0.0	14,632,416.1
Micro-credit	5.3	0.0	0.0	5.3
Consumer	8,479,972.4	15,528.7	0.0	8,495,501.1
Housing Mortgage	<u>1,748,329.5</u>	<u>0.0</u>	<u>710,885.5</u>	<u>2,459,215.0</u>
	<u>22,756,352.0</u>	<u>2,119,900.0</u>	<u>710,885.5</u>	<u>25,587,137.5</u>

CONCEPT	June 30			Total
	Legal Currency	Foreign Currency	UVR	
Commercial	\$ 11,280,743.6	1,525,857.7	0.0	12,806,601.3
Micro-credit	25.9	0.0	0.0	25.9
Consumer	8,362,889.4	8,719.7	0.0	8,371,609.1
Housing Mortgage	<u>1,591,312.1</u>	<u>0.0</u>	<u>663,882.4</u>	<u>2,255,194.5</u>
	<u>21,234,971.0</u>	<u>1,534,577.4</u>	<u>663,882.4</u>	<u>23,433,430.8</u>

**7.7 Credit portfolio and Financial Leasing by maturity period**

December 31	From 0 to 1 years	From 1 to 5 years	To 5 to 10 years	More than 10 years	Total
Commercial	\$ 4,519,025.2	4,457,797.3	3,976,649.4	1,678,944.2	14,632,416.1
Consumer	1,562,300.1	5,846,520.7	1,009,828.7	76,851.6	8,495,501.1
Micro-credit	5.3	0.0	0.0	0.0	5.3
Mortgage	<u>39,180.9</u>	<u>119,095.8</u>	<u>456,194.1</u>	<u>1,844,744.2</u>	<u>2,459,215.0</u>
	\$ <u>6,120,511.5</u>	<u>10,423,413.8</u>	<u>5,442,672.2</u>	<u>3,600,540.0</u>	<u>25,587,137.5</u>
June 30	From 0 to 1 years	From 1 to 5 years	To 5 to 10 years	More than 10 years	Total
Commercial	\$ 3,965,327.7	3,758,964.5	3,600,974.2	1,481,334.8	12,806,601.3
Consumer	1,461,346.9	5,951,659.1	910,560.6	48,042.4	8,371,609.1
Micro-credit	23.0	2.9	0.0	0.0	25.9
Mortgage	<u>47,588.9</u>	<u>113,870.1</u>	<u>470,458.4</u>	<u>1,623,277.2</u>	<u>2,255,194.6</u>
	\$ <u>5,474,286.6</u>	<u>9,824,496.6</u>	<u>4,981,993.2</u>	<u>3,152,654.3</u>	<u>23,433,430.8</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**7.8 Restructured Credits Detail**

<u>December 31</u>	<u>Restructured Common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	\$ 182,355.0	49,203.5	306,277.8
Consumer	650,634.9	162,889.3	81,109.4
Mortgage	<u>83,389.0</u>	<u>9,968.8</u>	<u>254,883.6</u>
	<u>\$ 916,378.9</u>	<u>\$ 222,061.6</u>	<u>\$ 642,270.8</u>
<u>June 30</u>	<u>Restructured Common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	\$ 152,015.9	59,910.3	193,066.3
Consumer	541,568.0	122,763.1	80,065.3
Mortgage	<u>77,235.9</u>	<u>9,428.1</u>	<u>234,427.5</u>
	<u>\$ 770,819.8</u>	<u>192,101.5</u>	<u>507,559.1</u>

**Restructured Credits by Rating**

<u>December 31</u>	<u>Commercial</u>		<u>Consumer</u>		<u>Mortgage</u>	
	Numbers <u>Ordinary</u>	Restructured <u>Credits</u>	Numbers <u>Ordinary</u>	Restructured <u>Credits</u>	Numbers <u>Ordinary</u>	Restructured <u>Valor</u>
A - Normal	1,258	\$76,432.5	24,075	361,957.3	2,170	37,118.6
B - Aceptable	469	37,696.1	4,050	65,336.1	992	21,067.4
C - Officiente	338	20,817.0	4,743	85,052.7	979	17,823.4
D - Difícil cobro	592	39,396.5	5,263	91,263.6	361	6,739.3
E - Irrecuperable	<u>70</u>	<u>8,012.9</u>	<u>2,734</u>	<u>47,025.2</u>	<u>36</u>	<u>640.3</u>
	<u>2,727</u>	<u>\$ 182,355.0</u>	<u>40,865</u>	<u>\$ 650,634.9</u>	<u>4,538</u>	<u>\$ 83,389.0</u>
<u>June 30</u>						
A - Normal	999	\$47,533.8	21,752	312,974.4	2,002	33,690.7
B - Aceptable	394	24,241.2	3,254	47,463.8	992	19,400.2
C - Officiente	345	22,616.4	3,728	55,669.8	1,001	17,106.2
D - Difícil cobro	612	48,664.9	5,978	87,208.5	367	6,476.1
E - Irrecuperable	<u>92</u>	<u>8,959.6</u>	<u>2,473</u>	<u>38,251.5</u>	<u>39</u>	<u>562.6</u>
	<u>2,442</u>	<u>\$ 152,015.9</u>	<u>37,185</u>	<u>\$ 541,568.0</u>	<u>4,401</u>	<u>\$ 77,235.8</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**Restructured Credits by Geographical Zone**

	<u>December 31</u>		
	<u>Commercial</u>	<u>Consumer</u>	<u>Mortgage</u>
Bogotá	\$ 51,602.5	333,499.1	63,877.5
Antioquia	43,574.4	92,754.9	5,375.8
Nororiental	69,334.8	130,210.0	8,148.0
Suroccidental	<u>17,843.3</u>	<u>94,170.9</u>	<u>5,987.7</u>
	<u>182,355.0</u>	<u>650,634.9</u>	<u>83,389.0</u>
	<u>June 30</u>		
	<u>Commercial</u>	<u>Consumer</u>	<u>Mortgage</u>
Bogotá	\$ 55,081.2	264,845.7	57,555.4
Antioquia	33,103.2	84,188.5	4,920.9
Nororiental	46,246.7	108,708.6	8,827.3
Suroccidental	<u>17,584.8</u>	<u>83,825.2</u>	<u>5,932.2</u>
	<u>152,015.9</u>	<u>541,568.0</u>	<u>77,235.8</u>

**7.9 Stockholders and employees portfolio**

The portfolio includes loans as follows:

	<u>December 31</u>	<u>June 30</u>
Shareholders	\$ 1,921,844.6	1,521,032.0
Consumer and commercial employees	<u>115,127.3</u>	<u>102,280.5</u>
	<u>\$ 2,036,971.9</u>	<u>1,623,312.5</u>

The weight time for credit portfolio to stockholders and employees is the following:

<u>Modality</u>	<u>Jul-Dec.11</u>	<u>Jan-Jun.11</u>
Individual credits	Entre 3.5% y 28.63%	Entre 3.5% - 26.38%

The annual effective interest of the stockholders and employees is between 1 and 15 years.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**7.10 Portfolio-backed Securities**

The Bank carried out a process of productive home portfolio-backed securities (in UVR and at fixed rate).

The process of home portfolio-backed securities is in keeping with the provisions set forth in the first subsection of Article 12 of the Law 546, 1999. The Bank proceeded to fully separate and cut-off from its equity the entirety of the underlying assets object of securitization that form a Universality, pursuant to the stipulations of Article 2 of the Resolution 775, 2001 of the Colombian Superintendence of Finance, through the issuance of securities representing the loans granted to fund the construction and acquisition of houses classified as A, B and C. The A-shares are offered by the Title issuer to the general public and the B and C are recorded in the account 130409 - Credit content titles from securitization process, the Bank is the beneficiary of those remaining after the securitization process i.e. once the interest and capital of all securities is paid and all other costs covered.

The following are details and conditions of sale of the portfolio securitization completed in the second half of 2010 with the Titularizadora Colombiana:

**TERMS OF SALE**

The following is a breakdown of the securitization for the second half of 2011:

December 31

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others (*)</u>	<u>Total</u>	<u>Profit</u>
TIPS N-2	Sept-16-2011	1,719	13.24	\$148,603.0	780.3	(65.7)	149,317.6	3,715.1
TIPS N-3	Nov-11-2011	<u>1,926</u>	<u>13.19</u>	<u>193,445.6</u>	<u>1,067.4</u>	<u>226.1</u>	<u>194,739.1</u>	<u>5,803.4</u>
		<u>3,645</u>		<u>\$342,048.6</u>	<u>1,847.7</u>	<u>160.4</u>	<u>344,056.7</u>	<u>9,518.5</u>

\* In the account of other items, the deferred balances of obligations pertaining to the sale (advance payment), are discounted.

The proceeds from the sale were \$355,126.6.

**CONDITIONS OF SALE**

The following is the oftail of the securitization Loans for the first half of 2011:

June 30

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others (*)</u>	<u>Total</u>	<u>Profit</u>
TIPS N-1	Junio-18-2011	<u>972</u>	<u>13.10</u>	<u>\$101,461.0</u>	<u>583.2</u>	<u>(46.3)</u>	<u>101,997.9</u>	<u>2,536.5</u>

\*Under the heading of other items, Deferred balances of the obligations pertaining to the sale are discounted (prepaid).

The proceeds from the sale were \$105,046.3.



**BANCO DAVIVIENDA S.A.**  
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**7.11 Sale Loan Portfolio**

The following is the detail of selling off portfolio in the second half of 2011, which is recorded in memorandum accounts

<u>Sales</u>	<u>Number of loans</u>	<u>Capital</u>	<u>Interest</u>	<u>Other Concepts</u>	<u>Total</u>
Gerc 2011	11,474	\$83,045.5	6,531.9	1,850.8	91,428.1
New Credit (COVINOC)	65,553	156,613.6	7,230.5	1,429.7	165,273.7
RF Soluciones S.A.S	<u>86,722</u>	<u>274,708.0</u>	<u>11,245.5</u>	<u>1,778.4</u>	<u>287,731.9</u>
	<u>163,749</u>	<u>\$514,367.1</u>	<u>25,007.8</u>	<u>5,058.8</u>	<u>544,433.8</u>

On August 5, 2011, selling off portfolio was performed for \$256,701.8 to Gerc 2011 and New Credit (Covinoc), whose selling price was \$18,442.4 which were received during 2011.

On December 29, 2011, the selling off portfolio was performed for \$287,731.9 to R.F. Soluciones S.A.S., whose selling price was \$13,405.0 of which \$2,500.0 were received on December 29, 2011, with a remaining balance of \$10,905.0 which are recorded as deferred income.

In the first half of 2011 the Bank did not carried selling off portfolio.

**7.12 Portfolio Write Downs**

The detail of the penalty of portfolio:

	<u>December 31</u>			
	<u>Capital</u>	<u>Interests</u>	<u>Others concepts</u>	<u>Total</u>
Commercial	\$47,182.6	1,494.7	358.8	49,036.1
Consumer	277,306.7	10,265.1	2,298.5	289,870.3
Mortgage	6,753.6	50.0	355.2	7,158.8
Micro-credit	2.5	0.0	0.0	2.5
Others receivable accounts	<u>0.0</u>	<u>0.0</u>	<u>467.0</u>	<u>467.0</u>
	<u>\$ 331,245.4</u>	<u>11,809.8</u>	<u>3,479.5</u>	<u>346,534.7</u>
	<u>June 30</u>			
	<u>Capital</u>	<u>Interests</u>	<u>Others concepts</u>	<u>Total</u>
Commercial	\$9,306.9	464.5	53.0	9,824.4
Consumer	206,600.6	6,787.7	1,917.9	215,306.2
Mortgage	5,798.6	26.7	249.6	6,074.9
Micro-credit	7.0	0.1	0.0	7.1
Others receivable accounts	<u>0.0</u>	<u>0.0</u>	<u>93.0</u>	<u>93.0</u>
	<u>\$ 221,713.1</u>	<u>7,279.0</u>	<u>2,313.5</u>	<u>231,305.6</u>

At December 31, and June 30, 2011, the Bank did not make collector operations.



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**7.13 Portfolio Purchase**

During the second half of 2011, there were no purchases of portfolio.

The following is the oftail of the Loans purchase maof by the Bank during the first half of 2011:

<u>Purchase</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Interest</u>	<u>Other</u>	<u>total</u>	<u>Premium</u>
Confianciera S.A.	Mar-08-2011	464	18.6%	9,889.5	83.6	9,973.1	5.36%
Confianciera S.A.	Mar-30-2011	450	16.9%	10,030.0	91.7	10,121.7	3.29%
Confianciera S.A.	Abr-12-2011	365	17.8%	9,094.7	78.8	9,173.5	5.10%
Confianciera S.A.	Abr-27-2011	<u>974</u>	16.4%	<u>25,051.7</u>	<u>114.4</u>	<u>25,166.1</u>	3.22%
		<u>2,253.0</u>		<u>\$ 54,065.9</u>	<u>368.5</u>	<u>54,434.4</u>	

These operations were carried out at market rate.

**7.14 Provision for loan and financial leasing**

The movement in provision for Loans is as follows:

	<u>December 31</u>				
	<u>Commercial</u>	<u>Consumer</u>	<u>Microcrédit</u>	<u>Mortgage</u>	<u>Total</u>
Beginning Balance	\$ 538,481.8	618,279.0	3.5	75,978.4	1,232,742.7
More:					
Provision charged to operating	223,310.5	631,760.9	2.7	26,051.8	881,125.9
Restatement prov. foreign branch	126.8	0.0	0.0	0.0	126.8
Less:					
Loans punished	47,182.6	277,306.7	2.5	6,753.6	331,245.4
Unrecovered value foreclosed	0.0	0.0	0.0	479.7	479.7
Provision restatement Miami	0.0	103.9	0.0	0.0	103.9
Repayment to income	<u>226,530.2</u>	<u>292,497.1</u>	<u>1.0</u>	<u>14,046.7</u>	<u>533,075.0</u>
Closing balance	\$ <u>488,206.3</u>	<u>680,132.2</u>	<u>2.7</u>	<u>80,750.2</u>	<u>1,249,091.4</u>
	<u>June 30</u>				
	<u>Commercial</u>	<u>Consumer</u>	<u>Microcrédit</u>	<u>Mortgage</u>	<u>Total</u>
Beginning Balance	\$ 505,120.8	548,794.8	10.6	64,332.1	1,118,258.3
Branch exterior opening balance - Miami	458.2	0.0	0.0	0.0	458.2
More:					
Provision charged to operating	237,372.3	448,147.9	4.9	27,977.2	713,502.3
Less:					
Loans punished	9,306.9	206,600.6	7.0	5,798.6	221,713.1
Unrecovered value foreclosed	0.0	0.0	0.0	216.7	216.7
Provision restatement Miami	23.5	0.0	0.0	0.0	23.5
Repayment to income	<u>195,139.1</u>	<u>172,063.1</u>	<u>5.0</u>	<u>10,315.6</u>	<u>377,522.8</u>
Closing balance	\$ <u>538,481.8</u>	<u>618,279.0</u>	<u>3.5</u>	<u>75,978.4</u>	<u>1,232,742.7</u>





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At 31 december and June 30, 2011, the unrecovered value foreclosed for \$479.7 and \$216.7, respectively, corresponds to the difference between the least cost of the asset and the balance of the debit on balance sheet, which is recognized in the income statement in the allowance of credit portafolio.

To estimate the expected loss of the commercial portfolio in November 2011, a new concept as that of the LDD (Loss Due to Default), is incorporated, for credits with "real estate leasing" warranty, which weighed with a PDI of 35%, thus generating a refund of \$22,514.0. This change is made on the basis that such warrant credits have a greater ability to recover after default and the leasing is created with coverage of 142% on average, since 70% is Financed.

To calculate the estimated loss of consumer portfolio and in basis the changes contemplated in the External Bulletin 043 of 2011 issued by the Colombian Superintendence of Finance, in November 2011, the LDD for loans "without 75% warranty" were modified, and also the days on default were adjusted, generating an effect of increased spending for \$106,253.0.

The Bank's policy has incorporated allowances at December 31 and June 30, 2011 for \$1.249.091.4 and \$1.232.742.7, respectively; In accordance with the regulation of the financial Superintendence of colombia these allowance amount to \$1.140.107,7 and \$1.000.741,1 respectively.

During the second and first half of 2011 countercyclical provision was made:

<u>Loans</u>	<u>December 31</u>	<u>June 30</u>
Consumer	\$163,992.1	153,103.2
Commercial	<u>125,547.5</u>	<u>110,455.3</u>
Total	<u>\$289,539.6</u>	<u>263,558.5</u>

**8. Acceptances, Cash and Derivatives operations**

As of December 31 and June 30, 2011, the Bank had no issued acceptances.

The following is the detail of the acceptances of cash operations and the derivatives:

<u>Product</u>		<u>December 31</u>		<u>June 30</u>	
		<u>Right</u>	<u>Obligation</u>	<u>Right</u>	<u>Obligation</u>
Forward Contracts	\$	123,649.3		111,807.1	
Cash		21.7		7.4	
Swaps		211.9		75.8	
Options		<u>1,436.3</u>		<u>75.3</u>	
	\$	<u>125,319.2</u>		<u>111,965.6</u>	
		<u>Cash</u>			
		<u>December 31</u>		<u>June 30</u>	
		<u>Right</u>	<u>Obligation</u>	<u>Right</u>	<u>Obligation</u>
Purchase of currency	\$	19,210.7	(19,186.0)	43,593.0	(43,573.8)
Sale on currency		<u>926.4</u>	<u>(929.4)</u>	<u>41,806.8</u>	<u>(41,818.6)</u>
		<u>20,137.1</u>	<u>(20,115.4)</u>	<u>85,399.8</u>	<u>(85,392.4)</u>
	\$	<u>21.7</u>		<u>7.4</u>	



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As of December 31 and June 30, 2011, the semester performances of the cash transactions were \$1,840.9 and \$1,135.0, respectively.

<u>December 31</u>		<u>Speculation Derivatives</u>				
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
Purchase of currency	Right	\$ 4,235,026.8	397,820.4	0.0	4,632,847.2	0.0
	Obligation	(4,117,395.2)	(397,820.4)	0.0	(4,515,215.6)	0.0
Sale of currency	Right	813,427.9	753,673.6	0.0	1,567,101.5	0.0
	Obligation	(807,410.2)	(753,673.6)	0.0	(1,561,083.8)	0.0
Purchase on securities	Right	0.0	61,354.7	0.0	61,354.7	0.0
	Obligation	0.0	(61,354.7)	0.0	(61,354.7)	0.0
Interest rate	Right	0.0	0.0	5,341.9	5,341.9	0.0
	Obligation	0.0	0.0	(5,130.0)	(5,130.0)	0.0
Call options	Purchase	0.0	0.0	0.0	0.0	957.3
Put options	Purchase	0.0	0.0	0.0	0.0	479.0
Total Rights		5,048,454.7	1,212,848.7	5,341.9	6,266,645.3	1,436.3
Total obligations		<u>(4,924,805.4)</u>	<u>(1,212,848.7)</u>	<u>(5,130.0)</u>	<u>(6,142,784.1)</u>	<u>0.0</u>
Total Net		<u>\$ 123,649.3</u>	<u>0.0</u>	<u>211.9</u>	<u>123,861.2</u>	<u>1,436.3</u>



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Notes to the Financial Statements

Speculation Derivatives

<u>June 30</u>		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
Purchase of currency	Right	\$ 987,707.4	194,388.2	0.0	1,182,095.6	0.0
	Obligation	(984,167.0)	(194,388.2)	0.0	(1,178,555.2)	0.0
Sale of currency	Right	5,629,682.2	196,613.3	0.0	5,826,295.5	0.0
	Obligation	(5,521,415.5)	(196,613.3)	0.0	(5,718,028.8)	0.0
Purchase on securities	Right	0.0	40,547.5	0.0	40,547.5	0.0
	Obligation	0.0	(40,547.5)	0.0	(40,547.5)	0.0
Sale securities	Right	0.0	2,103.3	0.0	2,103.3	0.0
	Obligation	0.0	(2,103.3)	0.0	(2,103.3)	0.0
Interest rate	Right	0.0	0.0	2,221.8	2,221.8	0.0
	Obligation	0.0	0.0	(2,146.0)	(2,146.0)	0.0
Call options	Purchase	0.0	0.0	0.0	0.0	0.8
Put options	Purchase	0.0	0.0	0.0	0.0	74.5
Total Rights		6,617,389.6	433,652.3	2,221.8	7,053,263.7	75.3
Total obligations		<u>(6,505,582.5)</u>	<u>(433,652.3)</u>	<u>(2,146.0)</u>	<u>(6,941,380.8)</u>	<u>0.0</u>
Total Net		<u>\$ 111,807.1</u>	<u>0.0</u>	<u>75.8</u>	<u>111,882.9</u>	<u>75.3</u>

The following is the detail of the held maturity and the derivatives:

	<u>December 31</u>			
	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>Total</u>
Cash operations	\$ 21.7	0.0	0.0	21.7
Forward contracts	123,649.3	0.0	0.0	123,649.3
Swaps	211.9	0.0	0.0	211.9
Options	<u>1,436.3</u>	<u>0.0</u>	<u>0.0</u>	<u>1,436.3</u>
	\$ <u>125,319.2</u>	<u>0.0</u>	<u>0.0</u>	<u>125,319.2</u>

	<u>June 30</u>			
	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>Total</u>
Cash operations	\$ 7.4	0.0	0.0	7.4
Forward contracts	111,807.1	0.0	0.0	111,807.1
Swaps	32.3	43.5	0.0	75.8
Options	<u>75.3</u>	<u>0.0</u>	<u>0.0</u>	<u>75.3</u>
	\$ <u>111,922.1</u>	<u>43.5</u>	<u>0.0</u>	<u>111,965.6</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**9. Accounts Receivable**

The following is the detail of interest and other accounts receivable:

	<u>December 31</u>	<u>June 30</u>
Interest:		
InterBank	\$ <u>185.7</u>	<u>60.2</u>
Others:	<u>54.7</u>	<u>23.3</u>
Loans portfolio (note 7 literal 3)		
Interests	235,187.9	202,489.9
Component Financial Leases Operations	<u>9,661.7</u>	<u>8,366.2</u>
	<u>244,849.6</u>	<u>210,856.1</u>
	<u>245,090.0</u>	<u>210,939.6</u>
Fees and Commissions	<u>2,229.2</u>	<u>1,223.3</u>
Payments of Costumers		
Mortgage	11,431.7	12,348.4
Consumer	22,904.7	21,598.2
Micro-credit	0.1	0.1
Commercial	<u>10,188.2</u>	<u>9,531.4</u>
	<u>44,524.7</u>	<u>43,478.1</u>
Others:		
Dividends and participations	0.0	1,287.0
Payments of costumers – foreign money	2,273.4	2,601.5
Advance local purchase	17,895.2	9,019.6
Advance of contracts and suppliers	12,425.9	14,262.8
Various:		
Sale of Goods and Services	0.0	362.5
Missing cash	1,676.9	1,136.8
Insurance Company claims	4,179.1	6,491.5
National Treasure	20,010.1	19,601.1
Forward Operations	1,477.8	4,528.8
Affiliated Companies	1,880.5	1,880.5
Government relieves (Law 546, 1999, Loans Reliquidation)**	50,542.2	16,468.8
Treasury operations, paymaster, general business	9,421.5	6,434.7
Accounts Receivable – sale punished Consumer Loans (Note 7)	13,722.9	0.0
Banco de la Republica – Coverage rate	8,176.6	4,864.8
Managed Loans	17,952.0	4,612.2
Debfor – Commercial establishments	1,822.7	4,148.1
Outstanding Loans processes to implement	22,153.7	11,130.5
Miscellaneous (Less than 5%)	<u>7,311.5</u>	<u>7,033.2</u>
	\$ <u>192,922.0</u>	<u>115,864.4</u>
Total Receivable Accounts	\$ <u>484,765.9</u>	<u>371,505.4</u>
Allowances	<u>(116,222.2)</u>	<u>(69,996.0)</u>
Net Total Receivable		
Accounts	\$ <u>368,543.7</u>	<u>301,509.4</u>



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**\*\* Mortgage Relief**

Mortgage relief came from a bulk process of reassessment of home loans following the change in the housing Finance system proposed in Act 546 of 1999. The Bank carried out the procedure for recalculation based on the difference between the DTF and UPAC in order to compare the behavior of the UPAC with that of the UVR in order to have the same discount as credit institutions under UPAC. The National Government undertook obligations to pay the full amount of the difference brought about by the reassessment and to carry out these payments issued and delivered TES Treasury securities denominated in UVR.

In addition, the first article of Decree 712 of 2001 amending Decree 2221 of 2000 establishes the grounds for refunding the National Government - Ministry of Finance, TES Treasury Securities Law 546 delivered to creditors:

- For delays in payment by the beneficiary.
- For non-payment of individual housing credit by the beneficiary.
- For payment of mortgage credits for more than one dwelling per person.
- For a waiver of the payment.
- For excess payment.

**9.1 Allowance for Accounts Receivable**

The detail of allowance for accounts receivable is as follows:

		<u>December 31</u>	<u>June 30</u>
Loans interests (note 7)	\$	29,647.2	23,201.2
Payment of clients (note 7)		11,759.4	11,502.4
Government relief		48,736.0	15,719.8
Debtors Cash		2,290.0	1,715.4
Insurance Companies		3,915.8	0.0
Daviplan		9,535.5	6,862.4
Advance providers		272.5	485.7
Uptake and networks		2,622.4	4,424.9
Other accounts receivable		2,141.8	2,155.9
Others		<u>5,301.6</u>	<u>3,928.3</u>
	\$	<u>116,222.2</u>	<u>69,996.0</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

The movement of the allowance for accounts receivable is as follows:

<u>December 31</u>		<u>Commercial</u>	<u>Consumer</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Others</u>	<u>Total</u>
Beginning Balance	\$	10,585.9	17,905.0	0.2	6,212.8	35,292.1	69,996.0
Plus:							
Allowance charged to operating Expenses		4,497.9	20,761.9	0.1	1,086.0	58,329.9	84,675.8
Less:							
Punished loans and Sanitation		1,853.5	12,563.6	0.0	405.2	467.0	15,289.3
Reclassifications		0.0	4.7	0.0	0.0	0.0	4.7
Refund		<u>2,064.3</u>	<u>1,819.1</u>	<u>0.2</u>	<u>932.2</u>	<u>18,339.8</u>	<u>23,155.6</u>
Ending Balance	\$	<u>11,166.0</u>	<u>24,279.5</u>	<u>0.1</u>	<u>5,961.4</u>	<u>74,815.2</u>	<u>116,222.2</u>
<u>June 30</u>		<u>Commercial</u>	<u>Consumer</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Others</u>	<u>Total</u>
Beginning Balance	\$	9,329.4	13,595.5	1.6	6,742.4	39,379.2	69,048.1
Plus:							
Allowance charged to operating Expenses		5,705.9	18,874.1	0.1	3,314.3	5,245.2	33,139.6
Less:							
Loans punished and Sanitation		517.5	8,705.6	0.1	276.3	93.0	9,592.5
Reclassifications		<u>3,931.9</u>	<u>5,859.0</u>	<u>1.4</u>	<u>3,567.6</u>	<u>9,239.3</u>	<u>22,599.2</u>
Ending Balance	\$	<u>10,585.9</u>	<u>17,905.0</u>	<u>0.2</u>	<u>6,212.8</u>	<u>35,292.1</u>	<u>69,996.0</u>



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Notes to the Financial Statements

**10 Foreclosed Assets**

The detail of realizable property, foreclosed assets and goods returned, is as follows:

<u>Foreclosed Assets</u>	<u>December 31</u>	<u>June 30</u>
<u>Destined to Mortgage</u>		
Real estates	\$ 8,873.2	7,738.0
Assets received in auction	635.1	1,210.1
Inflation adjustments	<u>0.1</u>	<u>0.2</u>
Total Destined to Mortgage	<u>9,508.4</u>	<u>8,948.3</u>
<u>Foreclosed Assets</u>		
Different Mortgage		
Real estates	16,066.7	11,382.9
Assets received in auction	1,533.2	1,550.3
Inflation adjustments	<u>23.0</u>	<u>22.9</u>
Adjustment cost	<u>17,622.9</u>	<u>12,956.1</u>
Moveable assets (1):		
Rights and securities	1,341.4	1,101.5
Moveable assets	<u>1,494.8</u>	<u>1,887.4</u>
	<u>2,836.2</u>	<u>2,988.9</u>
Total different from Mortgage	<u>20,459.1</u>	<u>15,945.0</u>
Total foreclosed assets	\$ <u>29,967.5</u>	<u>24,893.3</u>
<u>Assets restored from Mortgage leases contracts:</u>		
Mortgage	\$ <u>995.3</u>	<u>845.8</u>
<u>Assets not used in the Company's purpose:</u>		
Lands	6,776.5	7,188.7
Buildings	26,949.4	28,598.2
Depreciation	<u>(7,171.7)</u>	<u>(6,886.8)</u>
	\$ <u>26,554.2</u>	<u>28,900.1</u>
<u>Less:</u>		
Allowance assets Destined to Mortgage	5,373.3	4,674.6
Allowance assets different from Mortgage	8,198.0	7,513.4
Allowance moveable assets	1,902.2	1,996.8
Allowance assets restored from leases contracts	79.6	307.0
Allowance assets not used in the Company's purpose	<u>3,142.4</u>	<u>3,256.0</u>
	<u>18,695.5</u>	<u>17,747.8</u>
	\$ <u>38,821.5</u>	<u>36,891.4</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

(1) The detail of moveable assets of foreclosed assets is as follows:

	<u>December 31</u>		<u>June 30</u>	
	<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Rights and securities				
Shares	\$ 27.3	27.3	27.3	27.3
Rights Zuana – Timeshare	<u>1,314.1</u>	<u>1,105.5</u>	<u>1,074.2</u>	<u>1,057.7</u>
	<u>1,341.4</u>	<u>1,132.8</u>	<u>1,101.5</u>	<u>1,085.0</u>
Moveable Assets				
Vehicles	1,301.8	576.3	1,525.9	550.3
Machinery	0.0	0.0	9.4	9.4
Real States	193.0	193.1	343.2	343.2
Art assets	<u>0.0</u>	<u>0.0</u>	<u>8.9</u>	<u>8.9</u>
	<u>1,494.8</u>	<u>769.4</u>	<u>1,887.4</u>	<u>911.8</u>
	\$ <u>2,836.2</u>	<u>1,902.2</u>	<u>2,988.9</u>	<u>1,996.8</u>

(2) The detail of goods received as payment, goods returned and goods not used in the corporate object, according to the time of permanence, is as follows:

	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Between 5 &amp; 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
<u>December 31</u>						
Mortgage	4,649.3	4,116.0	583.2	159.9	9,508.4	\$5,373.3
Different from Mortgage	8,660.0	5,483.2	2,779.1	700.6	17,622.9	8,198.0
Real States	1,228.8	497.2	1,091.7	18.5	2,836.2	1,902.2
Returned Goods	995.3	0.0	0.0	0.0	995.3	79.6
Assets not used (net)	<u>0.0</u>	<u>26,400.5</u>	<u>153.7</u>	<u>0.0</u>	<u>26,554.2</u>	<u>3,142.4</u>
	<u>\$15,533.4</u>	<u>36,496.9</u>	<u>4,607.7</u>	<u>879.0</u>	<u>57,517.0</u>	<u>18,695.5</u>
<u>June 30</u>						
Mortgage	2,017.5	6,298.0	501.3	131.5	8,948.3	\$4,674.6
Different from Mortgage	1,700.3	7,601.9	2,955.7	698.2	12,956.1	7,513.4
Real States	787.1	1,164.4	1,028.7	8.7	2,988.9	1,996.8
Returned Goods	407.9	379.4	58.5	0.0	845.8	307.0
Assets not used (net)	<u>0.0</u>	<u>28,237.2</u>	<u>662.9</u>	<u>0.0</u>	<u>28,900.1</u>	<u>3,256.0</u>
	<u>\$4,912.8</u>	<u>43,680.9</u>	<u>5,207.1</u>	<u>838.4</u>	<u>54,639.2</u>	<u>17,747.8</u>

(3) For the second and first half of 2011, valuations were made of foreclosed assets for Mortgage, generating a profit in recovery of \$10,820.8 and \$5,910.1 respectively. These valuations are recorded in memorandum accounts. (Note 24)





**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

During the second and first half of 2011, the Bank has undertaken various strategies in the sale of foreclosed assets, with the following results:

	<u>December 31</u>		<u>June 30</u>	
	Amount	Value	Amount	Value
Foreclosed assets	124	\$ 7,675.7	141	6,866.1
Assets not used	<u>7</u>	<u>1,664.3</u>	<u>7</u>	<u>813.8</u>
Total Sales	<u>131</u>	<u>9,340.0</u>	<u>148</u>	<u>7,679.9</u>
Sales Profit		364.9		692.9
Amortization of the Deferred profit		937.9		522.0
Gain on sale of assets not used		<u>1,092.4</u>		<u>1,101.1</u>
Effect on income (note 28)		<u>2,395.2</u>		<u>2,316.0</u>

During the second and first half of 2011, losses were recorded for the sale of foreclosed assets of \$1,158.3 and \$447.3, sales losses for property totaled \$ 485.5 and \$461.8; the loss on sale of property not used during the first half of 2011 amounted to \$1,201.5 and \$360.9 respectively.

**10.1 Allowance for Foreclosed Assets**

The movement of the allowance for foreclosed assets is as follows:

	<u>December 31</u>		<u>June 30</u>	
Beginning balance	\$	17,747.8		15,937.4
Plus:				
Allowance charged to operating expenses		4,396.6		4,120.7
Less:				
Refund revenue - recoveries		<u>3,448.9</u>		<u>2,310.3</u>
Ending balance	\$	<u>18,695.5</u>		<u>17,747.8</u>

As of December 31 and June 30, 2011, the Bank has foreclosed assets provisioned at 100% is as follows:

<u>December 31</u>		<u>June 30</u>	
<u>Amount</u>	<u>Allowance</u>	<u>Amount</u>	<u>Allowance</u>
<u>171</u>	<u>\$9,963.9</u>	<u>182</u>	<u>9,924.0</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

In the universalities processes, the Bank purchases from the CCV, CCVII, and CCVIII universalities some of foreclosed assets which will be placed as the Bank's leasing portfolio.

The Bank acquired the property portfolio secularitirations punished CCV, CCVII, CCVIII.

To December 31, and June 30, 2011 there are insurance policies that cover subtraction, fire, earthquake, riot, explosion, volcanic eruption, low voltage, land, losses or damages to offices and vehicles.

**11 Property and Equipment**

A detail of property and equipment is as follows:

	<u>December 31</u>			<u>June 30</u>		
	<u>Cost</u>	<u>Inflation Adjustment</u>	<u>Cost Adjusted</u>	<u>Cost</u>	<u>Inflation Adjustment</u>	<u>Cost Adjusted</u>
Lands, buildings & constructions						
In progress	\$ 390,667.1	35,185.4	425,852.5	385,975.5	36,276.9	422,252.4
Equipment, vehicles, office						
Furniture and supplies	89,221.4	9,433.8	98,655.2	85,468.9	9,437.8	94,906.7
Computer equipment	<u>201,115.8</u>	<u>18,415.9</u>	<u>219,531.7</u>	<u>190,289.1</u>	<u>18,415.8</u>	<u>208,704.9</u>
	<u>681,004.3</u>	<u>63,035.1</u>	<u>744,039.4</u>	<u>661,733.5</u>	<u>64,130.5</u>	<u>725,864.0</u>
Less: accumulated depreciation	(326,578.0)	(20,442.7)	(347,020.7)	(307,038.5)	(20,500.8)	(327,539.3)
Less: allowance	<u>(8,259.5)</u>	<u>0.0</u>	<u>(8,259.5)</u>	<u>(13,584.6)</u>	<u>0.0</u>	<u>(13,584.6)</u>
	<u>\$ 346,166.8</u>	<u>42,592.4</u>	<u>388,759.2</u>	<u>341,110.4</u>	<u>43,629.7</u>	<u>384,740.1</u>

As of December 31 and June 30, 2011 and there are insurance policies that cover risks of theft, fire, earthquake, riots, civil commotions, explosion, volcanic eruption, low tension, premises, loss or damages to offices and vehicles.

Below you will find the details of the valuations of properties and equipment as at December 31 and June 30, 2011:

	<u>December 31</u>	<u>June 30</u>
Valuation of buildings used for the porpuse	\$ 459,936.2	445,985.3
Valuation of buildings not used for the porpuse	<u>13,921.3</u>	<u>16,238.2</u>
	<u>\$ 473,857.5</u>	<u>462,223.5</u>

There are no mortgages or retention of title on same and they have not been transferred under a pledge warranty.

The depreciation charged to expenses in the biannual periods that ended on December 31 and June 30, 2011 was of \$25.110,9 and \$23.818.3, respectively.

An option to buy floors 1, 2, 5, 6 and 7 of the Torre Bolivar building was exercised for \$4,327.0 and valuations for \$31,218.0 were registered in June 2011.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**11.1 Allowance of property and Equipment**

The movement of the allowance of property and equipment during the semester periods ended on December 31 and June 30, 2011 is as follows:

	<u>December 31</u>	<u>June 30</u>
Beginning balance	\$ 13,584.6	8,055.2
Plus:		
Reclassifications	0.0	506.2
Allowance charged to operating expenses	190.4	9,614.7
Less:		
Refund to revenue – recoveries	<u>5,515.5</u>	<u>4,591.5</u>
Ending balance	\$ <u>8,259.5</u>	<u>13,584.6</u>

**12 Other assets**

**12.1 Expenses paid, Intangible Assets in Advance and Deferred Charges**

The detail of expenses paid in advance, intangible assets and deferred charges with closing as of December 31 and June 30, 2011 is as follows:

	<u>December 31</u>	<u>June 30</u>
<u>Advance expenses and Deferred charges:</u>		
Expenses paid in advance:		
Interests	\$ 1.0	1.4
Insurance	14,854.3	11,654.8
Equipment maintenance	91.4	164.3
Others	<u>7.5</u>	<u>463.9</u>
	<u>14,954.2</u>	<u>12,284.4</u>
<u>Deferred charges</u>		
Remodeling	34,207.8	44,202.5
Deferred Income tax “debit” for temporary Differences	21,813.9	19,965.4
Equity tax and surcharge	134,100.9	156,349.3
Commissions and advivories	2,244.9	4,222.6
Business strategy pre purchase tickets	382.7	1,228.1
Computer programs, licenses and oracle supports	6,958.0	9.7
Others (Less than 5%)	<u>16.1</u>	<u>5,114.4</u>
	<u>199,724.3</u>	<u>231,092.0</u>
	\$ <u>214,678.5</u>	<u>243,376.4</u>
Intangible Assets		
Good Will	\$ <u>1,197,212.2</u>	<u>1,227,992.8</u>
	\$ <u>1,411,890.7</u>	<u>1,471,369.2</u>

The movement of the expenses in advance, Intangible Assets and deferred charges at December 31 and June 30, 2011 is as follows:



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

	Balance at <u>June 30</u>	<u>Charges</u>	<u>Amortizations</u>	Balance at <u>December 31</u>
Expenses in advance	\$ 12,284.4	68,192.0	65,522.2	14,954.2
Deferred Charges	231,092.0	57,302.1	88,669.8	199,724.3
Intangible Assets	<u>1,227,992.8</u>	<u>0.2</u>	<u>30,780.8</u>	<u>1,197,212.2</u>
	\$ <u>1,471,369.2</u>	<u>125,494.3</u>	<u>184,972.8</u>	<u>1,411,890.7</u>

Below we present the expenses in advance, Intangible Assets and deferred for amortize for deadlines, with closing on December 31 and June 30, 2011 is as follows:



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

	<u>Less than 1</u> <u>year</u>	<u>Between 1 &amp; 5</u> <u>years</u>	<u>Between</u> <u>5 &amp; 10</u> <u>year</u>	<u>More than 10</u> <u>years</u>	<u>Total</u>
<b>December 31</b>					
Advance expenses					
Interests	\$ 1.0	0.0	0.0	0.0	1.0
Insurances	2,845.2	12,009.1	0.0	0.0	14,854.3
Equipment Maintenance	91.4	0.0	0.0	0.0	91.4
Others	<u>7.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>7.5</u>
	<u>2,945.1</u>	<u>12,009.1</u>	<u>0.0</u>	<u>0.0</u>	<u>14,954.2</u>
Deferred Charges					
Remodeling	23,423.2	10,784.6	0.0	0.0	34,207.8
Computer Software	6,947.1	10.9	0.0	0.0	6,958.0
Deferred income tax "debit" for temporary differences	107.2	21,706.7	0.0	0.0	21,813.9
Equity tax and surcharge	0.0	134,100.9	0.0	0.0	134,100.9
Commissions and advisories	0.0	2,244.9	0.0	0.0	2,244.9
Business strategy pre purchase tickets	382.7	0.0	0.0	0.0	382.7
Other	<u>16.1</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>16.1</u>
	<u>30,876.3</u>	<u>168,848.0</u>	<u>0.0</u>	<u>0.0</u>	<u>199,724.3</u>
Intangible Assets					
Good Will	<u>0.0</u>	<u>15,585.0</u>	<u>0.0</u>	<u>1,181,627.2</u>	<u>1,197,212.2</u>
	<u>\$ 33,821.4</u>	<u>196,442.1</u>	<u>0.0</u>	<u>1,181,627.2</u>	<u>1,411,890.7</u>
<b>June 30</b>					
Advance expenses					
Interests	\$ 1.4	0.0	0.0	0.0	1.4
Insurances	11,079.8	575.0	0.0	0.0	11,654.8
Equipment Maintenance	164.3	0.0	0.0	0.0	164.3
Others	<u>463.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>463.9</u>
	<u>11,709.4</u>	<u>575.0</u>	<u>0.0</u>	<u>0.0</u>	<u>12,284.4</u>
Deferred Charges					
Remodeling	19,912.0	24,290.5	0.0	0.0	44,202.5
Computer Software	0.0	9.7	0.0	0.0	9.7
Deferred income tax "debit" for temporary differences	19,965.4	0.0	0.0	0.0	19,965.4
Equity tax and surcharge	0.0	156,349.3	0.0	0.0	156,349.3
Commissions and advisories	4,222.6	0.0	0.0	0.0	4,222.6
Business strategy pre purchase tickets	1,228.1	0.0	0.0	0.0	1,228.1
Other	<u>2,701.9</u>	<u>2,412.5</u>	<u>0.0</u>	<u>0.0</u>	<u>5,114.4</u>
	<u>48,030.0</u>	<u>183,062.0</u>	<u>0.0</u>	<u>0.0</u>	<u>231,092.0</u>
Intangible Assets					
Good Will	<u>0.0</u>	<u>24,187.8</u>	<u>0.0</u>	<u>1,203,805.0</u>	<u>1,227,992.8</u>
	<u>\$ 59,739.4</u>	<u>207,824.8</u>	<u>0.0</u>	<u>1,203,805.0</u>	<u>1,471,369.2</u>



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**Intangible Assets**

This is the commercial credit generated by the purchase of acquired credit facilities. At December 31 and June 30, 2011 this amounted to \$1,197,212.2 and \$1,227,992.8 respectively.

Following, a breakdown of good will:

**Bansuperior S.A. Commercial Credit:**

For the purchase of Bansuperior S.A., in September 2005. The good will was recorded for \$311.237.4, which is amortized in seventy-two (72) monthly aliquots.

The following is the detail of the amortization:

Amount generated in September 2005	\$	311,237.4
Amortization accumulated on December 31, 2005		(15,939.4)
Fusion effect value in May, 2006		6,222.9
Amortization at December, 2011		<u>(301,520.9)</u>
Amount to be amortize at December 31, 2011	\$	<u>0.0</u>

**Confinanciera S.A Commercial Credit:**

For the purchase of shares of Confinanciera S.A. dated December 2006, the commercial credit was recorded for \$56.918.8, which is amortize in eighty four (84) monthly aliquots, as of December 2006.

The following is the detail of the amortization of the commercial credit generated:

Amount generate in December, 2006	\$	56,918.8
Amortization at December, 2011		<u>(41,333.9)</u>
Amount to be amortize at December 31, 2011	\$	<u>15,584.9</u>

**Granbanco S.A. – Bancafe Commercial Credit:**

The commercial credit was generated by the purchase of Granbanco of February 16, 2007 for the amount of \$1.372.458.0.

According to the provisions of External Circular 034 of 2006 issued by the Colombian Superintendence of Finance, the commercial credit must be valued by an expert, who must be an independent professional without any conflict of interest with the Bank and with accredited experience on the subject. In this case, said expert was the Firm PricewaterhouseCoopers Asesores Gerenciales Ltda. The valorization must be performed each year.

Likewise, according to the provisions of External Circular 034 of 2006, the amortization of the commercial credit will be made at twenty (20) years, the way exponentially according to the next table:



**BANCO DAVIVIENDA S.A.**  
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Year	% amortiz.	Lines of Business						Value to amortized per year
		Consumer	Commercial	Pyme	Credit Card	Housing	Affiliates	
1	2,47	\$ 7,214.9	14,841.5	2,351.3	5,493.1	3,782.8	216.0	33,899.6
2	5,10	7,686.9	15,812.4	2,505.1	5,852.5	4,030.3	230.1	36,117.3
3	7,92	8,226.4	16,922.1	2,680.9	6,263.2	4,313.1	246.2	38,651.9
4	10,94	8,833.2	18,170.4	2,878.7	6,725.2	4,631.3	264.4	41,503.2
5	14,17	9,440.1	19,418.8	3,076.5	7,187.3	4,949.4	282.6	44,354.7
6	17,61	10,046.9	20,667.1	3,274.2	7,649.3	5,267.6	300.7	47,205.8
7	21,28	10,721.2	22,054.2	3,494.0	8,162.7	5,621.2	320.9	50,374.2
8	25,21	11,462.9	23,579.9	3,735.7	8,727.4	6,010.0	343.1	53,859.0
9	29,41	12,272.1	25,244.4	3,999.4	9,343.5	6,434.3	367.3	57,661.0
10	33,91	13,148.7	27,047.6	4,285.1	10,010.9	6,893.9	393.6	61,779.8
11	38,71	14,025.3	28,850.7	4,570.8	10,678.2	7,353.5	419.8	65,898.3
12	43,86	15,036.7	30,931.3	4,900.4	11,448.3	7,883.8	450.1	70,650.6
13	49,35	16,048.1	33,011.9	5,230.0	12,218.4	8,414.1	480.3	75,402.8
14	55,22	17,127.0	35,231.2	5,581.6	13,039.8	8,979.7	512.6	80,471.9
15	61,50	18,340.7	37,727.9	5,977.2	13,963.9	9,616.1	549.0	86,174.8
16	68,21	19,621.9	40,363.3	6,394.7	14,939.3	10,287.8	587.3	92,194.3
17	75,39	20,970.5	43,137.4	6,834.2	15,966.0	10,994.8	627.7	98,530.6
18	83,06	22,386.5	46,050.2	7,295.6	17,044.1	11,737.3	670.1	105,183.8
19	91,25	23,937.3	49,240.4	7,801.1	18,224.9	12,550.4	716.5	112,470.6
20	100,00	<u>25,555.7</u>	<u>52,569.3</u>	<u>8,328.5</u>	<u>19,457.0</u>	<u>13,398.6</u>	<u>764.7</u>	<u>120,073.8</u>
		\$ <u>292,103.0</u>	<u>600,872.0</u>	<u>95,195.0</u>	<u>222,395.0</u>	<u>153,150.0</u>	<u>8,743.0</u>	<u>1,372,458.0</u>

The following are the major characteristics considered in the evaluation of the good will:

- The definition and determination of lines of business was a process carried out jointly with the directors of Davivienda and Granbanco, whereby both entities identified the independent cash flow sources of groups of assets.
- According to the foregoing, the merger of the lines of business of Davivienda and Granbanco was made, taking into account the synergies that could be found. In this manner, the value of the commercial credit was assigned in the following six (6) lines of business with valuation at market prices and based on the figures as of the closing of December 31, 2006 for Davivienda and January 31, 2007 for Granbanco: consumer, commercial, SME, credit card, housing and affiliates (Panamá, Miami and Fiducaf ).
- The general criteria to define the above lines of business were: characteristics proper of the lines of business (average placement rates, average balance by customer/product, customers profile, growth of portfolio and allocation of expenses); feasibility of independent valuation and international accounting rules.
- Upon definition of the lines of business and identification of their corresponding assets, based on the global the balance sheet and statement of income and the different information system of each of the entities, the statements of income and balance sheets were determined for each line of business, for a projected period of 10 years.

The valuation of lines of business was made using the methodology of flow of dividends, discounted at the stockholder's cost, which according to experts is the most appropriate to value financial institutions and is wide used by first level Banks. Said methodology consists in forecasting the flow of dividends available during 10 years plus a terminal value and discounting them at a proper rate.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

A summary of the assignment of commercial credit determined by each line of business, of the accumulated amortization and the balance as on December 31, 2011, is the following:

<u>Business line</u>	<u>Participation</u>	<u>Commercial Credit recorded</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Consumer	21.3%	\$ 292,103.0	40,614.9	251,488.1
Commercial	43.8%	600,872.0	83,547.1	517,324.9
SME	6.9%	95,195.0	13,236.2	81,958.8
Credit Card	16.2%	222,395.0	30,922.5	191,472.5
Mortgage	11.2%	153,150.0	21,294.4	131,855.6
Affiliates	<u>0.6%</u>	<u>8,743.0</u>	<u>1,215.6</u>	<u>7,527.4</u>
Total	<u>100.0%</u>	<u>\$ 1,372,458.0</u>	<u>190,830.7</u>	<u>1,181,627.3</u>

The result of the update revaluation on April 30, 2011, made by the firm Price waterhouse Coopers Managers Advisors Ltda. in base of audited financial statements of Bank on December 31, 2010, the business lines did not generated lost for impairment.

For tax purposes, the Bank implements Article 143 of the Tax Code, which states that the term for the amortization of investments may be made in a term of "not less than five years", and has planned to make the repayment within a period of 7 years and 5 years respectively using the straight-line method, for which a simple calculation was made of the total divided into the number of months proposed, and a portion is set to be amortized annually. A similar method is provided for in the case of depreciation.

The resulting difference between book and tax amortization is recorded as deferred tax payable.

**12.2 Employees Loans**

The Bank assessed all employee loans. The result of the classification to December 31 and June 30, 2011 is as follows:'

<u>December 31</u>	<u>Mortgage</u>	<u>Suitable Guarantess</u>	<u>Allowance</u>
A -Normal	\$ 125,291.8	364,834.7	1,885.6
B -Acceptable	<u>93.4</u>	<u>226.0</u>	<u>4.9</u>
	<u>\$ 125,385.2</u>	<u>365,060.7</u>	<u>1,890.5</u>
 <u>June 30</u>			
A-Normal	\$ 120,454.2	328,788.5	1,805.7
B -Acceptable	<u>33.4</u>	<u>0.0</u>	<u>1.7</u>
	<u>\$ 120,487.6</u>	<u>328,788.5</u>	<u>1,807.4</u>

The funds designated for employees Mortgage are backed by suitable guarantess.





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Notes to the Financial Statements

**12.3 Other Assets - Other**

The detail of other assets – other is as follows:

	<u>December 31</u>	<u>June 30</u>
Permanent contributions	\$ 251.7	251.7
Letters of credit Deferred payment	6,812.4	13,370.6
Others Deposits	7,077.3	1,937.6
Goods given in accomodatum	2,153.0	2,224.4
Art and culture assets	2,134.5	2,001.0
Rights in trust (1)	1,745.9	3,560.6
Advance income tax	0.0	6,840.9
Withholding	0.2	24,015.5
Income surplus	2,902.7	2,902.7
Remittances unpaid	268.0	23.0
Advance industry and commerce tax	231.0	161.2
Others (Less than 5%)	<u>61.1</u>	<u>62.0</u>
	<b>\$ 23,637.8</b>	<b>57,351.2</b>

(1) Rights in trust

At December 31 and June 30, 2011 under the heading rights in trust, in which are recorded the following goods received as payment:

	<u>December 31</u>		<u>June 30</u>	
	<u>Balance</u>	<u>Provisión</u>	<u>Balance</u>	<u>Provisión</u>
Copescol S.A.	\$ 0.0	0.0	982.8	982.8
Agropecuaria Molina Vivas	37.0	37.0	37.0	37.0
Textiles Omnes S.A.	465.6	465.6	465.6	465.6
Fiduciaria Superior *	1,199.1	0.0	2,026.6	0.0
Others	<u>44.2</u>	<u>0.0</u>	<u>48.6</u>	<u>0.0</u>
	<b>\$ 1,745.9</b>	<b>502.6</b>	<b>3,560.6</b>	<b>1,485.4</b>

\* Corresponds to the remaining settlement Fiduciaria Superior S.A., September 2009.

**12.4 Allowance for other assets**

The movement of the allowance for others assets, is as follows:

	<u>December 31</u>	<u>June 30</u>
Beginning balance	\$ 3,944.3	4,244.5
Plus:		
Allowance charged to operating expenses	288.6	408.4
Less:		
Reclassifications	0.0	506.0
Refunding to income – Recoveries	<u>1,188.3</u>	<u>202.6</u>
Ending balance	<b>\$ 3,044.6</b>	<b>3,944.3</b>



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**13 Deposits and payables**

The following is the detail of deposits and payables:

	Maximum annual interest rate	<u>December 31</u>	<u>June 30</u>
Deposits in checking account	0.0% - 0.96%	\$ 3,447,946.6	3,019,174.6
Certificates in pesos			
Lower than 6 months	4.10%-5.60%	1,189,838.8	1,022,162.9
Between 6 and 12 months	4.15%-5.80%	1,372,834.8	1,711,206.9
Between 12 and 18 months	4.20%-6.10%	971,523.5	1,003,180.7
Higher than 18 months	4.35%-6.95%	<u>2,162,107.3</u>	<u>1,868,053.8</u>
		<u>5,696,304.4</u>	<u>5,604,604.3</u>
Savings deposits			
Ordinary Savings deposits	0.00% - 4.25%	12,274,605.5	11,089,920.3
Between 6 and 12 months		<u>49,069.2</u>	<u>53,793.7</u>
		<u>12,323,674.7</u>	<u>11,143,714.0</u>
Savings certificates of real value			
- Between 6 and 12 months	UVR + 1.45	<u>0.0</u>	<u>26,170.1</u>
Other Deposits and payables:			
Banks and intermediaries		2,184.7	37,375.5
Payables for Banking services		229,765.6	120,168.1
Affiliated establishments		<u>6,906.6</u>	<u>8,716.7</u>
		<u>238,856.9</u>	<u>166,260.3</u>
		<u>\$ 21,706,782.6</u>	<u>19,959,923.3</u>

The following is a detail of the interest expense during the biannual periods ended on December 31, and June 30, 2011:

<u>Modality</u>		<u>December 31</u>	<u>June 30</u>
Deposits and payables interests:			
Common deposits	\$	145,032.8	83,181.2
Term savings certificates		361.2	43.6
Certificates in pesos		141,170.2	127,842.5
Deposits in checking account		<u>11,116.8</u>	<u>8,294.9</u>
		<u>297,681.0</u>	<u>219,362.2</u>
Adjustments of the real value unit - UVR		<u>3,663.8</u>	<u>8,930.7</u>
Other interests:			
Bank credits and other financial obligations		55,414.7	40,431.4
Inter-Bank funds		802.5	807.6
Bonds		123,756.8	104,655.1
Commitments and simultaneous transfer repos		5,203.1	3,459.2
Amortized premium portfolio		618.4	0.0
Contracts Financial Leases (note11)		0.0	980.5
Preferred shareholders - advance shares purchase		0.0	21.3
Others		<u>12.9</u>	<u>43.3</u>
		<u>185,808.4</u>	<u>150,398.4</u>
	\$	<u>487,153.2</u>	<u>378,691.3</u>



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**Reserve**

On December 31 and June 30, 2011 a reserve on deposits and payables was formed in accordance with External Resolution 11 of October 2008 of the Banco de la República (Note 36).

The reserve required and the average disposable to the Bank during the second and first half of 2011, was:

	<u>December 31</u>	<u>June 30</u>
Average reserve requirement	\$1,834,538.2	1,647,584.0
Average reserve available	1,860,700.6	1,657,820.0

**14 Passive Positions in Monetary Market Operations and those Related**

The following is the detail of Passive Positions in Monetary Market Operations and those Related:

December 31

<u>Entity</u>	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Date of</u>		<u>Market</u>	<u>TRM</u>
			<u>Initiation</u>	<u>Settlement</u>	<u>Value</u>	<u>(Pesos)</u>
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
USD	1,675,000.0	0.35%	Dic.30.11	Ene.03.12	\$3,254.0	1,942.70
	4,075,000.0	0.30%	Dic.30.11	Ene.03.12	7,916.5	1,942.70
	20,000,000.0	0.40%	Dic.29.11	Ene.03.12	38,854.0	1,942.70
	<u>10,000,000.0</u>	0.38%	Dic.29.11	Ene.03.12	<u>19,427.0</u>	1,942.70
	<u>35,750,000.0</u>				<u>69,451.5</u>	
<u>Legal Currency</u>						
Liabilities Repos						
Banks		4.66%	Dic.07.11	Ene.04.12	6,000.0	
		4.65%	Dic.14.11	Ene.11.12	<u>6,000.0</u>	
					<u>12,000.0</u>	
Total Passive Positions in Monetary Market Operations and those Related					<u>\$ 81,451.5</u>	



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June 30

Entity	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Date of</u>		<u>Market</u>	<u>TRM (Pesos)</u>
			<u>Initiation</u>	<u>Settlement</u>	<u>Value</u>	
<u>Foreign Currency</u>						
<u>Overnight Foreign Banks</u>						
	USD 2,000,000.0	0.40%	Jun.30.11	Jul.07.11	\$3,544.6	1,772.32
	USD 5,000,000.0	0.35%	Jun.30.11	Jul.07.11	8,861.6	1,772.32
	USD 5,000,000.0	0.35%	Jun.30.11	Jul.07.11	8,861.6	1,772.32
	5,000,000.0	0.25%	Jun.30.11	Jul.07.11	8,861.6	1,772.32
	<u>5,175,000.0</u>	0.30%	<u>Jun.30.11</u>	<u>Jul.07.11</u>	<u>9,171.8</u>	<u>1,772.32</u>
	<u>22,175,000.0</u>				<u>39,301.2</u>	
<u>Liabilities InterBank</u>						
	<u>Amount in pesos</u>					
Banks		4.10%	Jun.30.11	Jul.01.11	<u>3,000.0</u>	
Total Passive Positions in Monetary Market Operations and those Related					<u>\$ 42,301.2</u>	

For the second and first half of 2011, the balance and the average monthly yield for these passive positions (local and foreign currency) were \$81,451.5 and \$994.4 and \$42,301.2 and \$711.1 respectively.

There are no restrictions on these funds.

**15 Banker's Acceptances and Derivatives Instruments**

The following is the detail of account:

<u>Product</u>	<u>December 31</u>	<u>June 30</u>
Futures Contracts	\$86,828.5	105,396.5
Swaps	195.8	31.0
Options	3,158.5	960.1
Hedging Swaps	<u>6,399.5</u>	<u>32,047.6</u>
	<u>\$96,582.3</u>	<u>138,435.2</u>

Since January 1, 2010 and as indicated in Chapter XVIII of the External Circular 100 of the Colombian Superintendence of Finance, the accounting for derivatives is done taking into account the outcome of the fair value as follows:



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<u>December 31</u>		<u>Speculation Derivatives</u>					Hedging
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Options</u>	<u>Total</u>	<u>Swaps</u> derivatives
<u>Purchase</u>	Right	(\$ 788,510.2)	0.0	0.0	0.0	(788,510.2)	0.0
	Obligation	792,157.3	0.0	0.0	0.0	792,157.3	0.0
<u>Sale</u>	Right	(3,824,919.8)	0.0	0.0	0.0	(3,824,919.8)	0.0
	Obligation	3,908,101.2	0.0	0.0	0.0	3,908,101.2	0.0
<u>Interest Surcharge</u>	Right	0.0	0.0	(4,517.9)	0.0	(4,517.9)	0.0
	Obligation	0.0	0.0	4,713.7	0.0	4,713.7	0.0
<u>Interest rate CCS</u>	Right	0.0	0.0	0.0	0.0	0.0	(321,193.5)
	Obligation	0.0	0.0	0.0	0.0	0.0	327,593.0
<u>Call options</u>	Sale	0.0	0.0	0.0	2,359.9	2,359.9	0.0
<u>Put options</u>	Sale	0.0	0.0	0.0	798.6	798.6	0.0
Total Rights		(4,613,430.0)	0.0	(4,517.9)	0.0	(4,617,947.9)	(321,193.5)
Total obligations		<u>4,700,258.5</u>	<u>0.0</u>	<u>4,713.7</u>	<u>3,158.5</u>	4,708,130.7	<u>327,593.0</u>
Total Net		<u>\$ 86,828.5</u>	<u>0.0</u>	<u>195.8</u>	<u>3,158.5</u>	<u>90,182.8</u>	<u>6,399.5</u>



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<u>June 30</u>		<u>Speculation Derivatives</u>				Hedging
		Forward	Swaps	Options	<u>Total</u>	<u>Swaps</u>
<u>Purchase</u>	Right	(\$ 5,342,536.6)	0.0	0.0	(5,342,536.6)	0.0
	Obligation	5,444,347.3	0.0	0.0	5,444,347.3	0.0
<u>Sale currency</u>	Right	(870,687.6)	0.0	0.0	(870,687.6)	0.0
	Obligation	874,273.4	0.0	0.0	874,273.4	0.0
<u>Interest Surcharge</u>	Right	0.0	(2,578.2)	0.0	(2,578.2)	0.0
	Obligation	0.0	2,609.2	0.0	2,609.2	0.0
<u>Interest rate CCS</u>	Right	0.0	0.0	0.0	0.0	(293,076.2)
	Obligation	0.0	0.0	0.0	0.0	325,123.8
<u>Call options</u>	Sale	0.0	0.0	189.8	189.8	0.0
<u>Put options</u>	Sale	0.0	0.0	770.3	770.3	0.0
Total Rights		(6,213,224.2)	(2,578.2)	0.0	(6,215,802.4)	(293,076.2)
Total obligations		<u>6,318,620.7</u>	<u>2,609.2</u>	<u>960.1</u>	6,322,190.0	<u>325,123.8</u>
Total Net		<u>\$ 105,396.5</u>	<u>31.0</u>	<u>960.1</u>	<u>106,387.6</u>	<u>32,047.6</u>

The following is a breakdown of the derivatives maturity terms as of December 31 and June 30, 2011:

	<u>December 31</u>		
	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Total</u>
	Forward Contracts	\$86,828.5	0.0
Speculative Swaps	195.8	0.0	195.8
Hedging Swaps	0.0	6,399.5	6,399.5
Options	<u>3,158.5</u>	<u>0.0</u>	<u>3,158.5</u>
	<u>\$ 90,182.8</u>	<u>6,399.5</u>	<u>96,582.3</u>
	<u>June 30</u>		
	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Total</u>
Cash transactions	\$105,396.5	0.0	105,396.5
Speculative Swaps	22.1	8.9	31.0
Hedging Swaps	0.0	32,047.6	32,047.6
Options	<u>960.1</u>	<u>0.0</u>	<u>960.1</u>
	<u>\$ 106,378.7</u>	<u>32,056.5</u>	<u>138,435.2</u>



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**15.1 Hedge Operation – Granbanco purchase**

In order to minimize the risks from the Finance operation of the Granbanco SA purchase and to comply with legal requirements of its proper position and its parties Cash position, 9 interest rate hedges and Cross-currency swap operations (CCS) were agreed for the debt in dollars effectuated for the payment of Granbanco. CCS is a contract between two parties that wish to exchange capital for a defined period of time and which are denominated in different currencies. During the term of the contract, each party assumes the interest generated by the principal received in the swap. At the time of repayment and the maturity of the contract, the principals are exchanged for the currency each of the parties originally had.

These operations were CCS Libor - Fixed Rate and CCS Libor - Variable Rate for a total of USD415,000,000 agreed for terms of 7 and 3 years respectively.

At December 31, 2011, the Bank has in effect two interest rate swaps (Currency Swaps), as cover for the issuance of the IFC Bonds for U.S. \$165,000,000 issued in February 2007.

Below are the swaps outstanding at 31 December and 30 June 2011 for the operations described above.

Period	Detail	Term (years)	Initial Period	Final Period	Value \$		Net
					Right	Obligation	
Dic-11	Bonos IFC Hedge Swap	7	Feb.07.07	Feb.07.14	321,193.5	327,593.0	(6,399.5)
Jun-11	Bonos IFC Hedge Swap	7	Feb.07.07	Feb.07.14	293,076.2	325,123.8	(32,047.6)

**Flows generated by hedge operation for Financing Granbanco purchase:**

The result of the valorization for the swap was negative on both December 31 and June 30, 2011 was recorded in the liabilities (note 15)

- IFC Bonds interest coupon payment (hedging capital):

During the second half of 2011, the payment for the 9<sup>th</sup> IFC coupon bond were generated, obtaining a cash outflow of \$11,110.9:

Operation	Counterpart	Date	Amount Paid USD\$	Agreed Exchange rate*	Amount Paid (COP) \$
1	Deutsche Bank	Jul.15.11	USD 1,929.3	1,758.2	\$3,392.2
2	The Royak Bank of Scotland	Jul.15.11	1,785.0	1,758.3	3,138.4
3	Bond IFC	Jul.15.11	<u>2,615.5</u>	1,751.2	<u>4,580.3</u>
			USD <u>6,329.8</u>		<u>11,110.9</u>

The first half of 2011 generated the payment of 8 ° Bonds IFC coupon, generating a cash outflow of \$16,848.9.

Operation	Counterpart	Date	Amount Paid USD\$	Agreed Exchange rate*	Amount Paid (COP) \$
1	Deutsche Bank	Ene.18.11	USD 2,878.2	1,974.2	\$5,682.3
2	The Royak Bank of Scotland	Ene.18.11	2,488.2	1,974.2	4,912.3
3	Bonos IFC	Ene.18.11	<u>3,168.0</u>	1,974.2	<u>6,254.3</u>
			USD <u>8,534.4</u>		<u>\$ 16,848.9</u>

\* The agreed interest rates remain unchanged. The adjustment is done completely to the exchange rate.

For the second and first half of 2011, there were no payments reset.



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**15.2 CCS Hedge accounting record**

These hedges are recorded at just value.

The effect on results for the valuation of the syndicated loan and subordinated bonds was as follows:

	<u>December 31</u>	<u>June 30</u>
CCS swap	\$ (19,111.6)	27,029.3
Bond IFC Assets	<u>33,195.8</u>	<u>(18,700.3)</u>
Net assets	\$ <u>14,084.2</u>	<u>8,329.0</u>

**16 Banking Credits and Other Financial Obligation**

The following is the detail in local currency and foreign currency translated to legal currency

	December 31					
	<u>Interest payable</u>	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Between 5 &amp; 10 years</u>	<u>More than 10 years</u>	<u>Total Capital</u>
<b>Others Entities in the Country:</b>						
<b><u>Legal Currency</u></b>						
Bancoldex	\$ 359.4	5,096.5	54,363.5	19,501.4	0.0	78,961.4
Finagro	2,905.0	7,789.4	132,761.2	80,402.6	40,895.5	261,848.7
Findeter	<u>6,561.1</u>	<u>31,812.5</u>	<u>135,387.8</u>	<u>743,907.1</u>	<u>188,987.2</u>	<u>1,100,094.6</u>
	<u>9,825.5</u>	<u>44,698.4</u>	<u>322,512.4</u>	<u>843,811.2</u>	<u>229,882.6</u>	<u>1,440,904.7</u>
<b>Foreign Currency</b>						
Bancoldex	1,489.6	82,149.5	86,578.1	103,794.4	0.0	272,522.0
Findeter	340.4	0.0	0.0	79,650.7	0.0	79,650.7
Overdrafts checking	<u>0.0</u>	<u>3,189.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>3,189.5</u>
	<u>1,830.0</u>	<u>85,339.0</u>	<u>86,578.1</u>	<u>183,445.1</u>	<u>0.0</u>	<u>355,362.2</u>
	<u>11,655.5</u>	<u>130,037.4</u>	<u>409,090.5</u>	<u>1,027,256.3</u>	<u>229,882.6</u>	<u>1,796,266.9</u>
<b>Foreign Entities:</b>						
	<u>6,220.8</u>	<u>1,579,893.5</u>	<u>90,660.4</u>	<u>0.0</u>	<u>0.0</u>	<u>1,670,553.9</u>
	\$ <u>17,876.3</u>	<u>1,709,930.9</u>	<u>499,750.9</u>	<u>1,027,256.3</u>	<u>229,882.6</u>	<u>3,466,820.8</u>





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Entity	30 de junio					Total Capital
	Interest payable	Less than 1 year	Between 1 & 5 years	Between 5 & 10 years	More than 10 years	
<b>Others Entities in the Country:</b>						
<b>Legal Currency</b>						
Bancoldex	\$ 240.7	5,942.3	61,395.1	15,779.8	0.0	83,117.3
Finagro	1,454.3	4,931.2	90,433.4	39,642.8	39,671.2	174,678.6
Findeter	5,874.7	36,749.6	140,352.5	640,571.3	202,766.9	1,020,440.2
Overdrafts Checking accounts	<u>0.0</u>	<u>79.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>79.3</u>
	<u>7,569.7</u>	<u>47,702.4</u>	<u>292,181.0</u>	<u>695,993.9</u>	<u>242,438.1</u>	<u>1,278,315.4</u>
<b>Foreign Currency</b>						
Bancoldex	402.0	1,145.2	69,049.7	43,971.5	0.0	114,166.5
Overdrafts Checking accounts	<u>0.0</u>	<u>451.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>451.7</u>
	<u>402.0</u>	<u>1,596.9</u>	<u>69,049.7</u>	<u>43,971.5</u>	<u>0.0</u>	<u>114,618.2</u>
	<u>7,971.7</u>	<u>49,299.3</u>	<u>361,230.7</u>	<u>739,965.5</u>	<u>242,438.1</u>	<u>1,392,933.6</u>
<b>Foreign Entities:</b>						
	<u>3,547.8</u>	<u>1,244,218.6</u>	<u>70,990.9</u>	<u>0.0</u>	<u>0.0</u>	<u>1,315,209.5</u>
\$	<u>11,519.5</u>	<u>1,293,517.9</u>	<u>432,221.6</u>	<u>739,965.5</u>	<u>242,438.1</u>	<u>2,708,143.1</u>

**17 Accounts Payable**

The following is the detail of interests payable and accounts payable:

	December 31	June 30
<b>Interests:</b>		
Deposits and payables	\$ 82,098.5	74,762.2
Money market operations and related	204.4	277.3
Banking credits and other financial obligations (note 16)	17,876.3	11,519.5
Investment securities outstanding	34,417.4	31,936.6
Others	<u>12.9</u>	<u>0.0</u>
	<u>134,609.5</u>	<u>118,495.6</u>
Commissions and fees	<u>4,022.7</u>	<u>524.6</u>
<b>Reverces</b>		
Rent Companies	36,108.4	40,469.2
Industry and commerce, duveling and vehicle	5,377.0	49,327.1
Others	<u>15,414.5</u>	<u>24,572.3</u>
	<u>56,899.9</u>	<u>114,368.6</u>
<b>Suppliers:</b>		
Accounts payable suppliers	7,016.9	55,384.4
ACH compensation	99,258.3	98,869.6
Visa, mastercard network compensation	22,092.4	16,922.9
Checks payable	7,865.1	3,827.2
Liability policy debit and credit cards	7,453.0	0.0
Accounts payable for services provided	24,738.8	0.0
Others	<u>221.3</u>	<u>80.3</u>
	<u>168,645.8</u>	<u>175,084.4</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
<u>Others</u>		
Equity tax	134,003.0	156,336.8
Income tax	40,192.7	2,010.6
Industry and commence	12,760.0	0.0
Dividends and surpluses	3,024.3	3,281.8
Tax payable	5,665.5	4,977.9
Tax on transactions	17,144.2	12,158.1
Promising purchasers	3,637.1	11,858.0
Labor withholdings and obligations	41,934.6	47,911.1
Insurance premiums	795.5	1,799.6
Money orders payable	13,495.6	25,119.1
Uncashed checks drawn	13,405.9	21,059.3
Accounts payable Nation Law 546 of 1999	95,015.7	58,826.4
Others:		
Commercial establishments	58,168.1	73,999.9
Forward Operations	13,275.8	4,193.3
Balances and fees for	7,664.0	8,660.2
Remaining Portfolio	10,328.5	6,885.4
Trade accounts payable to Network	277.0	483.4
Solidarity Peace Bonds	20,564.7	20,588.1
Visa prepaid balances	9,520.1	9,668.8
Collection management costs	3,352.9	3,020.8
Outstanding disbursements	1,623.5	2,340.4
Various (less than 5%)	<u>16,648.3</u>	<u>19,334.4</u>
	<u>522,497.0</u>	<u>494,513.4</u>
	\$ <u>886,674.9</u>	<u>902,986.6</u>

**(1) Equity tax**

The Government, through the Tax Reform Act 1370, December 2009 created the equity tax for the taxable years 2011 to 2014, applicable to taxpayers who are natural persons and legal entities. The same Act established that this tax was generated on 1 January 2011 and must be paid in eight (8) half-yearly installments within the time limits established by the Government. The first installment was paid on May 2011.

Subsequently, the Government, through the Regulatory Decree 514, January 2010 regulated the manner of accounting for the tax, indicating that the tax could be written off against the Equity Revaluation account for the years 2011 to 2014, and when insufficient the contributors could raise the value of the contributions due annually in the resulting accounts for the respective period.

Therefore, the equity tax in Detail to December 31, 2011 is as follows:

Tax value based on the filed return	\$178.670.3
Amount amortized to income for 2011	<u>(44.667.3)</u>
Unamortized balance recorded in Deferred charges	<u>\$134.003.0</u>

**18 Long Term - Debt**

On December 31, and June 30, 2011 the Bank records investment securities outstanding for \$3.700.988.4 and \$3.491.208,2 respectively, corresponding to issuances of common and mortgage bonds.



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Notes to the Financial Statements

The following provides details of the bonds for each of the issues current on december 31 and June 30, 2011:

Type of Issuance	Date	Offer Amount	Term (Months)	Yield	Settlement	Book Value	
						December 31	June 30
<b><u>Mortgage Bonds</u></b>							
<u>Guarantee:</u> Mortgage Loans rating "A" and prepayment option for issuer every 3 months.							
First Issuance of VIS Structured Mortgage Bonds sector 1	23-Jun-06	60,173.5	84	UVR + 0.75	23-Jun-13	<u>1,508.6</u>	<u>6,847.0</u>
<b><u>Subordinated Bonds</u></b>							
IFC First Subordinated Bonds - dollars (Note 1)							
<u>Guarantee:</u> Mortgage Loans rating "A" and prepaid option for issuer every 3 months.							
First Issuance Subordinated IPC Bonds No Guarantee – Series C	19-Feb-08	147,777.0	84	IPC + 6.65	19-Feb-15	147,777.0	147,777.0
First Issuance Subordinated UVR Bonds No Guarantee - Serie D	19-Feb-08	151,577.5	84	UVR + 6.65	19-Feb-15	176,986.4	174,978.9
Second Issuance Subordinated IPC Bonds No Guarantee - Serie C7	24-Feb-10	138,497.2	84	IPC + 5.25	24-Feb-17	138,497.2	138,497.2
Second Issuance Subordinated UVR Bonds No Guarantee - Serie U10	24-Feb-10	111,503.0	120	UVR + 5.50	24-Feb-20	<u>118,472.7</u>	<u>117,128.9</u>
Total Subordinated Bonds						<u>902,926.8</u>	<u>871,458.2</u>
Pass						<u>\$ 904,435.4</u>	<u>878,305.2</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

Type of Issuance	Date	Offer Amount	Term (Months)	Yield	Settlement	Book Value	
						December 31	June 30
Comer						\$ 904,435.4	878,305.2
<b><u>Common Bonds (No Guarantee)</u></b>							
Second Issuance common Bonds IPC Series	05-Aug-08	\$ 170,570.0	60	IPC + 6.24	05-Ago-13	170,570.0	170,570.0
Second Tranche 1 Bonds ordinary DTF - E Series	05-Aug-08	147,300.0	36	DTF + 2.59	05-Ago-11	<u>0.0</u> <u>170,570.0</u>	<u>147,300.0</u> <u>317,870.0</u>
Second Tranche 1 Bonds ordinary DTF - E3 Series	05-Feb-09	89,800.0	36	DTF + 1.35	05-Feb-12	<u>89,800.0</u> <u>89,800.0</u>	<u>89,800.0</u> <u>89,800.0</u>
Second Tranche Fixed Rate Bonds ordinary 1 - F5 Series	05-Feb-09	121,800.0	60	TF 10.40%	05-Feb-14	121,800.0	121,800.0
First regular CPI Bonds - Series G	05-Feb-09	123,433.0	84	IPC + 5.50	05-Feb-16	123,433.0	123,433.0
Second Ordinary Rate Bonds Fixed Tranche 2 - E3 Series	16-Jul-09	72,000.0	24	DTF+ 1.38	16-Jul-11	0.0	72,000.0
Second Ordinary Rate Tranche 1 – E3 Series	16-Jul-09	73,000.0	36	TF 7.89%	16-Jul-12	73,000.0	73,000.0
First Issuance common Bonds IBR Tranche 2 – G5 Series	16-Jul-09	215,000.0	60	IPC + 4.79	16-Jul-14	215,000.0	215,000.0
Second Issuance common Bonds IPC Tranche 1 – C5 Series	12-Feb-10	215,062.0	60	IPC + 3.98	12-Feb-15	215,062.0	215,062.0
Third Issuance common Bonds DTF Tranche 1 – T2 Series	12-Feb-10	86,051.0	24	DTF + 0.95	12-Feb-12	86,051.0	86,051.0
Second Issuance common Bonds IBR Tranche 1 – B1 Series	12-Feb-10	97,050.0	18	IBR + 0.95	12-Ago-11	0.0	97,050.0
- Sector B3	12-Feb-10	101,837.0	36	IBR + 1.36	12-Feb-13	<u>101,837.0</u> <u>101,837.0</u>	<u>101,837.0</u> <u>198,887.0</u>
Pass						\$1,196,553.0	\$1,512,903.0



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

<u>Type of Issuance</u>	<u>Date</u>	<u>Offer Amount</u>	<u>Term (Months)</u>	<u>Yield</u>	<u>Settlement</u>	<u>Book Value</u>	
						<u>December 31</u>	<u>June 30</u>
Come						<u>\$1,196,553.0</u>	<u>\$1,440,903.0</u>
Third Tranche 2 Bonds ordinary IPC - Series C5	07-Oct-10	120,150.0	60	IPC + 3.14	07-Oct-15	120,150.0	120,150.0
- Series C7	07-Oct-10	196,050.0	84	IPC + 3.63	07-Oct-17	<u>196,050.0</u>	<u>196,050.0</u>
						<u>316,200.0</u>	<u>316,200.0</u>
Third Tranche 2 Bonds ordinary IBR - B2 Series	07-Oct-10	91,550.0	24	IBR + 1.10	07-Oct-12	91,550.0	91,550.0
- Serie B3	07-Oct-10	92,250.0	36	IBR + 1.31	07-Oct-13	<u>92,250.0</u>	<u>92,250.0</u>
						<u>183,800.0</u>	<u>183,800.0</u>
Fourth Tranche 2 Bonds ordinary IBR - B30 Series	10-Mar-11	244,211.0	30	IBR + 1.35	10-Sep-13	244,211.0	244,211.0
First Bonds ordinary IBR - Second batch B27 Series	25-Aug-11	90,000.0	27	IBR + 1.68	10-Jun-13	90,000.0	0.0
Fourth ordinary CPI Bonds - Series C39	10-Mar-11	86,482.0	39	IPC + 2.80	10-Jun-14	86,482.0	86,482.0
- Serie C84	10-Mar-11	76,055.0	84	IPC + 3.88	10-Mar-18	76,055.0	76,055.0
- Serie C120	10-Mar-11	193,252.0	120	IPC + 4.19	10-Mar-21	193,252.0	193,252.0
First ordinary CPI Bonds - Second batch - C120 Series	25-Aug-11	90,000.0	48	IPC + 3.60	10-Mar-15	90,000.0	<u>0.0</u>
First ordinary CPI Bonds - Second batch - C120 Series	25-Aug-11	159,230.0	90	IPC + 3.99	10-Sep-18	159,230.0	<u>0.0</u>
First ordinary CPI Bonds - Second batch - C120 Series	25-Aug-11	160,770.0	126	IPC + 4.23	10-Sep-21	<u>160,770.0</u>	<u>0.0</u>
						<u>765,789.0</u>	<u>355,789.0</u>
Total common Bonds						<u>2,796,553.0</u>	<u>2,612,903.0</u>
						<u>\$3,700,988.4</u>	<u>\$3,491,208.2</u>

(\*)The valuation of this issue is at market prices employing the future implied rates obtained from the zero coupon rates of the libor- swap dollar curve for the respective terms. To calculate the present value of such cash flows the Bank used as a discount rate the same zero coupon interest rates used for the valuation of the point in dollars of the respective swap.

That portion of those bonds that is not covered by the flow coverage that is proposed with the swaps, which corresponds to the agreed margin on the variable rate must not be valued at fair exchange value, but instead must follow the lineal accrual methodology.

The interest payments are half-year period in arrears taking six months Libor.

To cover the risk inherent in these liabilities in dollars, the Bank constituted two (2) Cross Currency Swap in pesos per \$368.575,5 that lets to change the exposure of the libor rate and the dollar. (Note 15)



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

Bonds by monetary unit

	<u>December 31</u>	<u>June 30</u>
Legal currency	\$ 3,082,827.2	2,899,177.2
Foreign currency	321,193.5	293,076.2
UVR	<u>296,967.7</u>	<u>298,954.8</u>
	\$ <u>3,700,988.4</u>	<u>3,491,208.2</u>

Bonds by period of maturity:

	<u>31 de diciembre</u>	<u>30 de junio</u>
Less than 1 year	\$ 430,401.0	492,201.0
Between 1 & 5 years	2,228,260.5	2,278,024.1
Between 5 & 10 years	<u>1,042,326.9</u>	<u>720,983.1</u>
	\$ <u>3,700,988.4</u>	<u>3,491,208.2</u>

**19 Others Liabilities**

Other liabilities relate to:

	<u>December 31</u>	<u>June 30</u>
Consolidated Labor obligations	\$ 35,065.4	30,638.7
Advance income	6,443.5	31.9
Others	<u>279,201.5</u>	<u>241,270.3</u>
	\$ <u>320,710.4</u>	<u>271,940.9</u>

The following is the detail of the other liabilities.

**19.1 Labor obligations**

The detail of the consolidated labor obligations is as follows:

	<u>December 31</u>	<u>June 30</u>
Consolidated severance payments	\$ 12,236.0	6,602.5
Severance payment interests	1,438.0	528.8
Consolidated vacations	14,342.2	15,682.2
Other social benefits	<u>7,049.2</u>	<u>7,825.2</u>
	\$ <u>35,065.4</u>	<u>30,638.7</u>

The Bank applies the labor regime set forth on Law 50, dated 1990.

As of december 31 and june 30, 2011 the Bank has no pension liabilities.



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Notes to the Financial Statements

**19.2 Advance income movement**

The movement for the advance income during the half-year periods ended on December 31 and June 30, 2011 is the following:

	Balance at <u>June 30</u>	<u>Credits</u>	<u>Charges</u>	Balance at <u>December 31</u>
Interests	\$ 26.5	0.1	20.3	6.3
Commissions	0.0	6,431.8	0.0	6,431.8
Others	<u>5.4</u>	<u>0.0</u>	<u>0.0</u>	<u>5.4</u>
	\$ <u>31.9</u>	<u>6,431.9</u>	<u>20.3</u>	<u>6,443.5</u>

**19.3 Others**

The movement of other liabilities – other during the half-year period ended on December 31, 2011 is as follows:

	Balance at <u>June 30</u>	<u>Credit</u>	<u>Charges</u>	Balance at <u>December 31</u>
Deferred credits (1)	\$ 38,533.5	67,082.5	64,467.9	41,148.1
Credit card deferred payment	13,370.6	22,392.5	28,950.7	6,812.4
Deferred income tax	130,194.9	39,087.5	4,244.6	165,037.8
Credits for applied	23,198.4	15,407,797.6	15,403,516.5	27,479.5
Surpluses in exchange	15.2	35,265.8	35,172.6	108.4
Surpluses in cash	3,382.1	85,826.3	83,431.9	5,776.5
Accounts cancelled	32,114.2	31,402.3	31,524.7	31,991.8
Others	<u>461.4</u>	<u>1,014,401.0</u>	<u>1,014,015.4</u>	<u>847.0</u>
	\$ <u>241,270.3</u>	<u>16,703,255.5</u>	<u>16,665,324.3</u>	<u>279,201.5</u>

(1) The detail of the deferred credits as at December 31 and June 30, 2011 is the following:

	<u>December 31</u>	<u>June 30</u>
Credit Portfolio expressed in RVU.	\$ 0.0	12,436.9
Amortized deferred restructured credits	23,764.0	21,795.1
Profit on foreclosed assets sale.	2,803.3	3,288.8
Profit on assets sale	13,723.0	0.0
Others	<u>857.8</u>	<u>1,012.7</u>
	\$ <u>41,148.1</u>	<u>38,533.5</u>



**BANCO DAVIVIENDA S.A.**  
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The following are the deferred credits to be redeemed in installments, which limit date is December 31, and June 30, 2011:

		<u>December 31</u>	<u>June 30</u>
From 0 to 1 years	\$	13,722.9	12,436.9
From 1 to 5 years		3,198.2	3,480.3
More than 10 years		<u>24,227.0</u>	<u>22,616.3</u>
	\$	<u>41,148.1</u>	<u>38,533.5</u>

**20 Estimated Liabilities and Allowances**

The following is the detail of estimated liabilities and allowances:

		<u>December 31</u>	<u>June 30</u>
Taxes:			
Income tax 2010	\$	0.0	35,462.0
Industry and commerce		<u>0.0</u>	<u>11,463.8</u>
		<u>0.0</u>	<u>46,925.8</u>
Others:			
Tes Interests Law 546, 1999		171.3	718.9
Penalties and sanctions SFC		410.0	410.0
Penalties and sanctions, litigations, claims and demands		85,869.3	82,382.7
Diners point and fresh allowance		21,916.5	17,272.0
Other Allowances (Less than 5%)		<u>2,814.6</u>	<u>2,852.5</u>
		<u>111,181.7</u>	<u>103,636.1</u>
	\$	<u>111,181.7</u>	<u>150,561.9</u>

The income tax returns presented in 2009 and 2010 are pending for review by the Administración de Impuestos y Aduanas Nacionales (DIAN).

**Penalties and sanctions From Legal Actions**

The processes that generate contingent liability to the Bank, had been brokendown as follows:

**a. Litigation covered by Fogafin**

These are the processes of Granbanco S.A. Fiduciaria Cafetera S.A, Bancafe Panamá S.A. and Bancafé International Corporation which existed on January 31, 2007 and that were reported after February 16, 2007 and until february 16, 2007, which are in force and are specifically guaranteed by Fogafin.

**b. Bank's Lawsuits**

They are the other processes that generate contingent liability to the Bank, not covered by Fogafin.

Following is a summary of the processes, as of December 31 and June 30, 2011:





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Notes to the Financial Statements

<u>December 31</u>				
<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>	
Litigation covered by contract Fogafin	363	\$ 13,417.0	63,511.8	
<b>Bank</b>				
Penalties and sanctions others administrative authorities	17	58,985.0	92,277.6	
Labor Demands	58	1,154.9	3,707.2	
Common Processes	<u>1,061</u>	<u>12,312.4</u>	<u>87,427.4</u>	
	<u>1,499</u>	<u>\$ 85,869.3</u>	<u>246,924.0</u>	
<u>June 30</u>				
<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>	
Litigation covered by contract Fogafin	433	\$ 13,531.4	66,497.4	
<b>Bank</b>				
Penalties and sanctions others administrative authorities	16	56,262.9	107,566.5	
Labor Demands	47	1,059.4	2,207.6	
Common Processes	<u>1,179</u>	<u>11,529.0</u>	<u>81,122.9</u>	
	<u>1,675</u>	<u>\$ 82,382.7</u>	<u>257,394.4</u>	

For processes that are covered by the contract guarantees Fogafin are established by the 15% provision allowance, taking into account the warranty coverage on the value of the respective contingency according to its ratings and only for ordinary and special processes. For laboral processes, it is 10%.

Processes initiated by the Bank could be:

Criminal

In the case of a criminal proceeding linked to the Bank as third liable as of December 31 and June 30, 2011 there were 1 and 2 processes of this type, which amount doesn't exceed to \$70.0 and \$210.7 respectively.

Ordinary civil, special, administrative and labor processes

On of December 31 and June 30, 2011 there were 1.499 and 1.675 processes with claims amounting to \$246.924.0 and \$257.394.4 respectively.

This type of processes generates passive contingency for the Bank, regardless of the process that causes it, in general terms because of its eventual contractual or extracontractual civil responsibility and equally penalties and sanctions imposed by the governing entities in the course of carrying out their duties. Each one of these processes has its corresponding classification and allowance, as necessary.

Below are the judicial processes that may generate greater economic impact for the Bank:



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**c. Tax processes:**

Income tax taxable year 2003:

The Bank filed the income tax declaration determined by the system of presumptive income and stating a credit balance of \$7,004.8, a value that was refunded by the Tax Authorities.

Subsequently, the Bank corrected the income statement to reduce the basis of presumptive income and thus the credit balance increased by the sum of \$3,046.5.

The Tax Authorities considered that it was inappropriate and determined a higher income tax of \$ 2,638.8 and imposed a penalty for inaccuracy of 160% for the amount of \$4,222.0, for a total of \$6,860.8.

Thus, the balance claimed by the Bank for \$10,051.3 went to \$3,190.5 by subtracting the higher tax and penalty determined by the Tax Authorities worth \$6,860.8.

Considering that the Tax Authorities initially refunded the sum of \$7,004.8 to the Bank, and which according to them, the credit balance is \$3,190.5 after applying the higher tax and penalty, the Tax Authorities requested the Bank return the sum of \$3,814.3 plus interest.

So, to December 31, 2011, the Bank has three processes and their status is as follows:

1. Process to revocation and restatement of the right against the decision of February 2007 and the official settlement of the review of March 2006 valued at \$6,860.8.

On 2 April 2008 delivered a judgment in this decision the Administrative Tribunal Cundinamarca denied the claim.

On April 15, 2008 we presented the ordinary remedy of appeal within the period of execution. The appeal was admitted to the Council of State.

On November 6, 2008 the support for the appeal against the sentence was presented. On May 20, 2009 the admission of our support of the appeal was notified.

On June 12, 2009 we were notified by edict that there was a delay of 10 days to present closing arguments.

On July 1, 2009 closing arguments were presented. To date we are waiting the final decision to be handed down.

On July 29, 2009 the record entered the office of State Council for final decision. In the opinion of the tax advisor the contingency for the Bank is possible.

On July 27, 2010 a change of judge was filed.

It is the office for failure of second instance and the last performance is May 27, 2011 when the judge rapporteur, Dr. Carmen Rodriguez Teresa Ortiz pleaded prevented.

In the opinion of tax counsel the Bank's position has full legal support, but feels that the contingency for the Bank is possible.

2. Process to nullify and restoration of the right against the decision of June 2006 and the resolution of August 2005 of \$3,046.4

The process discusses the rejection of the higher positive balance of \$3,046.4 million pesos. On January 25, 2010 the record entered the office of State Council. In the opinion of the tax advisor the contingency for the Bank is possible.

On January 29, 2010 due to what was stated in the previous secretarial report, according to the provisions of the order of June 5, 2008, by which the suspension of the ruling was ordered. On August 2, 2010 entered the office for judgment.

On August 13, 2010 the suspension of proceedings was declared for preliminary judgment. We were notified by the State on August 26, 2010.



**BANCO DAVIVIENDA S.A.**  
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In the opinion of tax counsel the Bank's position has full legal basis therefore the contingency for the Bank is remote.

3. Process to nullify and restoration of the right against the decision of October 2006 and the resolution that resolves the motion for reconsideration in June 2007.

The process discusses a penalty for improper refund of \$3,814.3. On January 25, 2010 the record entered the office of State Council. In the opinion of the tax advisor the contingency for the Bank is remote.

In the question regarding the initials that do in fact become a passive contingency, it has to be considered that it is now qualified as eventual and is also protected by Fogafin, and this is the reason why the Bank provision is responsible for 15% which is equivalent to \$306,0. Regarding this same subject, there are two additional procedures being processed, one of them is in the legal process due to an annulment procedure presented by the Bank against an administrative claim issued by the DIAN, prior to the one in reference, and that looks to the refund in the amount the Bank paid for rental taxes for the year 2003; however, this document is not a passive contingency for the Bank.

The third claim is also an administrative one: a lawsuit was presented for annulment and reestablishment of rights, and has to do with the revision of liquidation of rental tax for the year 2003 and requires the Bank pay \$3,814.0 the amount that, according to the DIAN, was returned to the Bank

It is in the stage of allegations. On April 7, 2011 a ruling was issued ordering compliance with the order of June 5, 2008 whereby it ofcreed the suspension of the issue.

#### Industry and Commerce Tax

At present there are approximately ten processes with the Municipality of Medellin related to industry and commerce tax returns of the taxable years 1993 to 2001.

The Medellin Secretary of Finance is questioning that within the taxable base of the industry and commerce tax, the Bank did not include income from the restatement obtained on the loans granted before the conversion to Banks.

On all processes, the Bank has filed petition for annulment and restoration of rights before the Administrative Tribunal of Antioquia.

The value of contingency amounts to the sum of \$2,450.0, which includes the greater tax in dispute, penalties and interest on arrears. As of December 31st, 2011, the Bank has made provision for the full value of the contingency

#### Taxable Income for Tax Year 2003 - Banco Davivienda S.A.

Prior to the list of accusations, the National Tax and Customs Directorate DIAN issued Resolution No. 9000012 of May 4, 2009 through which it imposes sanction for non-proceeding ofvolution and/or compensation, consisting in 50% of the overdue interests liquidated for an amount of value \$305,9, amount accepted in the transaction of mutual agreement, as is established in Minute No. 000035 of June 26, 2007, signed by the Special Committee of Conciliation and Termination of the Fiscal Administration.

On May 25, 2010, by resolution 90025, Resolution No. 9000012 was confirmed thus exhausting the administrative remedies, given that there is clear case law that the main effect was once conciliated, DIAN cannot sanction unofr Article 670 of the Tax Statute. Therefore the qualification is remote.

As of December 31st, 2011 the Bank has recorded a provision for the full value of the contingency



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Prejudicial actions brought by the Tax and Customs - DIAN against the Bank - Wealth Tax 2007.

In 2008 the Tax and Customs Administration - DIAN proportionally returned to the Bank, the amount of \$4,485.0 of the estate tax, the Bank paid for the 2007 taxable year. The basis for this return was that, for purposes of the merger that occurred with GRANBANCO S.A. BANCAFE, the tax stability regime was the one that applied to the Bank, which the latter had at that time.

Then the Tax Administration filed a lawsuit against the resolutions through which the DIAN proportionally returned the estate tax. This law suit does not generate penalties, but interest on arrears, which as of December 31st 2011 amounted to \$5,840.0, for a total value of \$10,325.0. The details of these processes are as follows:

The Tax Administration filed two lawsuits of harmfulness, one for each order granting the return of the estate tax.

The first claim was accepted on February 12, 2010, but was only notified on June 12, 2010. On July 16, 2010 the response to the lawsuit was filed.

On February 17, 2011 the case was ordered to be sent to Dr. Gloria Isabel Cáceres to decide about the accumulation with the other lawsuit of harmfulness. The aforementioned case was sent on February 28, 2011.

The second lawsuit was accepted on January 22, 2010, which was notified on February 23, 2010 and on March 25, 2010 the response to the lawsuit was filed

It was suspended on December 2, 2010, until a definition on the accumulation with the other process of harmfulness.

According to the tax advisor, the Bank of contingency may be probable, which is why we have created an allowance for the full value of the contingency.

Rental Taxes for the taxable Year 2004

Revision settlement dated December 28, 2007, which the Tax Administration Office claims they know nothing about the deductions for portfolio reserves, help from the Government, losses due to accidents or investments in productive fixed real assets. Generating a higher tax of \$13.694,0 and imposes a penalty for inaccuracy of 160% for a total of \$21.043,0 plus interest on arrears calculated at December 31, 2011, for \$32.290,0, for a total of \$67.027,0. On February 28, 2008, the Bank presented a reconsideration claim against said liquidation.

By means of Resolution No. 310662008000023, of December 7, 2008, from which we notified on November 7, 2008, the Dirección de Impuestos y Aduanas Nacionales - DIAN, pronounces on the appeal filed on February 8, 2008. In said verdict, it confirms the Official Liquidation Revision No. 310642007000138. With such act, the government instance was completed.

On March 4, 2009 the Bank lodged with the Tribunal Administrativo de Cundinamarca (Administrative Court of the province of Cundinamarca), the nullity action and reinstatement of the right against Resolution No. 310662008000023 dated October 7, 2008 and of which we were notified on November 7, 2008.

Through judgment 2009-00045 of May 20, 2010, the Administrative Tribunal of Cundinamarca ruled an adverse action for annulment and reinstatement of the right that the Bank filed.

The Bank filed an appeal lodged by the applicant and on December 7, 2010 the appeal was admitted. The next action will be to move to closing arguments on appeal.

Although tax counsel believes that the chances are remote, at the cut off for December 31, 2010 this



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process is allowed for \$38,847.0.

Equity Tax Taxable Year 2004

The Bank presented the tax statement for the estate for the taxable year 2004, determining a tax of \$1,928.0. The statement was later corrected to exclude from the net worth the stabilization value made to fixed assets in the taxable year 1995 in the amount of \$25,000, which meant a lower tax of \$75.0.

The Tax Authorities questioned such correction and therefore issued official settlement imposing correction of \$121.0.

On February 20, 2010 the process entered the office for judgement after which on January 15, 2010 was submitted to the State Council for closing arguments.

In the opinion of tax counsel chances of success are possible, why is a provisón constiuido Bank for \$111.0.

Taxes on the 4 x 1000 Financial Movement during 2005

The address of National Taxes and Customs - DIAN uttered official assessment review January 19, 2007 onwards for 52 weeks presented during the 2005 tax year, proposing to modify the tax office. The argument of the Tax Administration is that overdraft transactions are subject to tax on financial transactions. At the moment the declaration of 25 weeks have exhausted administrative remedies, on which we intend to increase the tax charge in the amount of \$ 2.369.0, liquidate an inaccuracy penalty of 160% or \$3.789.0, plus interest of default that the court of 31 December 2011 amounted to the sum of \$5,815 million pesos, for a total value of claims of \$11.973.0.

In respect to weeks 3, 4 and 9 the governmental option has been exhausted. On March 27, 2009 the Bank placed an annulment and restitution of right action before the Tribunal Administrativo de Cundinamarca [Administrative Tribunal of Cundinamarca]. On May 6, 2009, the Tribunal issued judgment against the Bank's interests and the pleas of the suit were denied and on May 19, 2009 the Bank presented a writ before the Administrative Tribunal of Cundinamarca in which it supported the appeal against the judgment of first instance. On October 2, 2009 presented closing arguments on appeal and now the process is awaiting judgment of the second instance.

By means of Resolutions of September, October, November and December 2008, as well as resolutions of the months January, April and May 2009 of the Dirección of Impuestos y Aduanas Nacionales - DIAN pronounces on the appeal the Bank filed for the 31 and 52 weeks. With such ofcision, the Tax Administration, confirms those weeks Official Liquidations Revision and in turn, with this act, the government instance was exhausted.

In January 2009, the official assessments review for weeks 37, 38, 39, 40, 41 and 42, 2005, were sued, after the process was finished, Administrative Tribunal of Cundinamarca uttered judgment in May 2010, unfavorable to the interests of the Bank, which was appealed, and is pending decision by the State Council. On March 11, 2011 the Bank presented the closing arguments on appeal for the respective verdict.

In February 2009 the Bank sued the official assessments review liquidations for weeks 32, 33, 46 and 49, 2005. On February 9, 2011, by judgment of the Administrative Tribunal of Cundinamarca, the alleged acts are partially annulled, the higher tax is confirmed and the penalty is annulled. The next action will be filing an appeal.

Later in June 2009, it filed suit against the official assessments review liquidations for weeks 31, 34, 35 and 36, 2005, a process in which the Administrative Tribunal of Cundinamarca uttered first Instance judgment, unfavorable to the interests of the Bank. On June 20, 2011 the Bank presented the closing arguments on appeal and the proceedings are pending second instance judgment



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Finally, in September 2010, a lawsuit against the official assessments review liquidations for weeks 43, 44, 45, 47, 48, 50, 51 and 52, 2005, was filed. On August 19, 2011 the Administrative Tribunal of Cundinamarca issued a judgment confirming first instance ruling, denying the pleas of the lawsuit. The next action will be to file an appeal.

In the opinion of tax advisor, the probabilities of these processes are remote, however, it has constituted provisions for \$6.947.0.

**Contract for Guarantee of Passive Contingencies executed with Fogafin**

Due to the process of privatization of Granbanco S.A. Bancafé, on December 12, 2006 a contract was executed with Fogafin for guarantee of passive contingencies, which took effect on February 16, 2007.

By virtue of said contract Fogafin, under the terms of the contract, guarantees to Banco Davivienda S.A. the payment of certain passive contingencies that are expressly determined in that document. The coverage is 85% and exceptionally 90% with respect to labor and pension obligations of Banco Cafetero S.A. in Liquidation, according to the terms and conditions.

Such contract envisaged the existence of an account for contingencies composed of the various provisions that Granbanco S.A. had incorporated previously as at January 31, 2007, which amounted to \$21.067,0. Any condemnation or concept guaranteed by Fogafin should be previously deducted from these accounts until using up such amounts. Having done this, Fogafin is compelled to reimburse the corresponding economic net effect to the Bank within the terms of the referred contract. The existence of the account referred to with the provisions that existed at that time determines that any possible losses in the secured legal processes do not affect the profit and loss statement of the Bank.

As of December 31, June 30, 2011 the processes covered by Fogafin are 363 and 433 with a provision of \$13.417.0 and \$13.531,4 and intended amounts of \$63.511.8 and \$66.497,4, respectively.

According to the above, the Bank structured a number of general ledger accounts that reflect not only the reality of its contingent liabilities guaranteed by the contract with Fogafin, but others including the issues that are not guaranteed by Fogafin and therefore must be borne in full by the Bank.

**Processes that generate the greatest contingency impact in liabilities for the Bank**

1. Through a class action, the Bank was sued by Alberto Botero Castro, who considers that the Bank overcharged the Nation through relief provisions of Act 546 of 1999, in favor of holders of obligations for house purchase mortgages agreed in UPAC (Unit of Constant Purchasing Power) in force on 31 December 1999, and as a result of this order the repayment of public funds for amounts collected in excess. The process is in the preliminary examination stage. Although the demand does not specify the precise amount, it is of high economic value that could exceed \$5,000.0. The contingency was described as remote, given that there is no evidence to suggest alleged irregularities and inconsistencies in which the Bank may have been involved in this process.
2. The Bank was sued in the ordinary process of law by Guillermo Alfonso Trujillo basing his claim in that Granbanco, without consultation anticipated a disbursement of a Finagro approved loan in his name for \$382.0, applied it improperly, wrongly settling interest on other loans in his name. He argues that this act of the Bank caused him damages quantified at \$4,000.0. The process is before the court 29 of the Bogota Civil Circuit and is awaiting first decision of the court. The contingency has been described as possible, since there is evidence to suggest some degree of liability of the Bank, although evidence has not been collected on the amount of damages caused to the actor.
3. Mercedes López Rodríguez initiated a class action against the Bank, claiming that it along with other financial institutions have not returned the TES titles in cases where, as mandated by Law 546 of 1999, they should not have been cashed or reversed. In the process pending in 4th Civil Court of the Bogota Circuit and is pending resolution of the administrative appeal which the Bank raised against the demand edict. The contingency has been described as remote and in the current procedure it is not possible to quantify the sum but the plaintiff estimates it at more than \$1,000.0.



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4. Through Direct Repair action by Martha Esperanza Suarez and others, the Bank and others were sued, declaring that Davivienda and other defendants should compensate the damages allegedly incurred by the plaintiffs during the construction of urbanization "Parques del Sol II ", where the failures of the land make the houses uninhabitable. The process is currently underway in the 38 Administrative Tribunal of the Bogotá District pending on administrative appeal; which the Bank presented against the admitting writ of the lawsuit. The amount of the claim is estimated in \$5,200.0 plus any interest, contingency is rated as remote.
5. Grupo Empresarial Los Andes S.A. initiated ordinary proceedings against the Bank in order to repair the damage suffered in vindication process of domain, initiated by Luis Hernando Murcia Castro against the Group with regard to part of property with registration No. 206-33327 that Davivienda sold to the abovementioned group. The process is underway before the 2nd Civil Court of Pitalito District, in the process of collection of evidence ordered by the court. The claims are estimated in \$9,000.0 and contingency is rated as remote
6. Olga Irene Vega Correa began a class action against the Bank and other financial institutions stating that these entities charge fees that are unconstitutional, illegal, unjust and exorbitant for the financial services they provide. The process is pending before the Administrative Court of Tolima, to which an answer to the complaint was filed last October 2010. The amount of the claim is undefined but has been estimated at a sum in excess of \$5,000.0. The contingency is remote as similar settled cases have denied the claims of the plaintiffs.
7. The National Committee Members Association UPAC - Uvr nonprofit entity along with other individuals made popular action against Banco Davivienda SA and other financial institutions to declare that the defendants illegally reliquidaron of the relief granted to mortgagors under Law 546 of 1999. Additionally requested, an order requiring the defendants to return to the public treasury TES that were the result of irregular settlement and the refusal of Banks to reverse the relief when there was room to do so legally. The process is before the Administrative Tribunal of Cundinamarca, the office pending resolution of the internal appeal he filed against the Bank admisorio auto demand. The amount of the matter is not determined in the lawsuit, notwithstanding which, it is estimated over \$5.000.0. being described as a remote contingency.
8. Before the 2nd Civil Court of Barranquilla Circuit, Mr. Yuri Lora Escorcía initiated ordinary proceedings by which he seeks compensation for the alleged damages caused by improperly opening a checking account at the Bank, based on which a check was drawn which could not be collected by the plaintiff and which ultimately caused him disciplinary and criminal problems. While the process was in the judgment execution phase, that ordered the Bank to pay a sum in excess of \$3,500.0, the court, as a result of the statements by the same, nullified all proceedings. Currently, appeal against this decision raised by the counterparty is pending at the Court of Barranquilla. There are strong arguments that demonstrate the illegality of the sentence against Davivienda, which the Bank will file with the jurisdiction; therefore, the contingency has been rated as possible
9. Finally in the important processes in the amount of the contingency, we should mention class actions currently available, taking into account that each of these disputes can shelter a large number of applicants who are within the parameters determining in demand and thus increases the amount of the claims in the extreme.

At December 31, 2011 are in force the following cases:

- Class action brought by Mr. Alvaro Romero Bocarejo and other Concasa debtors, in which the plaintiffs declare that the Corporación de Ahorro y Vivienda Concasa, of which the Bank is successor, improperly charged interest on housing loans. Once the Bank was notified of the proceeding, appealed the admitting writ of the lawsuit, generating a negative conflict of jurisdiction between the civil courts and administrative law, which was decided in favor of the 37 Civil Court of the Bogotá District, office which in the month of September 2010, admitted the lawsuit and ordered to notify us personally the aforementioned provision. The plaintiffs are 142 people and there are no clear elements to establish the amount of the claims, and no provision has been constituted, since the contingency is rated as remote, given that the Bank complied with the parameters of Law 546 for the recalculation of credits granted in the UPAC system



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- Mr. Oscar Zambrano Parada and other parties brought a lawsuit before the 31st Civil Court of Bogotá Circuit seeking for acknowledgment of damages for the alleged unlawful charging of commissions for financial and Bank services. The Bank answered the lawsuit within the legal terms and the lawsuit is currently under the period allowed for producing evidence. There are not objective parameters to calculate the amount of the claims, a reason why there is no allowance for the contingency until establishing a risk during the course of the proceedings. The contingency was treated as remote. The process is currently in the evidence stage.
- Mrs. Rosmery Roa Sarmiento brought a class action before the 20th Civil Court of Bogotá Circuit, for the alleged unlawful charging of financial services provided by the Bank. With the data currently on record under the proceedings it has not been possible to determine the amount of the claims. Evidence ordered by the Court are being produced at this time. In accordance to the case law on similar cases against other Banks, the judges have rejected lawsuits for lacking of legal support and therefore this contingency has been treated as remote. There is a similar class action brought by José Guillermo T Roa at the 5th Civil Court of Bogotá Circuit currently under the period allowed for producing evidence, on which the same considerations apply.
- At the 7 Civil Court of the Bogotá Circuit there is a legal action underway certified by Aida Acero and others, for excessive interest charging in the UPAC system for housing mortgage loans, based on which they argue an inappropriate charge of a sum not owed. It is awaiting the decision from the court on the preliminary objections proposed by the Bank. At the moment there are no objective evidence to enable the measurement of the claim and the integration of the group, rating the contingency as remote.
- In court 14 Administrative Barranquilla is filed a class action by Silvana Heredia and others, whereby they seek to relocate, homes of similar conditions, persons who acquired social housing in an area of the city, which have experienced foundation problems. The matter is currently pending in that court ruling utters. Link it to the Bank as a defendant for having granted mortgages to buy such homes. For now, the contingency has been described as remote.
- Ms. Ana Rocio Murcia Gómez and other parties sued the Bank and other persons, for geological faults in the lands where the houses of "Parques del Sol" Condominium located in the municipality of Soacha were built. The law suit is under process in 29<sup>th</sup> Administrative Court of Bogota, it is in the evidence stage. The linkage of the Bank is due to the fact of having granted mortgage credits on these properties. It is a matter of undetermined amount and the process has been classified as remote.
- In the 5 ° Civil Court of the Bogotá Circuit Sepulveda Mr. Henderson and others, handled a class action against the Bank by charging excessive interest on credit card transactions. The matter is in the preliminary stages, there is no valid evidence to calculate the amount of the claim and is cataloged as a remote contingency.
- Mrs Clara Cecilia Murcia and others entered a group demand in administrative court 5 in Bogota against the courts that did not comply with the provisions of Act 546 on the termination of the corresponding executive processes. The application requests that those judges be ordered at national level to complete such matters. The Company is linked as a third party for having filed at the time the relevant executive processes, it is pending process of an amendment to the lawsuit filed by the actors. The process has been described as remote.
- Mr. Cornelius Villada Rubio and others presented the Class action suit, before the Administrative Court 7 of Ibagué District, for the purpose of being compensated for damages arising from the report to credit bureaus, without their permission, or for being reported for a term greater than the legally permitted. The complaint was answered on June 9, 2009, but because of the appeal by one of the defendants, the lawsuit was admitted again, and we were notified on December 13, 2010, and answered the complaint on January 7, 2011, the preliminary objections raised, are pending to be processed. The amount in dispute is undetermined and contingency is rated as remote.





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- Mr. Cornelius Villada Rubio and others filed a class action lawsuit, lodged with the Administrative Circuit Judge 7 in Ibagué, seeking compensation for the damages resulting from being reported to credit bureaus without their permission, or because they were reported for more than 10 years. The suit was answered on June 9, 2009 but on occasion the challenge presented by one of the defendants claim was admitted again and we were notified of this on December 13, 2010. The amount in dispute is undetermined, and is classified as a remote contingency.
- Mr. Fredy Alarcón along with others sued in a class action claiming for compensation for alleged overcharging of the holders of mortgages given through UPAC. The process is being pursued in the Civil Circuit Court 31 of Bogotá which refused the demand as a result of an administrative appeal against the writ of admission, is pending resolution of the correction letter provided by the end actor. The contingency is described as remote.
- Through a class action Mr. Pedro Antonio Chaustre and Mrs. Claudia Patricia Vasquez sued the Bank and Promociones y Cobranzas Beta S.A. on the grounds that Davivienda charges its Diners card users preliminary recovery costs in an abusive and inconsiderate manner. The process is passing through Civil Court 30 of Bogotá District, in February 2010 the Bank and Promociones y Cobranzas Beta Collections jointly answered the demand. The risk is considered remote given that the contracts for opening credit states that collection fees are charged to the debtor and additionally, a preliminary recovery was made to the people that now comprise the applicant group for being in arrears.
- Nohora Beatriz Santos Quiroga and other inhabitants of urbanization "Quintas del Sur" sued the Bank through a class action, since in their opinion such entities are liable for damages suffered by the actor group for the deficiencies in construction of the buildings that make up the said development. The group action is in process in Civil Administrative Court 29 in Bogotá; July 26, 2010 we answered the demand and we are waiting for the other defendants to be notified. The claims amounted to 2,995 million plus any interest, the contingency has been described as remote.
- Mrs. Adriana Rocio Mantilla and others placed a class action in Administrative Court 2 in Cúcuta 2 against the Bank claiming compensation for injuries suffered for the faults found in the residential homes located in the Vista Hermosa urbanization. On November 11, 2010 the demand was answered. The amount of the claim is undetermined and has been described as a remote contingency.

**Processes that generate active contingency in which the Bank acts as plaintiff**

There are various legal proceedings in which the Bank acts as plaintiff in defense of its rights. The most significant for the size of the claims are the following:

1. Several processes have been presented by the Bank against two insurance companies AIG Colombia Seguros Generales S.A. and Liberty Seguros S.A. which details the existence of the Global Banking Policy No. 1976 dated March 3, 2005, in effect until March 2006, as well as the existence of the insured loss and the non-compliance of the contract by the defendants for denial of payment of said loss with the credits disbursements within the program called Fondo Ganadero del Caquetá. As per the above, it is hoped that the defendants will indemnify the company, in the amount of \$ 26,000.0 for capital plus interest, for the disbursements made by the appropriate Bank with regards to the irregular operations made by the individuals criminally involved in said actions. The process is in the evidence stage. This is qualified as a probable contingency.

2. Taking into account, that the State Council's decision, which granted the Tax Stability to Bancafé, established that the Bank has the right to request the reimbursement of the paid indexed amounts, previous to the sentence, with the corresponding expected interests for tax purposes, we had requested to the Tax Administration, the payment of \$35,128.7 as interests. On December 2, 2008, by means of Resolution No. 09036, the Tax Administration decided to recognize \$7,110.6.



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As a consequence, the Bank placed an executive demand against the DIAN in February 2009 for it to pay interest ordered by the State Council ruling that defined the issue of tax stability in favor of Bancafé. The amount in dispute is \$29,131.1. The Cundinamarca Court Section III denied the payment order by Decree in April 2009, an appeal was filed against the aforementioned decision, which was upheld in October 2009, subsequently, on 12 November 2009, the presiding judge decided to refer the case to Section IV. On 5 March 2010 the appeal was admitted and we await the decision of the second degree.

3. Initiated by ordinary process against the Compañía Suramericana de Seguros in order to claim under the insurance policy # 1999040002 Manejo Bancario, implemented in the Banking contract between the Banco Cafetero S.A. and the Compañía Agrícola de Seguros, incident which caused a loss for Granbanco S.A. Bancafé valued at \$5,531.4. The process is being handled in the 6th Civil Court of the Bogota Circuit where it is in the evidentiary stage. This contingency is classified as probable.

4. With the understanding that for purposes of merger of SA Granbanco and Banco Davivienda SA, the latter becomes the holder of the Tax Stability Agreement, the June 10, 2008 the Bank sought repayment of \$13,095.0 \$9,728.0 and as the non payment of estate tax due and Lien Financial Transactions, respectively, which are paid for the tax year 2007.

On July 23, 2008, the Bank received the resolutions of the Tax Administration in which they decide to return by way of estate tax the amount of \$4,485.0 and December 18, 2008 by Resolution No. 6,081,795, the tax authorities decided return by way of Tax on Financial Transactions amount of \$263.6.

Regarding the application for refund of estate tax, the Bank filed an appeal for reconsideration and the June 16, 2009 by Resolution No. 1007 and 1008, the Tax Administration official confirmed the settlement review, denying the refund in the amount of \$8,610.0, depleted in this way through government channels. Due to the above, the Bank proceeded to present the claims as outlined below.

- Action for annulment and restoration of the right (2009-210) in order to be declared null 608-0887 Resolutions 2008 and 001007 of 2009 (reconsideration) through which the Dian declined to return \$4,305.2 from \$6,547.5 paid on account of the first installment of the estate tax of the tax year 2007, the lawsuit was filed before the Administrative Tribunal of Cundinamarca in October 2009 and once stocked the appropriate procedural steps in September 2010, delivered a judgment unfavorable to the claims of the Bank since February 23, 2011 we are waiting for the Council of State utters the sentence to resolve the appeal that we filed against the decision that sparked the dispute at first instance.
- Action for annulment and restoration of the right (2009-210) in order to be declared null Resolutions 608-0887 of 2008 and 001007 of 2009 (reconsideration r) through which the Dian declined to return \$4,305.2 from \$6,547.5 paid on account of the first installment of the estate tax of the tax year 2007, the lawsuit was presented before the Administrative Tribunal of Cundinamarca in October 2009 and once stocked the appropriate procedural steps in September 2010, it delivered a unfavorable judgment to the claims of the Bank since February 23, 2011 we are waiting for the Council of State utters the sentence to resolve the appeal that we presented against the decision that sparked the dispute at first instance.

**21 Capital Stock**

The following is the detail of Capital Stock, on December 31 and June 30, 2011:

		<u>December 31</u>	<u>June 30</u>
Authorized Capital	\$	60,000.0	60,000.0
Subscribed and paid capital		55,479.6	51,007.1
Subscribed capital receivable		3.7	0.0



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The Authorized, Subscribed and paid capital is represented in the following actions:

	<u>December 31</u>	<u>June 30</u>
Authorized shares	480,000,000	480,000,000
Subscribed and paid common and preferential shares:	443,836,739	408,056,976
Subscribed shares receivable	<u>29,886</u>	<u>0</u>
Shares in circulation	<u>443,866,625</u>	<u>408,056,976</u>
Weighted average of shares subscribed	415,257,829	408,056,976
Nominal value (in pesos)	\$ 125.0	125.0
Intrinsic value with valuations (in pesos)	10,842.34	9,392.17
Intrinsic value without valuations (in pesos)	9,332.90	7,947.78
Net income per share (in pesos)	\$ <u>704.77</u>	<u>735.56</u>

There are no preferred shares or share repurchase transactions.

The shareholders equity generated by equity's revalorization on May 31, 2006 was \$252,185.2.

Articles 5, 8, 9 and 15 of the Bank's bylaws were reformed, the text of which were approved unanimously in the Shareholders Meeting held on April 28, 2010, and was held by Public Deed No. 3202 of April 30, 2010 in Notary Seventy one.

Bank shares are registered, capital, and may be: a) ordinary, b) privileged, c) with preferential dividend and no voting rights; the latter may not represent more than fifty percent (50%) of the subscribed capital.

All issued shares are dematerialized Bank therefore no physical securities and ownership issues it Deceval.

- Issue of shares:

In General Assembly of Shareholders of August 26, 2011, an increase of the issuance and placement of preferred shares program up to 96,000,000, was authorized, which was approved at the extraordinary assembly of shareholders on April 28, 2010 which authorized to issue up to 40,000,000 preferred shares.

In the Assembly of Shareholders held on September 16, 2011, it was established that the first 16,000,000 shares were to be offered first to existing preferred shareholders and the rest to the general public.

After obtaining such approval, the Bank's carried out the second issue and placement of 35,809,649 preferred shares at a subscription price per share of \$20,000 (pesos).

Consequently there was an increase of equity capital of \$4,476.2 and a premium on preferred stock placement for \$711,716.8 that increases equity by \$716,193.0.

As of December 31 2011, there are 29,886 preferred shares receivable that generate a subscribed capital receivable of \$3.7 and \$594.0 in premium of preferred stock placement receivable (Note 22).

On preference shares subscribed receivable as of December 31 2011, the Board of Directors will decide the action to be taken with shareholders that did not pay on the date set.



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The General Assembly of Shareholders held on September 16, 2011, approved the payment of a dividend of \$ 220 (pesos) per share, for the first half of the year, totaling \$89,772.5 for the 408,056,976 common and preferred shares.

**22 Reserves**

The detail of reserves is as follows:

	<u>December 31</u>	<u>June 30</u>
Legal reserve:		
For profit appropriation	\$ 25,542.5	25,542.5
For premium on the placement of common shares	1,120,427.6	1,120,427.5
Premium for placement of preferential shares	1,124,620.2	412,903.5
Premium for placement of preferential shares receivable	<u>(594.0)</u>	<u>0.0</u>
	<u>2,269,996.3</u>	<u>1,558,873.5</u>
Statutory and occasional reserves:		
For charities and grants available to the Board of Directors	8,043.6	10,169.7
At the disposal of the General	1,480,345.2	1,263,664.9
For fiscal disposal	<u>38,594.2</u>	<u>44,896.9</u>
	<u>1,526,983.0</u>	<u>1,318,731.5</u>
	\$ <u>3,796,979.3</u>	<u>2,877,605.0</u>

On December 31 and June 30, 2011 donations were made in the amounts of \$2,126.3 and \$3,985.4 respectively, paid for the occasional reserves used for this purpose, authorized by the Shareholders' Assembly.

The General Assembly of Shareholders held September 2011, approved to release part of the occasional reserve for Investment Valuation at market prices of \$6,302.4 to create a reserve available to the General Assembly for future deals.



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**23 Contingent Accounts**

A detail of contingent accounts is as follows:

	<u>December 31</u>	<u>June 30</u>
Creditors:		
Values gave during repo and simultaneous operations	\$ 1,712,318.3	383,296.4
Bank guaranties	1,008,897.2	918,566.7
Letters of credit	148,305.2	61,822.4
Approved and not disbursed credits	4,168,269.2	4,200,076.3
Credit card opening	7,625,862.5	7,784,323.4
Obligations in options	226,633.2	145,390.5
Accounts payable to the Nation, Law 546/99	21,582.6	21,582.6
Litigation (Note 19)	246,924.0	257,394.4
Other (Less than 5%)	<u>117,387.9</u>	<u>60,004.3</u>
	\$ <u>15,276,180.1</u>	<u>13,832,457.0</u>
Debtors:		
Values delivered y repo and simultaneous operations	\$ 47,447.8	39,490.2
Mortgage leases interest	3,002.8	3,091.9
Rights in options	117,824.8	10,251.1
Housing portfolio relieves Law 546/99	66,405.6	30,563.9
Credit portfolio monetary correction	6,021.5	7,312.6
Punished restructured portfolio	695.0	695.0
Rights contract certificated	17,193.0	17,193.0
Lawsuits	83,928.1	87,071.1
Securities II securitization II	33,154.9	33,874.6
Income statement credit balance	7,756.5	7,756.5
Securitization residual value	61,288.0	57,227.9
Other debtor contingencies (Less than 5%)	<u>31,344.0</u>	<u>25,836.4</u>
	\$ <u>476,062.0</u>	<u>320,364.2</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**24 Memorandum Accounts**

The following is the detail of the Memorandum Accounts:

	<u>December 31</u>	<u>June 30</u>
Debtor:		
Assets and securities received in custody	\$ 4,124,628.5	3,586,622.3
Assets and securities received in guarantee	239,345.3	41,140.7
Revaluation assets received as payment – real state	10,820.8	5,910.1
Revaluation assets received as payment – Moveable Assets	6,541.8	6,527.3
Remittance and sent to other recovery	13,767.0	9,867.3
Punished assets	1,102,574.8	1,386,658.4
Assets inflation adjustment	58,834.2	58,834.2
Distribution subscribed and porl capital	55,479.6	51,007.1
Credits to stockholders and related parties	248,776.3	315.3
Loans to parents, subsidiaries and subordinates	7,001.2	1.9
Agricultural portfolio new loans	948,032.1	914,451.3
Property and equipment fully depreciated	198,893.5	170,751.9
Fiscal Value of non-monetary assets	27,522,825.9	27,522,825.9
Allowance people in concordat situation	0.0	46,895.4
Investment negociable in debt securities	2,970,948.5	1,975,656.7
Investment to be maintained up to their maturity	289,556.3	305,029.7
Investment available for sale – debt securities	710,590.5	1,219,447.7
Reciprocal operations with Parent Companies and subordinates	388,931.2	309,055.3
Reciprocal operations that affect expenses and costs with parent Companies	24,871.7	11,479.3
Capital, interest and insurance securitized portfolio	2,124,430.6	2,048,311.5
Capital, interest, and other bad debt portfolio items sold off (universal)	90,374.4	95,719.9
Universalities assets, expenses and contingencies	280,177.1	529,553.7
Interest, RVU and guaranties	691,685.6	724,041.1
Mortgage bonds housing portfolio	30,622.7	23,666.1
Base tax on VAT (value added tax) for purchases	17,054.8	14,315.5
Special litigation processes	79,615.8	90,681.5
Depreciation of Housing Leases	0.0	198,022.9
Lineal cause of syndicated credit and bonds	5,258.5	6,203.6
DCV indirect deposits	1,250,786.8	1,260,029.5
Others debtor Memorandum accounts (Less than 5%)	<u>352,235.0</u>	<u>125,568.5</u>
	<b>\$ <u>43,844,660.5</u></b>	<b><u>42,738,591.6</u></b>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
Creditor:		
Assets and securities received in custody	\$ 11,425.8	204,061.8
Assets and securities received in guarantee for futures loans	5,987,033.8	5,987,033.8
Guarantees outstanding to cancel	3,964,202.8	3,964,202.8
Assets and securities received in guaranty	20,262,255.3	17,809,710.9
Assets and securities received in other guaranties	20,903.6	14,512.2
Administered assets and securities	71,605.4	65,795.8
Inflation adjustment to stockholders' equity	252,185.2	252,185.2
Capitalization for stockholders' equity revaluation	252,185.2	252,185.2
Fixed income negociable investments yields	237,628.7	120,406.5
Stockholders' equity fiscal value	3,130,997.9	3,130,997.9
Capital, interest and others comercial portfolio	14,777,056.3	12,926,771.7
Capital, interest and others Consumer portfolio	8,616,898.3	8,483,308.8
Capital, interest and others Micro – credit portfolio	2,490,719.1	2,286,135.4
Liability reciprocal operation with parents companies & subordinates	61,385.3	67,241.4
Reciprocal operations affecting heritage with parent compary	13,869.1	13,869.1
Reciprocal operations affecting income with Parent Company	34,395.1	61,681.2
Universality guaranties, liabilities and incomes	189,546.2	189,093.8
Securitized portfolio guaranties	6,227,141.5	5,936,349.8
Subordinated bonds	320,812.3	0.0
Technical Heritage - October and april 2011	4,036,739.6	3,653,845.6
Technical Heritage - November and may 2011	4,075,313.7	3,656,916.6
Self-withholding base - Decree 700 – Investment	780,312.0	663,859.8
Maximum credit limit for countries and customers	0.0	1,427,925.5
Other debtor contingencies (Less than 5%)	<u>444,359.9</u>	<u>295,713.5</u>
	\$ <u>76,258,972.1</u>	<u>71,463,804.3</u>

## 25 **Fiduciary Accounts**

### **Housing Mortgages Portfolio Universality CCV**

On December 31 and June 30, 2011, universalities CCV, CCVII y CCVIII of Financial Statements are recorded Trust Memorandum Accounts.

These universals are constituted by punishments approved by the General Assembly of Shareholders held on December 16, 2003, May 11 and November 9, 2004 with record No. 638, 646 and 656, respectively. Was decided to with draw from the Bank's balance sheet, a set of mortgages loans, which by their particular risk, had been fully provided and in turn make an issue of securities.

The portfolios of mortgages accounts receivable for CCV, CCVII, and CCVIII housing was separated from the capital and the Balance of the Bank, in accordance to what is established in article 12 of Law 546 of 1999, regulated by Resolution 775 of 2001 of the Colombian Superintendence of Finance through the conformation of the Universalities denominated Universalidad Titulos CCV, CCVII, and CCVIII the exclusive ends of which is to serve as instrument for the structuring of the issuance of securities of the entitlement of the mortgage accounts receivable CCV, CCVII, and CCVIII constituted on December 29, 2003; May 25, and December 22, 2004 respectively.

In accordance to Resolution No. 775 of 2001 issued by the Colombian Superintendence of Finance, the



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securities CCV, CCVII, and CCVIII were inscribed in the Registro Nacional de Valores e Intermediarios, and their public offer authorized by having presented before the mentioned Registry the entirety of the documentation established in article 3 of the mentioned Resolution.

**Housing Mortgages Portfolio Universality - CCVIII**

The following corresponds to the detail of the universality operation entered into on November 9, 2004:

Capital	\$ 92,256.2
Interests	2,131.6
Insurance	2,737.1
Other Assets	3,848.0
Deferred	(3,191.5)
Mortgages RVU Contingency	12,855.3
Mortgages Interest Contingency	<u>23,834.7</u>
Total Universality	\$ <u>134,471.4</u>

The portfolio was constituted by 4.641 credits with a U.V.R. + 11.99% weighted rate. 54% corresponds to VIS portfolio and the remaining 46% to non-VIS portfolio.

The CCVIII mortgage instruments are issued and management by the Bank with an exclusive support in the CCVIII Universality (Housing Mortgage Portfolio III) and without guaranty from their own stockholders' equity.

The custody and management of the issuance is made by DECEVAL in accordance with the terms of the issuance deposit and administration contract entered into between the Bank and DECEVAL.

On December 2, 2011 these securities were rated C (Col) by Fitch Ratings Colombia MCS, consistent with their risk status.

Some stockholders of the Bank acquired all these CCVIII mortgage instruments.

The characteristics of the CCVIII mortgage instruments are the following:

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued Face Value</u>
22-Dec-04	22-Dec-12	I	96	Uncertain	<u>\$ 6.999.1</u>

- Designation: the name of the instruments will be CCVIII Mortgage Instruments.
- Denomination: the CCVIII instruments will be expressed in RVU Units.
- Number of instruments in this issuance: 4.800
- Face value: 10.000 RVU
- Outstanding Law: The CCVIII instruments are freely negotiable in the second market and they have the character of bearer instruments.
- Minimum Investment: equivalent to 200.000 RVU.
- Minimum negotiation amount in the secondary market: 10.000 RVU.
- System: They have the character and the prerogatives of the securities and also those belonging to the Mortgage Instruments. They are subject to the regulations provided in the Law 546/99.





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- Profitability: Uncertain, derived from the collections achieved from the mortgage portfolio that is the basis of the process, net of expenses, and during the term of the instruments.
- Payment of yields: The CCVIII instruments yields will be paid quarterly, at the end of the quarter, in accordance with the allowances in payment priority.
- Amortization: The CCVIII instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly installments on the payment dates of the 23 to 32 quarters of the issuance term. The capital payments that can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.
- Placement: The CCVIII instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
- Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.

**Housing Mortgages Portfolio Universality - CCVII**

The following corresponds to the detail of the universality operation entered into on May 11, 2004:

Capital	\$ 126,288.6
Interests	4,148.7
Insurance	8,155.7
Other Assets	1,835.4
Deferred	(2,987.7)
Mortgages RVU Contingency	54,817.1
Mortgages Interest Contingency	<u>74,043.3</u>
Total Universality	\$ <u>266,301.1</u>

The portfolio was constituted by 5.866 credits with R.V.U. + 12.10% weighted rate. 45% corresponds to VIS portfolio, and the remaining 55% to Non-VIS portfolio.

The CCVII mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV II (Housing Mortgages Portfolio II) Universality and without any guaranty from their own stockholders' equity.

The custody and managed by the Bank to support exclusively the Universality CCVII (Housing Portfolio Punished II) and without warranty of its own equity.

The custody and administration of the emission is made by DECEVAL under the agreement of the deposit and management, signed between the Bank and DECEVAL.

On May 3, 2011 these securities were rated C (Col) by Fitch Ratings Colombia SCV, according with their risk status.

Some of the shareholders of the Bank acquired all of these mortgage securities CCVII.

The characteristics of the mortgage securities CCVII are:

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued Face Value</u>
26-May-04	26-May-12	I	96	Uncertain	<u>\$ 10,042,0</u>



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- Designation: the name of the instruments will be CCVII Mortgage Instruments.
- Denomination: The CCVII instruments will be expressed in RVU Units.
- Number of instruments constituting the issuance: 7.000
- Face Value: 10.000 RVU
- Outstanding Law: The CCVII instruments are freely negotiable in the secondary market and they have the character of bearer instruments.
- Minimum Investment: Equivalent to 200.000 RVU.
- Minimum negotiation amount in the secondary market: 200.000 RVU.
- System: They have the character and the prerogatives of the securities and also of those corresponding to the Mortgage Instruments. They are subject to the regulations provided in the Law 546/99.
- Profitability: Uncertain and derived from the collections achieved from the mortgage portfolio that is the basis of this process, net of expenses, during the term of the instruments.
- Payment of the yields: the yields from the CCVII instruments will be paid quarterly, at the end of the quarter, in accordance with the allowances in the payment priorities.
- Amortization: The CCVII instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly installments on the payment dates of the 22 to 32 quarters of the issuance term. The capital payments that can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.
- Placement: The CCVII instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
- Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.

**iii. Housing Portfolio Down Portfolio Universality - CCV**

The following corresponds to the detail of the universality operation entered into on December 16, 2003:

Capital	\$	155.179,0
Interests		7.318,9
Other Assets		10.003,3
Deferred		<u>(6.095,3)</u>
Total Universality	\$	<u>166.405,9</u>

The portfolio was constituted by 7.811 credits, with RVU + 11.98% weighted rate. The 53% corresponds to VIS portfolio and the remaining 47% to non-VIS portfolio.

The CCV mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV Universality (Housing Mortgages) and without any guaranty from their own stockholders' equity.

The custody and administration of the issuance is made by DECEVAL according to the issuance deposit and administration contract entered into between the Bank and DECEVAL.

On December 26, 2011 these securities were rated D (Col) by Fitch Ratings Colombia MCS, consistent with their risk status.

Some stockholders of the Bank acquired all these CCV mortgage instruments.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

The characteristics of the CCV mortgage instruments are the following:

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued Face Value</u>
29-Dec-03	29-Dec-11	I	96	Uncertain	\$ 13.977,4

- Designation: the name of the instruments will be CCV Mortgage Instruments.
- Denomination: The CCV instruments will be expressed in RVU Units.
- Number of instruments constituting the issuance: 10.140
- Face Value: 10.000 RVU
- Outstanding Law: The CCV instruments are freely negotiable in the secondary market and they have the character of bearer instruments.
- Minimum Investment: Equivalent to 200.000 RVU.
- Minimum negotiation amount in the secondary market: 200.000 RVU.
- System: They have the character and the prerogatives of the securities and also of those corresponding to the Mortgage Instruments. They are subject to the regulations provided in the Law.
- Profitability: Uncertain and derived from the collections achieved from the mortgage portfolio that is the basis of this process, net of expenses, during the term of the instruments.
- Payment of the yields: the yields from the CCV instruments will be paid quarterly, at the end of the quarter, in accordance with the allowances in the payment priorities.
- Amortization: The CCV instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly installments on the payment dates of the 25 to 32 quarters of the issuance term. The capital payments that can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.
- Placement: The CCV instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
- Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.

The detail of the fiduciary accounts, with closing on December 31 and June 30 2011 are presented below:



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		<u>December 31</u>			
		<u>CCV</u>	<u>CCVII</u>	<u>CCVIII</u>	<u>Total</u>
<u>Balance</u>					
Cash and cash equivalents	\$	0.0	1,161.5	1,850.3	3,011.8
Credit Portfolio		16,993.1	8,601.0	5,448.0	31,042.1
Debtor		<u>8,020.8</u>	<u>2,340.3</u>	<u>1,869.7</u>	<u>12,230.8</u>
Assets Total		<u>25,013.9</u>	<u>12,102.8</u>	<u>9,168.0</u>	<u>46,284.7</u>
Creditors		8,020.8	3,501.8	3,720.0	15,242.6
Long term-debt		<u>16,993.1</u>	<u>8,601.0</u>	<u>5,448.0</u>	<u>31,042.1</u>
Liabilities Total	\$	<u>25,013.9</u>	<u>12,102.8</u>	<u>9,168.0</u>	<u>46,284.7</u>
<u>Results</u>					
Operating Income		0.0	0.6	0.4	1.0
Readjustment to real value unit R.V.U.		192.7	107.3	66.7	366.7
Portfolio recovery		3,026.5	2,302.2	2,958.6	8,287.3
Recovery firedosed assets sale		<u>1,310.5</u>	<u>1,023.1</u>	<u>439.4</u>	<u>2,773.0</u>
Operating Expenses		<u>4,529.7</u>	<u>3,433.2</u>	<u>3,465.1</u>	<u>11,428.0</u>
Others Interests		(6,334.6)	(2,320.3)	(1,614.1)	(10,269.0)
Commissions		344.5	223.7	185.6	753.8
Fees		101.3	124.4	76.8	302.5
Insurance		2,077.6	1,077.5	474.1	3,629.2
Miscellaneous		<u>8,341.0</u>	<u>4,327.8</u>	<u>4,342.7</u>	<u>17,011.5</u>
Operating Expenses Total	\$	<u>4,529.8</u>	<u>3,433.1</u>	<u>3,465.1</u>	<u>11,428.0</u>
<u>Contingents</u>					
Portfolio		186,347.4	94,242.8	32,385.6	312,975.8
Other contingencies		<u>23,319.9</u>	<u>21,636.4</u>	<u>14,074.5</u>	<u>59,030.8</u>
Total contingencies	\$	<u>209,667.3</u>	<u>115,879.2</u>	<u>46,460.1</u>	<u>372,006.6</u>
<u>Debtors</u>					
Portfolio	\$	<u>22,759.4</u>	<u>19,585.6</u>	<u>15,762.2</u>	<u>58,107.2</u>
<u>Creditors</u>					
Portfolio	\$	<u>73,570.7</u>	<u>56,999.4</u>	<u>57,319.3</u>	<u>187,889.4</u>



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Notes to the Financial Statements

June 30

	<u>CCV</u>	<u>CCVII</u>	<u>CCVIII</u>	<u>Total</u>
<u>Balance</u>				
Cash and cash equivalents	\$ 0.0	1,542.7	322.6	1,865.3
Credit Portfolio	16,800.3	10,412.4	6,209.0	33,421.7
Debtor	<u>1,686.2</u>	<u>356.0</u>	<u>249.4</u>	<u>2,291.6</u>
Assets Total	<u>18,486.5</u>	<u>12,311.1</u>	<u>6,781.0</u>	<u>37,578.6</u>
Interests	1,295.2	0.0	0.0	1,295.2
Accounts payable	390.9	0.0	0.0	390.9
Creditors	0.0	1,898.7	572.0	2,470.7
Long term-debt	<u>16,800.4</u>	<u>10,412.4</u>	<u>6,209.0</u>	<u>33,421.8</u>
Liabilities Total	\$ <u>18,486.5</u>	<u>12,311.1</u>	<u>6,781.0</u>	<u>37,578.6</u>
<u>Results</u>				
Operating Income	0.1	0.5	0.4	1.0
Readjustment to real value unit R.V.U.	459.5	284.8	225.2	969.5
Portfolio recovery	1,144.1	1,762.3	2,529.0	5,435.4
Recovery foreclosed assets sale	<u>1,100.7</u>	<u>901.0</u>	<u>159.2</u>	<u>2,160.9</u>
Operating Income total	<u>2,704.4</u>	<u>2,948.6</u>	<u>2,913.8</u>	<u>8,566.8</u>
Others Interests	(326.1)	1,157.0	1,862.7	2,693.6
Commissions	568.8	379.1	319.3	1,267.2
Fees	129.8	82.4	85.1	297.3
Insurance	1,952.2	1,004.9	462.2	3,419.3
Miscellaneous	<u>379.7</u>	<u>325.2</u>	<u>184.5</u>	<u>889.4</u>
Operating Expenses Total	\$ <u>2,704.4</u>	<u>2,948.6</u>	<u>2,913.8</u>	<u>8,566.8</u>
<u>Contingents</u>				
Portfolio	188,696.9	97,048.2	32,546.1	318,291.2
Other contingencies	<u>24,942.6</u>	<u>21,944.4</u>	<u>15,264.7</u>	<u>62,151.7</u>
Total contingencies	\$ <u>213,639.5</u>	<u>118,992.6</u>	<u>47,810.8</u>	<u>380,442.9</u>
<u>Debtors</u>				
Portfolio	\$ <u>25,188.9</u>	<u>21,624.8</u>	<u>17,638.0</u>	<u>64,451.7</u>
<u>Creditors</u>				
Portfolio	\$ <u>74,801.3</u>	<u>60,203.6</u>	<u>59,851.8</u>	<u>194,856.7</u>

In accordance with the External Circular 047 dated 2008 issued by the Colombian Superintendence of Finance, as of January 1, 2009 the Bank had balances portfolio universalities punished in order fiduciary accounts, but the December 31 and June 30, 2011, the Superintendence has not agreed to such transfer, which is why the balance sheet sent to the Colombian Superintendence of Finance differs from the official books of books kept in the register of such accounts.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**26 Operating Income – Other**

The detail of the operating income – others is as follows:

	<u>December 31</u>	<u>June 30</u>
Traveler withdrawal	\$ 12,599.4	13,344.9
Collection use of networks	15,761.8	15,881.4
Sale Checkbooks	2,433.3	2,006.8
Virtual Services	15,171.8	15,034.7
Sale check books	12,812.3	13,708.5
SARO fraud recovery	1,901.0	5,268.8
Declines and trans-shipment credit cards	2,253.0	2,994.4
National and local deposits	9,387.7	8,654.8
Cashier's checks	1,556.9	1,892.7
Others (Less than 5%)	<u>4,117.0</u>	<u>4,103.8</u>
	\$ <u>77,994.2</u>	<u>82,890.8</u>

**27 Operating Expenses – Others**

The detail of the operating expenses – others is as follows:

	<u>December 31</u>	<u>June 30</u>
Fees	\$ 58,756.2	41,323.0
Taxes	58,424.4	63,059.3
Leases	30,178.2	27,791.9
Contributions and affiliations	27,499.3	23,366.1
Insurance	60,148.7	49,879.2
Maintenance and repairs	14,507.0	10,237.2
Suitability offices	9,564.0	8,641.0
Deaning and security service	15,785.6	14,352.7
Temporary services	2,693.8	1,699.1
Advertising and propaganda	55,088.6	33,678.4
Public relations	30,696.1	26,408.9
Public Services	30,485.7	26,397.5
Travel expenses	6,211.9	5,928.8
Transport	27,401.6	22,604.1
Useful and stationery	7,322.4	7,846.1
Other (less than 5%)	<u>8,567.4</u>	<u>6,768.4</u>
	\$ <u>443,330.9</u>	<u>369,981.7</u>



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

**28 Allowances – Others**

The following is the detail of other allowances:

	<u>December 31</u>	<u>June 30</u>
Cash	\$ 272.4	267.5
Foreclosed Assets	4,396.6	4,120.7
Other assets	288.6	408.4
Other estimated liabilities	<u>384.8</u>	<u>50.9</u>
	\$ <u>5,342.4</u>	<u>4,847.5</u>

**29 Non-Operating Income**

The following is the detail of the non-operating income:

	<u>December 31</u>	<u>June 30</u>
Gross profit on sale of:		
Foreclosed Assets	\$ 2,395.2	2,316.0
Properties & Equipment	<u>9,605.3</u>	<u>1,607.7</u>
	<u>12,000.5</u>	<u>3,923.7</u>
Recoveries		
Portfolio an property written off	71,605.4	65,796.8
Reinstatement allowances properties and equipment	5,515.5	4,591.5
Reinstatement allowances foreclosed assets	3,448.9	2,310.3
Reinstatement allowances investments	3,419.2	463.4
Reinstatement allowances other assets	1,188.3	202.6
Reinstatement other allowances	11,575.2	714.5
Reinstatement By sinister	0.0	6,658.9
Reinstatement deposit insurance	4,368.3	0.0
Reinstatement year estimated liabilities	2,209.7	1,538.8
Reinstatement estimated liabilities prior periods	0.0	7,566.5
Others Recoveries	<u>5,527.4</u>	<u>4,826.1</u>
	<u>108,857.9</u>	<u>94,669.4</u>
Business collaboration contract (1)	9,014.0	9,054.8
Leases	668.9	534.5
Others (Less than 5%)	<u>7,345.2</u>	<u>5,224.4</u>
	<u>17,028.1</u>	<u>14,813.7</u>
	\$ <u>137,886.5</u>	<u>113,406.8</u>

(1)Through business cooperation contract concluded between the Bank and the Fiduciaria Davivienda S.A. which is extended every year, with the porpuse of promotion business trust, it was agreed to distribute the income the proceeds in equal parts between the trustee and the Bank



**BANCO DAVIVIENDA S.A.**  
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**30 Non-Operating Expenses**

The following is the detail of the non-operating expenses:

	<u>December 31</u>	<u>June 30</u>
Loss on sale of assets received in payment	\$ 2,845.2	1,269.9
Loss on sale of properties and equipment	132.9	431.5
Casualty loss	11,236.7	6,839.7
Penalties and sanctions	16,293.0	5,294.7
Expenses assets received in payment	912.9	1,009.3
Other assets losses	993.7	458.2
Client recognition	141.3	149.3
Housing relieves return	1,922.8	9,801.9
Non-operating expenses prior years	533.8	570.5
Interest arrears official entities	0.0	3,674.7
Commercial deference	842.7	419.1
Legal Management	236.0	499.1
Special processes managed portfolio and waivers	426.5	313.2
Others (Less than 5%)	<u>1,584.5</u>	<u>2,546.3</u>
	\$ <u>38,102.0</u>	<u>33,277.4</u>

**31 Income Tax**

The following is the reconciliation between accounting profit and estimated taxable income, for the periods ended on December 31, and June 30, 2011:





**BANCO DAVIVIENDA S.A.**  
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	<u>December 31</u>	<u>June 30</u>
Profit before income tax	\$ 385,511.2	361,050.6
(Plus or less) entries that increase (decrease) fiscal profit:		
Taxes on financial movements non taxable	14,818.4	13,474.2
Fines and penalties for lack of reserve	16,317.8	5,294.7
Non deductible brp´s, assets, litigations, other allowances	8,041.1	17,221.4
Profit on sale of investments	16,008.7	(16,200.5)
Difference for application of special valuation systems net 2008 and 2009	(56,351.9)	14,414.2
Dividends and income non taxable	(8.8)	(45,595.9)
Difference between accounting and fiscal depreciation	(77,543.2)	(77,544.3)
Non – deductible allowances reimbursement	(16,807.8)	(17,682.0)
Other deductions and tax benefits	103,218.4	43,885.8
Net Income	393,203.9	298,318.2
Presumptive income	30,574.8	31,794.8
Less exempt income	(211,855.8)	(190,857.6)
Tasable net income	181,348.1	107,460.6
Income Tax	59,844.9	35,462.0
Adjustment of income tax from previous years	33,003.8	<u>25,438.3</u>
Total income tax and surtax	\$ <u>92,848.7</u>	<u>60,900.3</u>

For the periods ended December 31 and June 30, 2011, the following temporary differences give rise to the movement of deferred tax:

	<u>December 31</u>	<u>June 30</u>
Difference between accounting income and tax income:		
For valuation of investments	\$ 10,468.8	10,014.1
For Industry and Commerce Tax provision	(2,171.7)	(1,744.0)
Tax income for sale of Mesa de Yeguas portfolio	(105.3)	5,346.2
Davipuntos and Frech provision	(5,963.0)	0.0
Greater Value Mercantile Loan	25,032.1	25,032.2
Syndicated loan and IFC Bonds and Other Derivatives	<u>5,742.9</u>	<u>(13,210.2)</u>
	\$ <u>33,003.8</u>	<u>25,438.3</u>



**BANCO DAVIVIENDA S.A.**  
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Accounting equity at December 31, 2011 differs from the fiscal equity because of the following:

Accounting stockholders' equity	\$	4,812,554.2
More or (less) entries that increase (decrease) the stockholders equity due to fiscal effects:		
Allowances Assets		50,696.0
Estimated liabilities and allowances		97,568.4
Effect of the Derived items		33,042.0
Effect of adjustments for inflation and other effects		36,540.0
Property & equipment accounting revaluations		(477,471.3)
Deferred tax payable effect		143,223.8
Increased commercial credit amortization value		<u>(460,673.0)</u>
Fiscal stockholders equity	\$	<u>4,235,480.1</u>

Income Statements for taxable years 2009 and 2010 are available and can be challenged by the Tax Authorities review.

**32 Related Parties Transactions**

The following are considered to be related parties:

- Sociudades Bolivar S.A. its subsidiaries and subordinates.
- Shareholders or actual beneficiaries of 5% or more of the equity stake of the Bank.
- Legal entities in which the company is a real beneficiary of 10% or more of the equity.
- Administrators of Bolivar S.A. companies, the Bank and other members of the Grupo Empresarial Bolívar.

The Bank may enter into transactions, agreements or contracts with related parties on the understanding that any such operations are carried out with reasonable values, taking into account the following criteria among others:

- The conditions and prevailing market rates in the sector where the transaction is conducted
- The activity of the Companies involved.
- Growth prospects of the respective business.

The main balances at December 31 and June 30, 2011 are:



**BANCO DAVIVIENDA S.A.**  
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Operations with Subordinates Companies:

December 31

	Shareholders with a share equal or greater than 10% of the Bank's capital	Corporate entities in which the Bank has shares equal or greater than 10%(1)	Other Grupo Bolivar companies	Grupo Bolivar Administrators (2)	Other shareholders with less than 10% of Bank's capital	Total
<b>Assets</b>	0.0	681,884.6	237,295.0	24,918.4	0.0	944,098.0
Cash	0.0	28,951.0	0.0	0.0	0.0	28,951.0
Investments	0.0	444,574.2	0.0	0.0	0.0	444,574.2
Credit Portfolio and Financial Leasing	0.0	9,786.8	220,164.2	24,657.5	0.0	254,608.5
Accounts Receivable	0.0	3,764.1	1,122.3	260.2	0.0	5,146.6
Property and equipment	0.0	0.0	2,477.7	0.0	0.0	2,477.7
Other Assets	0.0	2,089.2	13,530.8	0.7	0.0	15,620.7
Valuations	0.0	192,719.3	0.0	0.0	0.0	192,719.3
<b>Pasivo</b>	211.6	436,992.3	81,096.9	5,932.8	5,178.2	529,411.8
Deposits and callabilities	211.6	136,703.9	66,688.4	5,636.9	5,178.2	214,419.0
Liability positions in money market operations and related		7,916.5	0.0	0.0	0.0	7,916.5
Loans from Banks and other financial obligations	0.0	261,848.7	0.0	0.0	0.0	261,848.7
Accounts Payable	0.0	20,023.2	10,238.2	52.9	0.0	30,314.3
Investments securities outstanding	0.0	10,500.0	4,168.9	243.0	0.0	14,911.9
Others Liabilities	0.0	0.0	1.4	0.0	0.0	1.4
<b>Incomes</b>	3.5	59,671.7	41,137.5	1,251.2	0.0	102,063.9
Operating	3.5	59,573.5	40,715.5	1,241.8	0.0	101,534.3
Non - operating	0.0	98.2	422.0	9.4	0.0	529.6
<b>Expenses</b>	16.3	52,805.1	25,840.6	864.9	172.8	79,699.7
Operating	16.3	50,780.9	25,803.9	741.6	172.8	77,515.5
Non - operating	0.0	2,024.2	36.7	123.3	0.0	2,184.2

All transactions were carried out at market prices; lending rates are between 3.5% and 28.63% and deposit rates between 0.0% and 6.95%. During the second half of 2011, we have the following transaction with shareholders who own less than 10% of the capital and more than 5% of the technical equity:

Name	Balance	Shareholding	Technical Equity Limit (5%)
Empresas Públicas de Medellín E.S.P.	\$ 273,843.9	0.00052%	5.74%

(1) Include Subordinates

(2) Legal representatives and members of Board of Directors of Grupo Bolívar, plus Managers and Deputies from Davivienda Bank Branches and Legal Representatives for legal purposes.

During the second half of 2011, portfolio securitization transactions were conducted with Titularizadora Colombiana for \$344,056.7.



**BANCO DAVIVIENDA S.A.**  
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June 30

	Shareholders with a share equal or greater than 10% of the Bank's capital	Corporate entities in which the Bank has shares equal or greater than 10%(1)	Other Grupo Bolivar companies	Grupo Bolivar Administrators (2)	Other shareholders with less than 10% of Bank's capital	Total
	(1)	(2)				
<b>Assets</b>	0.0	642,820.6	31,394.8	18,910.2	0.0	693,125.6
Cash	0.0	19,710.1	0.0	0.0	0.0	19,710.1
Investments	0.0	489,370.3	0.0	0.0	0.0	489,370.3
Credit Portfolio and Financial Leasing	0.0	3,206.2	21,097.8	18,671.9	0.0	42,975.9
Accounts Receivable	0.0	3,980.4	203.5	237.6	0.0	4,421.5
Property and equipment	0.0	0.0	2,477.7	0.0	0.0	2,477.7
Other Assets	0.0	2,707.0	7,615.8	0.7	0.0	10,323.5
Valuations	0.0	123,846.6	0.0	0.0	0.0	123,846.6
<b>Pasivo</b>	10,884.0	468,577.4	94,264.6	5,394.9	305,480.3	884,601.2
Deposits and callabilities	10,884.0	264,649.9	87,166.7	5,285.1	12,397.5	380,383.2
Liability positions in money market operations and related	0.0	9,171.8	0.0	0.0	0.0	9,171.8
Loans from Banks and other financial obligations	0.0	174,678.6	0.0	0.0	0.0	174,678.6
Accounts Payable	0.0	8,577.1	2,974.0	85.3	6.6	11,643.0
Investments securities outstanding	0.0	11,500.0	4,123.9	0.0	293,076.2	308,700.1
Others Liabilities	0.0	0.0	0.0	24.5	0.0	24.5
<b>Incomes</b>	0.1	137,256.1	33,551.1	689.5	18,700.5	190,197.3
Operating	0.1	137,202.3	32,920.3	679.8	18,700.5	189,503.0
Non - operating	0.0	53.8	630.8	9.7	0.0	694.3
<b>Gastos</b>	4.3	34,987.9	17,587.0	767.1	13.6	53,359.9
Operating	4.3	34,572.8	17,335.3	538.8	13.6	52,464.8
Non - operating	0.0	415.1	251.7	228.3	0.0	895.1

All transactions were carried out at market prices; lending rates are between 3.5% and 26.38% and deposit rates between 0.0% and 5.70%. During the second half of 2011, we have the following transaction with shareholders who own less than 10% of the capital and more than 5% of the technical equity:

Name	Balance	Shareholding	Technical Equity Limit (5%)
Empresas Públicas de Medellín E.S.P.	\$ 275,063.4	0.00057%	7.48%

(1) Include Subordinates

(2) Legal representatives and members of Board of Directors of Grupo Bolívar, plus Managers and Deputies from Davivienda Bank Branches and Legal Representatives for legal purposes.

During the second half of 2011, portfolio securitization transactions were conducted with Titularizadora Colombiana for \$101,997.9.



**BANCO DAVIVIENDA S.A.**  
Notes to the Financial Statements

December 31

	Fiduciaria Davivienda S.A.	Fiduciaria Cafetera S.A.	Davivalores S.A.	Confinanciera S.A.	Bancafé Panamá S.A.	Total
<b>Assets</b>	<b>34,572.5</b>	<b>67,033.0</b>	<b>10,095.3</b>	<b>87,985.4</b>	<b>182,904.4</b>	<b>382,590.6</b>
Cash	0.0	0.0	0.0	0.0	28,951.0	28,951.0
Investments	16,204.6	55,631.0	2,981.5	54,801.6	56,532.2	186,150.9
Credit Portfolio and Financial Leasing	1.2	0.0	0.0	7,000.0	0.0	7,001.2
Accounts Receivable	1,432.0	0.0	0.0	698.8	0.0	2,130.8
Other Assets	0.0	0.0	0.0	2,058.3	0.0	2,058.3
Valuations	16,934.7	11,402.0	7,113.8	23,426.7	97,421.2	156,298.4
<b>Liabilities</b>	<b>341.7</b>	<b>2,143.5</b>	<b>2,329.1</b>	<b>7,732.2</b>	<b>8,348.1</b>	<b>20,894.6</b>
Deposits and callabilities	341.7	2,137.0	2,115.5	7,731.2	431.5	12,756.9
Liability positions in money market operations and related	0.0	0.0	0.0	0.0	7,916.5	7,916.5
Accounts Payable	0.0	6.5	213.6	1.0	0.1	221.2
<b>Incomes</b>	<b>0.7</b>	<b>8.7</b>	<b>28.9</b>	<b>146.7</b>	<b>6.3</b>	<b>191.3</b>
Operating	0.7	1.4	4.8	146.7	6.3	159.9
Non - operating	0.0	7.3	24.1	0.0	0.0	31.4
<b>Expenses</b>	<b>36.6</b>	<b>273.1</b>	<b>3,334.9</b>	<b>627.0</b>	<b>32.9</b>	<b>4,304.5</b>
Operating	36.6	273.1	3,332.9	627.0	32.9	4,302.5



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June 30

	Fiduciaria Davivienda S.A.	Fiduciaria Cafetera S.A.	Davivalores S.A.	Confinanciera S.A.	Bancafé International Corporation S.A.	Total
<b>Assets</b>	<b>30,175.3</b>	<b>62,881.7</b>	<b>7,886.1</b>	<b>70,870.0</b>	<b>130,344.9</b>	<b>302,158.0</b>
Cash	0.0	0.0	0.0	0.0	19,710.1	19,710.1
Investments	16,204.6	55,631.0	2,981.5	54,801.6	51,574.2	181,192.9
Credit Portfolio and Financial Leasing	1.9	0.0	0.0	0.0	0.0	1.9
Accounts Receivable	1,422.9	0.0	0.0	152.2	0.0	1,575.1
Other Assets	0.0	0.0	0.0	2,676.7	0.0	2,676.7
Valuations	12,545.9	7,250.7	4,904.6	13,239.5	59,060.6	97,001.3
<b>Liabilities</b>	<b>853.3</b>	<b>6,879.9</b>	<b>2,600.3</b>	<b>13,870.1</b>	<b>9,367.8</b>	<b>33,571.4</b>
Deposits and callabilities	853.3	6,879.9	2,588.4	13,857.9	195.9	24,375.4
Liability positions in money market operations and related	0.0	0.0	0.0	0.0	9,171.8	9,171.8
Accounts Payable	0.0	0.0	11.9	12.2	0.1	24.2
<b>Incomes</b>	<b>9,825.9</b>	<b>4,710.7</b>	<b>27.4</b>	<b>14,491.6</b>	<b>182.2</b>	<b>29,237.8</b>
Operating	9,825.9	4,702.0	27.4	14,491.6	182.2	29,229.1
Non - operating	0.0	8.7	0.0	0.0	0.0	8.7
<b>Expenses</b>	<b>101.8</b>	<b>188.1</b>	<b>31.5</b>	<b>495.9</b>	<b>4.2</b>	<b>821.5</b>
Operating	101.8	188.1	31.5	495.9	4.2	821.5



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**33 Risk Management**

Comprehensive risk management is based on a governance structure designed to achieve strategic objectives on the basis of management, administration and risk management, which support the business growth and leveraging opportunities. On this basis, focus efforts towards the implementation of the strategy and control the associated risks.

The management and control of these risks is through areas that specialize in different functions in lines or segments, as in the case of credit risk, market liquidity, or managing their efforts transversely, how the system works operational risk management and internal control.

With regard to enforcement of this strategy is carried out by the management of Financial Control and the Chair Committee.

The integrated risk management is a fundamental principle the maintenance of the business over time and are built on this definition of policies and principles governing the management at all levels of the organization.

**33.1 Organizational Structure**

According to the basic guidelines of security and professionalism, the operational, risk and commercial areas of the Bank must be separated from each other however, to take advantage of synergies with the Grupo Bolívar companies, there are cross-support programs to aid the development of risk management tools.

In Personal Banking, the Vice President of Personal Credit Banking is in charge of the evaluation, execution, administration and collection of all lines of credit. The approval of all personal credit lines is based on a pyramidal structure of authority in amounts defined according to the experience of the staff and level of risk of the transactions, etc., and there are also credit committees for collective decision-making, responsible for analyzing major operations or those that represent a higher level of complexity.

For these lines of credit, there are achievement scores which have been built based on historical information to evaluate the customer variables, their behavior and borrowing in the financial sector, type of product and warranty. There are also methodologies developed to break the credit world down into groups so they can be assigned risk levels individually.

The main personal Banking of homogeneous groups are:

- Housing loans and leases
- Vehicle loans
- Credit card
- Warrant credits
- Other consumer loans

In Corporate and Business Banking, the business strategy depends on the Vice Presidency of Business Enterprise and the credit risk assessment rests with the Vice Presidency of Corporate Credit, which is responsible for analyzing credit requests, monitoring existing obligations, assigning risk categories and carrying out recovery actions when necessary.

Is the Vice President of Corporate Credit responsible for granting credit facilities, the target market are those national and international companies with revenues exceeding \$ 30,000, whose economic activity is framed within the terms and conditions set by both the Superintendent of companies, such as the



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Banco Davivienda SA, to meet this objective is made a thorough analysis of the creditworthiness of companies, examines the macroeconomic and microeconomic conditions in which it operates, culture, strategy, policies, procedures and the various risks quantitative, qualitative, and the size and importance of the economic sector in which they work.

To evaluate the various alternatives for hedging financial risk to which it exposes the Bank, grant administration policies, assessing the risk of massive portfolios, SMB and enterprise risk and maintain a balance-profitability, the Vice President is responsible for Risk and Financial Control.

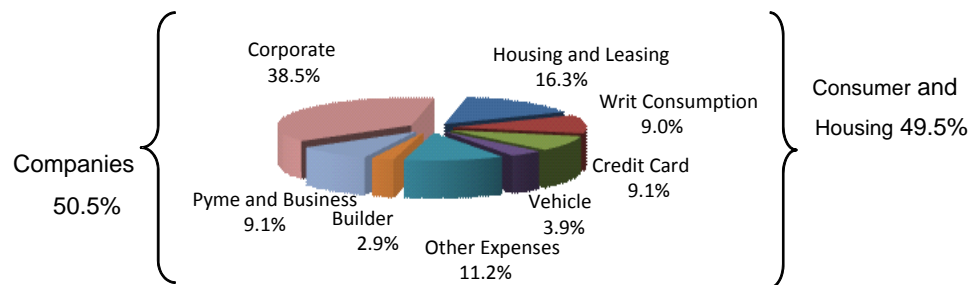
Exposure limits for general strategic segment and all risk management policies are approved by the Board.

In the management of operational risk is the Vice President of Risk Assistance Force in charge of ensuring the integrity of business processes and ability to maintain the services available to customers and partners, aimed at transparency in business management.

**33.2 Credit Risk**

The composition of the portfolio for the Bank's business lines is the following as of December 31, 2011:

**Portfolio composition, Diciembre de 2011**



Given the above graphic, personal Banking accounts for 49.5%, while business Banking accounts for 50.5%.

**32.2.1. Calculation of allowances and Models of Reference published by the Colombian Superintendence of Finance.**

The Bank in its policy of credit risk measurement implemented from July 2007, the MRC (Commercial Model) along the lines of External Circular 035, 2006. Also at the beginning of July 2008 it adopted the Consumer Reference Model (MRCO) in accordance with the definitions issued by the Colombian Superintendence of Finance.



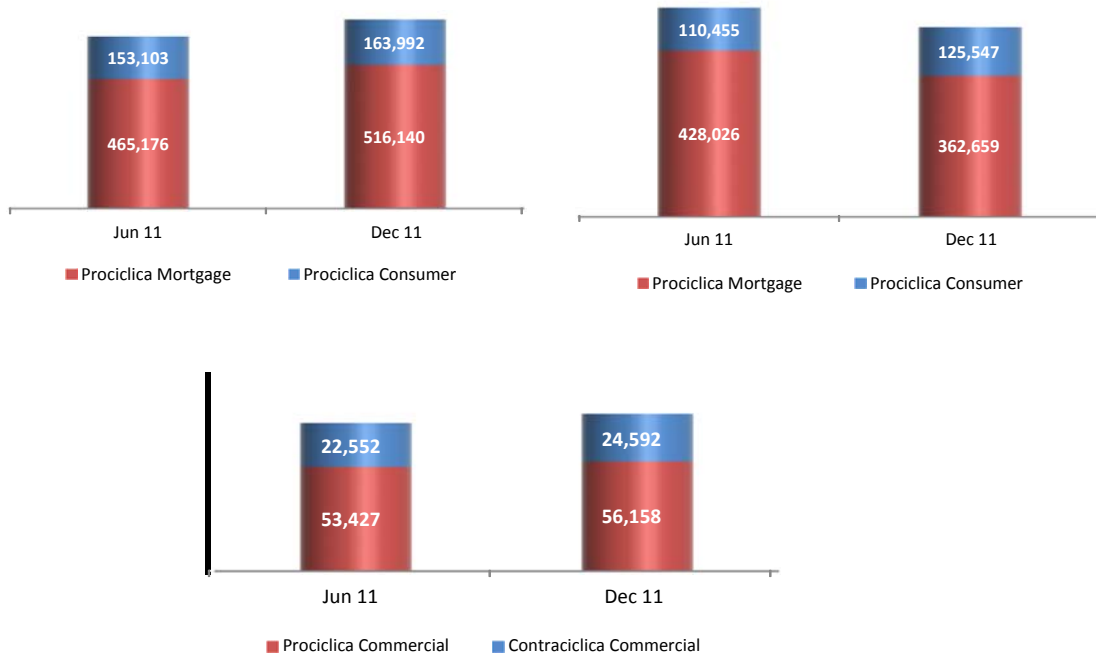


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The Bank implemented the methodology of calculation of allowances with countercyclical approach, according to the definitions of External Circular 035, September 2009 issued by the Colombian Superintendence of Finance, for commercial and consumer loans.

As for the housing portfolio, the Bank continues to apply existing standards to qualify and provisioning issued by the Superintendence of Finance.

Below is a breakdown of provisions for commercial loans, consumer and housing.



These reference models and the current regulations are the base for the estimation of portfolio allowances, which are detailed below:

(Figures in thousand of millions)	Total Counter-cyclical Provision	Total Pro-Cyclical Provision	Total General Provision *	Total Bank Provision
Jun-11	263.6	946.6	22.6	1,232.7
Dec-11	289.5	935.0	24.6	1,249.1

\* Applies to the housing and microcredit portfolios.

**32.2.2. Personal Banking**

These portfolios are intended for individuals, which relate mainly to housing and consumer credit.



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In the consumer portfolio adjustments<sup>1</sup> were made to the loan origination policies, seeking to improve the risk profile of customers at the time of linking.

In the consumer portfolio adjustments were made to the loan origination policies, seeking to improve the risk profile of customers at the time of linking. For this type of portfolio, the Bank has developed tools of risk management based on the analysis of the quality of origination according to the volume of loans and the risk profile of the linked clients. Likewise, an analysis is performed to monitor the crops according to the Banking segments of people. These tools were developed with support from the Research for Risk and the Analysis Dependency from Group Bolivar.

Below are the main balances for each segment and portfolio risk provisions assigned to each of them.

		Balance	% C, D, E	Provisión	Coverage C,D,E	
(Figures in thousand of millions)						
P E R S O N A L  B A N K I N G	<b>Mortgage and leases</b>					
		Jun-11	3,772.2	2.2%	163.3	200.6%
		Dec-11	4,166.1	1.8%	153.6	200.1%
	<b>Credit Card</b>					
		Jun-11	2,098.7	4.7%	112.5	114.1%
		Dec-11	2,330.5	5.1%	145.0	122.6%
	<b>Others Consumer</b>					
		Jun-11	3,025.2	9.5%	340.4	118.5%
		Dec-11	2,866.2	12.6%	336.6	93.5%
	<b>Libranza Consumer</b>					
		Jun-11	2,269.3	3.5%	111.0	140.0%
		Dec-11	2,299.8	2.4%	129.1	237.8%
	<b>Vehicle</b>					
		Jun-11	978.5	5.5%	54.3	101.0%
	Dec-11	999.1	6.5%	69.4	106.1%	
<b>Total</b>						
	Jun-11	12,143.8	4.9%	781.6	130.2%	
	Dec-11	12,661.6	5.3%	833.8	123.5%	

Other Consumer: Crediexpress Fixed, Rotary Crediexpress, Preferential and Standardized

During the second semester of 2011 the increase in participation of personal banking was 4.3% in relation to the closure of the previous semester, this as a result of the adjustments in the originating policies for the portfolio of rotating Crediexpress and fixed Crediexpress.

Then the composition of Personal Banking portfolio and changes in the second half of 2011:

<sup>1</sup> Adjustments made to the policies correspond to increases in the cutoff and minimum income required



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(Figures in thousand of millions)		Balance	Variation %	Variation \$	Participation
<b>P E R S O N A L  B A N K I N G</b>	<b>Mortgage and leases</b>				
	Jun-11	\$3,772.2	19.8%	624.5	31.1%
	Dec-11	4,166.1	10.4%	393.9	32.9%
	<b>Credit card</b>				
	Jun-11	2,098.7	11.4%	214.7	17.3%
	Dec-11	2,330.5	11.0%	231.8	18.4%
	<b>Others consumers*</b>				
	Jun-11	3,025.2	19.5%	493.0	24.9%
	Dec-11	2,866.2	-5.3%	-159.0	22.6%
	<b>Warrant consumer</b>				
	Jun-11	2,269.3	1.4%	32.1	18.7%
	Dec-11	2,299.8	1.3%	30.5	18.2%
	<b>Vehicle</b>				
	Jun-11	978.5	16.0%	134.7	8.1%
Dec-11	999.1	2.1%	20.6	7.9%	
<b>Total</b>					
Jun-11	\$12,143.8	14.1%	1,499.0	100.0%	
Dec-11	\$12,661.6	1.3%	517.8	100.0%	

\*Other Consumer: Fixed Crediexpress, Rotary Crediexpress, Preferential and Standardized

### 32.2.3 Corporate Banking

Composed of banking for businesses and it is classified within the Bank into segments according to their size, SMEs, business and corporate, is also included in this portfolio banking for Builders.

To measure risk, the Bank has developed its own assessment models that seek to properly manage credit risk.

In relation to the model used for the management of Corporate credit risk, it uses quantitative and qualitative factors, and its indicators have been developed based on financial statements and individual characteristics of the companies.

As regards the quantitative aspects, the company's financial information allows measurement of its progress, comparing the results achieved in defined period thus permits the precise determination of aspects such as cash flow, debt capacity, profitability and efficiency. Similarly, the model allows us to compare these results against their peers in the sector to which they relate.

In pyme Banking, the policies for evaluation and acceptance of clients for credit are based on historical analysis and financial survey of the clients, involving sectoral analysis and perspectives plus an alternative assessment of the capacity and suitability of the company's Management, as well as measuring the ability to pay in the analysis of projected cash flows.

In Agricultural Banking, a feasibility study of agricultural production projects is carried out, giving a relative importance to the client's experience in the activity, as well as the fundamental technical parameters for acceptance in each subsector.



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In the official Banking, the analysis focuses on strict compliance with the policy guidelines formulated by the Ministry of Finance, in law 617 of 2000, 358 of 1997 and 819 of 2003, and a supplementary analysis of the medium-term fiscal framework and adequacy of the income offered through pledges to attend the debts of public borrowing.

Below are the main balances for each portfolio segment and the risk provisions assigned to each.

(Figures in thousand of millions)		Balance	% C,D,E	Provisions	Coverage C, D, E	
	Corporate					
		Jun-11	\$8,633.3	0.7%	253.6	410.6%
		Dec-11	9,847.6	0.5%	223.9	457.7%
	Construction					
		Jun-11	582.9	5.2%	41.1	136.7%
		Dec-11	740.9	3.6%	38.3	142.8%
	Pyme and Business					
		Jun-11	2,073.3	5.8%	156.4	130.0%
		Dec-11	2,337.1	4.8%	153.1	137.0%
	<b>Total</b>					
		Jun-11	\$11,289.6	1.9%	451.1	212.7%
		Dec-11	\$12,925.6	1.5%	415.3	221.5%

### 33.3 Market Risk

#### 33.3.1 Treasury Book

##### - **Financial Risk Management**

The Vice President of Investment Risk Group is responsible for proposing Bolivar, carry identification and ensure the proper implementation of policies and procedures for conducting risk management, according to the decisions and guidelines determined by the Board Bank or the Financial Risk Management Committee and Investment (CRFel) Bolivar Group, taking into account the powers that correspond to each estate.

The Vice President of Investment Risk is also responsible for the measurement and risk analysis, as well as periodic review and evaluation of methodologies for valuation of financial instruments.

The Financial Risk Committee and Investment (CRFel) is the instance to which the Board has delegated responsibility for approving the maximum levels of financial risk to be assumed, which are then ratified by the Board itself.

The Handbook of Financial Risk Management (MARF) consolidates the policies related to risk management and financial administration of the Treasury in the Bank, and is the document through which establishes the management system required for this purpose, it section sets out the general rules and procedures necessary to exercise proper management of risks associated with cash transactions allowed, including market risk.

##### **Operations**

The definition of entities authorized to operate with companies of the Bolivar Group, is made using a



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model that evaluates the financial performance of the counterparty through a score of representative financial indicators and taking into account considerations of a qualitative type.

The incursion in new markets and products is made once the impact and the corresponding risk profile have been measured and have been approved by the Board of Directors of the entity, in accordance with the procedure established for that purpose.

The Bank has designed a solid structure of exposure limits to control the different portfolios that make up the treasury book and the activities carried out to undertake the management of this. Investment limits, counterparty, repurchase transactions, derivatives are defined among others as well as limits per trader, position limits, modified duration limits and VaR limitations to control the operation of the treasury, the above is controlled by means of strong tools.

This management is accomplished with the support of robust tools and applications designed internally and/or trading platforms and recording used by the Bank.

In addition to the above, we have developed tools to perform detailed monitoring of operations in accordance with corporate and regulatory guidelines.

**Portfolio Composition**

Below is the Bank's investment portfolio of the Bank at December 31, and June 30, 2011:

Investment Portfolio per accounting classification

(figures in thousand of millions)

	<u>December 31</u>	<u>Part.%</u>	<u>June 30</u>	<u>Part.%</u>
Negotiable	\$ 2,971.3	70.6%	\$ 2,016.4	56.9%
Available for sale	949.7	22.6%	1,219.5	34.4%
To Maturity	<u>289.6</u>	<u>6.9%</u>	<u>305.0</u>	<u>8.6%</u>
<b>Total</b>	<b><u>\$ 4,210.6</u></b>	<b><u>100.0%</u></b>	<b><u>\$ 3,540.9</u></b>	<b><u>100.0%</u></b>

Investment Portfolio per instrument and accounting classification

(figures in thousand of millions)

Instrument	Negotiable		Available for sale		Maturity		Total <sup>(1)</sup>	
	Part.%	Part.%	Part.%	Part.%	Part.%	Part.%	Part.%	
Bonds	\$ 309.0	10.4%	22.2	2.3%	0.0	0.0%	331.2	7.9%
CDT's	284.1	9.6%	0.0	0.0%	0.0	0.0%	284.1	6.7%
Fogafín	144.3	4.9%	0.0	0.0%	0.0	0.0%	144.3	3.4%
TDA's	1,675.1	56.4%	239.3	25.2%	0.0	0.0%	1,914.4	45.5%
TES	557.2	18.8%	688.2	72.5%	0.9	0.3%	1,246.4	29.6%
TIP's	<u>1.6</u>	<u>0.1%</u>	<u>0.0</u>	<u>0.0%</u>	<u>288.7</u>	<u>99.7%</u>	<u>290.3</u>	<u>6.9%</u>
TRD's	<b><u>\$ 2,971.3</u></b>	<b><u>70.6%</u></b>	<b><u>\$ 949.7</u></b>	<b><u>22.6%</u></b>	<b><u>\$ 289.6</u></b>	<b><u>6.9%</u></b>	<b><u>\$ 4,210.6</u></b>	<b><u>100%</u></b>

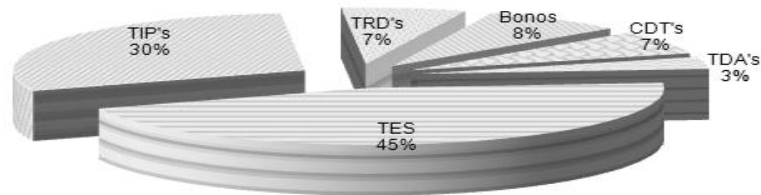
<sup>(1)</sup> Trading investments + available for sale + held to maturity. Does not include simultaneous operations, interBanking and allowances.



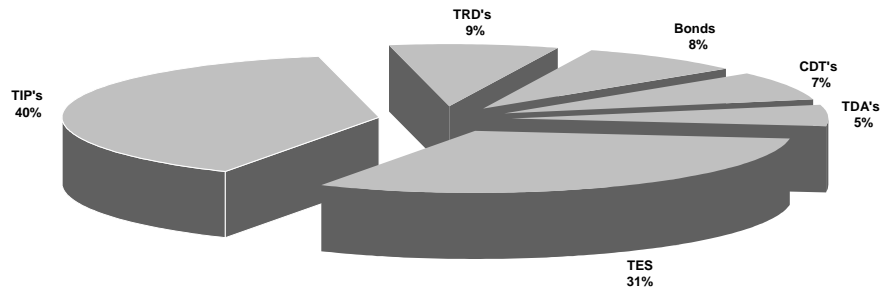
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Portfolio Composition of Investment per instrument

December 31, 2011



June 30, 2011



**Value at Risk Internal Model**

The Treasury performs their job in accordance with the alignments and strategies defined by the Board of Directors and Financial Risk Committee; the control for developing the value for the different business lines and/or portfolio is under the responsibility of the Risk Area.

The internal model has not been submitted for consideration by the Colombian Superintendence of Finance to be used as a normative calculation tool. This model is used as a complementary tool for analyzing and managing risk. This risk measurement model draws on the VaR (Value at Risk) published by JP Morgan 1994, in the Risk Metrics paper: "Return to Risk Metrics: The Evolution of the Standard."



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For the calculation of the volatility of returns, the model EWMA<sup>2</sup> is used, which permits to grant a higher weight to the new information and grants a lower weight that falls with time in an exponential manner, to past observations.

The calculation of VaR internal model, cut to December 31, 2011, is:

(figures in thousand of millions)

<u>Accounting Rate of Investment</u>	<u>VPN</u>	Part. %	Term modific.	VaR 95% <u>1 day</u>	VaR 99% <u>1 day</u>	VaR 99% <u>10 days</u>
Trading	\$2,971.3	70.6%	2.83	5.4	7.6	24.0
Available for sale	949.7	22.6%	3.44	3.1	4.4	13.9
At Maturity	<u>289.6</u>	<u>6.9%</u>	<u>2.39</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Portfolio	<u>\$4,210.6</u>	<u>100.0%</u>	<u>2.90</u>	<u>8.5</u>	<u>12.0</u>	<u>37.9</u>

Maximum	9.4
Minimum	7.5
Average	8.2
Last (December-31/11)	8.2

(figures in thousand of millions)

### 33.3.2 Policies of limits and risk positions

The Financial Risk Committee and Investment (CRFeI), the Committee on Asset and Liability Management (ALM) and the Board are the bodies responsible for defining the general guidelines to be observed in relation to tolerance to risks from Bank activity. To this end the Board and must ensure CRFeI set limits on financial risk tolerance cash and position levels, duration and / or maximum loss, among others, for each of the products in which the entity holds positions. For its part, the Board and the GAP Committee must ensure the tolerances set to liquidity risks as well as to track liquidity levels, terms, mismatches, among others, for each of the lines business in which the entity participates.

These estates are responsible for authorizing the entry of new products, define the respective limits of exposure to various risks and ensure that the entity has sufficient capacity to manage them efficiently, taking into account the current regulations. Similarly, the CRFeI, the GAP Committee and the Board are responsible for authorizing changes or modifications to existing limits of exposure to the risks assumed.

In this sense, any proposal involving a change to the policies set by the Board, either for an existing product or a new product is being studied by the Vice President of Investment Risk in conjunction with the areas involved<sup>3</sup> and is evaluated and approved by CRFeI and / or GAP Committee who submitted for consideration by the Board ratification.

<sup>2</sup> EWMA: Exponentially Weighted Moving Average

<sup>3</sup> Between others: Front office, Back office as well areas Juridical, accounting and technology.



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**33.3.3 Regulatory Value at Risk**

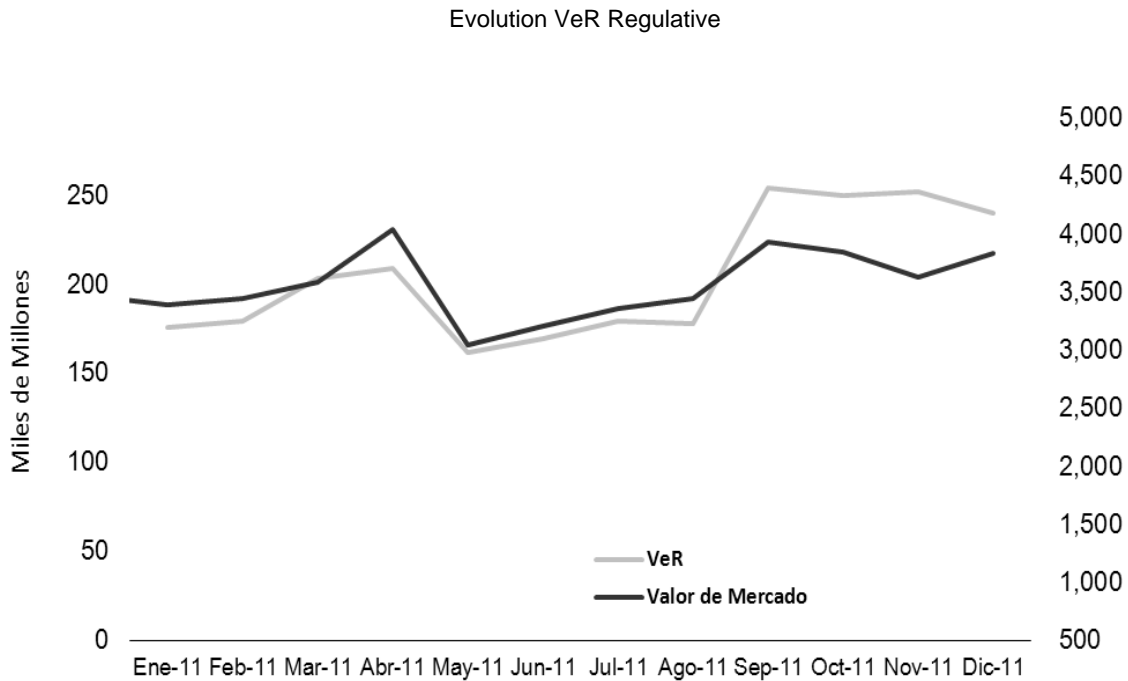
**Value at risk**

According to the methodology set out in Annex I of Chapter XXI of the External Circular Basic Accounting and Financial (Circular 100 of 1995) issued by the Colombian Superintendence of Finance, the value at risk (VaR) to 31 December 2011 amounted to \$239,521 VaR limit is 10% technical heritage.

Below is the behavior of VaR Monthly from 31 January to 31 December 2011:

Maximum	253.8
Minimum	161.6
Average	204.2
Last (December-31/11)	239.5

(figures in thousand of millions)



**- Liquidity Risk**

The liquidity situation liquidity situation, is permanently analyzed monthly through an Assets and Liabilities Management Committee (GAP). Such Committee is a collegial body in charge of studying the structure of the short and medium term balance sheet, and whose main objective is to take care of the entity's equity, the stability of same and its profits, by anticipating the changes on the balance sheet and the margins, as well as the approximate quantification of the unexpected changes, that is, the maximum risk that may be generated in the amounts consiofred relevant, like the financial margin, yields, ROA,





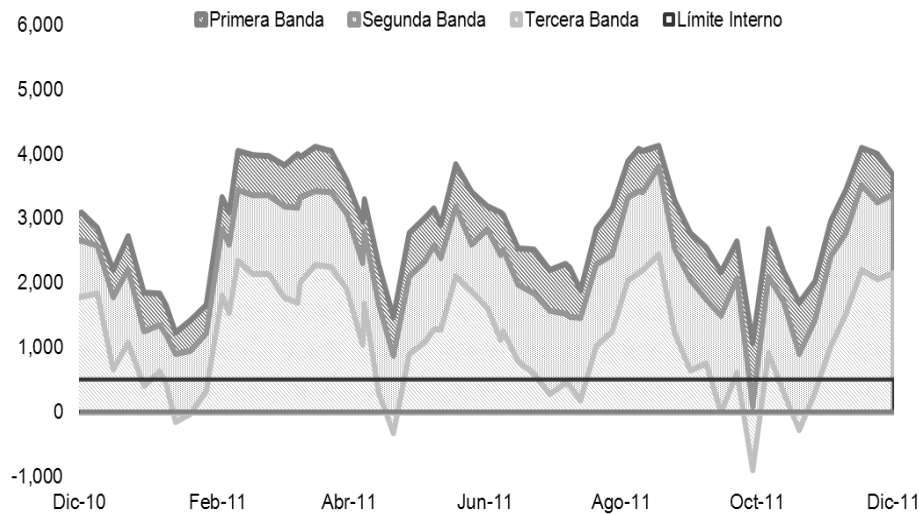
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ROE and others. The objective of this Committee, will be to support the Board of Directors and the Senior Management of the Bank, in the offition, follow up and control of general policies of assets and liabilities management and risk assumption.

The Bank conducts its liquidity risk management taking into account the profitability - risk criteria within the parameters of global strategic planning and policy parameters set out in Chapter VI of the Basic Accounting and External Circular 100 dated 1995 implementing its Liquidity Risk Management System whose ofscription and guioflines are documented in the Financial Risk Management Manual (*Manual de Administración de Riesgos Financieros - MARF*).

Annex I of Chapter VI of the Circular (External Circular 100 of 1995) establishes the methodology for measuring and weekly reporting features of liquidity risk (LRI) for Credit Institutions, the methodology was modified from 2012.

Below is the liquidity risk assessment for the different positions of assets, liabilities and expected flows through the Liquidity Risk Indicator (LRI), and their behavior since from the first transmission on January 23, 2011 to December 30, 2011. date until which operated the methodology with three bands.



Under the new dynamics for calculation of the LRI and the entry into force of the new indicator of High Quality Liquid Assets, as of December 31 2011, the results are as follows:

<u>Band</u>			
<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Four</u>
1 a 7 days	8 a 15 days	16 a 30 days	31 a 90 days
\$ 6.124.9	5.488.2	5.279.5	1.313.3

(Figures in billions of \$)



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The related time bands refer to the liquid assets adjusted for market liquidity and the net between the projected flows of the assets and liabilities with contractual and non contractual maturities.

The Colombian Superintendence of Finance established that the first and third limit<sup>4</sup> of the LRI should always be equal to or greater than zero (0). The first limit of the LRI, which was about 3 billion under the previous methodology, is now at 6 billion, due to the inclusion of guarantees and reserve within the total available assets. Within the Bank the Board of Directors defined a limit for the first and second level of \$1.5 billion pesos and \$500,000 million respectively

Indicator of High quality liquid assets 74.35%

The High Quality Liquid Assets Indicator shows the relationship of the most liquid assets (liquid assets available and received by the Central Bank for its expansion and contraction operations) compared to total liquid assets adjusted for market liquidity. This indicator should be maintained for regulatory instruction at a level greater than or equal to 70%.

Given the liquidity risk indicator, LRI, limit for the first and third level and the 70% level for the of High Quality Liquid Assets Indicator, the entity has not defaults to the limits levels established, allowing observing a positive behavior of mismatches of expected cash flows.

### **33.4 Internal Control System**

According to internal control policies properly approved by the Board, were designed and implemented internal control procedures and likewise has been adjusted according to the needs of society seeking to achieve maintain compliance with the expected results in terms of security, transparency and efficiency.

In line with the External Circular 038 of 2009 from the Colombian Superintendence of Finance, the Bank has implemented and is controlling and optimizing the performance of the following components of SCI:

- **Environment Control:** We have defined and published principles, values and behavior-oriented control.
- **Risk Management:** We are implementing processes that will maintain the efficiency and effectiveness of management and operational capacity of the Bank.
- **Control Activities:** Policies and procedures were defined and implemented to allow the managing instructions for risk and controls to be totally fulfilled.
- **Information and Communication:** Controls have been adopted that will ensure quality and compliance with generated and published information.
- **Monitoring:** We are checking the quality of internal control performance over time.
- **Independent evaluations:** We have appointed the Audit and the Statutory Auditor to conduct further evaluations that prove the effectiveness of the ICS.

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<sup>4</sup> According to that established by the Finance Superintendency of Colombia the First Band corresponds to the period understood between 1 and 7 days and the Third Band handles a horizon of 30 days.



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The Board of Directors, the audit committee, the legal representative and control entities oversee the implementation of Bank's internal control system and ensure that the preparation, presentation and disclosure of financial information complies with the provisions of law.

**33.5 Financial Consumer Care System (SAC)**

Aware of the importance to optimize the environment of care, protection, respect and adequate provision of financial services to clients, the Bank has developed and continues to generate new challenges to ensure the quality, effectiveness and timeliness of its processes. To accomplish these purposes, the following actions were developed:

- We have defined and implemented different mechanisms to optimize the due diligence in providing products and services of the Bank.
- There has been ensuring the processes that generate the financial information to consumers so that they remain within the highest standards of quality and timeliness.
- There have been Implemented new methodologies, tools and technology developed various training programs for officials, that will be ensuring an adequate, effective and timely handling of complaints and claims filed by financial consumers.
- They are developing different strategies to achieve a comprehensive and satisfactory financial consumer education on the various financial products and services.

This series of activities that are been developed will continue optimizing an adequate and effective protection of consumer rights the achievement of the Bank's sustained financial objectives, consolidating the contractual balance between the parties, with high levels of satisfaction and development

Similarly the Bank, in accordance with the development of its objectives with regards to customer service to financial consumer, complies with the legal provisions referred to in Law 1328 of 2009 and the External Bulletin 015 of 2009 from the Colombian Superintendence of Finance.

**33.6 Money Laundering and Financing of Terrorism Risk Management System (SARLAFT)**

Banco Davivienda S.A., have adopted and a Risk Management System of Laundering and Financing of Terrorism Risk Management System, SARLAFT, based on the premise of Risk management that includes knowledge of the customer and its transactions with the Entity, the definition of market segments, customers, products, distribution channels and jurisdictions, transaction monitoring, and reporting of operations to the relevant authorities in order to avoid being used to give the appearance of legality to assets derived from illegal activities and / or to finance terrorist activities, according to what is defined in External Circular 026 of June 2008 of the Colombian Superintendence of Finance.

SARLAFT is supported by an organizational culture, policies, controls and procedures that are common knowledge and application of the entire Organization and collect all the Colombian regulatory framework, as well as recommendations and best international practices in this area, especially those of the Group Financial Action "FATF".

The procedures and rules of conduct on the implementation of all control mechanisms and tools are integrated into the SARLAFT Manual and the Code of Conduct that is for the access and Consumer knowledge of all the Entity's staff.

Banco Davivienda S.A. regularly conducts training programs for its staff, in the pursuit to create awareness and commitment in the staff.



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Likewise, there was also an inclusion to the reviews of the control mechanisms designed and implemented in the compliance unit and other areas in the Bank with the Statutory and Internal Audit processes.

In compliance with the rules, the Board appointed a Compliance Officer and his deputy, who are properly positioned before the Colombian Superintendence of Finance.

**33.7 Operating Risk Management System (SARO)**

As part of strategic planning guidelines of the Bank, that is continuously generating improvements to the processes and the consolidation of operational risk management, ensuring the Bank among others the following elements:

- The Bank has implemented monitoring processes in the operational risk management system, in such a way that facilitates the rapid detection and correction of system deficiencies, as well as the effective monitoring risk identification and valorization, and implementing controls with the frequency and nature of changes in the operating environment.
- As part of an adequate and effective operational improvement of the Bank, various action plans that strengthen the effectiveness of controls to ensure mitigation of risks in the different processes, have been developed.
- The Operational Risk Profile as of December 2011 shows that the identified risks are properly controlled and that on those who are still identified as high risk, the Bank is developing action plans for mitigation, in accordance with the guidelines and tolerance levels set by the Board of Directors.

We are committed to maintaining the quality and effectiveness of the operational risk management of the Bank, promptly adjusting it to the dynamics of the change processes as a result to new business strategies, in accordance with the laws established by the Colombian Superintendence of Finance.

**34 Information Security Strategies – External Circular 052 of 2007**

Continuing the implementation of External Circular 052 of 2007 of the Colombian Superintendence of Finance, it was defined to include within the development of each of the projects that are initiated in the Bank from its planning phase, the verification of the compliance of the regulatory requirements from this policy. Likewise, these requirements are taken into account on the improvement and optimization processes, to ensure their sustainability over time.

Given the mutation and emergence of new Trojans and a malicious and a more powerful code, the Bank has maintained a constant process of updating and monitoring its Transaction Channels to timely mitigate the new risks that may appear and affect our clients.

To support this strategy, we have updated and strengthened Contracts with Third Parties specialized in Phishing and Trojans research and Incident Management that are increasingly affecting more and more Financial Institutions Worldwide.

Within the review of the Updating Project, from the requirements published in October 2011, with regard to the last modification known as External Bulletin 022 of 2010 from the Colombian Superintendence of Finance, the Bank carried out an internal validation to identify the level of compliance and performed the impact analysis for the Mobile Banking Channel.

With regard to the requirements related to EMV (Europay MasterCard Visa, Interoperability Standard IC cards - cards with microprocessor) the proposed dates for internal adjustments to plans that had already



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been drawn on the full implementation of EMV in pinpad, at merchant acquisition level and for changing of all cards, since the Bank began with the issuance of Chip card from early 2011, were considered.

The Bank will continue to investigate new trends in security matters and therefore, in tools and controls to mitigate the identified risks to be prepared for new threats and implement such controls at the service of our clients ensuring the delivery of products and services with high levels of quality and safety.

### **35. Corporate Government**

The Board of Directors of Banco Davivienda SA; adopted the Board Rules according to the guidelines of the Code of Best Corporate Practices - Country Code –and based on the principles of transparency, respect for shareholder rights, disclosure, due diligence and loyalty of consultants and managers, but also determines the operating regime of corporate bodies in order to promote the participation of its shareholders.

Similarly, the General Assembly of Shareholders adopted the Regulations of the General Assembly of Shareholders and implemented mechanisms for dissemination of the announcement and development of online meetings through the website.

The Bank has also strengthened the information channels for the shareholders and investors to include financial and non-financial information on the web page where they can consult documents that comprise the Corporate Government System, among them, the statutes, the shareholders rights and obligations guide, good government corporate code, the regulations of the Board of Directors and General Shareholders Meeting, as well as information related to the financial performance, administrative management, consultants, control institutes, shares, etc. At the same time, through the Corporate Government Code, the Bank has defined its policy for complete disclosure of information to the shareholders and the investors, to guarantee appropriate and truthful delivery of information.

Through the Corporate Good Government Code, the Bank details its policies with regards to:

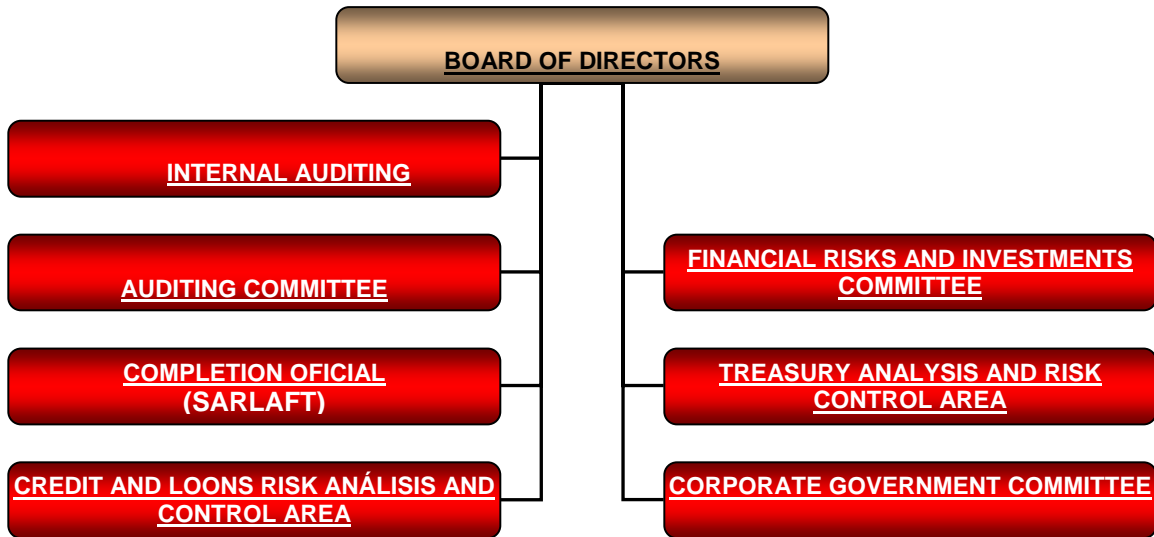
- Disclosure of information to shareholders and investors in subjects regarding the institutional policies of the Bank, government structure and its shareholders composition, handling conflicts of interest, risks to which the Bank may be exposed to in the handling of its operations, detection of relevant findings made by the General Accountant, financial information and increase of said relevant findings.
- Internal Control System

Regarding the government structures and the handling of risks, the Board of Director has created the committees required by law as well as others, that although they are not necessarily required by law do support the management of the Board of Directors and keeps them informed of situations regarding processes, structure and handling of risks in each business line, allowing for adequate monitoring and follow-through. Under this plan, the Board of Directors and Top Management are aware of the positions of risk of the Bank and they may actively intervene in the handling of these same risks, defining the measuring methodologies of the Bank that would identify their exposure per product, policies, profiles and limits among others. Also, the Board of Directors determines the strategy and orientation of Bank and supervises placement and follow-through of same.



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The following scheme illustrates the principal committee of support of the Board of directors for the development of his functions:



**Functions of Committees:**

a) Internal Auditing

The Internal Auditing covers the analysis and follow-through of the internal control System of the Bank, providing each one of the audited as well as the Auditing Committee and the Board of Directors, recommendations for strengthening the internal control system to fulfill the needs of the Bank.

b) Audit Committee:

It supervises the internal control structure, verifies that transactions are being adequately authorized and recorded, supervises the functions of the internal audit, watches for the transparency of the financial information, as well as for its adequate disclosure, evaluates the internal control reports prepared by the Internal Auditor and the Statutory Auditor and verifies that the administration has followed its suggestions and recommendations, confirms and objects the notion that the Statutory Auditor issues in respect to the sufficiency and appropriateness of the internal control measures of the entity. Establish policies, criteria and practices used by the Bank in the construction, disclosure and dissemination of the financial information as well as the mechanisms to consolidate the information of control areas for final presentation to the Board of Directors.

c) Financial Risks and Investments Committee

The Financial Risks and Investment Committee is the entity in charge of analyzing, evaluating and authorizing the different operative and investment alternatives for each one of the Grupo Bolivar companies, recommending their ratification to the Board of Directors for the appropriate company.

d) Compliance Officer:

He watches for the adoption of all specific procedures to prevent money laundering and financing of terrorism in the entity, verifying that all necessary mechanisms have been implemented to obtain an



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adequate knowledge of customers and the market, as well as those that permit to detect suspicious and unusual operations and control cash operations and, especially, to promote the development of training programs for all officers of the Bank in order to instruct them on the compliance with the regulations in effect on the subject of prevention of money laundering.

e) Treasury Analysis and Risk Control Area:

Identifies, estimates, manages and controls the credit risks and/or counterparty, market and liquidity inherent to the treasury business, establishes limits and maximum levels of exposure to the different risks making efforts to obtain that these will be consistent with the equity position of the entity and, specifically, with the capital assigned to each business.

f) Credit and Portfolio Analysis and Risk Control Area:

It establishes, measures, administers and controls the risks generated on occasion of the efforts of evaluation, granting, administration and collection of the different lines of credit that the Bank offers in order to estimate foreseeable and unforeseeable losses.

g) Corporate Government Committee

The Committee's main function is to support the Board of Directors in the implementation of good corporate government practices and the fulfillment of established policies of the Bank in this regard.

In reference to the Internal Control System, the adjustment of which has been required by External Circular 014 of 2009 modified by the External Circular 038 of 2009 issued by the Colombian Financial Superintendence, The Bank implemented the requirements with regard to the control and information and communications environment, as well as policies and mechanisms that adequately cover the liabilities in control activities, carrying out actions to optimize and document its functioning.

However, in respect to the report and disclosure mechanisms established, in order that the Board of Directors and Top Management will be duly informed regarding the entity's risks position, it is considered that the above presented structure affirms that the entity has mechanisms that guarantee the adequate flow of information to provide it support, monitoring and follow up.

The methodology and results of the management of measuring risks is detailed in Note 32 of the Risk Management Manual where the methodologies are presented to allow for identification of different types of risks as well as their measuring systems

The members of the risk areas are qualified and prepared persons and with experience subject to the entity's selection process. It seeks, especially, that the members will be people who comply with the principles and values of the institution, which guarantees a qualified human resource at a personal, family, moral and professional levels.

The Risk Area is comprised of a technical infrastructure, tools and systems that are required to guarantee the efficient, effective and appropriate handling of the Treasury Risk Management department, provides technical support in accordance with the size, nature, complexity and volume of operations, as well as the processes that allow for effective control and monitoring of policies and established limitations.

The Internal Audit area carries out verification tasks to the operations in a random manner in the Bank, risk analysis, to determine if the processes, limits and controls, are in agreement with the policies and responsibilities set forth in the manuals. In addition, it participates in the projects that are being performed to advise the users on the definition of controls in order that they will be knowledgeable about the applications. As a result of this, Auditing facilitates to the Administration, analysis and recommendations to strengthen the Internal Control. Likewise, it promotes the self-control culture among the officers at all levels of the organization, emphasizing on the security of the information and the compliance of rules and procedures.



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The Board of Directors determined the separation of functions into Front, Middle and Back Office as independent areas to prevent conflicts of interest. The Front Office is handled by the Treasury Vice-President and is directly in charge of the negotiation of the client relationships and the business aspects surrounding them. The Middle Office is in charge of, among other functions, the measuring of risks, verification of policy fulfillment and establishing limitations as well as the analysis of risks. This area falls under the responsibility of the Planning and Risk Vice-President of the Grupo Bolivar. Finally, the Back Office is the area in charge of finalizing the operative aspects of the negotiations such as closure, registration and final authorization of the operations and handled by the Operations Vice-President.

The information of the credit and investment portfolio used for the management of risks is found in solid platforms and applications that permit their management for the generation of reports. Likewise, they meet the information security policies and the capacity sufficient for the size of the data bases of the different business types.

Additionally to the models, the adequate organizational and technological structure, there are documented and audited administrative and operational processes. In respect to the prevention of money laundering and financing of terrorism, the subjects related to the knowledge of the customer, change operations, civil liability of the compliance officer and personal liability of the members of the Board have been strengthened, as provided by the new regulations.

As far as the information to third parties and minority stockholders, the Bank is an entity subject to an annual rating. Likewise, its financial statements are made public at each biannual closing as well as the report to the General Stockholders' Meeting.

**34 Controls of Law**

As of December 31 and June 30, 2011, the Bank comply with the requirements of their average position, minimum capital, solvency ratio, pace, and limits required investment in fixed assets investment.

**Average Position**

Below is the result of the Bank's average position at December 31, and June 30, 2011 (Amounts in millions USD):

		<u>December 31</u>	<u>June 30</u>
Bank's Average Position (PP)	USD	18.1	91.3
Maximum Required: 20% Technical Equity		414.3	406.5
Minimum required: -5% Technical Equity		(103.6)	(101.6)
Bank's average cash position (PPC)		2.6	17.7
Maximum Required: 50% Technical Equity	USD	1,035.9	1,016.2
Average gross leverage position (PBA)		5,492.7	8,170.6
Maximum Required: 550% Technical Equity		11,394.4	11,178.2

As of December 31 and June 30, 2011, the Bank complied with the limitations established by the governing entity.





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**Solvency Reference**

The following is the Technical Equity of Bank at and December 31 and June 30, 2011:

	<u>December 31</u>	<u>June 30</u>
Basic Stockholders equity	3,691,417.0	2,769,070.6
Additional Stockholders equity	1,079,160.6	907,125.3
Technical stockholders equity	4,770,577.6	3,676,195.9
Risk market value	239,520.7	169,166.3
Weighted assets per risk levels	29,246,155.7	27,081,553.0
Solvency index (PT/(APNR+((100/9)*VeR))	14.95%	12.69%

The classification of risk assets in each category is effected by applying the percentages determined by the Financial Superintendence of Colombia for each of the categories of assets, contingent consideration, businesses and trust funds established in the Single Plan Accounts.

The individual compliance is verified each month.

**Reserve**

The Bank met the reserve requirement, on the legal currency deposits according to the following percentages:

<u>11%</u>
Checking account deposits
Savings deposits
Savings Accounts of real value
Special Savings Accounts
Special deposits
Payables for banking services
Collection services
Bankers Acceptances after the deadline
Other payables
<u>4.5%</u>
Deposit Certificates with term less than 18 months
Savings Certificates with real value less than 18 months
Bonds under 18 months

**Obligatory investment**

In accordance with what Banco de la Republica established on the 3<sup>rd</sup> external Resolution of 2000, the amount to be invested in TDA securities class A and B is 37% and 63% respectively.



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The value of investments in FINAGRO at the closure of December 31, 2011 is shown below for the Bank:

<u>Finagro</u>	<u>December 31</u>	<u>June 30</u>
TDA A (37%)	\$323,324.6	304,711.3
TDA B (63%)	550,525.7	518,832.8
Required total	873,850.3	823,544.1
Alternative Portfolio	(462,773.2)	(429,746.2)
Investment to be made	411,077.6	393,797.9
TDA A (37%)	323,110.6	304,599.5
TDA B (63%)	87,967.0	89,198.4

**35 Highlights**

According to Act No. 815 of September 13, 2011, the Board of Directors approved the initiation of efforts towards the merging between Confinanciera S.A. Compañía de Financiamiento and Banco Davivienda S.A., the latter being the acquiring company, and authorized the administration, to start actions prior to the convening of the general assembly of shareholders to take a decision about the merging.

**36 Subsequent events**

According to Act No. 825 of January 23, 2012, the Board of Directors approved the acquisition of the operations that the HSBC Group has in Costa Rica, El Salvador and Honduras. The Group consists of three banks, one in each country and two insurance companies (in El Salvador and Honduras), and other Companies with supplementary Financial Services, the agreement (SPA) (Share Purchase Agreement) was signed on January 24, 2011.

It manages assets for about US\$4.3 thousands of million, representing a 24% growth to the Bank's assets, it has 136 offices, 390 ATMs and 3.800 employees.

**37 Reclassifications**

Some figures as of June 30, 2011, from the Cash Flow were reclassified for presentation purposes.