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EBF2010-106

FREE ENGLISH LANGUAGE TRANSLATION
STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco Davivienda S.A.:

I have audited the balances sheets of Banco Davivienda S.A. at December 31 and June 30, 2009, and the related statements of income, changes in the shareholders' equity and cash flows, a summary of significant accounting policies and other explanatory notes, for the semesters then ended, expressed in local currency (Colombian pesos).

Management's Bank is responsible for the preparation and fair presentation of these financial statements according to generally accepted accounting principles in Colombia, promulgated 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 audit.

I obtained the necessary information and carried out my examination in accordance with auditing standards generally accepted in Colombia. Such standards require that I plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from 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 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 evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that my audits provide a reasonable basis for my audit 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, 2009, the results of its operations and its cash flows for the semesters then ended, in local currency (Colombian pesos), in conformity with generally accepted accounting principles in Colombia, promulgated by the Financial Superintendence of Colombia, applied on a consistent basis.

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 performance 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. Rules of the External Circular No.100 of 1995 have had compliance by means of which the Financial Superintendence of Colombia established criteria and procedures related to the adequate management and accounting of the foreclosed assets received as payment and the systems of risk management of: Market "SARM", Credit "SARC", Operative "SARO", Money Laundering and Financing of Terrorism "SARLAFT" and liquidity "SARL" and its impact on the Financial Statements.
- f. The contributions to the Social Security System were liquidated and paid timely. 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.
- h. I carried out monitoring to the answers about the recommendation letters addressed to the Bank's management.

As it is indicated in note 24 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 December 31, 2009, 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.

Original signed by
Pedro Ángel Preciado Villarraga
Statutory Auditor of Banco Davivienda S.A.
Registration No. 30723 - T
Member of KPMG Ltda.

February 2, 2010

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.

Balances Sheets
December 31 and June 30, 2009
(Millions of pesos)

<u>Assets</u>	<u>December 31</u>	<u>June 30</u>
Cash and cash equivalents (notes 3 and 31)	\$ 1.459.897,6	\$ 1.229.623,3
Cash and cash equivalents	1.460.022,2	1.229.744,6
Less: Allowance	<u>(124,6)</u>	<u>(121,3)</u>
Active Positions in Monetary Market Operations and those Related (notes 4 and 31)	3.526,3	3.807,7
Investments (notes 5 and 31)	4.148.371,2	3.326.774,2
Debt securities trading	3.304.015,4	2.440.247,6
Debt securities Held to maturity	402.779,9	352.233,3
Debt securities available for sale	8.791,3	10.301,6
Equity securities available for sale	312.846,5	285.237,1
Investment repurchase rights	153.990,2	261.646,0
Less: Allowance	<u>(34.052,1)</u>	<u>(22.891,4)</u>
Credit portfolio and financial leasing (notes 6 and 31)	16.248.751,1	14.886.161,8
Housing loans	<u>1.929.516,0</u>	<u>1.718.731,6</u>
Category A, Normal Risk	1.853.230,7	1.583.211,6
Category B, Acceptable Risk	73.972,0	125.696,5
Category C, Appreciable Risk	36.873,1	45.511,4
Category D, Significant Risk	13.652,6	13.643,9
Category E, Unrecoverable	4.426,0	5.730,5
Less: Allowance	<u>(52.638,4)</u>	<u>(55.062,3)</u>
Credit portfolio and consumption operations - Suitable Guaranty	<u>614.804,5</u>	<u>596.642,8</u>
Category A, Normal Risk	589.435,4	553.818,8
Category B, Acceptable Risk	27.725,2	33.675,8
Category C, Appreciable Risk	18.663,0	26.464,0
Category D, Significant Risk	16.054,6	22.105,4
Category E, Unrecoverable	26.822,6	24.232,0
Less: Allowance	<u>(63.896,3)</u>	<u>(63.653,2)</u>
Credit portfolio and consumption operations - Other Guaranties	<u>4.781.857,5</u>	<u>4.237.882,0</u>
Category A, Normal Risk	4.610.907,1	3.819.778,0
Category B, Acceptable Risk	232.914,4	301.714,1
Category C, Appreciable Risk	140.080,5	247.702,1
Category D, Significant Risk	133.450,3	189.041,9
Category E, Unrecoverable	105.594,9	153.428,7
Less: Allowance	<u>(441.089,7)</u>	<u>(473.782,8)</u>
Micro-credit loans - Suitable Guaranty	<u>0,0</u>	<u>1.788,0</u>
Category A, Normal Risk	0,0	1.463,1
Category B, Acceptable Risk	0,0	178,2
Category C, Appreciable Risk	0,0	185,6
Category D, Significant Risk	0,0	122,6
Category E, Unrecoverable	0,0	1.161,3
Less: Allowance	<u>0,0</u>	<u>(1.322,8)</u>
Micro-credit loans - Other Guaranties	<u>752,7</u>	<u>152,9</u>
Category A, Normal Risk	611,1	127,8
Category B, Acceptable Risk	89,9	16,6
Category C, Appreciable Risk	61,5	12,9
Category D, Significant Risk	57,4	5,8
Category E, Unrecoverable	280,2	131,9
Less: Allowance	<u>(347,4)</u>	<u>(142,1)</u>
Credit portfolio and financial leasing commercial - Suitable Guaranty	<u>2.589.014,4</u>	<u>2.757.734,8</u>
Category A, Normal Risk	2.476.659,9	2.690.963,7
Category B, Acceptable Risk	231.673,0	132.159,1
Category C, Appreciable Risk	22.361,1	36.986,8
Category D, Significant Risk	56.529,0	80.978,8
Category E, Unrecoverable	7.850,2	9.277,3
Less: Allowance	<u>(206.058,8)</u>	<u>(192.630,9)</u>
Credit portfolio and financial leasing commercial - Other Guaranties	<u>6.332.806,0</u>	<u>5.573.229,7</u>
Category A, Normal Risk	6.285.893,8	5.488.729,3
Category B, Acceptable Risk	185.202,6	132.158,5
Category C, Appreciable Risk	20.652,1	54.833,5
Category D, Significant Risk	96.097,7	88.519,0
Category E, Unrecoverable	16.705,5	21.702,1
Less: Allowance	<u>(271.745,7)</u>	<u>(212.712,7)</u>
Less General Allowance	<u>(19.832,5)</u>	<u>(17.772,0)</u>

BANCO DAVIVIENDA S.A.
Balances Sheets (Continued)
December 31 and June 30, 2009
(Millions of pesos)

	<u>December 31</u>	<u>June 30</u>
Customers' acceptances and derivatives (note 7)	\$ (20.183,7)	\$ 53.537,5
Debtors and Bank Acceptances	611,8	1.868,3
Derivatives:	(20.343,7)	52.514,3
Rights	4.212.256,3	5.357.833,5
Obligations	<u>(4.232.600,0)</u>	<u>(5.305.319,2)</u>
Others	(451,8)	(845,1)
Accounts receivable (notes 8 and 31)	328.527,5	300.729,4
Interests	178.388,7	193.881,4
Financial Component - Leasing Operations	6.260,0	5.288,0
Commissions and Fees	121,8	140,0
Payment of housing clients	15.215,7	16.842,4
Payment of consumption clients	16.409,3	16.599,7
Payment of micro-credits clients	2,8	16,4
Payment of commercial clients	7.817,8	6.183,1
Others	180.771,2	143.313,6
Less: Allowance	<u>(76.459,8)</u>	<u>(81.535,2)</u>
Foreclosed assets (note 9)	55.345,7	54.430,8
Assets received in payment and destined to housing	7.649,6	5.152,8
Assets received in payment and different from housing	13.016,2	18.169,1
Foreclosed assets from leasing contracts	1.657,4	889,8
Assets not used in the Company's purpose	47.374,6	48.532,1
Less: Allowance	<u>(14.352,1)</u>	<u>(18.313,0)</u>
Properties and equipment (note 10)	358.773,0	350.552,1
Lands, buildings and constructions in progress	372.104,6	359.058,9
Equipment, furniture and fixtures	122.504,7	118.868,1
Computer equipment	263.689,1	251.156,7
Less: Accumulated depreciation and amortization	(391.770,5)	(376.075,0)
Less: Allowance	<u>(7.754,9)</u>	<u>(2.456,6)</u>
Others assets (notes 11 and 31)	1.705.194,2	1.677.440,7
Permanents contributions	251,7	251,7
Prepaid expenses and deferred charges	1.445.226,2	1.484.441,0
Others	266.019,5	200.360,4
Less: Allowance	<u>(6.303,2)</u>	<u>(7.612,4)</u>
Revaluations	500.310,9	432.270,7
Investments available for sale in equity securities of low or minimum marketability or without stock market quotation (notes 5 f. and 31)	113.778,4	108.713,7
Properties & equipment (note 10)	<u>386.532,5</u>	<u>323.557,0</u>
Devaluations (notes 5 f. and 31)	(252,2)	(133,2)
Invesments available for sale in equity securities of low or minimum marketability or without stock market quotation	<u>(252,2)</u>	<u>(133,2)</u>
Total assets	\$ <u>24.768.429,1</u>	\$ <u>22.297.423,0</u>
Creditor Contingent Accounts (note 22)	8.612.545,2	7.557.140,0
Debtor Contingent Accounts (note 22)	631.910,7	638.637,3
Debtor Memorandum Accounts (note 23)	36.858.009,0	34.231.560,3
Creditor Memorandum Accounts (note 23)	<u>51.218.013,5</u>	<u>47.551.527,4</u>
Total Contingent and Memorandum Accounts	\$ <u>97.320.478,4</u>	\$ <u>89.978.865,0</u>
Trust Memorandum Accounts (note 24)	\$ <u>44.885,0</u>	\$ <u>45.554,4</u>

BANCO DAVIVIENDA S.A.
Balances Sheets (Continued)
December 31 and June 30, 2009
(Millions of pesos)

<u>Liabilities and Stockholders' equity</u>	<u>December 31</u>	<u>June 30</u>
Deposits and callabilities (notes 12 and 31)	\$ 17.021.235,9	\$ 15.383.791,7
Deposits in bank current accounts	2.616.134,8	2.197.262,3
Term deposits	5.635.943,3	5.853.018,9
Savings deposits	8.482.332,7	7.205.926,7
Others	<u>286.825,1</u>	<u>127.583,8</u>
Passive positions in monetary market operations and those related (notes 13 and 31)	517.656,6	393.831,8
Bank acceptances outstanding (note 14)	611,8	1.868,3
Banking credits and other financial obligations (note 15)	1.389.028,8	1.417.397,0
Others entities in the country	892.872,6	723.006,0
Entities abroad	<u>496.156,2</u>	<u>694.391,0</u>
Accounts payable (notes 16 and 30)	586.349,5	610.131,4
Interests	142.747,4	166.334,0
Commissions and fees	55,9	226,2
Others	<u>443.546,2</u>	<u>443.571,2</u>
Long term-debt (notes 17 and 31)	2.182.681,3	1.757.575,4
Others liabilities (note 18)	255.623,9	113.325,1
Accrued benefit obligations to the employees	28.569,8	23.101,5
Unearned income	139,4	1,3
Others	<u>226.914,7</u>	<u>90.222,3</u>
Estimated liabilities and allowances (note 19)	96.842,2	139.458,6
Taxes	10.469,7	47.571,5
Others	<u>86.372,5</u>	<u>91.887,1</u>
Total Liabilities	<u>22.050.030,0</u>	<u>19.817.379,3</u>
Total stockholders' equity	<u>2.718.399,1</u>	<u>2.480.043,7</u>
Capital stock (note 20)	47.757,1	47.757,1
Reserves (note 21)	1.937.978,4	1.775.611,8
Legal reserve	1.144.620,0	1.144.620,0
Statutory and occasional reserves	<u>793.358,4</u>	<u>630.991,8</u>
Surplus	500.470,1	432.408,3
Gross unrealized gain or loss on investments available for sale	411,2	270,6
Revaluation assets (notes 5 f. and 31)	500.310,9	432.270,7
Devaluation (notes 5 f. and 31)	(252,2)	(133,2)
Stockholders' equity revaluation	<u>0,2</u>	<u>0,2</u>
Net income	232.193,5	224.266,5
Total liabilities and stockholders' equity	\$ <u>24.768.429,1</u>	\$ <u>22.297.423,0</u>
Creditor contingent accounts (note 22)	8.612.545,2	7.557.140,0
Debtor contingent accounts (note 22)	631.910,7	638.637,3
Debtor memorandum accounts (note 23)	36.858.009,0	34.231.560,3
Creditor memorandum accounts (note 23)	<u>51.218.013,5</u>	<u>47.551.527,4</u>
Total contingent and memorandum accounts	\$ <u>97.320.478,4</u>	\$ <u>89.978.865,0</u>
Trust Memorandum Accounts (note 24)	\$ <u>44.885,0</u>	\$ <u>45.554,4</u>

See the notes accompanying the financial statements.

OLGA LUCIA RODRÍGUEZ SALAZAR
Legal Representative

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

PEDRO ÁNGEL PRECIADO VILLARRAGA
Statutory Auditor of Banco Davivienda S.A.
Registration 30723-T
Member of KPMG Ltda.
(See my opinion dated february 2, 2010)

BANCO DAVIVIENDA S.A.**Statements of Income**

Semesters ended on December 31 and June 30, 2009

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

	<u>December 31</u>	<u>June 30</u>
Direct operating income	\$ 1.933.509,9	\$ 1.941.261,0
Readjustment to real value unit - RVU	10.631,3	43.303,4
Amortized interests and discounts- Credit portfolio and others interests	1.075.240,7	1.153.410,7
Commissions and fees	205.470,1	202.617,6
Profit on the appraisal of investments trading in debt securities	115.173,7	121.929,6
Profit on the appraisal of investments available for sale in debt securities	241,8	576,2
Profit on the appraisal of investments negotiable in equity securities	294,6	0,0
Profit on the appraisal of investments held to maturity	923,7	14.786,2
Changes	157.416,7	245.625,1
Profit on the appraisal of derivatives	178.504,6	24.003,7
Profit on portfolio sale	4.612,2	7.138,1
Leasing financial component	58.316,8	48.441,9
Profit on investments sale	<u>126.683,7</u>	<u>79.428,5</u>
Operating expenses	901.404,0	893.176,0
Interests amortized premium and discount amortized (note 12)	406.230,5	509.640,6
Loss on the appraisal of investments trading in debt securities	0,0	0,3
Commissions	35.944,7	36.595,9
Readjustment to real value unit - RVU	13,4	5.697,9
Lost on the appraisal of derivatives	208.926,2	77.971,9
Changes	168.716,9	238.698,3
Lost on investments sale	<u>81.572,3</u>	<u>24.571,1</u>
Operational income	1.032.105,9	1.048.085,0
Other operating income and expenses - net	<u>67.668,1</u>	<u>47.238,4</u>
Operating income	<u>640.116,0</u>	<u>518.964,2</u>
Dividends and participations (note 5)	29.401,1	25.799,3
Others (note 25)	<u>610.714,9</u>	<u>493.164,9</u>
Operating expenses	<u>572.447,9</u>	<u>471.725,8</u>
Employees expenses	231.105,3	209.832,7
Others (note 26)	<u>341.342,6</u>	<u>261.893,1</u>
Operating result before allowances depreciation and amortizations	\$ 1.099.774,0	\$ 1.095.323,4

BANCO DAVIVIENDA S.A.

Statements of Income (continued)

Semesters ended on December 31 and June 30, 2009

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

	<u>December 31</u>	<u>June 30</u>
Allowances	\$ 836.346,5	\$ 812.718,9
Investments (note 5)	13.784,9	0,0
Credit portfolio (note 6)	752.834,5	746.650,6
Accounts receivable (note 8)	38.705,6	45.288,0
Properties and equipment (note 10)	6.014,8	1.090,6
Financial leasing (note 6)	19.151,3	14.747,7
Others (note 27)	<u>5.855,4</u>	<u>4.942,0</u>
Depreciations - Properties and equipment	17.007,4	16.991,5
Amortizations	<u>71.473,2</u>	<u>66.298,8</u>
Operating income - Net	174.946,9	199.314,2
Non-operating income	108.291,2	128.152,6
Non-operating income (notes 28 and 31)	<u>108.291,2</u>	<u>128.152,6</u>
Non-operating expenses	38.044,6	39.184,2
Non-operating expenses (notes 29 and 31)	<u>38.044,6</u>	<u>39.184,2</u>
Non-operational income - Net	<u>70.246,6</u>	<u>88.968,4</u>
Profit before income tax	245.193,5	288.282,6
Income tax expenses (note 30)	<u>13.000,0</u>	<u>64.016,1</u>
Net Income	\$ <u>232.193,5</u>	\$ <u>224.266,5</u>
Net Income per share (in Colombian Pesos) (note 20)	\$ <u>4.862,0</u>	\$ <u>4.932,2</u>

See the notes accompanying the financial statements.

OLGA LUCIA RODRÍGUEZ SALAZAR
Legal Representative

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(See my opinion dated february 2, 2010)

BANCO DAVIVIENDA S.A.
Statements of Changes in the Stockholders' Equity
Semesters ended on December 31 and June 30, 2009
(millions of pesos)

	Stock Capital	Legal Reserve	Occasional Reserves	Unrealized Gains or losses	Surplus or Deficit for		Stockholders' Equity Revaluation	Net Income	Total Stockholders' Equity
					Revaluation	Devaluation			
Balance at December 31, 2008	\$ 43.183,4	963.644,8	674.893,3	73,7	390.552,9	(45,0)	0,2	202.504,0	2.274.807,3
Donations			(812,6)						(812,6)
Distribution of the net income of the semester ended on December 31, 2008									
Traslate to Legal Reserve		2.600,0						(2.600,0)	0,0
Occasional reserve for valuation of investments to market prices - Decreto 2336, 1995			13.688,7					(13.688,7)	0,0
Dividends paid in cash at Col\$1.390 pesos per share on 43.183.399 shares subscribed and paid. March 12, 2009								(60.024,9)	(60.024,9)
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			126.190,4					(126.190,4)	0,0
Dividends paid in shares at Col\$4.237 pesos per share on 43.183.399 shares subscribed and paid with the issue 4.573.723 shares with face value of Col\$1.000 pesos each and a premium on placement of Col\$39.000.00 pesos each. March 31, 2009	4.573,7	178.375,2	(182.948,9)						0,0
Remainder of dividends paid in cash. March 12, 2009			(19,1)						(19,1)
Movement of the semester				196,9	41.717,8	(88,2)			41.826,5
Net income								224.266,5	224.266,5
Balance at June 30, 2009	\$ 47.757,1	1.144.620,0	630.991,8	270,6	432.270,7	(133,2)	0,2	224.266,5	2.480.043,7
Donations			(1.916,9)						(1.916,9)
Distribution of the net income of the semester ended on June 30, 2009									
Dividends paid in cash at Col\$1.256 pesos per share on 47.757.122 shares subscribed and paid. September 15, 2009								(59.983,0)	(59.983,0)
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			164.283,5					(164.283,5)	0,0
Movement of the semester				140,6	68.040,2	(119,0)			68.061,8
Net income								232.193,5	232.193,5
Balance at December 31, 2009	\$ 47.757,1	1.144.620,0	793.358,4	411,2	500.310,9	(252,2)	0,2	232.193,5	2.718.399,1

See the notes accompanying the financial statements.

OLGA LUCÍA RODRÍGUEZ SALAZAR
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PEDRO ÁNGEL PRECIADO VILLARRAGA
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(See my opinion dated february 2, 2010)

BANCO DAVIVIENDA S.A.
Statements of Cash Flows
Semesters ended on December 31 and June 30, 2009
(Millions of pesos)

	<u>December 31</u>	<u>June 30</u>
Cash flows provided by operating activities:		
Net income	\$ 232.193,5	224.266,5
Adjustments to reconcile net income to cash (used) provided by operating activities:		
Allowance for investments	13.784,9	0,0
Allowance for credit portfolio	752.834,5	746.650,6
Allowance for leasing	19.151,3	14.747,7
Allowance for accounts receivable	38.705,6	45.288,0
Allowance foreclosed assets	3.851,0	2.912,5
Allowance for properties and equipment	6.014,8	1.090,6
Other assets allowance	1.662,4	1.797,9
Allowance for severance payments	8.753,5	8.085,0
Depreciations - goods for own use	17.007,4	16.991,5
Amortizations	71.473,2	66.298,8
Profit on sale of portfolio credits and lease asset, net	(4.612,2)	(7.138,1)
Profit on the sale of investments, net	(45.111,4)	(54.857,4)
Loss (Profit) on sale of foreclosed assets, net	3.599,0	(1.147,7)
Profit on sale of properties and equipment, net	(675,5)	(7.606,4)
Reimbursement of the investments allowance	(2.624,2)	(260,0)
Reimbursement of the credit portfolio and leasing allowance	(450.042,2)	(346.179,9)
Reimbursement of the accounts receivable allowance	(28.306,1)	(26.327,4)
Reimbursement of the foreclosed assets allowance	(7.811,9)	(3.566,8)
Reimbursement of the property and equipment allowance	(716,5)	(3.007,8)
Reimbursement of other assets allowance	(1.463,8)	(41,1)
Other recoveries of estimated liabilities	(7.184,9)	(8.306,5)
Increase deferred income tax	47.770,7	10.079,8
Changes in operating assets and liabilities:		
Increase of gross unrealized gain on investments	140,6	196,9
Increase in credit portfolio and financial leasing operations	(2.307.018,0)	(1.281.743,4)
Increase (Decrease) in accounts receivable	(38.197,6)	61.248,1
Increase in other assets	(99.425,3)	(51.591,9)
Increase (Decrease) in deposits and callabilities	1.637.444,2	(104.850,3)
Decrease in accounts payable	(23.781,9)	(17.439,8)
Increase in long term-debt	425.105,9	526.560,4
Increase (Decrease) in other liabilities	89.944,3	(5.309,7)
(Decrease) increase in estimated liabilities and allowances	(35.431,5)	52.740,3
Severance payments	<u>(4.169,7)</u>	<u>(5.147,0)</u>
Net cash provided (used in) by operating activities	\$ <u>312.864,1</u>	<u>(145.566,6)</u>

BANCO DAVIVIENDA S.A.**Statements of Cash Flows**

Semesters ended on December 31 and June 30, 2009 (continued)

(Millions of pesos)

	<u>December 31</u>	<u>June 30</u>
Cash flows by investment activities:		
Increase investment	\$ (787.646,3)	(513.240,7)
Decrease (increase) acceptances, cash and derivatives operations	73.721,2	(99.587,3)
(Additions) retirement to property and equipment	(30.786,6)	38.869,2
Additions of foreclosed assets	(1.724,6)	(34.662,9)
Product from the sale of foreclosed assets	1.171,6	1.942,5
Product from the sale of properties and equipment	<u>935,5</u>	<u>1.093,9</u>
Net cash used in by investment activities	<u>(744.329,2)</u>	<u>(605.585,3)</u>
Cash flows provided by financing activities:		
Product of sale loan portfolio	629.157,8	328.496,3
Increase in Passive Positions in Monetary Market		
Operations and those Related	123.824,8	254.575,2
(Decrease) increase Bankers Acceptances outstanding	(1.256,5)	453,3
Decrease in banking credits and other financial obligations	(28.368,2)	(137.434,2)
Donations	(1.916,9)	(812,6)
Dividends Payment	<u>(59.983,0)</u>	<u>(60.044,0)</u>
Net cash provided by financing activities	<u>661.458,0</u>	<u>385.234,0</u>
Increase (Decrease) in cash and cash equivalents	229.992,9	(365.917,9)
Cash and cash equivalents at the beginning of the semester	<u>1.233.431,0</u>	<u>1.599.348,9</u>
Cash and cash equivalents at the end of the semester	\$ <u>1.463.423,9</u>	<u>1.233.431,0</u>

See the notes accompanying the financial statements.

OLGA LUCIA RODRÍGUEZ SALAZAR
 Legal Representative

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

PEDRO ÁNGEL PRECIADO VILLARRAGA
 Statutory Auditor of Banco Davivienda S.A.
 Registration 30723-T
 Member of KPMG Ltda.
 (See my opinion dated february 2, 2010)



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

December 31 and June 30, 2009
(Million of Pesos)

1) Reporting Entity

Banco Davivienda is a private entity incorporated by means of 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 dated 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 Superintendencia Financiera de Colombia approved the transformation from Saving and Loan Corporation to a Commercial Bank.
- By Public Deed No. 4541 dated August 28, 2000, prepared by the Eighteenth Notary's Office in the Bogotá Circle, Davivienda legalized the acquisition of 100% of Delta Bolívar S.A. shares. As a consequence, Delta Bolívar 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 stockholders' equity were absorbed by the Bank on May 2, 2006, extinguishing the legal status of Bansuperior S.A.
- Through Public Deed No. 7019 dated August 29, 2007, the Notary Seventy One from 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.

As of December 31, 2009, it operated with nine thousand three hundred ninety five employees (9,395) in five hundred thirty three (533) offices in twenty two (22) branches and agencies in the Colombian territory. It possesses 60% of Fiduciaria Davivienda S.A. shares, 94.90% of Confinanciera S.A. shares, 79% of Davivalores S.A. Broker shares, 100% of Bancafé International Corporation S.A. shares, 99.9% of Bancafé Panamá S.A. shares and 94.011% of Fiduciaria Cafetera S.A. shares. (See detail in note 5 f.).

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

2) Summary of Main Accounting Policies

(a) Basic Accounting Policy

Accounting policies and the preparation of Banks' financial statements are according to General Accepted Accounting Principles in Colombia promulgated by the Superintendencia Financiera de Colombia.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

The special accounting rules established by the Superintendencia Financiera de Colombia present some differences with the accounting standards generally accepted in Colombia, such as the following:

Properties and Equipment

Generally accepted accounting standards determine that as of the closing of the period, the net value of properties, plant and equipment, which adjusted value exceeds twenty (20) minimum monthly legal wages, must be adjusted to their realization value or to their present value, recording the revaluations and Allowances that may be necessary, while the special rules do not establish conditions for this kind of assets.

Premium on placement of shares

The special rule establishes that the premium on placement of shares is recorded as legal reserve; the generally accepted accounting standard indicates that it will be accounted for separately within equity.

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 Superintendencia Financiera de Colombia does not require it.

(b) Cash Equivalents

The Bank considers Active Positions in Monetary Market Operations and those Related, as cash equivalents, for the purposes of the statement of cash flows, because of their liquidity.

(c) Active and Passive Positions in Monetary Market Operations and those Related.

Groups all operations of interbank funds, repo operations, simultaneous operations and temporary transfer of securities.

Interbanking Funds Sold Ordinarily

Inter-banking funds are considered to be those that are placed or received directly by the bank in another financial entity, without the need for transference of investments or portfolio credits. Related operations are those having to do with the business purpose agreed to a term no later than 30 calendar days, provided this operation is performed to take advantage of excess or cover liquidity shortcomings. Likewise, it involves the so-called overnight transactions, performed with foreign banks using the Bank's funds.

Interest yields derived from the operation are registered in the profit and loss statement.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Inter-banking funds purchased and repurchasing agreements

The Bank records funds obtained directly from other financial entities, guaranteed with their investment portfolio or credit portfolio, in order to cover the needs of transitory liquidity. The maximum term for cancelling these operations is thirty (30) calendar days; and operations that are not cancelled within the indicated term, must be accounted for under Bank Credits and Other Financial Obligations, except for those carried out with Banco de la República to regulate liquidity of the economy by means of monetary contracting operations and those carried out by Fogafin and performing support operations to member entities.

The difference between the present value (received in cash) and future value (repurchasing price) constitutes a financial expense.

Repo Operations

A repo operation takes place when the Bank acquires or transfers values, in exchange for a certain amount of money, assuming again under such action and at the time of the transfer commitment ownership from the "alienation" on the same day or at a later date to determine the price, the amounts of the same kind and characteristics.

The initial amount may be calculated with a discount on the market price for the value of the operation; it may be established that throughout the duration of the operation, initially delivered values be substituted by others and, restrictions may be placed on the mobility of the values subject of the operation.

The yields recorded to by this item, are exponentially calculated during the term of the operation and can be seen in the profit and loss statement.

The amounts transferred subject of the repo operation must be recorded in contingent debtor creditor accounts, depending if it is an open repo operation or a closed repo operation, respectively.

Simultaneous Operations

A simultaneous operation takes place when the Bank acquires or transfers securities, in exchange for a certain amount of money, assuming under such action and at the time of the transfer or reacquisition of the property, on the same day or at a later date to determine the price, the amounts of the same kind and characteristics.

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

Under this item, the Bank records yields caused by the acquiring entity and the alienating entity payments as cost of the simultaneous operation during its term.

The difference between the current amount (provided in cash) and the future amount (final transference price) constitutes an income of financial yield that is exponentially calculated during the term of the operation and is recognized in the profit and loss statement.

The amounts transferred, subject of the simultaneous operation must be recorded in contingent creditor or debtor accounts for active or passive positions, respectively.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Transference Operations of Temporary Values

These are operations in which one part (the “Originator”), transfers the ownership of one of its values (subject of the operation) to the other party (the “Receptor”), with the agreements already transferring them on the same date or at a later date. At the same time, the receptor shall transfer to the originator ownership of other values or the corresponding amount equal to or greater than the value subject of the operation.

These operations may correspond to two (2) modalities:

- Values against values. It is that in which the originator receives from the receptor values as backing for the operation.
- Values against money. It is that in which the receptor backs the performance of the operation by providing monetary resources.

The Bank records the amount of money provided by the receptor to the originator on the initial date of the operation to guarantee temporary transfer of values, in this case transference operation of temporary values – “Values for Money”.

At the time the operation is reverted, both the Originator as well as the Receptor must reinstate the ownership of values of the same kind and characteristics as those received in the operation or the amount of money received, as the case may be.

(d) Investments

It includes investments acquired by the Bank with the purpose to maintain a secondary liquidity reserve, acquiring the direct or indirect control of any company of the financial or technical service sector, comply with legal or regulatory Allowances, or with the exclusive purpose of eliminating or reducing significantly the market risk to which assets, liabilities or other elements of the financial statements are exposed.

Investments are classified, evaluated and accounted according to the established in the first chapter of the basic accounting memorandum 100 of 1995, issued by the Superintendencia Financiera de Colombia, which may be summarized as follows:

Classification	Term	Characteristics	Valuation	Accounting
Negotiable	Short-term	Titles acquired in order to obtain profits from price fluctuation.	Use just price interchange, reference rates and/or margins, calculated and published daily by the Bolsa de Valores de Colombia. This procedure is done on a daily basis.	The difference is between the current market value and that immediately before recorded as greater or lesser than the initial investment and its counterpart affecting prior P&L results. This procedure is done on a daily basis. The investments are valued at market prices, as of the same day of their acquisition, therefore accounting of changes between the acquisition cost and market value of the investments are done as of the date of Purchase.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Classification	Term	Characteristics	Valuation	Accounting
To keep until maturity	Until maturity	Instruments to which the bank has a serious purpose and the legal, contractual, financial, and operative capacity, to maintain until their maturity.	Exponentially as of the internal rate of return calculated at the time of purchase. This procedure is done on a daily basis.	This amount is accounted as the greater value of investment and its counterpart is recorded in period results. This procedure is done on a daily basis.
Available-for-sale – debt titles	One year	Once the year is up, the first business day after words they may be reclassified to the above categories.	Use just price interchange, reference rates and margins, calculated and published daily by the Bolsa de Valores de Colombia. This procedure is done on a daily basis.	Are counted according to the following procedure: - The difference between the amount on the first day of valuation in the one immediately quito it is recorded as a lesser or greater investment with credit or better to P&L accounts. - The difference between the market amount and the current amount is recorded as accumulated income or loss not carried out, within the equity accounts. This procedure is done on a daily basis.
Available-for-sale – share titles	without	With little or minimum marketability, have no quotes, titles that the bank keeps just as control to the matrix.	Investments in share titles are valued according to the marketability index that the have on the date of valuation as follows: Little or minimal marketability or without any quotes, our valued monthly increasing or decreasing participation percentage in equity variations, subsequent to the acquisition of the investment, calculated based on the last certified financial statements. These statements may not be prior to six (6) months counted as of the date of the valuation, or more recent when they are known and dictaminated.	Little or minimum marketability without any quotes. - The difference between market value or updated investment and the value which is recorded in the investment, is accounted as follows: If it is greater, the first instance decreases the provision or devaluation until exhausting it and the excess is recorded as surplus from valuation. If it is less, it affects surplus for valuation until exhausting and the excess is recorded as devaluation. - When dividends or profits are distributed in kind, including those from capitalization of the equity revaluation account, they are recorded as income for the part being accounted as surplus for valuation, charged to investment and reverted as surplus. - When dividends for profits are distributed in cash, they are recorded as income in the accounted amount as surplus for valuation, reverting such surplus and the amount of dividends that exceeds it accounted as a lesser value of investment.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Classification	Term	Characteristics	Valuation	Accounting
Available-for-sale – share titles		High and medium marketability: The participative securities and assets which according to the marketability index they maintain at the date of valorization, in accordance to the calculations performed or authorized by the Superintendencia Financiera de Colombia are classified in this category. The capital marketability index determines the degree of liquidity that a share holds in the stock market.	Mid marketability, are valued daily, based on an average price determined and published by the stock markets where they are traded. This average price corresponds to the average price for the quantity traded during the last five (5) days before negotiations. High marketability, they are valorized based on the last daily average price considered for negotiation by the stock market in which they are negotiated	High and mid marketability. The updating of market value for the titles of high or mid marketability or those traded in international markets, are accounted as a profit or loss accumulated not performed, waited in the equity accounts, with debit or charge to investment. Dividends or profits distributed in-kind or in cash, including those from capitalization of patrimony revaluation account, are recorded as revenue on behalf the corresponding investor on profits or revaluation of equity of the issuer are accounted since the date of acquisition of the investment, charged to accounts receivable.

Criteria for valuation of investments

It has as its fundamental objective the calculation, accounting posting and disclosure of the amount and just price of interchange, to which a title or security may be negotiated at a determined date, according to its specific characteristics and within the prevalent market conditions on such date.

Investment Repurchase Rights

These correspond to restricted investments that represent the collateral guarantee of investment repurchase commitments.

In the case of negotiable investments in debt securities, they are accounted for the value of the transfer at the time of the collection of funds and are updated at market value; variations that occur between the latter and the last value accounted for are recorded in the statement of income accounts as a profit or loss as it may correspond.

If it has to do with investments to be kept on till maturity, corresponding to forced or obligated investments acquired by primary market and the counterpart of the operation is for Banco de la República, Dirección General del Tesoro Nacional or an entity supervised by the Superintendencia Financiera de Colombia, they are accounted for the amount of transfer at the moment of electing the forums and updated for causation of yields until redemption or maturity with debit to the profit and loss statement.

Allowances or Losses by Credit Risk Rating

The price of debt securities as well as equity securities with low or minimum marketability or not quoted, must be adjusted on each valuation date based on the credit risk rating, as follows:



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

- Debt securities that have one or several ratings granted by external credit rating agencies recognized by the Superintendencia Financiera de Colombia, or the securities issued by entities that are rated by them, cannot be accounted for an amount exceeding the following percentage of their net face value of amortizations made up to the valuation date:

Long Term Rating	Maximum Amount %
BB+, BB, BB	90%
B+, B, B	70%
CCC	50%
DD, EE	0%

- For debt securities that do not have an external rating, for debt securities issued by entities that are not rated or for equity securities, the amount of the Allowances must be determined based on the methodology that for this purpose may be determined by the investor entity. Said methodology must be previously approved by the Superintendencia Financiera de Colombia in charge of monitoring the respective entity.
- The Bank uses a methodology approved by the Superintendencia Financiera de Colombia. For the entities that do not have an internal methodology approved for determination of Allowances must be subject to the following:

Category	Risk	Characteristics	Allowances
A	Normal	Complies with terms agreed in securities or title and has adequate capacity for payment of capital and interests.	Does not proceed
B	Acceptable	Corresponds to issues that show factors of uncertainty which could affect the capacity of adequate compliance with debt service Likewise, understand whose investment issuers that according with their financial statements and other available information show weakness that could effect its financial situation.	Net value may not be higher than eighty percent (80%) of acquisition cost.
C	Appreciative	A response to issues showing high or medium probability of noncompliance and timely payment of capital and interests. Likewise, understand whose investment issuers that according with their financial statements and other available information shell deficiencies in its financial situation that compromise investment recovery.	Net value may not be higher than sixty percent (60%) of acquisition cost.
D	Significant	A response to those issues which show noncompliance of terms agreed in the title, as well as understand whose investment issuers that according financial statements and other available information with deficiencies accentuated in financial situation, therefore probability of investment recovery is highly doubtful.	Net value may not be higher than forty percent (40%) of acquisition cost.
E	Unrecoverable	Issues that according to financial statements and other information available is estimated that the investment is unrecoverable. Likewise, if there are no financial statements for at least six (6) months counted as of valuation date.	The value of these investments must be completely provisioned.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Not subject to this adjustment are the internal or external public debt securities issued or guaranteed by the Nation, those issued by the Banco de la República (Central Bank) and those issued or guaranteed by the Fondo de Garantías de Instituciones Financieras FOGAFIN.

(e) Credit Portfolio and Financial Leasing

It records the credits and Financial Leasing granted by the Bank under the different modalities authorized. The funds used in the granting of credits originate from the Bank's own funds, from the public in the modality of deposits and from other external and internal financing sources.

Loans are accounted for based on their face value, except purchases of portfolio which are recorded at cost; the interest rate agreed does not affect the value at which loans are recorded.

The entities regulated by the Superintendencia Financiera de Colombia, should count with a Credit Risk Management System (SARC) that includes policies, processes, models and control mechanisms that allow identifying, measuring and mitigating credit exposure adequately.

• **Credit modes**

According to what is established under Chapter II all of the Basic Accounting Memorandum 100 of 1995, the credit portfolio structure contemplates the following modes for credits:

Commercial

Commercial credits 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 microcredit.

Home Leasing.

The Superintendencia Financiera de Colombia established that for classification purposes, Home Leasing must be classified as commercial loans.

The real estate properties of this type of operations are owned by the Bank.

It records the value financed of homes delivered under leasing to the user for his use and enjoyment, in exchange for the payment of a periodic rent, during the term agreed, at the expiration of which the good is returned to the owner or transferred to the lessee, if the latter decides to exercise the repurchase option agreed in his favor and pay its value.

The value to be financed of the financial leasing operations is repaid with the payment of the financial leasing rent in the portion corresponding to repayment of principal.

Consumption

They are loans granted to individuals whose objective is to finance consumer goods acquisition, or payment of non commercial or entrepreneurial services, different from the ones provided under the microcredit type.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Housing

Independently registers its amount, the loans granted to individuals, assigned to new or used homes acquisition or to build individual homes. They should be agreed in Current Value Units (UVR) or in local currency and secured by first grade mortgage, upon the funded home. The amortization term, should be between five (5) years as a minimum and thirty (30) years as a maximum. Loans can be totally or partially prepaid, at any time without sanctions whatsoever. In case of partial prepayments, the debtor will be entitled to choose whether the amount paid, reduces the liabilities payments or the term.

Micro-credit

A micro credit is defined as a set of credit active operations to which article 39 of Law 590 of 2000, is referred to, or the regulations that modify, substitute or add it, as well as those carried out with micro enterprises, in which the main source of payment comes from income derived from their activity.

A micro-company is any unit of economic exploitation performed by an individual or a legal entity in entrepreneurial, agricultural, industrial, commercial or service activities, rural or urban, which payroll does not exceeds ten (10) employees and its total assets are smaller than five hundred (500) minimum current monthly legal wages.

The amount of indebtedness by the debtor may not exceed one hundred twenty (120) minimum daily wages in force at the time of approval of the corresponding credit operation. Balance of indebtedness is understood to mean the amount of current obligations by any corresponding micro-company with the financial sector and other sectors, which are recorded by bank operators with the data consulted by the corresponding creditor, excluding those mortgage credits for financing housing and adding to the amount of the new obligation.

• **Rules for Credit Assessment and Re-qualification**

The bank assesses clients' loans portfolio, independently of loan type. Clients' loans portfolio behavior is updated monthly, with regard to payments, cancellations, writing off, and level of arrears operations.

For an appropriate compliance with this requirement, the Bank considers the debtor loan behavior, and particularly, if at the time of assessment, the debtor registers restructured liabilities.

The Bank carries out the assessment and re qualification of loans portfolio in the following cases:

- When loans are in arrears, after having been restructured, situation in which they should be re-qualified immediately.
- At least in the months of May and November, having to register the results of the assessment and the re-qualification to take place at the closing of the following month. This reclassification is based on the analysis of variables such as: the payment behavior of clients, their situation in the financial system (CIFIN report), the last review performed on the client, the result of the classification of the previous portfolio, the macro and considered analysis of the last financial figures to the last closing delivered by the client, qualitative analysis considered, sector analysis considered, and special situations of the client amongst others, classifying thus the clients in the following levels of Risk: normal risk, low risk, medium risk, high risk. The latter reflected in subjective classifications other than A.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

• **Criteria for Credit Risk Assessment**

The Bank assesses the portfolio based on this criteria: debtor and joint debtor payment capacity through an analysis of project cash flow, debt levels, debtor's current and past fulfillment of liabilities, how many times credits had been restructured and the possible effects of financial risks, to which the debtor's cash flow is exposed to, the information coming from companies assessing risk and other source of commercial information at the company's disposal; the information related to the economic conglomerate, is also considered.

In the assessment of payment capacity for public territorial entities, the Bank shall verify compliance of indicators of Law 617 Indicators- Operation expenses - , Law 358 – solvency and sustainability – and Law 819 Primary surplus.

• **Credit Risk Assessment**

The Bank qualifies credit operations of housing and microcredit and classifies them under one of the following categories of credit risk:

<u>Category</u>		<u>Housing</u>	<u>Micro-credit</u>
"A"	Normal Risk	With installments up to date or up to 2 months overdue	Credits in effect and up to 1 month overdue
"B"	Acceptable Risk	Credits with due dates higher than 2 months and up to 5 months	Credits with due dates higher than 1 month and up to 2 months
"C"	Appreciable Risk	Credits with due dates higher than 5 months and up to 12 months	Credits with due dates higher than 2 months and up to 3 months
"D"	Significative Risk	Credits with due dates higher than 12 months and up to 18 months	Credits with due dates higher than 3 months and up to 4 months
"E"	Uncollectibility Risk	Credits with due dates higher than 18 months	Credits with due dates higher than 4 months



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Commercial and consumption portfolio is classified and qualified in the corresponding risk categories, considering the following minimum objective conditions:

Category	Granting	Portfolio already Granted Commercial	Portfolio already Granted Consumption
"AA"	New loans whose qualification at the time of granting is "AA".	Loans with less than 29 days in arrears of contractual liabilities, that is, between 0 and 29 days of arrears.	The credits the classification of which obtained by the application of the methodology of MRCO classification established by the regulation is equal to "AA".
"A"	In this category they must qualify the new loans whose qualification at the time of granting is "A".	Loans with 30 days or more, and less than 60 days in arrears of contractual liabilities, that is, between 30 and 59 days in arrears.	The credits the classification of which obtained by the application of the methodology of MRCO classification established by the regulation is equal to "A"
"BB"	In this category they must qualify the new loans whose qualification at the time of granting is "BB".	Loans with 60 days or more, and less than 90 days in arrears in the contractual liabilities, that is, between 60 and 89 days in arrears.	The credits the classification of which obtained by the application of the methodology of MRCO classification established by the regulation is equal to "BB"
"B"	In this category they must qualify the new loans whose qualification at the time of granting is "B".	Loans with 90 days or more, and less than 120 days in arrears in the contractual liabilities, that is, between 90 and 119 days in arrears.	The credits the classification of which obtained by the application of the methodology of MRCO classification established by the regulation is equal to "B"
"CC"	In this category they must qualify the new loans whose qualification at the time of granting is "CC".	Loans with 120 days or more, and less than 150 days in arrears in the contractual liabilities, that is, between 120 and 149 days in arrears.	The credits the classification of which obtained by the application of the methodology of MRCO classification established by the regulation is equal to "CC"
Non - fulfillment	-	Loans with 150 or more days in arrears	Consumption credits which are overdue by more than 90 days.

In order to homologate risk qualifications in debt reports and in financial statement records, the Bank applies following table:



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Grouped Category	Reporting Category	
	Commercial	Consumption
A	AA	AA
		A: with current arrears between 0 and 30 days
B	A	A: with current arrears greater than 30 days
	BB	BB
C	B	B
	CC	CC
D	Non - fulfillment	Non - fulfillment
E	Non - fulfillment	Non - fulfillment

When, by virtue of the reference model implementation by the Superintendencia Financiera de Colombia, the Bank qualifies its clients as failing to pay. They should be homologated as follows:

Group E category = Those failing clients whose assigned POF is equal to a hundred per cent (100%).

Group D category = Other clients qualified as failing clients.

For homologation in the consumption portfolio, the current arrears referred to in the previous table, should be understood, as the maximum arrears recorded by the debtor in the aligned products.

- **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 of 1997.

- **Restructured Credits**

A restructured loan is one, that through an agreement of any judicial business, has the objective to modify the conditions initially established, in order to allow the debtor, to adequately manage his/her obligation. For these effects, the restructurings are considered novations. Previous to restructuring a loan, it should be reasonably established, that 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 of 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, contemplating the capitalization of interests posted in memoranda accounts or balance of uncollectible portfolios, including capital, interest and other concepts, they shall be accounted as deferred debit and their amortization to the shall be done proportional to those amounts effectively collected.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

• **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.

For this type of credits we maintain the classification in effect at the time of restructuring and at the 3 regular payments it is considered normalized and improved to "A". If the credit becomes overdue again in more than 30 days it will return to the initial classification and will remain thus until it is up to date again and normalized to return to an "A"; if after two years the restructured credit is found up to date, it is transferred to normal, otherwise it will be reviewed every month to verify if it is up to date and to carry out the transfer, except those registered below

1) Bankruptcy rules Law 1116 of 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.

2) Fiscal Restructuring Law 617 of 2000

The Government grants guarantees for territorial entities liabilities, with entities regulated by the Superintendencia Financiera de Colombia, when all requirements established in the law, are fulfilled; among others, that the fiscal adjustment agreements were subscribed before June 30, 2001. Such guarantee is up to forty per cent (40%), for loans in force as to December 31, 1999 and up to a hundred per cent (100%), for new loans intended for fiscal adjustment.

These restructurings have the characteristic of reverting the provisions recorded on the liabilities subject to restructuring, the portion secured by the Government and the portion subject to restructuring that is not secured by the Government, can keep the qualification they had as of June 30, 2001.

3) Restructuring Law 550

Law 550 of 1999 and 1116 of 2006 promotes and facilitates business reactivation and restructuring of territorial entities. As of the date on which the restructuring negotiation is initiated, the Bank suspends the accrual of interest on current credits and maintains the rating that they had as of the date of initiation of the negotiation.

• **Alignment Rules**

The Bank performs the alignment of the classification of its debtors tending to the following criteria

- Previous to the recording of provisions and homologation of qualification processes, the Bank performs the internal alignment process for each debtor, monthly, and for such purpose, it will take to the greatest credit risk category, the same types of loans granted to a debtor, except that the debtor proves to the Superintendencia Financiera de Colombia, the existence of enough reasons for qualification in a lower risk category.
- The financial entities, that according to the corresponding legal dispositions, are required to consolidate financial statements, should assign an equal qualification to loans of same type granted to a debtor, except that the debtor proves to the Superintendencia Financiera de Colombia, the existence of enough reasons for qualification in a lower risk category.



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In the case of commercial portfolio, the financial entities that according to corresponding legal dispositions, are required to consolidate financial statements, should grant same qualification to the total loans that are part of the group, except that the debtor proves the existence of enough reasons for qualification in a different risk category.

- **Suspension of causation of interest**

The Bank will not stop accruing interests, adjustment for inflation, exchange rate adjustments, fees and income for other concepts, when the loan is in arrears as indicated in the following table:

<u>Credit Modality</u>	<u>Default level to</u>
Commercial	3 months
Consumption	2 months
Housing	2 months
Micro-credit	1 month

Therefore, they will not affect the profits and loss statement, until they are effectively collected. Meanwhile, the corresponding record will be post in memorandum accounts. The Superintendencia Financiera de Colombia will be able to request the suspension of accrual of income, when a loan had been restructured more than once.

In those cases in which, as a result of restructuring agreements or any other type of agreement, the capitalization of interests that are recorded in memorandum accounts or the balance of written off loans, including capital, interests and other concepts, is considered, they will be recorded as a deferred payment and its amortization in the profit and loss statement, will recorded proportionally to the amounts effectively collected.

- **Mortgage relief**

Mortgage relief emerges from the massive process of home loans reliquidation stipulated in the Law 546 of 1999. Credit institutions conducted a reliquidation procedure based on the difference established between the DTF and the UPAC, aimed at comparing the UPAC and UVR's behavior, so that they both have the same rebate corresponding to the UPAC loans. The National Government, for his part, proceeded to credit to the obligations the total amount of the difference resulting from such reliquidation and, in order to address the cancelation of these credits, issued treasury securities – TES, denominated in UVR.

Moreover, the Decree 712 of 2001 that modifies the Decree 2221 of 2000, stipulates the causes whereby devolution of the relief applied by the credit institutions to the Nation-Ministerio de Hacienda y Crédito Público, law 546, applies:

- Due to default in the payment to the payee of the credit.
- Due to lack of payment of the individual home loan by the payee of the credit.
- Due to payment of mortgage credits for more than one house per person.
- Due to declination of a credit.
- Due to excess liquidation.



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• **Regulation for penalties**

The penalties of loans portfolio, accounts receivable and other assets are approved by the Board of Directors of the Bank, bearing in mind the stipulations provided in the external Memorandum 100 of 1995 of the Superintendencia Financiera de Colombia.

Following internal policies for writing offs, these are recorded at the time in which the different loans, reach the following arrears levels:

<u>Portfolio</u>	<u>Default Levels</u>
Commercial	570
Consumption	180 (different of vehicle without guarante)
Vehicle	540
Housing	570
Housing Leasing	540 (Commercial Portfolio)

The writing off does not release the Bank from continuing with the collection procedures that are considered appropriate, and requires the loans to be provisioned in 100% of capital, interests and other concepts.

• **Regulations for the guarantees**

The guarantee is an instrument whereby the Expected Loss (EL) is reduced in the event of a non-compliance event. The guarantee encompasses the right the Bank is entitled to when the debtor ceases the payment of his/her obligations due to lack of compliance.

The loan approval in the Bank should include the guarantee whereby the operation is being authorized. Improvement thereto will be prior to the outlay of the resources.

The analysis of the guarantees must include the following characteristics:

- Suitability: According to the legal definition.
- Lawfulness: Document duly improved in order to provide legal support that facilitates the management of the granted obligations surety.
- Value: Calculated on the basis of technical criteria and objectives.
- Completion possibility: Properly reasonable possibility to collect the guarantee.

The legalization of the guarantees is extremely important to the Bank as its correct preparation is a key factor in protecting the Bank in the event of non-compliance with the obligations assumed by the debtor.

For the consumption and commercial loans admissibility and non-admissibility guarantees are accepted as provided by the decree 2360 of 1993.

In the case of mortgages for home loans, these shall be classified as first degree and by an unspecified amount in favor of the Bank over the mortgaged property. This document shall remain valid only if improvement is made by means of public deed duly registered at the Notary's Office and if registration in the corresponding Office of Public Instruments Registry is completed.



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(f) Rules on provisions for credits portfolio

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

General Allowance

As of December 31, 2009, the provision for micro loans and housing loans types, equivalent to 1.0% of the corresponding portfolio, is recorded.

Counter-cyclic individual provision

The MRCO incorporates a counter-cyclic component in the estimation of the POF, when using a methodology that allows defining the loan risk behavior for each year. In this manner, the Superintendencia Financiera de Colombia obtains the matrix of migrations for the different phases of loan risk.

Each year the Superintendencia Financiera de Colombia will inform the new matrix of migration to apply for estimating the expected losses.

The counter cyclic component will allow entities to have a reserve (counter cyclic individual provision), they will use in periods of deterioration in the loan quality, to face the increase in the provisions without the need of considerably impacting profits generated in an unfavorable environment.

When, by virtue of the MRCO application, the counter-cyclic components, are incorporated, the entities will be able to assign the general provisions to record individual and counter-cyclic individual provisions.

The Bank records this provision in order accounts

Individual Allowance

Without prejudice of the general provision, the individual provisions, for the protecting loans qualified in all risk categories, have the following percentages at December 31 and June 30, 2009:

Housing Portfolio

Rating	% Minimum Standard		% Bank's minimum	
	Covered Part	Uncovered Part	Covered Part	Uncovered 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%



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In the case of housing loans, a allowance must be maintained on the portion guaranteed, by the percentage corresponding according to the rating. On the non guaranteed portion the allowance must be of one hundred percent (100%) as of a credit rating of "B" (Acceptable).

If during two (2) consecutive years the credit has remained in category "E", the allowance percentage on the guaranteed portion will be increased to sixty percent (60%). If one (1) additional year elapses in these conditions, the allowance percentage on the guaranteed portion will be increased to one hundred percent (100%).

Microcredit Portfolio

Rating	% Minimum Standard		% Bank's minimum	
	Capital Balance	Uncovered Part	Capital Balance	Uncovered Part
A	1,60%	1,60%	1,60%	1,60%
B	4,00%	5,00%	4,00%	5,00%
C	20,00%	20,00%	20,00%	30,00%
D	50,00%	50,00%	50,00%	60,00%
E	100,00%	100,00%	100,00%	100,00%

Commercial Portfolio

The Bank adopted the Commercial Reference Model, established by the Superintendencia Financiera de Colombia, which is used for recording provisions resulting from its application.

The Leasing Operations provisions are recorded in compliance with the commercial loans portfolio policies.

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

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

The commercial portfolio reference model, allows determining the components of the expected loss, according to the following parameters:

- **Probability of failing**

It is related to the probability, that in a period of twelve (12) months, debtors of a specific commercial portfolio incur in failing.



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

MATRIX B Rating	<u>Non – Compliance</u>			
	<u>Large Company</u>	<u>Medium Company</u>	<u>Small Company</u>	<u>Individual</u>
AA	2,19%	4,19%	7,52%	8,22%
A	3,54%	6,32%	8,64%	9,41%
BB	14,13%	18,49%	20,26%	22,36%
B	15,22%	21,45%	24,15%	25,81%
CC	23,35%	26,70%	33,57%	37,01%
Non - Compliance	100,00%	100,00%	100,00%	100,00%

The portfolio segmentation and detailing of loans portfolio processes and its possible loan subjects, should serve as the foundation for estimating the expected losses in the Commercial Reference Model. Therefore, the Model is based on differentiated segments by debtors' assets levels

The commercial clients segmentation is performed under the following criteria:

<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

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

- Loss due to failing (LDF)

It is defined as the economic deterioration the Bank will suffer, in case any of the situations of failing materializes. The LDF for debtors qualified in the failing category, will suffer a gradual increase, according to the days after the classification in such category. The LDF applied by the Bank, contemplates the type of guarantee range "without guarantee", and in addition, applies a greater percentage in the first range of failing debtors, as follows:

Type of guarantee	<u>L.D.F.</u>	Days after <u>failing to pay</u>	<u>New L.D.F.</u>	Days after <u>failing to pay</u>	<u>New L.D.F.</u>
Without guarante	58,00%	210	80,00%	420	100,00%

- Exposed value of asset

Inside the Commercial Reference Model, the exposed value of asset, is the current balance of capital, interests, accounts receivable for interests, and other accounts receivable, of the commercial portfolio liabilities.



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Default levels:

The arrears amount process is one of the basic criteria considered in determining the rating:

Rating Default Levels

Rating	Commercial	Housing	Micro-credit
A	0 – 29	0 – 61	0 – 31
B	30 – 89	62 – 152	32 – 61
C	90 – 149	153 – 365	62 – 92
D	150 – 569	366 – 547	93 – 122
E	> 569	> 547	> 122

Concordat Processes Provisions

As refers to credits due by persons who are admitted in processes of composition or arrangement with creditors, they are immediately rated in category “E” becoming subject to the establishment of allowances, suspension of accrual of returns and other items foreseen for this category. The capital covered with suitable guarantee is provisioned in twelve (12) monthly aliquots.

If the agreement to recover the company is approved prior to the year following the admission to the arrangement with creditors, the credits may be reclassified to category “D” and the allowances are immediately adjusted to fifty percent (50%) of the credit value if they are lower than said value; otherwise, they will be reserved within the following year.

Consumption Portfolio

The Bank adopted the Reference Model for consumption portfolio, established by the Superintendencia Financiera de Colombia, which is used for recording allowances that result from their application.

The Consumption Portfolio Reference Model (MRCO), is based on differentiated segments, according to the products and credit establishments that grant those products, in order to preserve the particularities in the market niches and the products granted.

The following are the segments defined for the MRCO: automobiles general, other general and credit cards.

For debtors that at the time of qualification, do not belong to the failing category, the entities using the MRCO, should apply a model that estimates a score, which is the product of the particular characteristics of each debtor, according to what is set forth in Annex 5 of Chapter II of External Memorandum 100 of 1995 of Superintendencia Financiera de Colombia.

With the application of the consumption reference model, the expected losses are determined, and the provisions are recorded according to the following formula:

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



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The consumption portfolio reference model allows determining the components of the expected loss, according to the following parameters:

- Probability of failing

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

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

MATRIX B Rating	Vehicles General	Other - General	Credit Card
AA	2,75%	3,88%	3,36%
A	4,91%	5,67%	7,13%
BB	16,53%	21,72%	18,57%
B	24,80%	23,20%	23,21%
CC	44,84%	36,40%	30,89%
Non - Compliance	100,00%	100,00%	100,00%

- Loss due to failing (LDF)

It is defined as the economic deterioration the Bank will suffer, in case any of the situations of failing materializes. The LDF for debtors qualified in the failing category, will suffer a gradual increase, according to the days after the classification in such category. The LDF applied by the Bank, contemplates the type of guarantee range "without guarantee", and in addition, applies a greater percentage in the first range of failing debtors, as follows:

Type of guarantee	L.D.F.	Days after failing to pay	New L.D.F.	Days after failing to pay	New L.D.F.
Without guarantee	69,00%	180	85,00%	360	100,00%

- Exposed value of the asset

Inside the Commercial Reference Model, the exposed value of asset is the current balance of capital, Interests, accounts receivable for interests, and other accounts receivable, of the commercial portfolio liabilities.

Effect of Suitable Guarantees on the Establishment of Individual Allowance

Guarantees for consumption 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.

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.



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However, depending on whether the guarantee is or not a mortgage, and of the number of past due days of the respective credit, the percentages of the total value of the guarantee for the establishment of allowances will only be 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, 2009, in order to calculate the expected loss for the reference models in the MRC commercial portfolio and in the MRCO consumption portfolio, the amount of the collateral was not contemplated.

(g) Acceptances, Cash Operations and Derivates

Bank Acceptances

Acceptances have an expiration term of up to one (1) year and can only be originated in import and export transactions of goods or purchase-sale of goods within the country.

At the time of acceptance of the drafts, their value is accounted for simultaneously in the assets and the liabilities, as "bank acceptances in term" and if upon expiration they are not presented for collection, they are classified under the title "bank acceptances after the term". If when the payment is made they have not been covered by the buyer of the goods, they are reclassified to the loan account "bank acceptances covered".

After the expiration bank acceptances are subject to the mandatory reserves established for liabilities at sight and prior to thirty (30) days.

Derivates and Cash Operations

During the first and second semester of 2009 the Bank applied the methodologies indicated in the chapter XVIII of Memorandum 100 of 1995; and according to what is established by Internal Memorandum 023 of 2009 of the Superintendencia Financiera de Colombia, the Bank will apply as of January 1, 2010, the methodologies of sub-product valorization established by External Memorandum 025 of 2008.



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The Bank registers the value of the agreements entered into two (2) or more parties to buy or sell assets in the future, such as currencies or securities, or financial futures on Exchange rates, interest rates or stock market indexes, defining the amount, price and date of the execution of the operation in advance, in order to provide and get hedge, in the terms defined by the appropriate authorities. In this regard, reciprocal and unconditional rights and obligations arise. The cases which compliance is agreed within the two (2) working days immediately after to the day of the agreement, are registered as cash transactions.

Forward Contracts

In the purchase forward on instruments, the right is calculated appraising the instrument at the market prices, and the obligation obtaining the present value of the purchase amount agreed. In the case of the sale forward on instruments, the right is calculated obtaining the present value of the sale agreed amount, and the obligation appraising the instrument at market prices.

The appraisal for the Forward operations on foreign currencies that the Bank and its subsidiaries uses is based on bringing to present value the future flows (obligations and rights) involved in the operation; the most usual is that one of these two flows is denominated in United States of America dollars and the other one in Colombian pesos. Each flow is brought to present value using the market discount rates in dollars and in Colombian pesos for the remaining term in each operation. These present values are calculated using continuous composed rates.

Once the present flow values are obtained, they are to be re-expressed in Colombian pesos using the Market's Representative Rate, calculated for the appropriate working day and certified by the Superintendencia Financiera de Colombia. Interest rates used are those of the market, based on the average devaluations of the Colombian market. The present provider of this information is Bloomberg.

Future Contracts

Under this classification the Bank registers Forward Financial Compliance Transactions on the Representative Market Rate (OPCF in Spanish), which are standardized hedging mechanisms traded at the Bolsa de Valores de Colombia. Its objective is to buy or sell dollars on a future date, allowing for the mitigation of the exchange risk. The fulfillment of the transaction is made through the payment in moneys of a price differential, and so there is no physical transfer of assets.

The valuation procedure is made based on the prices stipulated by the Bolsa de Valores de Colombia, which determines the market value of the contact for each of the expirations negotiated.

Swaps

The interest rate (IRS Interest Rate Swap) is a contract between two parties that wish to exchange the interests deriving from payments or collections of future flows that are under different types of interest rates. In this type of swap there are no transfers of the principal, and it is made on the same currency.

Currency Swaps is a contract between two parties that wish to Exchange principals, which are nominated in different currencies, for a certain period of time. During the duration of the contract, each party assumes the interests generated by the principal received in the exchange. In the recouping and to the expiration of the contract, the principals are exchanged to the type of currency each of the parties originally had, and using the spot rate of the beginning of the transaction.



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The valuation and countable treatment of a swap depends on the intention at the time of the closing of the transaction, thus:

Coverage Swaps:

These are used to cover assets (bond rate expiration, portfolio, etc) or balance liabilities (Forward Certificates of Deposit, bond issues, etc.) are not valued at market prices if they do not generate a straight line income, just as the asset or liability that is being covered, in order not to generate distortions in the statement of results. This applies only when swap conditions cover exactly the conditions of the asset or liability.

Coverage Operations – Purchase Granbanco S.A.

Aiming at optimizing the risks to which the Davivienda Balance was exposed to during the purchasing operation involving Granbanco and at complying with the legal requirements of own Position and the own installment Position of the Financial Institutions, nine interest and exchange-based hedges - CCS -Cross Currency Swap- were agreed upon – which are to be applied to the operations of indebtedness in dollars carried out incurred to pay the Granbanco operation. These transactions were CCS Libor-Fixed Rate and CCS Libor-Variable Rate, which amount to USD 415,000,000.0, negotiated in terms of seven (7) and three (3) years, respectively.

Nowadays, the Superintendencia Financiera de Colombia demands that the indebtedness-related liabilities that gave origin to the hedges are valued in the market, since the generator fact and the hedge should be valued in the same way in order to review the transaction efficiency in the balance of the institution. Thus, in the case of the Bank, two components are taken into account for the liabilities valuation. The first one refers to the market valuation which is equivalent to the current dollar value of the total debt (USD 415,000,000.0) plus the prospect of the obligation coupon tied to libor. On the other hand, the valuation of the second component refers to the origins of the coupons corresponding to the debt spread (Syndicated credit and Subordinated Bonds).

As per derivatives, the valuation in each operation corresponds to the present value (part in USD) less the current obligation amount (part in pesos). Such values are calculated by rebating the flows negotiated at the corresponding rate (LIBOR, CPI or Fixed Rate) and turning to pesos the present value expressed in dollars according to the TRM.

Trading Swaps:

These are valued at market Price and is the calculation, at a certain time in the life of the swap, of the difference between the present values of the residual flow currents, taking into account the existing market conditions, a situation given in the temporary structure of the interest rates (zero coupon curves or the curve that best suits the subjacent characteristics).

The valuation process is defined according to the type of swap and to the variables involved in them, based on the previously defined market curves, and using the implicit future curves or the Forward Rate Agreement rates; for this, the Bank uses the Cash Flows Method that determine the Variable Types. In this method, the unknown variable flows are estimated based on the forwards types implicit in the curve determined as parameter.

For trading swaps, the initial value by which these transactions are recorded is that of the market. The amount of the right is equal to the amount of the responsibility, future movements are registered in result accounts. Just as in the forward contract, if the transaction is made through flows net, at the time of the expiration an account payable or an account receivable is presented, which adjusted against the payment type used.



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In the case of the cover swaps closed to cover balance assets or liabilities, they are recorded as an income/expenditure in the form of lineal causation. In the account of rights over interest rate, the monthly causation of the amount is recorded in pesos (or in the equivalent of pesos) of the flows the Bank will receive (swap coupon). In the account of liabilities over interest rates, the monthly causation of the amount is recorded in pesos (or in the equivalent in pesos) of the flows the Bank will pay, in such a way that the difference between rights and responsibilities is the final income or expenditure of the swap.

The valuation for CCS - Cross Currency Swap – transactions, created to cover the debt contracted for the buying of Granbanco S.A., correspond to the present value of the right (part in USD) minus de present value of the responsibility (part in pesos). Such present values are calculated subtracting the flows with the same rate they were projected and converting the right into pesos with the TRM (representative market rate).

Options

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 the “option” is taken by the holder, in accordance with the conditions of quantity, quality and Price established to that effect in the contract.

For the valuation of the options, just as with the creation of the price or for the calculation of the premium, the Black and Scholes Modified method is used.

The initial value by which these transactions are registered is agreed on by the parties. The amount of the right is equal to the amount of the responsibility, and they are simultaneously valued at market price.

When the Bank sells an option, it registers the difference between the value of the right and that of the responsibility as a loss, when the latter is greater. In case the result of the valuation shows profit, it will not be registered because the buyer of the option will not exercise it. When the result of the valuation at market prices in a transaction shows profit and when previously losses had been registered, these are reversed to the amount registered.

When the Bank buys an option, it updates the value of the right and of the responsibility at market prices, registering the profit generated in the transaction, and repays the value of the Premium in amortization charges for the duration of the contract. In the cases the result of the valuation generates losses to the Bank, these are not registered, since it will not exercise the option. Likewise, if profits originated in the valuation of the same options contracts had been registered before, these will be totally reversed.

On the date of fulfillment of the contract, the balances corresponding to the value of the right and of the responsibility are paid, and any difference is recorded as profit or loss in the derivatives valuation.

(h) Accounts Receivable

It records the amounts 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 protection of its rated accounts receivable with charge to the statement of income, whenever the existence of contingencies of probable and reasonable quantifiable loss is established.



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

(i) Foreclosed Assets

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, based on their market value.

The Bank records these goods, 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.
- When goods are received in lieu of payment, they are not in a condition for disposing, their cost increase with the expenses necessary for their commercialization.
- If there should be an amount in favor of the debtor between the amount for which the good is received and the amount of the credit to be canceled, this difference is accounted for as an accounts payable; in the event that the amount of the good is not enough to cover the entire obligation, a provision is recorded in the amount of the balance.
- Revaluations associated to these goods are recorded in the memorandum accounts.
- Profits generated as a consequence of the disposal of these goods through the execution of loan operations and installment sales are deferred in the term in which the operation has been agreed; their amortization is made against the statement of income to the extent that their collection is effective.
- When the cost of acquisition 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 portfolio provision account.
- When the sale has been in cash, the profit resulting from the operation is recorded as an income in the statement of Income.
- In any event, the allowances established on these goods received in payment are reversed at the time of placement in the loan, installment sale or cash operation.

The personal properties received in payment that correspond to investment securities, They are recorded at the value of the right and 100% provisioned.

If between the value at which the good is received and the value of the obligation to be paid a balance in favor of the debtor results, this difference is accounted for as an accounts payable; in case that the value of the good is not sufficient to cover the total obligation, a allowance equivalent to the shortage is created.



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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 of the goods received as payment, which shall not exceed in any event two (2) years, counted as of the expiration of the initial term.

Valuations of goods received as payment are recorded again in memoranda accounts and in any and all cases of appraisals not using time (date for elaboration) greater than three (3) years as of the accounting year closing to be used.

Goods Returned

In this item is recorded the value of the goods that are returned to the Bank of financial leasing operations by non-compliance in the mentioned agreement by the lessees or tenants or for failure to exercise the purchase option, which will not be subject to depreciation.

For the permanence of the returned goods, the same terms of the goods received as payment will apply.

Goods not used in the corporate object

In this item is recorded the value of the goods of the Bank's own use that it has ceased to use for the performance of its corporate object.

These goods are depreciated until the time of their realization and computation along with the fixed assets of the Entity for the purpose of the limits established under item 1.2 of the Seventh Chapter of the First Part of the Basic Legal Memorandum issued by the Superintendencia Financiera de Colombia.

For the permanence of the returned goods, the same terms of the goods received as payment will apply.

(j) Allowance Foreclosed Assets

In order to record provisions for goods lieu of payment, the Bank applies the following criteria, according to that established by the Superintendencia Financiera de Colombia:

- Within the year following the receipt of the good, an allowance in monthly aliquots equivalent to 30% of the acquisition cost of the good (value of receipt), which must be increased within the second year by an additional 30% until 60% of the acquisition cost of same is reached.
- Upon expiration of the legal term for the sale (from two to four years) without authorization for the extension, the allowance must be of 80% of the acquisition cost.
- In case that the extension is granted, the remaining 20% of the allowance may be established within the term of same.
- When the commercial value of the property is lower than the book value of the goods received in payment, an allowance for the difference is accounted for.



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For personal properties received in payment, an allowance must be established equivalent to 35% of the acquisition cost of the good, which is increased in the second year by a 35% additional until 70% of the value of the books before allowances is reached. Upon expiration of the legal term for the sale without authorization of the extension, the allowance must be 100% of the book value. In case the extension is obtained, the remaining 30% of the allowance may be established within the term of same.

(k) Properties and Equipment

It records the tangible assets acquired, constructed or in process of import, construction or set up that are permanently used in the performance of the corporate object and which useful life exceeds one (1) year. It includes direct and indirect costs and expenses accrued up to the time when the asset is in conditions of use.

Extraordinary additions, improvements and repairs that significantly increase the useful life of the assets, are recorded 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.

For those assets acquired up to December 31, 2006, such as equipment, furniture goods, office supplies, and computers, the Bank calculates the depreciation under the balance reduction method. Calculation for purchases made as from January 1, 2007, is done through the straight-line depreciation method.

For the straight-line method based on the shelf life of the assets at the following annual rates:

	<u>Useful life</u>	<u>Annual Rate</u>
Buildings	20 years	5%
Office equipment, future and fixture	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. For its implementation, it necessarily demands the utilization of a salvage value.

(l) 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.



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(m) Prepaid Expenses and Deferred Charges

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

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, are considered amortizable in a specific moment.

The expenses whose amounts are of ten (10) current legal minimum monthly salaries 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.
- Computer software in a period not exceeding three (3) years.
- Deferred income tax generated by effect of temporary differences, will be amortized in the periods in which the temporary differences that originated it are reversed.
- Commercial credit is amortized monthly, following the straight line method in a term of six (6) and seven (7) years. To Bansuperior S.A. and Confinanciera S.A., respectively and by the exponential method in a term of twenty (20) years, for Granbanco S.A.
- Provisions in a period of twelve (12) months.
- Commissions and advisory in a sixty (60) months period, Corresponding to larger scale projects with long term recovery expectation.

(n) Revaluation

Assets object of Revaluation:

- Investments available for sale in equity securities.
- Properties and equipment, specifically real states.
- Foreclosed Assets



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

The valuations of immovable property correspond to the exceeding value appraised, which are conducted by people or companies of recognized specialty and independence, over the net cost and the value arising from commercial appraises.

In the event of devaluation, provision against the status of results is applied for each individual immovable property.

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

(o) Deferred Tax

The bank recognizes the effect of taxes caused by the difference generated between the valuation at market prices and the straight line investment portfolio valuation, of the syndicated credit derivatives, and the IFC bonds. Likewise, it recognizes the deferred tax on the provision for industry and trade tax. As was mentioned in the note of deferred charges, the deferred income tax generated by the effect of temporary differences shall be amortized in the periods in which the temporary differences which originated them are reversed.

(p) Income in Advance and Deferred Liabilities

Interests received in advance correspond to quarterly interest paid by constructors, which are amortized in accordance to the period covered by the payment.

Inside the deferred liabilities are recorded capitalized interests of restructured credits that are amortized proportionally in accordance with the values collected.

The deferred amount of re-structured loans to be amortized, the re-statement of the assets in Real Value Units (RVU) and the profit in sale of goods received as payment, and to be amortized according to the payment.

(q) Recognition of income from Financial Returns

The income for financial yields and other concepts is acknowledged at the time they are caused, except when the credit portfolio interests mentioned in item e) of note 2 to financial statements titled "Suspension of Accrual of Interests".

Real Value Unit – R.V.U. Adjustment

Law 546 of 1999 in its article 3, created the R.V.U., as an account unit that reflects the purchasing power of the currency based exclusively on the variation of the consumer price index certified by the DANE, which value is calculated in accordance with the methodology adopted by the National Government.

In order to eliminate the distortion generated by the seasonality of inflation in operations agreed in that unit, the income by these items must be amortized in a period of one year.



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(r) Estimated Liabilities and Allowances

The Bank records allowances to cover estimated liabilities, taking into account that:

- a. There is a right acquired and, consequently, an obligation contracted,
- b. The payment is enforceable or probable.
- c. The allowance is rationalized, quantifiable and verifiable.
- d. In addition, it records the estimated values corresponding to taxes, contributions and enrollments.

(s) Translation of Transactions in Foreign Currency

As exchange market intermediary, the Bank may make directly purchases and sales of foreign currency derived from the exchange market.

For end of month closure the restatement is made using the representative market exchange rate calculated on the last working day for closure of the respective period, a rate certified by the Superintendencia Financiera de Colombia; December 31 and 30 June 2009 closure rates were \$2,044.23 (pesos per dollar) and \$2,145.21 (pesos per dollar), respectively.

As “foreign exchange position” of exchange market intermediaries is defined the difference between all assets and rights less the liabilities and obligations denominated in foreign currency recorded in and off balance sheet, realized or contingent, including those to be liquidated in Colombian legal currency.

And as “spot market position” is defined the difference between all assets and liabilities denominated and accounted for in foreign currency, in accordance with the Single Chart of Accounts, excluding investments available for sale in equity securities, the so called *carousel* operations, forward agreements, futures agreements, swaps and profit or loss in valuation of operations and assets and liabilities in local currency indexed in foreign currency.

According to the definition of External Memorandum Letter –DODM-139 from the Banco de la República (Central Bank) of May 2007, the notion of “gross leverage position” was added, as the sum of the rights and obligations in term and futures agreements, cash operations with expiration from one banking day (t+1) and two banking days (t+2) denominated in foreign currency and the exchange exposure associated to the debtor and creditor contingencies acquired in the negotiation of options and derivatives on the exchange rate.

The maximum amount of the foreign exchange position and the spot market position shall not exceed twenty percent (20%) and fifty percent (50%) of the entity's technical equity, respectively. The minimum amount of foreign exchange position may be negative, without exceeding the equivalent in foreign currency five percent (5%) of its technical equity.

The arithmetical average of three (3) business days of the gross leverage position shall not exceed five hundred percent (500%) of the entity's technical equity.



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For the base technical equity, the value calculated by the Bank corresponding to two (2) months before in respect to the month subject of closing, applying the exchange rate for restatement of figures in foreign currency of the previous month.

(t) Contingent Accounts

In these accounts are recorded the operations whereby the Bank acquires a right or assumes an obligation which arises conditioned upon the occurrence or not occurrence of a fact, depending on future, eventual or remove factors. Within the debtor contingencies are recorded the financial returns as of the time when the accrual in the credit portfolio and letters of credit accounts is suspended.

(u) Memorandum Accounts

In these accounts are recorded the operations carried out with third parties which, because of their nature, do not affect the financial condition of the Bank. Furthermore, fiscal memorandum accounts are included, where the figures for the preparations of tax returns are recorded; in addition, they include those recording accounts used for internal control fiscal effects or management information.

(v) Net Profit per Share

According to the provisions of External Memorandum Letter 015 of 1994, in order to determine the net profit per share, the Bank uses the weighted average method of shares subscribed and paid by the outstanding time of these during the first half of 2009; For the second half of 2009 the Bank estimated earnings per share for the number of shares subscribed and paid in circulation.



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3) 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>
Colombian Pesos:		
Cash	\$713.883,4	664.625,7
Banco de la República (Central Bank)	585.927,7	424.567,4
Banks and other financial entities	9.151,0	6.266,2
Exchange	17.036,9	24.611,1
Remittances in transit	1.365,8	436,6
Allowance	<u>(124,6)</u>	<u>(121,3)</u>
	<u>1.327.240,2</u>	<u>1.120.385,7</u>
Foreign currency translated into local currency:		
Cash	802,4	574,9
Banco de la República (Central Bank)	61,4	64,4
Banks and other financial entities	121.029,0	106.716,5
Remittances in transit	<u>10.764,6</u>	<u>1.881,8</u>
	<u>132.657,4</u>	<u>109.237,6</u>
	<u>\$1.459.897,6</u>	<u>\$1.229.623,3</u>

Cash and deposits in Banco de la República, in legal currency, the total are \$1.299.811 and \$1,089,193.1 on December 31, 2009 and June 30, 2009, respectively, amounts that compute for the purpose of the reserve that the Bank is required to maintain over deposits received from clients, pursuant to legal provisions.

Compensation for bank reserve amounts:

As of December 31 and June 30, 2009, the Bank recorded \$1.197.4 and \$6,941.5, for the concept of compensation for bank reserves.

As of the fortnight of calculation of the settlement which began on February 4, 2009, the ordinary settlement was paid only for the CDTs [Certificates of Term Deposits] in accordance to what is established in External Resolution 2 of 2009, issued by the Board of Directors of the Banco de la República [Central Bank].

Meanwhile, for the second half cut of 2009 by resolution 9 of July 24, 2009, the remuneration of the reserve disappears from the fortnightly reserve calculation that starts on 5 August 2009.

Reconciliations of Transactions in Legal Currency

On December 31, 2009, reconciliations of accounts in local Banks show 31 items less than 30 days, for a net value of (\$165.7) and 102 items longer than 30 days, for a net value of (\$121.1), which have no significant impact on the financial statements. The conciliatory items are provisioned for \$124.6.



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The following is the detail of the banking reconciliations as of December 31, 2009:

<u>Items under 30 days</u>	<u>No.</u>	<u>Credit Notes</u>	<u>Value</u>	<u>Debit Notes</u>
Debit notes to reconcile	2	\$ 0,0		5,3
Credit notes to reconcile	18	460,0		0,0
ND accounted for not taken by the Bank	8	0,0		361,0
NC accounted for not taken by the Bank	<u>3</u>	<u>72,0</u>		<u>0,0</u>
	<u>31</u>	<u>\$ 532,0</u>		<u>366,3</u>
			<u>Value</u>	
<u>Items older than 30 days</u>	<u>No.</u>	<u>Credit Notes</u>		<u>Debit Notes</u>
Debit notes to reconcile	28	\$ 0,0		213,0
Credit notes to reconcile	58	396,0		0,0
ND accounted for not taken by the Bank	15	0,0		63,0
NC accounted for not taken by the Bank	<u>1</u>	<u>1,1</u>		<u>0,0</u>
	<u>102</u>	<u>\$ 397,1</u>		<u>276,0</u>

On June 30, 2009, reconciliations of accounts in local Banks show 55 items less than 30 days, for a net value of (\$74,7) and 64 items longer than 30 days, for a net value of (\$46,6), which have no significant impact on the financial statements. The net of the pending items is provisioned to 100% by \$121.3.

The following is the detail of the banking reconciliations as of June 30, 2009:

<u>Items under 30 days</u>	<u>No.</u>	<u>Credit Notes</u>	<u>Value</u>	<u>Debit Notes</u>
Debit notes to reconcile	6	\$ 0,0		26,5
Credit notes to reconcile	39	279,9		0,0
ND accounted for not taken by the Bank	6	0,0		202,1
NC accounted for not taken by the Bank	<u>4</u>	<u>23,4</u>		<u>0,0</u>
	<u>55</u>	<u>\$ 303,3</u>		<u>228,6</u>
			<u>Value</u>	
<u>Items older than 30 days</u>	<u>No.</u>	<u>Credit Notes</u>		<u>Debit Notes</u>
Debit notes to reconcile	23	\$ 0,0		170,7
Credit notes to reconcile	28	222,7		0,0
ND accounted for not taken by the Bank	9	0,0		5,8
NC accounted for not taken by the Bank	<u>4</u>	<u>0,4</u>		<u>0,0</u>
	<u>64</u>	<u>\$ 223,1</u>		<u>176,5</u>



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Reconciliations of Transactions in Foreign Currency

On December 31, 2009, reconciliations of accounts in local Banks show 1.069 items less than 30 days, for a net value of USD\$3,835 and 543 items longer than 30 days, for a net value of USD\$2.149, which have no significant impact on the financial statements.

The following is the detail of the banking reconciliations as of December 31:

<u>Items under 30 days</u>	<u>No.</u>	<u>Value USD \$</u>	
		<u>Credit Notes</u>	<u>Debit Notes</u>
Debit notes to reconcile	248	\$ 0,0	24.111,0
Credit notes to reconcile	345	(33.038)	0,0
ND accounted for not taken by the Bank	177	0,0	38.012,0
NC accounted for not taken by the Bank	<u>299</u>	<u>(32.920,0)</u>	<u>0,0</u>
	<u>1.069</u>	<u>(65.958,0)</u>	<u>62.123,0</u>
		<u>Value USD \$</u>	
<u>Items older than 30 days</u>	<u>No.</u>	<u>Credit Notes</u>	<u>Debit Notes</u>
Debit notes to reconcile	169	\$ 0,0	8.529,0
Credit notes to reconcile	94	(7.582,0)	0,0
ND accounted for not taken by the Bank	72	0,0	4.799,0
NC accounted for not taken by the Bank	<u>208</u>	<u>(7.895,0)</u>	<u>0,0</u>
	<u>543</u>	<u>(15.477,0)</u>	<u>13.328,0</u>

The debit items greater than 30 days were reduced to US\$1,236.6 up to January 31, 2010

On June 30, 2009, reconciliations of accounts in local Banks show 163 items less than 30 days, for a net value of USD\$1.453.977,2 and 9 items longer than 30 days, for a net value of USD\$ 10.126,6, which have no significant impact on the financial statements.

The following is the detail of the banking reconciliations as of June 30:

<u>Items under 30 days</u>	<u>No.</u>	<u>Value USD\$</u>	
		<u>Credit Notes</u>	<u>Debit Notes</u>
Debit notes to reconcile	23	0,0	706,330.2
Credit notes to reconcile	56	1,380,700.1	0,0
ND accounted for not taken by the Bank	19	0,0	1,385,174.7
NC accounted for not taken by the Bank	<u>65</u>	<u>2,164,782.0</u>	<u>0,0</u>
	<u>163</u>	<u>3,545,482.1</u>	<u>2,091,504.9</u>



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<u>Items older than 30 days</u>	<u>No.</u>	<u>Value USD\$</u>	
		<u>Credit Notes</u>	<u>Debit Notes</u>
Credit notes to reconcile	1	2,281.0	0.0
ND accounted for not taken by the Bank	4	28,169.4	0.0
NC accounted for not taken by the Bank	<u>4</u>	<u>0.0</u>	<u>20,323.7</u>
	<u>9</u>	<u>30,450.4</u>	<u>20,323.7</u>

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	\$ 121,3	107,4
Plus:		
Allowance charged to operating expenses	124,5	120,9
Less:		
Refund revenue	<u>121,2</u>	<u>107,0</u>
Closing balance	\$ <u>124,6</u>	<u>121,3</u>

4) Active Positions in Monetary Market Operations and those Related

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

<u>December 31</u>	<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>Date of Initiation</u>	<u>Date of Cancellation</u>	<u>Amount of pesos</u>	<u>TRM (Pesos)</u>
	<u>Foreign Currency</u>						
	Overnight Foreign Banks:						
	Bancafé International Miami	USD 725,000	0,880%	Dec.31.09	Jan.04.10	\$1.482,1	2.044,23
	Standard Chartered	USD 1,000,000	0,30%	Dec.29.09	Jan.04.10	2.044,2	2.044,23
		<u>USD 1,725,000</u>				<u>\$3.526,3</u>	
<u>June 30</u>	<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>Date of Initiation</u>	<u>Date of Cancellation</u>	<u>Amount of pesos</u>	<u>TRM (Pesos)</u>
	<u>Foreign Currency</u>						
	Overnight Foreign Banks:						
	Bancafé International Miami	USD 1,400,000	0,138%	Jun.30.09	Jul.01.09	\$ 3.003,3	2.145,21
	Citibank New York	USD 375,000	0,100%	Jun.30.09	Jun.01.09	804,4	2.145,21
		<u>USD 1,775,000</u>				<u>\$ 3.807,7</u>	



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For the second and first semester of 2009 the balance and monthly average yield for these Active Positions was \$3.526,3 and \$609,02 and \$200.777,4, \$995,3, respectively.

There are no restrictions on these funds.

5) Investments

As at December 31 and June 30, 2009, the entirety of investments available for selling in the form of participation securities and debt securities were assessed and classified according to stipulations provided in the External Memorandum 100 of the Superintendencia Financiera de Colombia, Except those securities issued or backed by the Nation.

The following is a breakdown of the investment portfolio, as of December 31 and June 30, 2009:

<u>December 31</u>	<u>Cost</u>	<u>Allowance</u>	<u>Repurchase Rights</u>
Trading Investments	\$ 3.304.015,4	19.641,4	153.990,2
Debt securities Held to maturity	402.779,9	968,1	0,0
Debt securities available for sale	8.791,3	0,0	0,0
Equity securities available for sale	<u>312.846,5</u>	<u>13.442,6</u>	<u>0,0</u>
	<u>\$ 4.028.433,1</u>	<u>34.052,1</u>	<u>153.990,2</u>
<u>June 30</u>	<u>Cost</u>	<u>Allowance</u>	<u>Repurchase Rights</u>
Trading Investments	\$ 2.440.247,6	7.582,2	191.888,5
Debt securities Held to maturity	352.233,3	1.866,6	69.757,5
Debt securities available for sale	10.301,6	0,0	0,0
Equity securities available for sale	<u>285.237,1</u>	<u>13.442,6</u>	<u>0,0</u>
	<u>\$ 3.088.019,6</u>	<u>22.891,4</u>	<u>261.646,0</u>

a) Investment portfolio according to classification, kind and credit risk classification.

Investments debt securities trading

	<u>December 31</u>	<u>June 30</u>
TES	\$ 1.748.460,3	1.003.527,0
TRD	29.626,6	87.533,1
CERT	4,0	8,0
BONDS	235.287,2	210.836,9
FOGAFIN	107.890,8	73.261,9
TDA FINAGRO	242.399,0	50.927,5
CDT's	<u>82.162,7</u>	<u>113.776,1</u>
To	<u>\$ 2.445.830,6</u>	<u>1.539.870,5</u>



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<u>Investments debt securities trading</u>	<u>December 31</u>	<u>June 30</u>
	From \$ <u>2.445.830,6</u>	<u>1.539.870,5</u>
TIPS	825.432,8	900.377,1
TIT CONT CR	13.992,5	0,0
SECURITIES ISSUED FOREIGN	<u>18.759,5</u>	<u>0,0</u>
	\$ <u>3.304.015,4</u>	<u>2.440.247,6</u>

As a result of the credit portfolio securitization processes, the Bank acquired securities Tips "C", which are rated as CCC and are recorded as of December 31 and June 30, 2009 in the negotiable investments in debt securities for Fifteen thousand one hundred and sixty-seven with eighty-four cents (Colombian pesos). In addition, they are recorded in contingent accounts for \$15.147.7.

Investment Reclassification Effect

During the second and first half-year period in the year 2009 a were not investment reclassifications.

Qualitative Information

The structure of the Bank's treasury business is constituted in such a way that it allows managing the five main activities developed in five boards that's constituted at this unit:

1. Liquidity Board

Efficiently manage the excess/lack of liquidity complying with the financial obligations, the mandatory investments, and the minimum reserve requirement, seeking a suitable funding structure.

2. Trading Board

Its objective to generate additional income through the active participation in the public debt market, and to generate of placing treasury to offer to costumers in legal currency. The Bank is part of the market creator program of the Ministerio de Hacienda y Crédito Público, where is the first of 14 participants.

3. Foreign Currencies

Generating income through the participation in the exchange market, and generate foreign currency products to offer Bank's costumer

4. Distribution

The main purpose of this item is offering and placing treasury products in legal and foreign currency generated by the other boards, to the corporative and micro-companies, generating additional revenues to the Bank.



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5. Structuring

The main purpose of this item is structuring treasury products that satisfy the needs of the corporate clients.

The revaluation and rating of the investments is made in accordance with the External Memorandum Letter 100, 1995 from the Superintendencia Financiera de Colombia.

The treasury activity in the security public market is performed under the regulations in the Resolution 400, 1995 and the chapter XX of the Memorandum basic accounting Superintendencia Financiera de Colombia

<u>- Investment to be held up to their maturity</u>	<u>December 31</u>	<u>June 30</u>
TES	\$ 3.554,5	3.406,7
TRD	322.688,9	322.605,5
TDA Finagro A Mandatory	70.478,4	19.443,8
CDT Findeter	3.032,9	3.044,1
TIPS	<u>3.025,2</u>	<u>3.733,2</u>
	\$ <u>402.779,9</u>	<u>352.233,3</u>

Obligatory investments are carried out in keeping with legal provisions and are adjusted to the percentages determined for savings accounts, current accounts, deposit certificates, banking services of surety and fiduciary liabilities. (Note 12)

Bellow it present the Resolutions issued by the Banco de la República, about the percentage established or the calculation on the required forced investment in agriculture and livestock development securities:

External Resolution 2 of 2008:

The credit entities shall apply to the daily average of liabilities in legal tender every quarter, previously deducted in the ordinary and marginal bank reserves, 5.7% of its savings and checking accounts and 4.3%, of its fixed term deposits.

These percentages applied for the calculation on the required investment in Farming Development Titles TDA's, corresponding to the liabilities up to the third quarter of 2008.

External Resolution 6 of 2008:

Modified the percentages of the required forced investment, thus: 5.8% for savings and current accounts and 4.4% for forward certificates of deposit will be applied by the credit institution, on a quarterly basis, to the daily average of liabilities in legal tender, after having deducting the regular and marginal till money.

These percentages will apply as from the calculation of the required investment in agriculture and livestock development securities, corresponding to the liabilities of the calendar quarter October – December of 2008.



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External Resolution 14 of 2008:

It modified the forced investment percentages thus: the credit establishments will apply to the daily average of demandable items in legal currency of each quarter, previously deducted from the settlement, 5.8% from its savings and checking accounts and 4.3% from its certificates of term deposits.

These percentages apply as of the calculation of the requirement of investment in titles of agrarian development TDA, corresponding to the demandable items of the quarter of January to March of 2009. And they are percentages in effect to December 31.

In accordance with provisions set forth in the External Resolution 3 of 2000 by the Banco de la República, the amount to be invested in TDA securities, class A and B, shall be 37% and 63%, respectively, out of the calculated value.

To December 31, the Bank has a substitute portfolio of these investments for \$303.671,9.

	<u>December 31</u>	<u>June 30</u>
- <u>Investments debt securities available for sale</u>		
TIPS	\$ <u>8.791,3</u>	<u>10.301,6</u>
- <u>Investments equity securities available for sale</u>		
Stocks with low and minimum marketability (Note 5.f)	\$ <u>312.846,5</u>	<u>285.237,1</u>
- <u>Repurchase Rights of Investments</u>		
	<u>December 31</u>	<u>June 30</u>
Trading in debt securities		
TES	138.691,1	40.194,5
FOGAFIN	15.299,1	69.437,6
FINAGRO	0,0	82.256,3
To Held to maturity		
FINAGRO	<u>0,0</u>	<u>69.757,6</u>
	\$ <u>153.990,2</u>	<u>261.646,0</u>
Investment allowance	<u>(34.052,1)</u>	<u>(22.891,4)</u>
Net Total Investments	\$ <u>4.148.371,2</u>	<u>3.326.774,2</u>

These investments do not have any restriction.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

<u>Investment for Qualification</u>	<u>December 31</u>	<u>Particip.</u>	<u>June 30</u>	<u>Particip.</u>
<u>Long term</u>				
A	325.659,2	7,79%	285.237,1	8,52%
A-	0,0	0,00%	8.712,1	0,26%
A+	33.184,2	0,79%	10.666,1	0,32%
AA-	14.464,5	0,35%	8.409,2	0,25%
AA	37.407,3	0,89%	4.184,5	0,12%
AA+	51.842,8	1,24%	45.405,7	1,36%
AAA	863.241,4	20,64%	891.684,8	26,62%
B+	18.759,5	0,45%	0,0	0,00%
BB-	2.704,4	0,06%	0,0	0,00%
BBB-	23.859,4	0,57%	62.909,6	1,88%
BBB	800,7	0,02%	26.138,2	0,78%
BBB+	38.838,2	0,93%	30.796,8	0,92%
C	12.709,3	0,30%	0,0	0,00%
CC	2.036,0	0,05%	0,0	0,00%
CCC	14.677,3	0,35%	6.305,5	0,19%
Multilateral	2.749,6	0,07%	0,0	0,00%
Nation	2.598.735,8	62,13%	1.735.174,9	51,80%
Fogafin	123.189,9	2,95%	133.817,6	3,99%
<u>Short term</u>				
1	4.547,9	0,11%	12.991,2	0,39%
1+	13.015,9	0,31%	84.144,9	2,51%
2	0,0	0,00%	3.087,4	0,09%
	<u>4.182.423,3</u>	<u>100,00%</u>	<u>3.349.665,6</u>	<u>100,00%</u>

b) Investment Portfólio by issuing

	<u>December 31</u>	<u>Partic.</u>	<u>June 30</u>	<u>Partic.</u>
Government National	\$ 2.284.951,2	54,6%	1.503.908,1	44,9%
Cundinamarca and Distrito Government	8.543,9	0,2%	4.668,3	0,1%
Fogafin	123.189,9	29%	142.699,5	4,3%
Finagro	371.642,4	8,9%	281.150,1	8,4%
Incora (Colombian Institute for the rural development)	907,4	0,0%	1.394,3	0,0%
Entities supervised by the Superintendencia Financiera de Colombia	307.618,7	7,4%	285.640,1	8,5%
Foreign Entities	102.686,2	2,5%	85.176,3	2,5%
Real entities sector	104.304,7	2,5%	89.287,4	2,7%
Titularizadora Colombiana S.A.	854.749,1	20,4%	931.911,7	27,8%
Others	<u>23.829,8</u>	<u>99,4%</u>	<u>23.829,8</u>	<u>0,8%</u>
	\$ <u>4.182.423,3</u>	<u>100,0%</u>	<u>3.349.665,6</u>	<u>100,0%</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

c) Investment portfolio per currency

	<u>December 31</u>	<u>June 30</u>
Pesos	\$ 3.429.410,6	2.292.801,2
Dollars	99.936,6	85.176,3
Rvu	<u>653.076,1</u>	<u>971.688,1</u>
	<u>\$ 4.182.423,3</u>	<u>3.349.665,6</u>

d) The following is a detail of the maturity terms of the investments:

December 31

		<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	\$	596.981,4	1.421.611,2	534.292,6	905.120,4	3.458.005,6
Investments debt securities available for sale		0,0	0,0	8.791,3	0,0	8.791,3
Investments equity securities available for sale		0,0	0,0	0,0	312.846,5	312.846,5
Investments debt securities Held to maturity		<u>92.175,3</u>	<u>213.873,3</u>	<u>96.731,3</u>	<u>0,0</u>	<u>402.779,9</u>
	\$	<u>689.156,7</u>	<u>1.635.484,5</u>	<u>639.815,2</u>	<u>1.217.966,9</u>	<u>4.182.423,3</u>

June 30

		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>Form 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Trading Investments	\$	459.873,1	935.788,5	637.808,9	598.665,5	2.632.136,0
Investments debt securities available for sale		0,0	306,0	9.995,6	0,0	10.301,6
Investments equity securities available for sale		0,0	0,0	0,0	285.237,1	285.237,1
Investments debt securities Held to maturity		<u>108.040,9</u>	<u>179.200,9</u>	<u>134.749,1</u>	<u>0,0</u>	<u>421.990,9</u>
	\$	<u>567.914,0</u>	<u>1.115.295,4</u>	<u>782.553,6</u>	<u>883.902,6</u>	<u>3.349.665,6</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

e) Investments allowance:

As of December 31 and June 30, 2009, the following is the detail of the allowance by investments:

	<u>December 31</u>			<u>June 30</u>	
	<u>Market Value</u>	<u>% Allowance</u>	<u>Allowance</u>	<u>Market Value</u>	<u>Allowance (50%)</u>
<u>Debt securities Trading:</u>					
Tips B (*)	\$ <u>1.700,9</u>	<u>50%</u>	<u>850,5</u>	<u>3.745,3</u>	<u>1.872,7</u>
Tips MZ (*)	26.057,7	50%	13.028,9	11.419,0	5.709,5
Tips B	1.343,1	10%	134,2	0,0	0,0
Pacific Rubiales	<u>18.759,5</u>	30%	<u>5.627,8</u>	<u>0,0</u>	<u>0,0</u>
	<u>47.861,2</u>		<u>19.641,4</u>	<u>15.164,3</u>	<u>7.582,2</u>
<u>Debt securities held to maturity</u>					
Tips B	1.664,0	50%	832,0	3.733,2	1.866,6
Tips B	<u>1.361,2</u>	<u>10%</u>	<u>136,1</u>	<u>0,0</u>	<u>0,0</u>
	<u>3.025,2</u>		<u>968,1</u>	<u>3.733,2</u>	<u>1.866,6</u>
<u>Equity securities available for sale</u>					
Shares with low or minimum marketability (note 5 f)			<u>13.442,6</u>		<u>13.442,6</u>
			<u>\$ 34.052,1</u>		<u>22.891,4</u>
					<u>22.891,4</u>

(*) In instances of the rating "CCC" of securities Tips B and MZ de la Titularizadora Colombiana S.A., it constitutes allowance of investments corresponding to 50% and 10% of the market value of the securities. This allowance is adjusted monthly with the variation of revaluation of the securities.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

The movement of the investment allowance is the following:

	<u>December 31</u>	<u>June 30</u>
Beginning Balance	\$ 22.891,4	23.151,4
Plus:		
Provisión charged to operating expenses	13.784,9	0.0
Less:		
Reimbursement of provision	<u>2.624,2</u>	<u>260,0</u>
Ending Balance	\$ <u>34.052,1</u>	<u>22.891,4</u>

f) Investment available for the sale in equity securities

Valuation effect in Foreign Exchange Investment:

For the investments of Bancafé Panamá S.A. and Bancafé International Corporation S.A. the treatment given to valuations and/or devaluations is based on the balance adapted to the Colombian standards at November 30, 2009, including the effect of the monetary redenomination.

Liquidation of investment of Fiduciaria Superior S.A.:

In the extraordinary General Assembly of shareholders of the Fiduciaria Superior S.A. - Under liquidation - held on June 17, 2009, the liquidation and partial adjudication of surplus through the partial reimbursement of surplus to the shareholders against the capital of Fiduciaria, for a total amount of \$2,509.9.

\$2,068.6 from this amount corresponded to the Banco Davivienda S.A. and in kind a locale located in Santa Paula on the Carrera 20 number 109-15 and the garages 13 and 14 evaluated in \$315.6, for a total received by the Bank of \$2,384.2. This value was registered as lower than the investment registered in account .

In extraordinary session of July 15, 2009, the General Assembly of shareholders of the Fiduciaria Superior S.A. - under liquidation - unanimously authorized the final liquidation of the entity.

The following is the detail of the investments available for the sale in equity securities, as well as their risk rating with cut to December 31 and June 30, 2009:



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

December 31

<u>Entity</u>	<u>Number of shares</u>	<u>Stock Capital</u>	<u>%participat.</u>	<u>Acquisition cost</u>	<u>Adjusted cost</u>	<u>Equity Value</u>	<u>Revaluation/ Devaluation</u>	<u>Allowance</u>	<u>Rating</u>	<u>Dividends</u>
Bancafé Panamá S.A.	290.998	USD 29,100,000	99,99%	\$62.884,3	59.486,7	136.160,7	49.259,8	0,0	A	0,0
Bancafé International Corporation S.A.	2.000	USD 10,369,000	100,00%	22.407,3	21.196,6	25.739,5	2.512,1	0,0	A	0,0
Master Card International	10.122	USD 2,134,294,000	0,00744%	160,0	162,3	489,6	327,4	0,0	A	0,0
Corporación Andina de Fomento	17	USD 2,386,380,000	0,004%	<u>328,8</u>	<u>331,5</u>	<u>409,4</u>	<u>77,9</u>	0,0	A	10,0
				<u>85.780,4</u>	<u>81.177,1</u>	<u>162.799,2</u>	<u>52.177,2</u>	<u>0,0</u>		<u>10,0</u>
Finagro	17.432.741	\$137.585,5	12,67%	52.149,7	58.765,1	66.862,1	8.097,0	0,0	A	0,0
Fiduciaria Cafetera S.A.	86.849.269	27.714,7	94,011%	44.586,9	50.227,5	63.822,4	13.594,9	0,0	A	897,7
Compañía de Inv. del Café Cámara de riesgo central de Contraparte	32.465.949 1.563.720.204	8.023,8 29.000,0	29,537% 5,392%	13.440,7 1.563,7	13.440,7 1.563,7	7.720,7 1.334,6	0,0 (229,1)	13.440,7 0,0	A A	0,0 0,0
Almacafé S.A.	1.302	14.472,3	0,01%	9,8	9,8	9,1	0,0	1,9	AA	0,0
Confinanciera S.A.	4.513.874.264	9.257,8	94,90%	31.880,4	57.695,3	58.746,2	1.050,9	0,0	A	25.815,0
Davivalores S.A.	1.883.138	2.383,7	79,0%	2.405,7	2.981,5	7.399,5	4.418,1	0,0	A	410,9
Fiduciaria Davivienda S.A.	14.305.119	23.841,9	60,0%	10.128,5	14.024,8	26.757,7	12.732,9	0,0	A	2.267,5
Titularizadora Colombiana S.A.	15.189.494	71.925,1	21,12%	17.499,8	17.499,8	27.924,8	10.425,0	0,0	AA	0,0
Redeban Multicolor S.A.	2.603.060	10.119,5	26,04%	8.229,8	8.229,9	14.872,2	6.642,3	0,0	AA	0,0
A.C.H. Colombia S.A.	1.214.660	6.576,4	18,47%	1.848,5	1.848,5	3.544,8	1.696,3	0,0	AA	0,0
Deceval S.A. Cámara de compensación divisas de Colombia S.A.	57.100 159.375.000	12.050,9 2.500,0	11,85% 6,375%	4.488,9 159,4	5.072,1 159,4	7.918,7 136,2	2.846,6 (23,1)	0,0 0,0	A A	0,0 0,0
BBVA	370	89.779,0	0,0%	0,0	0,0	0,1	0,0	0,0	A	0,0
Tecnibanca S.A.	121.348	12.892,5	0,9412%	<u>85,6</u>	<u>151,3</u>	<u>248,6</u>	<u>97,3</u>	0,0	AA	0,0
				<u>188.477,4</u>	<u>231.669,4</u>	<u>287.297,7</u>	<u>61.349,0</u>	<u>13.442,6</u>		<u>29.391,1</u>
				<u>\$274.257,8</u>	<u>312.846,5</u>	<u>450.096,8</u>	<u>113.526,2</u>	<u>13.442,6</u>		<u>29.401,1</u>

During the second semester of 2009, cash dividends of Bank were received at the amount of \$29.4011 in shares



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

June 30

<u>Entity</u>	<u>Number of shares</u>	<u>Stock Capital</u>	<u>%participat.</u>	<u>Acquisition cost.</u>	<u>Adjusted cost</u>	<u>Equity Value</u>	<u>Revaluation/ Devaluation.</u>	<u>Allowance</u>	<u>Rating.</u>	<u>Dividends</u>
Bancafé Panamá S.A.	290.998 USD	29,100,000	99,99%	\$ 62.884,3	62.425,2	131.667,5	38.935,5	0,0	A	0,0
Bancafé International Corporation S.A.	2.000 USD	10,369,000	100,00%	22.407,3	22.243,7	25.956,8	2.329,4	0,0	A	0,0
Master Card International	10.122 USD	2,070,366,000	0,00744%	160,0	170,3	354,7	184,4	0,0	A	0,0
Corporación Andina de Fomento	16 USD	2,369,935,000	0,004%	<u>328,8</u>	<u>337,1</u>	<u>413,1</u>	<u>75,9</u>	<u>0,0</u>	A	<u>0,0</u>
				<u>85.780,4</u>	<u>85.176,3</u>	<u>158.392,1</u>	<u>41.525,2</u>	<u>0,0</u>		<u>0,0</u>
FINAGRO	17.432.741	\$ 127.073,6	12,67%	52.149,7	58.765,1	61.960,6	3.195,4	0,0	A	4.741,3
Fiduciaria Cafetera S.A.	68.047.355	21.499,4	94,952%	44.586,9	44.586,9	52.159,5	7.572,6	0,0	A	8.230,5
Compañía de Inv. del Café	32.465.949	8.023,8	29,537%	13.440,7	13.440,7	7.591,1	0,0	13.440,7	A	0,0
Cámara de riesgo central de Contraparte	1.563.720.204	29.000,0	5,392%	1.563,7	1.563,7	1.465,5	(98,2)	0,0	A	0,0
Almacafé	1.302	14.472,3	0,01%	9,8	9,8	9,2	0,0	1,9	A	0,0
Fiduciaria Superior S.A. – In liquidation	9.375.494	728,0	94,99%	11.261,4	2.525,3	2.596,8	71,5	0,0	A	0,0
Confinanciera S.A.	1.128.468.567	9.257,8	94,90%	31.880,4	31.880,4	56.192,8	24.312,4	0,0	A	0,0
Davivalores S.A.	1.472.260	1.863,6	79,0%	2.405,7	2.570,6	6.816,9	4.246,3	0,0	A	0,0
Fiduciaria Davivienda S.A.	12.037.573	20.062,6	60,0%	10.128,5	11.757,3	23.382,7	11.625,5	0,0	A	4.015,1
Titularizadora Colombiana S.A.	15.189.494	71.925,1	21,12%	17.499,8	17.499,8	25.542,7	8.042,9	0,0	A	3.829,7
Redeban Multicolor S.A.	2.603.060	10.119,5	26,04%	8.229,8	8.229,9	13.871,1	5.641,2	0,0	A	1.562,3
A.C.H. Colombia S.A.	1.214.660	6.576,4	18,47%	1.848,5	1.848,5	2.831,9	983,4	0,0	A	923,5
Deceval S.A.	57,100	12.050,9	11,84%	4.488,9	5.072,1	6.511,5	1.439,4	0,0	A	2.465,4
Cámara de compensación divisas de Colombia S.A.	159.375.000	2.500,0	6,375%	159,4	159,4	124,4	(35,0)	0,0	A	0,0
BBVA	370	89.779,0	0,000%	0,0	0,0	0,0	0,0	0,0	A	0,0
Tecnibanca S.A.	121.348	12.892,5	0,9412%	<u>85,6</u>	<u>151,3</u>	<u>209,2</u>	<u>57,9</u>	<u>0,0</u>	A	<u>31,5</u>
				<u>199.738,8</u>	<u>200.060,8</u>	<u>261.265,9</u>	<u>67.055,3</u>	<u>13.442,6</u>		<u>25.799,3</u>
				<u>\$ 285.519,2</u>	<u>285.237,1</u>	<u>419.658,0</u>	<u>108.580,5</u>	<u>13.442,6</u>		<u>25.799,3</u>

During the first semester of 2009, cash dividends of Bank were received at the amount of \$25,799.3, in cash \$19,705.4 and shares \$6,093.9



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

The Maximum, Minimum and Average values of Fixed Income Investment Portfolio, during the second semester of 2009, were:

<u>Investments</u>	<u>December 31</u>		
	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Instruments per kind			
Tda Finagro A Obligatorio	\$ 181.316,8	234.933,7	207.938,7
Tda Finagro B Obligatorio	13.102,2	77.943,6	45.286,7
Emitid by Stated Bonds	40.652,4	50.740,5	45.191,5
Agrarian Bonds	907,4	1.395,4	1.225,9
Peace Bonds	1.256,5	1.279,7	1.269,1
B. Fogafín Brp	1.440,2	3.002,7	2.698,4
Trd Obligatorio	305.311,9	367.530,6	348.670,8
Tes B	1.054.278,7	1.801.423,6	1.314.593,0
Trd Voluntario	42.693,8	60.282,7	46.889,7
Tes Ley 546	31.223,7	116.818,1	72.557,2
Tes U.V.R.	23.890,7	140.127,4	62.804,5
Tes Ipc	2.618,7	44.857,6	24.437,7
Public Bank Fogafín	121.606,9	137.160,8	124.780,9
Tips	158.170,5	257.446,8	208.282,5
Cdt's	85.195,5	161.013,7	111.619,5
Certs	4,0	8,0	6,7
Transmilenio securities	2.551,7	6.985,5	5.335,2
Credit content	0,0	13.992,5	3.444,1
Bonds	183.291,9	193.169,3	188.807,5
Commercial Papers	0,0	507,4	84,6
Tes Tco	14.296,1	88.520,2	35.690,6
Tisis	0,0	149,8	30,3
Foreign Entities	0,0	18.759,5	6.163,7
Multilaterals	2.749,6	7.944,3	4.934,5
Tips B	17.425,5	19.979,3	18.738,0
Tips Mz	30.222,1	30.298,7	30.271,8
Tips \$	<u>599.079,4</u>	<u>631.431,2</u>	<u>616.475,3</u>
	<u>\$ 2.913.286,2</u>	<u>4.467.702,6</u>	<u>3.528.228,4</u>

Active Positions in Monetary Market Operations and those Related

Inter-bank assets	\$ 0,0	350.000,0	168.350,0
Over Night Banks Abroad	0,0	376.877,1	139.108,3
Repos and inter-banks assets	<u>1.122,5</u>	<u>26.668,0</u>	<u>7.373,5</u>
	<u>\$ 1.122,5</u>	<u>753.545,1</u>	<u>314.831,8</u>

Passive Positions in Monetary Market Operations and those Related

Inter-bank liabilities	\$ 0,0	517.656,6	97.773,5
Liabilities Repos	<u>0,0</u>	<u>125.287,9</u>	<u>35.160,4</u>
	<u>\$ 0,0</u>	<u>642.944,5</u>	<u>132.933,9</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

The Maximum, Minimum and Average values of Fixed Income Investment Portfolio, during the first semester of 2009, were:

<u>Investments</u>	<u>June 30</u>		
Instruments per kind	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Tes B	\$ 384.024,0	834.158,3	610.984,6
TRD	408.209,7	418.939,1	413.084,9
Tes Ley 546	85.113,1	150.830,9	116.052,5
Tes UVR	110.929,6	327.154,1	211.813,3
Tes IPC	2.804,2	89.491,4	58.577,2
Tes TCO	4.117,0	17.155,0	8.717,4
Tisis	0,0	9.937,8	1.678,7
TDA Finagro A Obligatorio	178.256,0	197.533,0	186.721,2
TDA Finagro B Obligatorio	25.842,9	51.467,0	43.167,6
Bono Fogafin BRP	2.867,9	4.495,2	4.155,1
Bonos UVR Fogafin	0,0	523,3	431,2
Public Bank Fogafin	139.831,7	142.235,2	141.181,3
Tips	265.131,2	299.718,3	282.188,2
Tips B	20.820,2	23.684,2	22.265,2
Tips MZ	29.600,0	30.288,9	29.985,7
Tips \$	399.583,2	598.171,6	498.660,1
Cdt's	116.820,2	197.893,7	157.465,6
Certs	8,0	8,0	8,0
Transmilenio Instruments	2.551,7	6.985,5	5.335,2
Bonds	52.980,1	62.682,7	63.529,5
Agrarian Bonds	1.357,1	1.423,3	1.388,9
Emited by Stated Bonds	45.306,8	67.814,4	58.681,6
Entities not supervised Bonds	56.894,0	97.389,6	81.691,8
Mortgage Bonds	0,0	269,3	89,5
Peace Bonds	1.300,0	1.399,2	1.346,2
Multilaterals	0,0	5.231,6	1.210,3
	\$ <u>2.331.796,9</u>	<u>3.632.899,6</u>	<u>2.997.462,5</u>

Active Positions in Monetary Market Operations and those Related

Inter-bank assets	\$ 0,0	120.000,0	37.583,3
Over Night Banks Abroad	1.258,8	121.852,1	30.932,8
Repos and inter-banks assets	<u>0,0</u>	<u>230.469,0</u>	<u>132.257,4</u>
	\$ <u>1.258,8</u>	<u>472.321,1</u>	<u>200.773,5</u>

Passive Positions in Monetary Market Operations and those Related

Inter-bank liabilities	\$ 19,001.3	194,904.2	72,591.8
Liabilities Repos and simultaneous	<u>23,966.1</u>	<u>189,300.5</u>	<u>82,743.4</u>
	\$ <u>42,967.4</u>	<u>384,204.7</u>	<u>155,335.2</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

6) Credit Portfolio and Financial Leasing

a) Credit portfolio and financial leasing per modality:

	<u>December 31</u>	<u>June 30</u>
<u>Commercial Portfolio:</u>		
Corporate and builders	\$ 3.609.832,5	2.940.630,4
Housing leasing	1.073.717,1	886.829,7
Others commercial lines	4.383.101,1	4.540.634,1
Credit cards	226.986,6	211.799,6
Vehicles	31.236,7	42.333,4
Overdrafts in current account	<u>74.750,8</u>	<u>114.080,9</u>
	<u>9.399.624,8</u>	<u>8.736.308,1</u>
<u>Housing Portfolio</u>	\$ <u>1.982.154,4</u>	<u>1.773.793,9</u>
<u>Consumption portfolio:</u>		
Credit card	1.553.043,5	1.451.468,8
Other consumption lines	3.613.947,4	3.243.786,8
Vehicles	699.242,4	638.317,7
Overdrafts in current account	<u>35.414,8</u>	<u>38.387,5</u>
	<u>5.901.648,1</u>	<u>5.371.960,8</u>
<u>Micro-credit</u>	<u>1.100,1</u>	<u>3.405,8</u>
Portfolio total	\$ <u>17.284.527,4</u>	<u>15.885.468,6</u>
Less individual allowance	<u>(1.035.776,3)</u>	<u>(999.306,8)</u>
Net portfolio sub-total	\$ <u>16.248.751,1</u>	<u>14.886.161,8</u>
Less general allowance	<u>(19.832,5)</u>	<u>(17.772,0)</u>
Net portfolio total	\$ <u>16.228.918,6</u>	<u>14.868.389,8</u>

As of December 31 and 30 June 2009, 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 II	41.463,5	42.546,4
Issuance III	<u>95.917,1</u>	<u>99.715,5</u>
	\$ <u>137.380,6</u>	<u>142.261,9</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

b) Credit portfolio and financial leasing per risk ratings and guarantee

At December 31 and June 30, 2009, the Bank rated one hundred percent (100%) of its credit portfolio and financial leasing, interest and other concepts in accordance with the Basic Memorandum Letter 100, 1995 from the Superintendencia Financiera de Colombia. The result of said rating is the following:

						ALLOWANCES		
	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
COMMERCIAL SUITABLE GUARANTY								
A - Normal	\$ 2.476.659,9	26.913,3	1.619,3	2.505.192,5	6.351.642,8	93.306,3	772,6	371,7
B - Acceptable	231.673,0	2.825,6	373,1	234.871,7	302.177,3	28.132,7	495,5	258,6
C - Deficient	22.361,1	821,3	175,7	23.358,1	31.178,6	19.581,2	753,5	169,8
D - Difficult collection	56.529,0	2.916,6	323,4	59.769,0	110.633,3	56.529,0	2.899,6	322,9
E - irrecoverable	<u>7.850,2</u>	<u>472,6</u>	<u>65,9</u>	<u>8.388,7</u>	<u>17.799,5</u>	<u>7.850,2</u>	<u>469,6</u>	<u>65,7</u>
	<u>\$ 2.795.073,2</u>	<u>33.949,4</u>	<u>2.557,4</u>	<u>2.831.580,0</u>	<u>6.813.431,5</u>	<u>205.399,4</u>	<u>5.390,8</u>	<u>1.188,7</u>
COMERCIAL OTHER GUARANTIES								
A - Normal	6.285.893,8	68.307,3	4.109,9	6.358.311,0	0,0	129.003,9	1.961,8	943,2
B - Acceptable	185.202,6	2.258,8	298,2	187.759,6	0,0	25.352,0	396,1	206,7
C - Deficient	20.652,1	758,5	162,3	21.572,9	0,0	5.246,0	695,9	156,8
D - Difficult collection	96.097,7	4.958,1	549,8	101.605,6	0,0	96.097,7	4.931,3	549,0
E - irrecoverable	<u>16.705,5</u>	<u>1.006,1</u>	<u>140,2</u>	<u>17.851,8</u>	<u>0,0</u>	<u>16.705,5</u>	<u>999,3</u>	<u>139,9</u>
	6.604.551,7	77.288,8	5.260,4	6.687.100,9	0,0	272.405,1	8.984,4	1.995,6
	<u>\$ 9.399.624,9</u>	<u>111.238,2</u>	<u>7.817,8</u>	<u>9.518.680,9</u>	<u>6.813.431,5</u>	<u>477.804,5</u>	<u>14.375,2</u>	<u>3.184,3</u>
CONSUMPTION SUITABLE GUARANTY								
A - Normal	\$ 589.435,4	5.731,1	1.454,5	596.621,0	1.927.650,9	12.588,3	224,9	90,9
B - Acceptable	27.725,2	510,6	117,5	28.353,3	96.613,3	2.301,9	121,3	40,7
C - Deficient	18.663,0	338,2	80,9	19.082,1	58.842,7	6.128,9	294,5	73,4
D - Difficult collection	16.054,6	303,0	81,3	16.438,9	55.418,1	16.054,6	282,6	79,3
E - irrecoverable	<u>26.822,6</u>	<u>350,5</u>	<u>207,9</u>	<u>27.381,0</u>	<u>49.084,2</u>	<u>26.822,6</u>	<u>312,7</u>	<u>200,4</u>
	678.700,8	7.233,4	1.942,1	687.876,3	2.187.609,2	63.896,3	1.236,0	484,7



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

December 31

ALLOWANCES

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
CONSUMPTION OTHERS GUARANTIES								
A - Normal	\$ 4.610.907,1	44.831,9	11.377,8	4.667.116,8	0,0	128.997,0	1.759,0	710,8
B - Acceptable	232.914,4	4.289,1	987,3	238.190,8	0,0	25.143,9	1.019,3	341,8
C - Deficient	140.080,5	2.538,2	607,6	143.226,3	0,0	47.903,6	2.210,8	550,6
D - Difficult collection	133.450,3	2.518,8	676,0	136.645,1	0,0	133.450,3	2.349,1	659,2
E - irrecoverable	<u>105.594,9</u>	<u>1.380,9</u>	<u>818,5</u>	<u>107.794,3</u>	<u>0,0</u>	<u>105.594,9</u>	<u>1.230,9</u>	<u>788,8</u>
	5.222.947,2	55.558,9	14.467,2	5.292.973,3	0,0	441.089,7	8.569,1	3.051,2
	<u>5.901.648,0</u>	<u>62.792,3</u>	<u>16.409,3</u>	<u>5.980.849,6</u>	<u>2.187.609,2</u>	<u>504.986,0</u>	<u>9.805,1</u>	<u>3.535,9</u>
MICROCREDIT OTHER GUARANTIES								
A - Normal	611,1	5,5	0,3	616,9	275,2	9,8	0,1	0,1
B - Acceptable	89,9	1,4	0,1	91,4	40,5	4,5	0,1	0,1
C - Deficient	61,5	1,0	0,1	62,6	27,7	18,5	0,3	0,1
D - Difficult collection	57,4	0,9	0,1	58,4	25,9	34,4	0,6	0,1
E - irrecoverable	<u>280,2</u>	<u>5,8</u>	<u>2,2</u>	<u>288,2</u>	<u>126,2</u>	<u>280,2</u>	<u>5,8</u>	<u>2,2</u>
	1.100,1	14,6	2,8	1.117,5	495,4	347,4	6,9	2,6
General Allowance						<u>11,0</u>		
	<u>\$ 1.100,1</u>	<u>14,6</u>	<u>2,8</u>	<u>1.117,5</u>	<u>495,4</u>	<u>358,4</u>	<u>6,9</u>	<u>2,6</u>
HOUSING MORTGAGE								
A - Normal	1.853.230,7	9.950,0	12.396,3	1.875.576,8	5.328.490,4	27.943,9	680,0	10.169,6
B - Acceptable	73.972,0	401,6	1.109,2	75.482,7	212.687,5	4.494,7	381,2	1.104,5
C - Deficient	36.873,1	164,8	1.001,7	38.039,6	106.019,3	7.556,3	164,8	1.001,7
D - Difficult collection	13.652,6	59,8	598,6	14.311,0	39.254,5	8.217,6	59,8	598,6
E - irrecoverable	<u>4.426,0</u>	<u>27,4</u>	<u>110,0</u>	<u>4.563,4</u>	<u>12.725,7</u>	<u>4.426,0</u>	<u>27,4</u>	<u>110,0</u>
	1.982.154,4	10.603,6	15.215,7	2.007.973,5	5.699.177,4	52.638,4	1.313,3	12.984,4
General Allowance						<u>19.821,5</u>		
	<u>1.982.154,4</u>	<u>10.603,6</u>	<u>15.215,7</u>	<u>2.007.973,5</u>	<u>5.699.177,4</u>	<u>72.459,9</u>	<u>1.313,3</u>	<u>12.984,4</u>
	<u>\$ 17.284.527,4</u>	<u>184.648,7</u>	<u>39.445,5</u>	<u>17.508.621,5</u>	<u>14.700.713,5</u>	<u>1.055.608,8</u>	<u>25.500,5</u>	<u>19.707,2</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

June 30

						ALLOWANCES		
	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	CAPITAL	INTERESTS	OTHERS
COMMERCIAL SUITABLE GUARANTY								
A - Normal	\$ 2.690.963,7	32.299,3	1.471,2	2.724.734,2	5.733.672,1	94.320,7	864,1	222,4
B - Acceptable	132.159,1	2.742,5	339,3	135.240,9	184.551,8	11.728,0	353,0	224,9
C - Deficient	36.986,8	1.644,0	110,6	38.741,4	63.745,1	8.940,3	1.644,0	110,6
D - Difficult collection	80.978,8	4.239,9	253,2	85.471,9	118.249,8	68.410,0	4.239,9	253,2
E - Irrecoverable	<u>9.277,3</u>	<u>1.073,9</u>	<u>68,3</u>	<u>10.419,5</u>	<u>21.518,5</u>	<u>9.231,9</u>	<u>1.073,9</u>	<u>68,3</u>
	<u>2.950.365,7</u>	<u>41.999,6</u>	<u>2.242,6</u>	<u>2.994.607,9</u>	<u>6.121.737,3</u>	<u>192.630,9</u>	<u>8.174,9</u>	<u>879,4</u>
COMERCIAL OTHER GUARANTIES								
A - Normal	5.488.729,3	65.880,5	3.000,7	5.557.610,5	0,0	112.124,6	1.762,5	453,6
B - Acceptable	132.158,5	2.742,5	339,3	135.240,3	0,0	8.557,9	353,0	224,9
C - Deficient	54.833,5	2.437,3	163,9	57.434,7	0,0	9.502,3	2.437,3	163,9
D - Difficult collection	88.519,0	4.634,7	276,8	93.430,5	0,0	60.846,2	4.634,7	276,8
E - Irrecoverable	<u>21.702,1</u>	<u>2.512,2</u>	<u>159,8</u>	<u>24.374,1</u>	<u>0,0</u>	<u>21.681,7</u>	<u>2.512,2</u>	<u>159,8</u>
	5.785.942,4	78.207,2	3.940,5	5.868.090,1	0,0	212.712,7	11.699,7	1.279,0
	<u>\$ 8.736.308,1</u>	<u>120.206,8</u>	<u>6.183,1</u>	<u>8.862.698,0</u>	<u>6.121.737,3</u>	<u>405.343,6</u>	<u>19.874,6</u>	<u>2.158,4</u>
CONSUMPTION SUITABLE GUARANTY								
A - Normal	\$ 553.818,8	6.448,7	1.490,5	561.758,0	1.655.607,2	17.753,0	238,4	73,4
B - Acceptable	33.675,8	708,1	140,6	34.524,5	126.953,2	2.834,9	149,8	37,4
C - Deficient	26.464,0	375,9	117,1	26.957,0	103.784,8	5.564,2	375,9	117,1
D - Difficult collection	22.105,4	357,7	95,1	22.558,2	79.811,7	18.789,4	357,7	95,1
E - Irrecoverable	<u>24.232,0</u>	<u>293,8</u>	<u>178,3</u>	<u>24.704,1</u>	<u>67.361,9</u>	<u>18.711,7</u>	<u>293,8</u>	<u>178,3</u>
	660.296,0	8.184,2	2.021,6	670.501,8	2.033.518,8	63.653,2	1.415,6	501,3
CONSUMPTION OTHERS GUARANTIES								
A - Normal	3.819.778,0	44.477,7	10.280,0	3.874.535,7	0,0	99.797,4	1.644,3	506,0
B - Acceptable	301.714,1	6.344,0	1.259,5	309.317,6	0,0	33.638,8	1.342,2	335,2
C - Deficient	247.702,1	3.518,2	1.096,5	252.316,8	0,0	50.610,5	3.518,2	1.096,5
D - Difficult collection	189.041,9	3.058,6	813,2	192.913,7	0,0	161.027,0	3.058,6	813,2
E - Irrecoverable	<u>153.428,7</u>	<u>1.860,2</u>	<u>1.129,0</u>	<u>156.417,9</u>	<u>0,0</u>	<u>128.709,1</u>	<u>1.860,2</u>	<u>1.129,0</u>
	4.711.664,8	59.258,7	14.578,2	4.785.501,7	0,0	473.782,8	11.423,5	3.879,9
	<u>\$ 5.371.960,8</u>	<u>67.442,9</u>	<u>16.599,8</u>	<u>5.456.003,5</u>	<u>2.033.518,8</u>	<u>537.436,0</u>	<u>12.839,1</u>	<u>4.381,2</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

June 30

ALLOWANCES

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
MICRO-CREDIT SUITABLE GUARANTY								
A - Normal	\$ 1.463,1	14,0	0,6	1.477,7	815,4	23,4	0,2	0,0
B - Acceptable	178,2	3,1	0,3	181,6	2,8	8,9	3,1	0,3
C - Deficient	185,6	3,4	0,4	189,4	198,7	55,7	3,4	0,4
D -Difficult collection	122,6	2,6	0,4	125,6	65,8	73,5	2,6	0,4
E - Irrecoverable	<u>1.161,3</u>	<u>27,9</u>	<u>13,1</u>	<u>1.202,3</u>	<u>662,8</u>	<u>1.161,3</u>	<u>27,9</u>	<u>13,1</u>
	3.110,8	51,0	14,8	3.176,6	1.745,5	1.322,8	37,2	14,2
MICROCREDIT OTHER GUARANTIES								
A - Normal	127,8	1,2	0,1	129,1	0,0	2,0	0,0	0,0
B - Acceptable	16,6	0,3	0,0	16,9	0,0	0,8	0,3	0,0
C - Deficient	12,9	0,2	0,0	13,1	0,0	3,9	0,2	0,0
D -Difficult collection	5,8	0,1	0,0	5,9	0,0	3,5	0,1	0,0
E - Irrecoverable	<u>131,9</u>	<u>3,2</u>	<u>1,5</u>	<u>136,6</u>	<u>0,0</u>	<u>131,9</u>	<u>3,2</u>	<u>1,5</u>
	295,0	5,0	1,6	301,6	0,0	142,1	3,8	1,5
General Allowance						<u>34,1</u>		
	<u>3.405,8</u>	<u>56,0</u>	<u>16,4</u>	<u>3.478,2</u>	<u>1.745,5</u>	<u>1.499,0</u>	<u>41,0</u>	<u>15,7</u>
HOUSING MORTGAGE								
A - Normal	1.583.211,6	9.351,8	12.231,1	1.604.794,5	4.183.687,4	24.063,1	600,4	10.011,7
B - Acceptable	125.696,5	606,7	2.392,6	128.695,8	320.507,4	7.473,8	589,0	2.264,2
C - Deficient	45.511,4	156,7	1.384,5	47.052,6	119.551,7	9.523,4	156,7	1.384,5
D -Difficult collection	13,643,9	66,4	654,8	14.365,1	35.550,9	8.271,5	66,4	654,8
E - Irrecoverable	<u>5.730,5</u>	<u>36,8</u>	<u>179,3</u>	<u>5.946,6</u>	<u>15.101,4</u>	<u>5.730,5</u>	<u>36,8</u>	<u>179,3</u>
	1.773.793,9	10.218,4	16.842,3	1.800.854,6	4.674.398,8	55.062,3	1.449,3	14.494,5
General Allowance						<u>17.737,9</u>		
	<u>1.773.793,9</u>	<u>10.218,4</u>	<u>16.842,3</u>	<u>1.800.854,6</u>	<u>4.674.398,8</u>	<u>72.800,2</u>	<u>1.449,3</u>	<u>14.494,5</u>
	<u>\$ 15.885.468,6</u>	<u>197.924,1</u>	<u>39.641,6</u>	<u>16.123.034,3</u>	<u>12.831.400,4</u>	<u>1.017.078,8</u>	<u>34.204,0</u>	<u>21.049,8</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

c) Credit portfolio and financial leasing per economic sector:

<u>Sectors</u>	<u>December 31</u>		<u>June 30</u>	
	<u>Balance</u>	<u>% Particip.</u>	<u>Balance</u>	<u>% Particip.</u>
To the families for their acquisition of goods and services	\$ 5.901.648,1	34,14%	5.371.961,0	33,82%
To the families for housing	3.054.588,7	17,67%	2.660.623,2	161,75%
Services rendered to companies	1.534.187,0	8,88%	792.554,0	4,99%
Construction	616.727,0	3,57%	692.478,6	4,36%
Wholesale and retail business	924.073,3	5,35%	689.905,1	4,34%
Transport and communications	930.750,3	5,38%	487.140,2	3,07%
Agriculture, forestry, cattle breeding, fishing and hunting	306.693,8	1,77%	454.399,8	2,86%
Manufacturing of food products	462.455,0	2,68%	336.395,2	2,12%
Health, education, recreation and culture services	367.508,9	2,13%	333.392,4	2,10%
Vehicles	102.747,7	0,59%	186.509,8	1,17%
Public administration and defense	286.956,6	1,66%	180.085,5	1,13%
Manufacturing of textile products, garments, leathers and their products	211.317,6	1,22%	145.289,8	0,91%
Electricity, gas and water supply	343.647,2	1,99%	115.321,9	0,73%
Manufacturing of metallic products of bases and manufactured	170.371,9	0,99%	102.988,3	0,65%
Manufacturing of mineral products not metallic	243.323,5	1,41%	97.935,4	0,62%
Manufacturing of chemical substances, chemical products and rubber	153.489,0	0,89%	91.241,1	0,57%
Manufacturing of paper and its printing and publishing products	62.940,4	0,36%	66.638,8	0,42%
Manufacturing of other manufactured products, include wood	25.355,9	0,15%	24.795,8	0,16%
Exploitation of coal mines, extraction of crude oil and natural gas	470.723,2	2,72%	24.209,1	0,15%
Manufacturing of transport equipment	9.262,6	0,05%	23.238,7	0,15%
Hotels and restaurants	32.308,5	0,19%	18.630,1	0,12%
Extraction of metallic and not metallic minerals	50.215,5	0,29%	13.626,2	0,09%
Manufacturing of products derived from oil and coal	145.858,4	0,84%	6.820,4	0,04%
Manufacturing of drinks and tobacco	7.406,1	0,04%	58,9	0,00%
Others	<u>825.998,0</u>	<u>4,79%</u>	<u>2.948.174,2</u>	<u>18,55%</u>
	<u>\$ 17.284.527,4</u>	<u>100,00%</u>	<u>15.885.468,6</u>	<u>100,00%</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

d) Credit Portfolio and Financial Leasing per geographical area:

December 31

COMMERCIAL PORTFOLIO

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCES		
						CAPITAL	INTERESTS	OTHERS
Bogotá	\$ 4.991.496,7	52.077,1	4.151,7	5.047.725,4	3.618.146,7	244.427,2	6.248,6	2.011,2
Antioquia	1.101.315,0	12.560,3	915,9	1.114.791,2	798.301,4	47.468,9	1.379,6	293,1
Nororiental	1.526.401,6	24.324,1	1.269,5	1.551.995,2	1.106.430,6	77.324,3	2.280,4	406,2
Suroccidental	<u>1.780.411,6</u>	<u>22.276,7</u>	<u>1.480,8</u>	<u>1.804.169,0</u>	<u>1.290.552,8</u>	<u>108.584,1</u>	<u>4.466,6</u>	<u>473,8</u>
	<u>\$ 9.399.624,9</u>	<u>111.238,2</u>	<u>7.817,7</u>	<u>9.518.680,8</u>	<u>6.813.431,5</u>	<u>477.804,5</u>	<u>14.375,2</u>	<u>3.184,3</u>

CONSUMPTION PORTFOLIO

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCES		
						CAPITAL	INTERESTS	OTHERS
Bogotá	\$ 2.783.975,1	29.759,7	7.740,5	2.821.475,3	1.031.957,4	243.003,3	4.867,3	1.488,3
Antioquia	825.800,7	8.789,8	2.296,2	836.886,7	306.105,9	68.203,6	1.310,9	542,4
Nororiental	1.315.772,3	14.115,4	3.658,5	1.333.546,2	487.727,4	114.468,0	2.217,9	864,1
Suroccidental	<u>976.099,9</u>	<u>10.127,4</u>	<u>2.714,1</u>	<u>988.941,4</u>	<u>361.818,5</u>	<u>79.311,1</u>	<u>1.409,0</u>	<u>641,1</u>
	<u>\$ 5.901.648,0</u>	<u>62.792,3</u>	<u>16.409,3</u>	<u>5.980.849,6</u>	<u>2.187.609,2</u>	<u>504.986,0</u>	<u>9.805,1</u>	<u>3.535,9</u>

MICRO – CREDIT

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCES		
						CAPITAL	INTERESTS	OTHERS
Bogotá	\$ 313,3	4,0	0,8	318,2	141,0	94,6	1,9	0,3
Antioquia	140,1	1,9	0,4	142,4	63,1	47,7	0,9	0,5
Nororiental	313,2	4,5	0,8	318,5	141,1	108,8	2,2	1,2
Suroccidental	<u>333,5</u>	<u>4,2</u>	<u>0,8</u>	<u>338,5</u>	<u>150,2</u>	<u>96,3</u>	<u>1,9</u>	<u>0,6</u>
	<u>\$ 1.100,1</u>	<u>14,6</u>	<u>2,8</u>	<u>1.117,6</u>	<u>495,4</u>	<u>358,4</u>	<u>6,9</u>	<u>2,6</u>

HOUSING PORTFOLIO

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCES		
						CAPITAL	INTERESTS	OTHERS
Bogotá	\$ 1.370.300,2	7.167,4	10.518,9	1.387.986,2	3.939.947,4	35.239,9	852,6	8.967,3
Antioquia	150.424,1	845,4	1.154,7	152.424,2	432.505,9	4.360,4	112,4	987,6
Nororiental	244.167,1	1.342,9	1.874,3	247.384,3	702.039,9	7.657,5	195,1	1.603,1
Suroccidental	<u>217.263,0</u>	<u>1.247,9</u>	<u>1.667,8</u>	<u>220.178,7</u>	<u>624.684,2</u>	<u>5.380,6</u>	<u>153,2</u>	<u>1.426,4</u>
	<u>1.982.154,4</u>	<u>10.603,6</u>	<u>15.215,7</u>	<u>2.007.973,4</u>	<u>5.699.177,4</u>	<u>72.459,9</u>	<u>1.313,3</u>	<u>12.984,4</u>
	<u>\$ 17.284.527,4</u>	<u>184.648,7</u>	<u>39.445,5</u>	<u>17.508.621,5</u>	<u>14.700.713,5</u>	<u>1.055.608,8</u>	<u>25.500,5</u>	<u>19.707,2</u>



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Notes to the Financial Statements

June 30

COMMERCIAL PORTFOLIO

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCES		
						CAPITAL	INTEREST	OTHERS
Bogotá	\$ 4.915.587,4	59.548,6	3.460,0	4.978.596,0	3.320.845,8	236.193,6	10.906,2	1.320,1
Antioquia	2.048.359,9	34.743,4	1.253,3	2.084.356,6	1.319.415,8	90.079,1	4.792,9	372,2
Nororiental	662.874,1	8.623,4	549,1	672.046,6	732.631,6	30.915,6	1.640,1	157,1
Suroccidental	<u>1.109.486,7</u>	<u>17.291,4</u>	<u>920,7</u>	<u>1.127.698,8</u>	<u>748.844,1</u>	<u>48.155,3</u>	<u>2.535,4</u>	<u>309,0</u>
	<u>\$ 8.736.308,1</u>	<u>120.206,8</u>	<u>6.183,1</u>	<u>8.862.698,0</u>	<u>6.121.737,3</u>	<u>405.343,6</u>	<u>19.874,6</u>	<u>2.158,4</u>

COMSUMPTION PORTFOLIO

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCES		
						CAPITAL	INTEREST	OTHERS
Bogotá	\$ 2.683.160,4	33.740,4	8.925,3	2.725.826,1	1.173.225,7	279.886,2	6.635,5	2.310,0
Antioquia	937.922,7	11.782,0	2.626,6	952.331,3	350.132,3	86.832,8	2.151,4	666,0
Nororiental	897.864,2	11.139,9	2.314,1	911.318,2	219.617,7	80.993,2	1.980,6	636,7
Suroccidental	<u>853.013,5</u>	<u>10.780,6</u>	<u>2.733,8</u>	<u>866.527,9</u>	<u>290.543,1</u>	<u>89.723,8</u>	<u>2.071,6</u>	<u>768,5</u>
	<u>\$ 5.371.960,8</u>	<u>67.442,9</u>	<u>16.599,8</u>	<u>5.456.003,5</u>	<u>2.033.518,8</u>	<u>537.436,0</u>	<u>12.839,1</u>	<u>4.381,2</u>

MICRO - CREDIT

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCES		
						CAPITAL	INTEREST	OTHERS
Bogotá	\$ 1.238,2	21,7	5,4	1.265,3	766,4	670,6	17,1	5,2
Antioquia	551,2	7,7	1,8	560,7	301,5	166,3	4,5	1,7
Nororiental	816,5	12,9	3,6	833,0	259,5	297,8	9,1	3,4
Suroccidental	<u>799,9</u>	<u>13,7</u>	<u>5,6</u>	<u>819,2</u>	<u>418,1</u>	<u>364,3</u>	<u>10,3</u>	<u>5,4</u>
	<u>\$ 3.405,8</u>	<u>56,0</u>	<u>16,4</u>	<u>3.478,2</u>	<u>1.745,5</u>	<u>1.499,0</u>	<u>41,0</u>	<u>15,7</u>

HOUSING PORTFOLIO

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	ALLOWANCES		
						CAPITAL	INTEREST	OTHERS
Bogotá	\$ 1.249.130,5	7.160,7	10.589,6	1.266.880,8	3.392.380,6	54.659,9	963,3	8.977,4
Antioquia	200.632,4	1.107,6	2.317,0	204.057,0	519.998,5	6.139,2	167,7	2.054,4
Nororiental	140.109,6	810,4	2.449,1	143.369,1	320.628,5	5.386,4	133,6	2.246,3
Suroccidental	<u>183.921,4</u>	<u>1.139,7</u>	<u>1.486,6</u>	<u>186.547,7</u>	<u>441.391,2</u>	<u>6.614,7</u>	<u>184,7</u>	<u>1.216,4</u>
	<u>1.773.793,9</u>	<u>10.218,4</u>	<u>16.842,3</u>	<u>1.800.854,6</u>	<u>4.674.398,8</u>	<u>72.800,2</u>	<u>1.449,3</u>	<u>14.494,5</u>
	<u>\$ 15.885.468,6</u>	<u>197.924,1</u>	<u>39.641,6</u>	<u>16.123.034,3</u>	<u>12.831.400,4</u>	<u>1.017.078,8</u>	<u>34.204,0</u>	<u>21.049,8</u>



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Notes to the Financial Statements

e) Portfolio per monetary unit:

<u>December 31</u>					
Concept		<u>Legal Currency</u>	<u>Foreign Currency</u>	<u>UVR</u>	<u>Total</u>
Suitable guaranty					
Commercial	\$	2.748.096,0	46.977,2	0,0	2.795.073,2
Consumption		<u>678.700,8</u>	<u>0,0</u>	<u>0,0</u>	<u>678.700,8</u>
Total suitable guaranty		<u>3.426.796,8</u>	<u>46.977,2</u>	<u>0,0</u>	<u>3.473.774,0</u>
Others Guaranties					
Commercial		6.113.785,6	490.766,1	0,0	6.604.551,7
Micro-credit		1.100,1	0,0	0,0	1.100,1
Consumption		<u>5.218.959,1</u>	<u>3.988,1</u>	<u>0,0</u>	<u>5.222.947,2</u>
Total others guaranties		<u>11.333.844,8</u>	<u>494.754,2</u>	<u>0,0</u>	<u>11.828.599,0</u>
Housing Mortgage		<u>1.057.116,7</u>	<u>0,0</u>	<u>925.037,7</u>	<u>1.982.154,4</u>
	\$	<u>15.817.758,3</u>	<u>541.731,4</u>	<u>925.037,7</u>	<u>17.284.527,4</u>

<u>June 30</u>					
Concept		<u>Legal Currency</u>	<u>Foreign Currency</u>	<u>RVU</u>	<u>Total</u>
Suitable guaranty					
Commercial	\$	2.917.181,9	33.183,8	0,0	2.950.365,7
Micro-credit		3.110,8	0,0	0,0	3.110,8
Consumption		<u>660.295,4</u>	<u>0,6</u>	<u>0,0</u>	<u>660.296,0</u>
Total suitable guaranty		<u>3.580.588,1</u>	<u>33.184,4</u>	<u>0,0</u>	<u>3.613.772,5</u>
Others Guaranties					
Commercial	\$	5.325.903,1	460.039,3	0,0	5.785.942,4
Micro-credit		295,0	0,0	0,0	295,0
Consumption		<u>4.708.318,2</u>	<u>3.346,6</u>	<u>0,0</u>	<u>4.711.664,8</u>
Total others guaranties		<u>10.034.516,3</u>	<u>463.385,9</u>	<u>0,0</u>	<u>10.497.902,2</u>
Housing Mortgage		<u>814.839,7</u>	<u>0,0</u>	<u>958.954,2</u>	<u>1.773.793,9</u>
	\$	<u>14.429.944,1</u>	<u>496.570,3</u>	<u>958.954,2</u>	<u>15.885.468,6</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

f) Credit portfolio per period of maturity

<u>December 31</u>	<u>From 0 to 1</u> <u>years</u>	<u>From 1 to 5</u> <u>years</u>	<u>From 5 to 10</u> <u>years</u>	<u>More than 10</u> <u>years</u>	<u>Total</u>
Commercial	\$ 3.135.458,4	3.086.112,6	2.258.738,9	919.315,0	9.399.624,9
Consumption	555.973,2	4.130.813,3	1.136.243,2	78.618,3	5.901.648,0
Micro-credit	738,3	361,8	0,0	0,0	1.100,1
Housing	<u>77.765,8</u>	<u>185.685,5</u>	<u>557.059,4</u>	<u>1.161.643,7</u>	<u>1.982.154,4</u>
	\$ <u>3.769.935,7</u>	<u>7.402.973,2</u>	<u>3.952.041,5</u>	<u>2.159.577,0</u>	<u>17.284.527,4</u>

<u>June 30</u>	<u>From 0 to 1</u> <u>years</u>	<u>From 1 to 5</u> <u>years</u>	<u>From 5 to 10</u> <u>years</u>	<u>More than 10</u> <u>years</u>	<u>Total</u>
Commercial	\$ 3.377.840,1	3.170.644,0	1.423.004,7	764.819,3	8.736.308,1
Consumption	585.627,7	3.869.864,9	848.937,6	67.530,6	5.371.960,8
Micro-credit	1.604,7	1.801,1	0,0	0,0	3.405,8
Housing	<u>10.251,5</u>	<u>234.165,4</u>	<u>559.054,4</u>	<u>970.322,6</u>	<u>1.773.793,9</u>
	\$ <u>3.975.324,0</u>	<u>7.276.475,4</u>	<u>2.830.996,7</u>	<u>1.802.672,5</u>	<u>15.885.468,6</u>

g) Restructured Credits Detail

<u>December 31</u>	<u>Restructured</u> <u>Common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	\$ 68.517,2	22.515,1	60.170,0
Consumption	443.125,1	106.684,5	65.303,5
Micro-credit	2,4	0,1	0,0
Housing	<u>70.677,8</u>	<u>11.156,2</u>	<u>253.709,3</u>
	\$ <u>582.322,5</u>	<u>140.355,9</u>	<u>379.182,8</u>

<u>June 30</u>	<u>Restructured</u> <u>Common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	\$ 32.749,7	6.348,0	66.719,2
Consumption	454.635,3	186.898,9	49.405,5
Micro-credit	0,0	0,0	0,0
Housing	<u>132.171,9</u>	<u>17.754,4</u>	<u>511.828,4</u>
	\$ <u>619.556,9</u>	<u>211.001,3</u>	<u>627.953,1</u>



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Notes to the Financial Statements

Restructured Credits per Rating:

<u>December 31</u>	Number	Restructured.
	<u>Credits</u>	<u>Common</u>
<u>Commercial</u>		
A - Normal	463	\$ 22.270,0
B - Acceptable	268	14.848,0
C - Deficient	220	12.674,2
D - Difficult collection	352	15.834,1
E - Irrecoverable	<u>87</u>	<u>2.890,9</u>
	<u>1.390</u>	<u>\$ 68.517,2</u>
<u>Consumption</u>		
A - Normal	20.479	250.108,1
B - Acceptable	2.322	27.887,1
C - Deficient	4.061	53.481,3
D - Difficult collection	5.717	65.528,7
E - Irrecoverable	<u>4.225</u>	<u>46.119,9</u>
	<u>36.804</u>	<u>\$ 443.125,1</u>
<u>Micro-credit</u>		
B - Acceptable	<u>1</u>	<u>2,4</u>
	<u>1</u>	<u>\$ 2,4</u>
<u>Housing</u>		
A - Normal	2.104	35.764,8
B - Acceptable	644	9.419,9
C - Deficient	1.183	16.065,3
D - Difficult collection	448	6.313,8
E - Irrecoverable	<u>230</u>	<u>3.114,0</u>
	<u>4.609</u>	<u>\$ 70.677,8</u>
	<u>42.804</u>	<u>\$ 582.322,5</u>
<u>June 30</u>		
	Number	Restructured.
	<u>Credits</u>	<u>Common</u>
<u>Commercial</u>		
A - Normal	459	\$ 13.359,1
B - Acceptable	285	10.249,8
C - Deficient	130	4.458,3
D - Difficult collection	127	4.309,1
E - Irrecoverable	<u>35</u>	<u>373,4</u>
	<u>1.036</u>	<u>\$ 32.749,7</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

<u>June 30</u>	Number	Restructured.
	<u>Credits</u>	<u>Common</u>
<u>Consumption</u>		
A – Normal	17.490	144.513,3
B - Acceptable	3.185	27.254,5
C - Deficient	8.131	104.400,0
D - Difficult collection	9.675	104.628,6
E - Irrecoverable	<u>7.415</u>	<u>73.838,9</u>
	<u>45.896</u>	<u>\$ 454.635,3</u>
<u>Housing</u>		
A - Normal	4.824	61.305,7
B - Acceptable	2.217	31.082,4
C - Deficient	1.964	26.416,3
D - Difficult collection	562	8.541,4
E - Irrecoverable	<u>346</u>	<u>4.826,1</u>
	<u>9.913</u>	<u>\$ 132.171,9</u>
	<u>56.845</u>	<u>\$ 619.556,9</u>

Restructured Credits per Geographical Zone:

	<u>December 31</u>	<u>June 30</u>
	Restructured.	Restructured.
	<u>Common</u>	<u>Common</u>
<u>Commercial</u>		
Bogotá	\$ 36.353,0	20.266,9
Antioquia	10.569,2	5.701,9
Nororiental	13.185,4	2.885,0
Suroccidental	<u>8.409,6</u>	<u>3.895,9</u>
	<u>68.517,2</u>	<u>32.749,7</u>
<u>Consumption</u>		
Bogotá	207.073,0	214.377,3
Antioquia	75.138,5	76.377,9
Nororiental	88.084,6	69.249,4
Suroccidental	<u>72.829,0</u>	<u>94.630,7</u>
	<u>443.125,1</u>	<u>454.635,3</u>
<u>Micro-credit</u>		
Bogotá	2,4	<u>0,0</u>
	<u>2,4</u>	<u>0,0</u>



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Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
	Restructured.	Restructured.
	<u>Common</u>	<u>Common</u>
<u>Housing</u>		
Bogotá	48.758,5	88.602,2
Antioquia	4.067,0	15.986,7
Nororiental	12.101,7	14.027,2
Suroccidental	<u>5.750,6</u>	<u>13.555,8</u>
	<u>70.677,8</u>	<u>132.171,9</u>
	<u>\$ 582.322,5</u>	<u>619.556,9</u>

h) Social Interest Housing

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

The External Memorandum Letter No. 049 from the Superintendencia Financiera de Colombia in compliance of Decree No. 3092 of 1997 of the National Government, instructions are issued to determine the base for calculation and credit the required percentage

In July 2008, the financial sector made an agreement with the National Government for the placement of funds for \$2.200.000 for financing of social interest housing, which according to the communication by the Mministerio de Ambiente, vivienda y Desarrollo Territorial, the individual goal for the Bank is of \$219.485.0 for building, improvement and acquisition VIS to finance, from July 1, 2008 and june 30, 2009.

From July, 2008 to December 2009 the Bank has placed resources for individual credits for \$365.445,3 and for constructors \$182.703,5 for a total of \$548.148,8.

The value of social interest housing portfolio is as follows:

	<u>December 31</u>	<u>June 30</u>
Individual	\$ 1.010.757,9	1.003.630,6
Constructors	<u>66.615,3</u>	<u>45.036,1</u>
	\$ <u>1.077.373,2</u>	<u>1.048.666,7</u>

Portfolio with subsidized rate

To comply with decree 1143 of 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.



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Notes to the Financial Statements

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%

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

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.

Duration of cover granted by the Bank

The coverage will run from installment 85 for the next eight (8) years; the Bank will assume the value that the government had been paying under the same conditions.

As of 31 December 2009, the Bank has disbursed 10,356 housing portfolio obligations under this benefit for \$ 442,898.3.

i) Stockholders and employees portfolio

The portfolio includes loans as follows:

	<u>December 31</u>	<u>June 30</u>
Stockholders	\$ 275.316,0	176.490,5
Employees (note 11)	<u>150.968,2</u>	131.100,0
	\$ <u>426.284,2</u>	<u>307.590,5</u>



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The annual effective interest of the stockholders and employees credit portfolio is the following:

<u>Modality</u>	<u>Jul.– Dec.09</u>	<u>Jan.– Jun. 09</u>
Individual credits	Between 0,0%-25,78%	Between 0,0%-31,52%

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

<u>Modality</u>	<u>December 31</u>	<u>June 30</u>
Individual credits	8 years	8 years

j) Portfolio-backed Securities

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

The process of non-productive home portfolio-backed securities has been oriented towards the following aspects:

- Decreasing the level of overdue portfolio to the Bank's interior and, therefore, reducing the systemic risk presented by the concentration of long-term assets against short-term liabilities.
- Improving the financial indicators of the Bank.
- Funding and freeing up resources of the economy towards its productive apparatus using a non-productive asset that otherwise would not act as such.
- Involving the Bank in the deepening process of the capital market.

The process of home portfolio-backed securities is in keeping with the provisions set forth in the first sub-section of Article 12 of the Law 546 of 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 of 2001 of the Superintendencia Financiera de Colombia, 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 securities are sold to the Company providing securitization and B and C are registered in the Bank under the code PUC 130409 – Securities of credit content derived from the securitization processes -, in line to the directions given by the Superintendencia Financiera de Colombia. The Bank shall cover the expenses incurred in the taking over of the guarantee; in return, the Bank will receive the remaining after having paid the total amount of capital and interests for such securities.



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k) Portfolio Purchase and Sale

The following is a detail of the portfolio purchases and sales during the second half-year of 2009:

<u>Entity</u>	<u>Number of credits</u>	<u>Capital</u>	<u>Interest</u>	<u>Other concepts</u>	<u>Total</u>
<u>Sales</u>					
Promociones y cobranzas Beta(*)	12.590	\$ 19.222,7	3.801,4	11,7	23.035,8
Grupo Consultor Andino (*)	12.773	19.686,0	4.049,5	12,3	23.747,8
Refinancia S.A. (*)	214.791	330.583,3	65.751,1	203,4	396.537,9
Titularizadora Colombiana S.A.	<u>2.504</u>	<u>184.486,7</u>	<u>1.144,2</u>	<u>205,4</u>	<u>185.836,3</u>
	<u>242.658</u>	\$ <u>553.978,7</u>	<u>74.746,2</u>	<u>432,8</u>	<u>629.157,8</u>

(*) Written off Portfolio Sale.

Sale Conditions

Written Off Portfolio:

On 27 November 2009, the penalized portfolio was sold for \$ 443,321.4; whose selling price was \$ 23,427.4 more than was paid of which \$ 1,380.0 was received on 23 December 2009. A debt was created for the remaining \$ 22,047.4 which was canceled in January 2010 (note 8).

Secured Portfolio:

On 21 August and 4 December 2009, the mortgage portfolios were sold to Titularizadora Colombiana SA and Banco Davivienda for \$ 99,079.9 and \$ 86,472.0, respectively:

Selling August 21, 2009:

The portfolio had 1.350 loans, at a rate of 15.59%.

The selling of the mortgage portfolio generated the following effect in the Bank:

Capital	\$	98.532,8
Interests		590,0
Others		<u>(42,9)</u>
Total Sale Portfolio	\$	<u>99.079,9</u>

The sale price was \$ 99.255,1, that detail is the following:

Cash Income		99.255,1
Portfolio Sale	99.079,9	
9 days anchor	176,2	
Comisión underwriting	<u>(1,0)</u>	
Total Sale		\$ <u>99.255,1</u>



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The payment was made in cash and TIPS E-12 securities were purchased for a nominal value of \$51.729,8.

Sale December 4, 2009:

The portfolio had 1.154 loans, at a rate of 15.37% EA.

The selling of the mortgage portfolio generated the following effect in the Bank:

Capital	\$	85.953,9
Interests		567,5
Others		<u>(49,4)</u>
Total sale portfolio	\$	<u>86.472,0</u>

The sale price was \$86.658,6, that detail is the following:

Cash Income		\$ 86.658,6
Portfolio Sale	86.472,0	
8 days anchor	187,6	
Comisión underwriting	<u>(1,0)</u>	
Total Sale		\$ <u>86.658,6</u>

The payment was made in cash and TIPS E-13 securities were purchased for a nominal value of \$32.232,9.

The following is a detail of the portfolio sales during the first half-year period of 2009:

<u>Entity</u>	<u>Number of credits</u>	<u>Capital</u>	<u>Interest</u>	<u>Other concepts</u>	<u>Total</u>
<u>Sales</u>					
Titularizadora Colombiana S.A.	4.526	\$ 326.079,8	<u>2.049,6</u>	<u>366,9</u>	<u>328.496,3</u>

Sale Conditions

In March 5 and May 8, 2009, other processes of mortgage portfolio selling different to VIS where carried out between Titularizadora Colombiana S.A. and Banco Davivienda for \$328,496.3, thus:

Selling March 5, 2009:

The portfolio had 2.822 loans, at a rate of 16.45%.



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The selling of the mortgage portfolio generated the following effect in the Bank:

Capital	\$	\$202.773,3
Interests		1.250,7
Others		<u>229,3</u>
Total Sale Portfolio	\$	<u>204.253,3</u>

The sale price was \$ 204.952,4, that detail is the following:

Cash Income		\$ 204.952,4
Portfolio Sale	204.253,3	
12 days anchor	700,1	
Comisión underwriting	<u>(1,0)</u>	
Total Sale		\$ <u>204.952,4</u>

The payment was made in cash and TIPS in pesos E-10, for a nominal value of \$99,9.

Sale May 8, 2009:

The portfolio had 1.704 loans, at a rate of 16,09%.

The selling of the mortgage portfolio generated the following effect in the Bank:

Capital	\$	123.306,5
Interests		798,9
Others		<u>137,6</u>
Total sale portfolio	\$	<u>124.243,0</u>

The sale price was \$ 124.476,2, that detail is the following:

Cash Income		\$ 124.476,2
Portfolio Sale	124.243,0	
4 days anchor	234,2	
Comisión underwriting	<u>(1,0)</u>	
Total Sale		\$ <u>124.476,2</u>

The payment was made in cash and TIPS E-11 securities were purchased for a nominal value of \$89.397,0.

During the first and second semester there were no buy portfolio transactions.



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l) Portfolio Holdings

During the second semester there were no share transactions.

During the first semester of 2009, the Bank celebrated portfolio holdings contracts with Bancafé Panamá S.A. and Bancafe International Corporation S.A., for \$62.968.6, respectively, that detail is the following:

<u>Entity</u>	<u>Number of credits</u>	<u>Dollars Loans</u>	<u>Pesos Loans</u>	<u>Participation</u>
<u>First half-year of 2009</u>				
Bancafé Panamá S.A.	1	USD 50,000,000	\$ 107.260,5	47.194,6
Bancafé Int. Corporation S.A.	6	<u>9.179,223</u>	<u>19.691,4</u>	<u>15.774,0</u>
		USD <u>59,179,223</u>	<u>\$ 126.951,9</u>	<u>62.968,6</u>

At 31 December 2009, the balance of the shares were canceled; as at 30 June 2009 the balance of these contracts was \$ 84,521.3

m) Portfolio Write Downs:

The detail of the portfolio write downs is as follows:

	<u>December 31</u>			
	<u>Capital</u>	<u>Interests</u>	<u>Other concepts</u>	<u>Total</u>
Commercial	\$ 52.894,3	2.937,0	157,0	55.988,3
Consumption	223.477,1	6.684,6	1.105,8	231.267,5
Housing	5.594,1	53,4	261,0	5.908,5
Micro-credit	1.133,6	28,7	13,7	1.176,0
Others receivables accounts	<u>0,0</u>	<u>0,0</u>	<u>4.290,4</u>	<u>4.290,4</u>
Total	\$ <u>283.099,1</u>	<u>9.703,7</u>	<u>5.827,9</u>	<u>298.630,7</u>
	<u>June 30</u>			
	<u>Capital</u>	<u>Interests</u>	<u>Other concepts</u>	<u>Total</u>
Commercial	\$ 62.264,8	5.375,9	415,1	68.055,8
Consumption	223.982,5	7.579,8	2.383,1	233.945,4
Housing	5.463,7	43,8	243,4	5.750,9
Micro-credit	1.288,2	75,0	52,3	1.415,5
Others receivables accounts	<u>0,0</u>	<u>0,0</u>	<u>4.148,2</u>	<u>4.148,2</u>
Total	\$ <u>292.999,2</u>	<u>13.074,5</u>	<u>7.242,1</u>	<u>313.315,8</u>

The Bank did not make collector operations during the semester.



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n) Allowance for Credit Portfolio and Financial Leasing

The movement of the portfolio credit allowance is following:

	<u>December 31</u>				
	<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>	<u>Total</u>
Initial Balance	\$ 405.343,6	537.436,0	1.499,0	72.800,0	1.017.078,8
Plus:					
Allowance charged to operating expenses	305.204,1	438.111,7	256,2	28.413,8	771.985,8
Reclassifications	500,1	0,0	11,0	(11,0)	500,1
Less:					
Write down loans	52.894,3	223.477,1	1.133,6	5.594,1	283.099,1
Amount not recovered from goods received in payment	0,0	0,0	0,0	814,6	814,6
Refund to income	<u>180.349,0</u>	<u>247.084,6</u>	<u>274,2</u>	<u>22.334,4</u>	<u>450.042,2</u>
End Balance	\$ <u>477.804,5</u>	<u>504.986,0</u>	<u>358,4</u>	<u>72.459,9</u>	<u>1.055.608,8</u>

	<u>June 30</u>				
	<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>	<u>Total</u>
Initial Balance	\$ 339.604,9	475.682,3	2.685,4	77.399,0	895.371,6
Plus:					
Allowance charged to operating expenses	245.791,3	492.243,1	636,7	22.727,2	761.398,3
Reclassifications	0,0	0,8	0,0	0,0	0,8
Less:					
Write down loans	62.264,8	223.982,5	1.288,2	5.463,7	292.999,2
Amount not recovered from goods received in payment	0,0	0,0	0,0	512,8	512,8
Refund to income	<u>117.787,8</u>	<u>206.508,0</u>	<u>534,9</u>	<u>21.349,5</u>	<u>346.179,9</u>
End Balance	\$ <u>405.343,6</u>	<u>537.436,0</u>	<u>1.499,0</u>	<u>72.800,2</u>	<u>1.017.078,8</u>

For the second and first semester of 2009, the unrecovered value in lieu of payment for \$814.6 and \$512.4, respectively, corresponds to the difference between the least cost of acquisition of the asset and the balance of the debt recorded in the balance sheet, which is recognized in the statement of income in the credit portfolio allowances account.

The Bank has incorporated additional provisions for the consumer portfolio worth \$103,446 and for the commercial portfolio of \$74,547 which are being allocated to qualified borrowers in categories D and E.



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7) Customers' Acceptances and Derivatives

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

		<u>December 31</u>		<u>June 30</u>		<u>Var. %</u>
		<u>Balance</u>	<u>Average Balance</u>	<u>Balance</u>	<u>Average Balance</u>	
a) <u>Banking Acceptances</u>	\$	611,8		1.868,3		-67,3%
<p>These securities do not have any restriction or lien.</p>						
b) <u>Cash Operations</u>						
<p>The term defined is from 1 to 2 days.</p>						
Rights:						
Of purchase on foreign currency	\$	<u>38.109,5</u>	67.684,1	30.433,0	36.645,7	25,2%
Of sale on foreign currency		<u>28.794,6</u>	<u>20.050,2</u>	<u>45.597,7</u>	<u>28.227,9</u>	-36,9%
		<u>66.904,1</u>	<u>87.734,4</u>	<u>76.030,7</u>	<u>64.873,6</u>	-12,0%
Obligations:						
Of purchase on foreign currency		(38.120,1)	(65.974,4)	(30.376,8)	(36.512,1)	25,5%
Of sale on foreign currency		<u>(28.753,8)</u>	<u>(20.302,4)</u>	<u>(45.683,2)</u>	<u>(28.219,5)</u>	-37,1%
		<u>(66.873,9)</u>	<u>(86.276,7)</u>	<u>(76.060,0)</u>	<u>(64.731,6)</u>	-12,1%
Total spot operations	\$	<u>30,2</u>	<u>1.457,7</u>	<u>(29,3)</u>	<u>142,0</u>	-203,1%

At the second and first semester of 2009, the average yield of cash operations was \$414,14 and \$475.6, respectively.

		<u>December 31</u>		<u>June 30</u>		<u>Var. %</u>
		<u>Balance</u>	<u>Average Balance</u>	<u>Balance</u>	<u>Average Balance</u>	
c) <u>Derivates</u>						
<u>Forward Contracts</u>						
<p>The term defined is from 3 or more days.</p>						
Rights:						
Of purchase on foreign currency	\$	1.805.366,4	2.110.177,4	2.267.868,3	2.550.378,0	-20,4%
Of sale on foreign currency		<u>1.918.948,6</u>	<u>2.282.491,0</u>	<u>2.424.880,7</u>	<u>2.664.827,0</u>	-20,9%
		<u>3.724.315,0</u>	<u>4.392.668,5</u>	<u>4.692.749,0</u>	<u>5.215.205,0</u>	-20,6%
Obligations:						
Of purchase on foreign currency		(1.794.810,3)	(2.117.685,5)	(2.301.656,9)	(2.512.642,4)	-22,0%
Of sale on foreign currency		<u>(1.912.405,6)</u>	<u>(2.247.193,7)</u>	<u>(2.336.419,1)</u>	<u>(2.694.499,0)</u>	-18,1%
		<u>(3.707.215,9)</u>	<u>(4.364.879,2)</u>	<u>(4.638.076,0)</u>	<u>(5.207.141,4)</u>	-20,1%
Total Forward Contracts	\$	<u>17.099,1</u>	<u>27.789,3</u>	<u>54.673,0</u>	<u>8.063,6</u>	-68,7%



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For Forward operations, the average yield was \$60,596.4 and \$2,908.9, for the second and first semester of 2009, respectively.

<u>Future Contracts</u>	<u>December 31</u>		<u>June 30</u>		<u>Var. %</u>
	<u>Balance</u>	<u>Average Balance</u>	<u>Balance</u>	<u>Average Balance</u>	
The term defined is from 3 or more days.					
Rights:					
Of purchase on foreign currency	\$ 20.865,2	52.855,5	11.994,6	26.134,3	74,0%
Of sale on foreign currency	34.414,3	46.713,0	14.502,3	26.129,4	137,3%
Of purchase on securities	<u>26.035,9</u>	<u>21.604,9</u>	<u>23.458,0</u>	<u>17.159,1</u>	<u>11,0%</u>
	<u>81.315,4</u>	<u>121.173,4</u>	<u>49.954,9</u>	<u>69.422,8</u>	<u>62,8%</u>
Obligations:					
Of purchase on foreign currency	(20.496,7)	(51.405,1)	(12.317,7)	(26.114,8)	66,4%
Of sale on foreign currency	(35.252,7)	(47.654,5)	(13.087,0)	(25.430,6)	169,4%
Of purchase on securities	<u>(26.035,9)</u>	<u>(21.604,9)</u>	<u>(23.458,0)</u>	<u>(17.159,1)</u>	<u>11,0%</u>
	<u>(81.785,3)</u>	<u>(120.664,5)</u>	<u>(48.862,7)</u>	<u>(68.704,5)</u>	<u>67,4%</u>
Total Future Contracts	\$ <u>(469,9)</u>	<u>508,9</u>	<u>1.092,2</u>	<u>718,3</u>	<u>-143,0%</u>

Swaps

The term defined is from 3 or more days.

Rights:

On foreign currency	\$ 752,3	1.011,4	1.120,9	1.411,5	-32,9%
On interest rate	<u>338.969,5</u>	<u>486.144,8</u>	<u>537.978,0</u>	<u>754.337,8</u>	<u>-37,0%</u>
	<u>339.721,8</u>	<u>487.152,3</u>	<u>539.098,9</u>	<u>755.749,3</u>	<u>-37,0%</u>
Obligations:					
On foreign currency	(662,0)	(887,1)	(1.049,6)	(1.433,6)	-36,9%
On interest rate	<u>(376.062,9)</u>	<u>(523.822,9)</u>	<u>(541.270,9)</u>	<u>(772.829,3)</u>	<u>-30,5%</u>
	<u>(376.724,9)</u>	<u>(524.710,0)</u>	<u>(542.320,5)</u>	<u>(774.262,9)</u>	<u>-30,5%</u>
Total Swaps	\$ <u>(37.003,1)</u>	<u>(37.553,8)</u>	<u>(3.221,6)</u>	<u>(18.513,6)</u>	<u>1.048,6%</u>



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<u>Options</u>	<u>December 31</u>		<u>June 30</u>		<u>Var. %</u>
	<u>Balance</u>	<u>Average Balance</u>	<u>Balance</u>	<u>Average Balance</u>	
The term defined is from 3 or more days.					
Call on foreign currency	\$ (69,0)	(466,1)	(598,6)	(404,1)	-88,5%
Put on foreign currency	<u>(382,8)</u>	<u>(260,2)</u>	<u>(246,5)</u>	<u>(138,5)</u>	<u>55,3%</u>
	<u>(451,8)</u>	<u>(726,3)</u>	<u>(845,1)</u>	<u>(542,6)</u>	<u>-46,5%</u>
Total acceptances, cash operations and derivative	\$ <u>(20.183,7)</u>	<u>(8.524,3)</u>	<u>53.537,5</u>	<u>(10.132,3)</u>	<u>-137,7%</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>Form 1 to 5 years</u>	<u>Total</u>
Cash Operations	\$ 30,2	0,0	30,2
Forward Agreements	17.036,2	62,9	17.099,1
Swaps* Banking Book	88,4	(37.091,5)	(37.003,1)
Opcf	(461,9)	0,0	(461,9)
Options	<u>(451,9)</u>	<u>0,0</u>	<u>(451,9)</u>
	\$ <u>16.241,0</u>	<u>37.028,6</u>	<u>20.787,6</u>
 <u>June 30</u>			
	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>Total</u>
Cash Operations	\$ (29,3)	0,0	(29,3)
Forward Agreements	54.673,0	0,0	54.673,0
Swaps* Banking Book	(6.499,4)	3.277,8	(3.221,6)
Opcf	1.092,3	0,0	1.092,3
Options	<u>(845,1)</u>	<u>0,0</u>	<u>(845,1)</u>
	\$ <u>48.391,5</u>	<u>3.277,8</u>	<u>51.669,3</u>



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Hedging operations - Swaps

The swaps in force on 31 December 2009 which were produced in the second half of 2007 with the purchase of Granbanco SA in 2007 and in order to cover the exchange risk inherent in dollar liabilities contracted by the Bank (issue of ancillary bonds - note 17) are presented below:

<u>Operation</u>	<u>Counterparty</u>	<u>Term (years)</u>	<u>Beginning Period</u>	<u>Ending Period</u>	<u>Amount USD</u>	<u>Liabilities</u>
1	Deutsche Bank	7	Feb.07.07	Feb.07.14	85,000,000	Bond
2	The Royal Bank of Scotland	7	Feb.07.07	Feb.07.14	<u>80,000,000</u>	Bond
					<u>165,000,000</u>	

On 21 December 2009, netting was carried out for the 3rd. repayment of the syndicated loan, generating cash outflow of \$ 12,305.9 and those of the Capitalizadora Bolívar, Compañía de Seguros Bolívar and Seguros Comerciales Bolívar were written off.

<u>Operation</u>	<u>Counterparty</u>	<u>Date</u>		<u>Payment Amount USD\$</u>	<u>Exchange Rate Agreed</u>	<u>Payment Amount (COP)\$</u>
3	Cía. de Seguros Bolívar	Dec.21.09	USD	323,784	2.015,74	\$ 652,7
4	Capitalizadora Bolívar	Dec.21.09		323,784	2.015,74	652,7
5	Seguros Comerciales Bolívar	Dec.21.09		88,305	2.015,74	178,0
6	Deutsche Bank	Dec.21.09		(1,881,315)	2.015,74	(3.792,2)
7	Deutsche Bank	Dec.21.09		267,201	2.015,74	538,6
8	The Royal Bank of Scotland	Dec.21.09		4,655,394	2.015,74	9.384,1
9	The Royal Bank of Scotland	Dec.21.09		<u>2,327,697</u>	2.015,74	<u>4.692,0</u>
			USD	<u>6,104,849</u>		<u>\$ 12.305,9</u>

Due to the revaluation of the exchange rate, some hedging transactions have undergone a process known as "Reset" or "Recouping" in which conditions should be re-established. In this process, the involved parties agreed upon reducing the credit exposure through the payment of a sum equivalent to the market value of the operation when the foregoing exceeds a specific limit, in consideration of modifying the debt interest and the hedged exchange rate. At the contract level, a maximum amount is stipulated, this amount could be whether a fixed value or a percentage over the nominal value. The periodicity of reviews when the transaction goes to "Reset" is established as well. With the execution of the "Reset", the variables exchange rate and interest rate are modified so that the market value returns to zero.

During the second half of 2009 there were no Reset agreements.



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During the first semester of 2009, next agreements have entered in this process and they have generated a cashment flow out for a total amount of \$113.328,5:

<u>Operation</u>	<u>Counterparty</u>	<u>Date</u>		<u>Payment Amount USD\$</u>	<u>Exchange Rate Agreed *</u>	<u>Payment Amount (COP) \$</u>
2	The Royal Bank of Scotland	May.07.09	USD	18,923,992	2.208,59	\$ 41.795,3
3	Cía. de Seguros Bolívar	Jun.03.09		5,729,382	2.109,42	12.085,7
4	Capitalizadora Bolívar	Jun.03.09		5,729,382	2.109,42	12.085,7
5	Seguros Comerciales Bolívar	Jun.03.09		1,562,559	2.109,42	3.296,1
1	Deutsche Bank	Jun.09.09		<u>21,360,000</u>	2.063,00	<u>44.065,7</u>
			USD	<u>53,305,316</u>		\$ <u>113.328,5</u>

*The interest rate agreed does not Exchange. It is adjusted by the exchange rate

Following agreements Reset of the swap operation covering the operation Granbanco generated cash income for a total of \$41,612.0, as of first semester of 2009:

<u>Operation</u>	<u>Counterparty</u>	<u>Date</u>		<u>Payment Amount USD\$</u>	<u>Exchange Rate Agreed*</u>	<u>Payment Amount (COP) \$</u>
8	The Royal Bank of Scotland	Feb.19.09	USD	6,873,282	2.547,63	\$ 17.510,6
9	The Royal Bank of Scotland	Feb.19.09		3,436,641	2.547,63	8.755,3
3	Cía. de Seguros Bolívar	Feb.24.09		2,625,022	2.572,30	6.752,3
4	Capitalizadora Bolívar	Feb.24.09		2,625,022	2.572,30	6.752,3
5	Seguros Comerciales Bolívar	Feb.24.09		<u>715,915</u>	2.572,30	<u>1.841,5</u>
			USD	<u>16,275,882</u>		\$ <u>41.612,0</u>



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To June 30, 2009, the following net calculations were performed for the concept of the 4th coupon generating disbursements for \$29,906.2:

<u>Operation</u>	<u>Counterparty</u>	<u>Date</u>		<u>Payment Amount USD\$</u>	<u>Exchange Rate agreed</u>	<u>Payment Amount \$</u>
1	Deutsche Bank	Jan.15.09	USD	2,642,023	2.226,87	\$ 5.883,4
2	The Royal Bank of Scotland	Jan.15.09		3,069,453	2.226,87	6.835,3
3	Cía. de Seguros Bolívar	Feb.02.09		1,105,617	2.386,58	2.638,6
4	Capitalizadora Bolívar	Feb.02.09		1,105,617	2.386,58	2.638,6
5	Seguros Comerciales Bolívar	Feb.02.09		301,532	2.386,58	719,6
6	Deutsche Bank	Feb.02.09		1,278,215	2.386,58	3.050,6
7	Deutsche Bank	Feb.02.09		1,567,584	2.386,58	3.741,2
8	The Royal Bank of Scotland	Feb.02.09		1,228,768	2.386,58	2.932,6
9	The Royal Bank of Scotland	Feb.02.09		<u>614,384</u>	2.386,58	<u>1.466,3</u>
				USD	<u>12,913,193</u>	\$ <u>29,906,2</u>

On June 18, 2009, net calculations were performed for the 2nd amortization of the Syndicated credit (note 15), generating disbursements for \$5,355.2:

<u>Operation</u>	<u>Counterparty</u>	<u>Date</u>		<u>Payment Amount USD\$</u>	<u>Exchange Rate agreed</u>	<u>Payment Amount \$</u>
3	Cía. de Seguros Bolívar	Jun.18.09	USD	12,194	2.074,72	\$ 25,3
4	Capitalizadora Bolívar	Jun.18.09		12,194	2.074,72	25,3
5	Seguros Comerciales Bolívar	Jun.18.09		3,326	2.074,72	6,9
6	Deutsche Bank	Jun.18.09		(2,591,081)	2.074,72	(5.375,8)
7	Deutsche Bank	Jun.18.09		(553,906)	2.074,72	(1.149,2)
8	The Royal Bank of Scotland	Jun.18.09		3,798,987	2.074,72	7.881,8
9	The Royal Bank of Scotland	Jun.18.09		<u>1,899,493</u>	2.074,72	<u>3.940,9</u>
				USD	<u>2,581,207</u>	\$ <u>5.355,2</u>



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Transition Scheme

According to the provisions of the Superintendencia Financiera de Colombia by means of communication 2007066775-000-000 of November 6, 2007, for the purpose of accounting records in foreign currency contracted for the acquisition of Granbanco, and while modifications are made to Capitulo XVIII that will enable the new PUC accounts, all daily variations in the fair exchange amounts, as well as the first positions covered (without the part that corresponds to the margin) as well as coverage "swaps" must be transitionally recorded in the statement of income accounts.

Consequently, the accounting of proposed coverage operations, as well as primary coverage positions such as the positions in the "swaps" used for coverage, were done in the following PUC accounts:

Financial Statements	Accounts PUC for derivatives transactions	Accounts PUC For elementary positions	
	Coverage Swaps	Credits in foreign currency	Bonds in foreign currency
Balance sheet	151710 and 151725	249595	261595
Statement of income	412950 or 512950	419595 or 519095	

The effect over results due to the valuation of the syndicated loan and subordinated bonds was the following:

	<u>December 31</u>	<u>June 30</u>
Income (note 25)	\$ <u>25.116,5</u>	<u>12.903,6</u>

8) Accounts Receivable

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

	<u>December 31</u>	<u>June 30</u>
Interests:		
Credit Portfolio (note 6b)	\$ 178.388,7	192.636,1
Others	<u>0,0</u>	<u>1.245,3</u>
	<u>178.388,7</u>	<u>193.881,4</u>
Leasing Operations Financial Component		
Interest (note 6b)	<u>6.260,0</u>	<u>5.288,0</u>
Fees and commissions	<u>121,8</u>	<u>140,0</u>
Payments of costumers		
Housing	15.215,7	16.842,5
Consumption	16.409,3	16.599,7
Micro – credit	2,8	16,4
Commercial	<u>7.817,8</u>	<u>6.183,1</u>
	\$ <u>39.445,6</u>	<u>39.641,6</u>



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Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
Others:		
Dividends and participations	\$ 0.0	1.242,9
Sale of goods and services	727,5	703,1
Payments of customers	2.223,6	4.081,6
Advance Local purchase	18.511,9	23.988,4
Advance of contracts and suppliers	33.040,8	15.435,4
Affiliated companies	1.925,9	1.062,7
Inactives Accounts	19.154,5	18.445,3
Insurance and commissions Titularizadora	2.744,0	2.717,5
Universalities CCV, CCVII y CCVIII	1.914,6	1.441,0
Handling and other charges of consumption portfolio	11.292,8	9.878,3
Government relieves (Law 546, 1999, Loans reliquidation)	16.911,3	16.905,9
Business collaboration contract	1.281,6	1.166,4
Advance last day of the year credit card	7.962,6	6.255,4
Using last day of the year rotating savings	2.548,9	1.121,9
Forward Operations	1.106,5	2.708,2
Value to be charged from the sale of written-off consumer portfolio carried out on November 27, 2009 (Note 6k.)	22.047,4	0,0
Tips Returns	6.765,4	7.582,2
Diners credit card refinancing debit notes	2.423,0	1.584,4
Certificates pending of process	9,0	204,9
Debtor - Coverage rate	4.393,1	396,8
Educational loans to employees	1.370,7	961,7
Insurance company claims for the death of credit and debit card holders.	3.986,9	682,8
Cash and Exchange Lacking	1.161,3	900,0
Miscellaneous (*)	<u>17.267,9</u>	<u>15.960,3</u>
	\$ <u>180.771,2</u>	<u>143.313,6</u>
Total Receivables Accounts	\$ <u>404.987,3</u>	<u>382.264,6</u>
Allowance	<u>(76.459,8)</u>	<u>(81.535,2)</u>
Net Total Receivables Accounts	\$ <u>328.527,5</u>	<u>300.729,4</u>



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Notes to the Financial Statements

(*) Composed of outstanding foreign currency transactions to be processed of \$2,928, portfolio disbursements and receipts of \$1,055, transactions pending processing of \$1,077, ministry of transport collection \$1,019, fulfillment, purchase and sale of foreign currency transactions \$1,356.

Allowance for Accounts Receivable

The detail of allowance for accounts receivable is as follows:

	<u>December 31</u>	<u>June 30</u>
Portfolio interests (note 6) \$	25.500,5	34.204,0
Payment of clients	19.707,0	21.049,8
Government relieves	14.771,6	14.766,6
Credit card	1.431,7	1.431,7
Miscellaneous	<u>15.048,8</u>	<u>10.083,1</u>
\$	<u>76.459,8</u>	<u>81.535,2</u>

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

<u>December 31</u>		<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>	<u>Others</u>	<u>Total</u>
Beginning balance	\$	22.032,9	17.220,0	56,8	15.943,8	26.281,7	81.535,2
Plus:							
Allowance charged to operating expenses		10.804,6	11.924,6	1.825,0	3.722,2	10.429,2	38.705,6
Reclassification		0,0	0,0	0,0	0,0	56,7	56,7
Less:							
Write down loans		3.094,0	7.790,4	42,4	314,4	4.290,4	15.531,6
Reimbursement		<u>12.182,2</u>	<u>8.013,4</u>	<u>1.829,9</u>	<u>5.054,1</u>	<u>1.226,5</u>	<u>28.306,1</u>
Ending Balance	\$	<u>17.561,3</u>	<u>13.340,8</u>	<u>9,5</u>	<u>14.297,5</u>	<u>31.250,7</u>	<u>76.459,8</u>
<u>June 30</u>		<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>	<u>Others</u>	<u>Total</u>
Beginning balance	\$	17.279,0	17.494,5	181,5	16.533,8	31.480,6	82.969,4
Plus:							
Allowance charged to operating expenses		19.032,7	15.325,3	74,1	6.076,4	4.779,5	45.288,0
Reclassification		0,0	0,0	0,0	0,0	(78,2)	(78,2)
Less:							
Write down loans		5.791,0	9.962,9	127,3	287,2	4.148,2	20.316,6
Reimbursement		<u>8.487,8</u>	<u>5.636,9</u>	<u>71,5</u>	<u>6.379,2</u>	<u>5.752,0</u>	<u>26.327,4</u>
Ending Balance	\$	<u>22.032,9</u>	<u>17.220,0</u>	<u>56,8</u>	<u>15.943,8</u>	<u>26.281,7</u>	<u>81.535,2</u>



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Notes to the Financial Statements

9) **Foreclosed Assets**

The detail of realizable goods, goods received as payment and goods returned, is as follows:

	<u>December 31</u>	<u>June 30</u>
<u>Assets received in payment:</u>		
Destined to housing:		
Real estates	\$ 6.120,0	3.993,6
Assets received in auction	1.529,4	1.159,0
Inflation adjustments	<u>0,2</u>	<u>0,2</u>
Total destined to housing	<u>7.649,6</u>	<u>5.152,8</u>
 <u>Different from housing</u>		
Real estates	9.100,5	12.310,0
Assets received in auction	185,8	252,1
Inflation adjustments	<u>235,1</u>	<u>2.186,7</u>
Adjustment cost	<u>9.521,4</u>	<u>14.748,8</u>
 Personal property (1):		
Securities	1.101,7	1.061,7
Personal properties	<u>2.393,1</u>	<u>2.358,6</u>
Total different from housing	\$ <u>13.016,2</u>	<u>18.169,1</u>
 <u>Assets restored from housing leasing contracts:</u>		
Housing	\$ <u>1.657,4</u>	<u>889,8</u>
 <u>Assets not used in the Company's purpose:</u>		
Lands	20.333,4	20.425,0
Buildings	33.156,6	33.551,4
Depreciation	<u>(6.115,4)</u>	<u>(5.444,3)</u>
	\$ <u>47.374,6</u>	<u>48.532,1</u>
 <u>Less:</u>		
Allowance assets destined to housing	2.308,6	2.242,2
Allowance assets different from housing	6.608,9	12.612,6
Allowance personal property	1.680,5	1.553,2
Allowance assets restored from leasing contracts	380,8	222,8
Allowance assets not used in the Company's purpose	<u>3.373,3</u>	<u>1.683,0</u>
	\$ <u>(14.352,1)</u>	<u>(18.313,0)</u>
Total Foreclosed Asset	<u>55.345,7</u>	<u>54.430,8</u>



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Notes to the Financial Statements

(1) The detail of personal property received as payment 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
Trust Zuana - Timeshare	1.074,4	1.036,7	1.034,4	1.034,4
	\$ 1.101,7	1.064,0	1.061,7	1.061,7
Personal Asset				
Vehicles	2.330,7	554,1	2.296,2	429,1
Machinery	53,5	53,5	53,5	53,5
Art assets	8,9	8,9	8,9	8,9
	\$ 2.393,1	616,5	2.358,6	491,5
	\$ 3.494,8	1.680,5	3.420,3	1.553,2

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</u>	<u>Between 1 & 3</u>	<u>Between 3 & 5</u>	<u>More than 5</u>	<u>Total</u>	<u>Allowance</u>
		<u>year</u>	<u>years</u>	<u>years</u>	<u>years</u>		
<u>December 31</u>							
Housing	\$	4.356,4	2.202,5	314,2	776,5	7.649,6	2.308,6
Different from housing		2.818,8	1.028,0	1.041,4	4.633,2	9.521,4	6.608,9
Real States		1.858,5	472,6	154,9	1.008,8	3.494,8	1.680,5
Returned Goods		1.578,3	20,5	0,0	58,6	1.657,4	380,8
Assets not used		33.630,8	13.409,8	0,0	334,0	47.374,6	3.373,3
	\$	44.242,8	17.133,4	1.510,5	6.811,1	69.697,8	14.352,1
 <u>June 30</u>							
Housing	\$	3.181,7	495,6	589,2	886,3	5.152,8	2.242,2
Different from housing		1.269,2	1.530,7	1.041,5	10.907,4	14.748,8	12.612,6
Real States		2.045,4	247,8	118,3	1.008,8	3.420,3	1.553,2
Returned Goods		793,8	37,5	0,0	58,5	889,8	222,0
Assets not used		34.788,2	13.409,9	0,0	334,0	48.532,1	1.683,0
	\$	42.078,3	15.721,5	1.749,0	13.195,0	72.743,8	18.313,0



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During the second and first semester of 2009, appraisals were made of the goods received as payment intended as housing, generating a revaluation effect of \$1.695,4 and \$1.473,9, respectively. Those revaluation are registered in memorandum account (note 23)

During the second and first half of 2009, the Bank has undertaken various strategies in the sale of the goods received in payment, such as:

	<u>December 31</u>		<u>June 30</u>	
	Amount	Value	Amount	Value
Goods Received as Payment	166	\$12.708,1	231	9.790,1
Non using goods	<u>2</u>	<u>490,8</u>	<u>3</u>	998,0
Total Sales	<u>168</u>	\$13.198,9	<u>234</u>	10.788,1
Sales Profit		716,6		1.350,7
Amortization of the diferred profit		<u>802,1</u>		<u>1.331,3</u>
Results effect (note 28)		\$ <u>1.518,7</u>		<u>2.682,0</u>

During the second and first semester of 2009, losses for sale of goods in lieu of payment, were recorded, for real estate \$4,805,5 and \$1,018.8, respectively. For movable property, the losses got up to \$312.2 y \$515.5, respectively

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	\$ 18.313,0	18.967,3
Plus:		
Allowance charged to operating expenses	3.851,0	2.912,5
Less:		
Refund revenue - recoveries	<u>7.811,9</u>	<u>3.566,8</u>
Ending balance	\$ <u>14.352,1</u>	<u>18.313,0</u>

As of December 31 and June 30, 2009, the Bank has Goods Received as Payment 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>170</u>	<u>\$8.185,7</u>	<u>173</u>	<u>\$ 14.842,5</u>

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

The Bank acquired real estate properties from the securitizations of portfolio written off CCVI, CCVII, CCVIII for \$110.0 and \$55.9 as of December 31 and June 30, 2009, respectively and granted housing leasing credits.



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Notes to the Financial Statements

To December 31 and June 30, 2009 there are insurance policies that cover subtraction, fire, earthquake, riot, explosion, volcanic eruption, low voltage, land, losses or damages to offices and vehicles.

10) Properties and Equipment

A detail of properties 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	\$ 335.002,0	37.102,6	372.104,6	321.628,7	37.430,2	359.058,9
Equipment, vehicles, office						
furniture and supplies	110.547,1	11.957,6	122.504,7	106.910,7	11.957,4	118.868,1
Computer equipment	<u>235.958,8</u>	<u>27.730,3</u>	<u>263.689,1</u>	<u>223.426,3</u>	<u>27.730,4</u>	<u>251.156,7</u>
	<u>681.507,9</u>	<u>76.790,5</u>	<u>758.298,4</u>	<u>651.965,7</u>	<u>77.118,0</u>	<u>729.083,7</u>
Less: accumulated depreciation	(364.494,5)	(27.276,0)	(391.770,5)	(348.612,4)	(27.462,6)	(376.075,0)
Less: allowance	<u>(7.754,9)</u>	<u>0,0</u>	<u>(7.754,9)</u>	<u>(2.456,6)</u>	<u>0,0</u>	<u>(2.456,6)</u>
	<u>\$ 309.258,5</u>	<u>49.514,5</u>	<u>358.773,0</u>	<u>300.896,7</u>	<u>49.655,4</u>	<u>350.552,1</u>

As of December 31 and June 30, 2009 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.

In the second semester of 2009 appraisals were made to the existing real estate, with an effect for Revaluation of assets of \$54.722.1 and allowances of \$ 5.298,3

Below you will find the details of the valuations of properties and equipment as at December 31 and June 30, 2009:

	<u>December 31</u>	<u>June 30</u>
Surplus buildings revaluations	\$ 350.123,5	295.401,4
Surplus buildings not used revaluations	<u>36.409,0</u>	<u>28.155,6</u>
	<u>\$ 386.532,5</u>	<u>323.557,0</u>

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

The depreciation charged to expenses in the biannual periods that ended on December 31 and June 30, 2009 was of \$17,007.4 and \$16,991.5 respectively.



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At December 2005 the Bank acquired the building Bancolombia conavi of street 26 for a value \$ 19.607,6, which was conducted by two (2) Financial Leasing contracts to 60 months with Leasing Colombia at a rate of DTF TA + 3.2 and leasing credit at a rate of DTF TA + 3.3 with an option to purchase 10%. As established by the legal rules applicable to such contracts, the bank records properties and equipment in the value of the Land for \$ 2.801.0

As of December 31 and June 30, 2009 the expense for payment of leasing rents, amounts to \$2.034.0 and \$2.179.4, respectively.

Allowance of Properties and Equipment

The movement of the allowance of properties and equipment during the semester periods ended on December 31 and June 30, 2009, is as follows:

	<u>December 31</u>	<u>June 30</u>
Beginning balance	\$ 2.456,6	4.373,8
Plus:		
Allowance charged to operating expenses	6.014,8	1.090,6
Less:		
Refund to revenue – recoveries	<u>716,5</u>	<u>3.007,8</u>
Ending balance	\$ <u>7.754,9</u>	<u>2.456,6</u>

11) Other assets

a) Permanent contributions

At December 31 and June 30, 2009 permanent contributions (memberships) were held in social clubs for a value of \$251,7.

b) 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, 2009 and is as follows:

	<u>December 31</u>	<u>June 30</u>
Expenses paid in advance:		
Interests	\$ 2,0	4,9
Leases	42,4	43,4
Insurance	2.891,8	8.582,0
Others	<u>0,0</u>	<u>497,7</u>
	\$ <u>2.936,2</u>	<u>9.128,0</u>



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Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
Deferred charges and Intangible Assets:		
Mercantil Credit	\$ 1.385.072,8	1.435.690,3
Remodeling	35.317,9	22.061,5
Computer software	241,9	820,1
Deferred income tax "debit" for temporary differences	15.786,7	3.685,7
Commissions and advisories	5.870,7	8.349,1
Endowments	<u>0,0</u>	<u>4.706,3</u>
	<u>1.442.290,0</u>	<u>1.475.313,0</u>
Expenses in advance and deferred charges and Intangible Assets	\$ <u>1.445.226,2</u>	<u>1.484.441,0</u>

The movement of the expenses in advance and deferred charges during the semester periods ended on December 31, 2009, is as follows:

		<u>Balance at June 30</u>	<u>Charges</u>	<u>Amortizations</u>	<u>Balance at December 31</u>
Expenses in advance	\$	9.128,0	28.936,8	35.128,6	2.936,2
Intangible Assets		1.435.690,3	0,0	50.617,5	1.385.072,8
Deferred charges		<u>39.622,7</u>	<u>66.840,2</u>	<u>49.245,7</u>	<u>57.217,2</u>
	\$	<u>1.484.441,0</u>	<u>95.777,0</u>	<u>134.991,8</u>	<u>1.445.226,2</u>

Below we present the expenses in advance and deferred charges during for amortize for deadlines, with closing on December 31 and June 30, 2009, is as follows:

<u>December 31</u>		<u>Less than 1 year</u>	<u>Between 1 & 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Advance expenses					
Interests	\$	2,0	0,0	0,0	2,0
Leases		42,4	0,0	0,0	42,4
Insurance		2.891,8	0,0	0,0	2.891,8
	\$	<u>2.936,2</u>	<u>0,0</u>	<u>0,0</u>	<u>2.936,2</u>
Intangible Assets					
Mercantile Credit	\$	<u>0,0</u>	<u>118.062,9</u>	<u>1.267.009,9</u>	<u>1.385.072,8</u>



BANCO DAVIVIENDA S.A.
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<u>December 31</u>	<u>Less</u> <u>than 1 year</u>	<u>Between 1 & 5</u> <u>years</u>	<u>More than 5</u> <u>years</u>	<u>Total</u>
Deferred charges				
Remodeling	\$ 11.747,7	23.570,2	0,0	35.317,9
Computer Software	186,8	55,1	0,0	241,9
Deferred income tax "debit" for differences temporary	15.786,7	0,0	0,0	15.786,7
Commissions and advisories	0,9	5.869,8	0,0	5.870,7
	\$ <u>27.722,1</u>	<u>29.495,1</u>	<u>0,0</u>	<u>57.217,2</u>
	\$ <u>30.658,3</u>	<u>147.558,0</u>	<u>1.267.009,9</u>	<u>1.445.226,2</u>

June 30

Advance expenses				
Interests	\$ 4,9	0,0	0,0	4,9
Leases	43,4	0,0	0,0	43,4
Insurance	8.582,0	0,0	0,0	8.582,0
Others	<u>497,7</u>	<u>0,0</u>	<u>0,0</u>	<u>497,7</u>
	\$ <u>9.128,0</u>	<u>0,0</u>	<u>0,0</u>	<u>9.128,0</u>
Intangible Assets				
Mercantile Credit	\$ <u>0,0</u>	<u>149.354,6</u>	<u>1.286.335,7</u>	<u>1.435.690,3</u>
Deferred charges				
Remodeling	\$ 10.532,7	11.528,8	0,0	22.061,5
Computer Software	706,7	113,4	0,0	820,1
Deferred income tax "debit" for temporary Differences	3.685,7	0,0	0,0	3.685,7
Commissions and advisories	1.038,0	7.311,1	0,0	8.349,1
Endowments	<u>4.706,3</u>	<u>0,0</u>	<u>0,0</u>	<u>4.706,3</u>
	\$ <u>20.669,4</u>	<u>18.953,3</u>	<u>0,0</u>	<u>39.622,7</u>
	\$ <u>29.797,4</u>	<u>168.307,9</u>	<u>1.286.335,7</u>	<u>1.484.441,0</u>

Intangible Assets

The mercantile loan acquired by credit establishments, is recorded in the account "Intangible assets". As of December 31 and June 30, 2009, it reaches \$1,385,072.8 and \$1,435,690.3, respectively.



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Following, a breakdown of mercantile loan:

Bansuperior S.A. Commercial Credit:

For the purchase of Bansuperior S.A. completed in September 2005. The mercantile credit was recorded for \$311.237,4, which redeemed in seventy-two (72) monthly rates, according to the 200503346-55 communication dated August 8, 2005 issued by the Superintendencia Financiera de Colombia.

The following is the detail of the commercial credit amortization generated in the merger process with Bansuperior:

Amount generated in September 2005	\$	311.237,4
Amortization accumulated at December 31, 2005		(15.939,4)
Merge effect value in May, 2006		6.222,9
Amortization at December, 2009		<u>(215.305,4)</u>
Amount to be amortized at December 31, 2009	\$	<u>86.215,5</u>

Confinanciera S.A Commercial Credit:

For the purchase of shares of Confinanciera S.A. made in December 2006, a commercial credit was recorded for \$56.918,8, which is amortized in eighty-four (84) monthly aliquots, as of December 2006.

The following is the detail of the amortization of the commercial credit generated in the purchase process of Confinanciera S.A.:

Amount generated in December, 2006	\$	56.918,8
Amortization at December, 2009		<u>(25.071,4)</u>
Amount to be amortized at December 31, 2009	\$	<u>31.847,4</u>

Granbanco S.A. – Bancafe Commercial Credit:

The commercial credit resulted from the acquisition of 99.06258674% of the shares of Granbanco S.A. – Bancafe: operation authorized by means of Resolution 0139 of January 31, 2007 from the Superintendencia Financiera de Colombia.



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According to the provisions of External Memorandum Letter 034 of 2006 by the Superintendencia Financiera de Colombia, 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 Memorandum Letter 034 of 2006, the amortization of the commercial credit will be made at twenty (20) years, the way exponentially according to the next table:

Year	% amortiz.	Lines of Business						Vaue to amortized per year
		Consumption	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>



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The following are the major characteristics considered in the evaluation of the Mercantil Credit:

- The definition and determination of lines of business was a process carried out jointly with the directors of Davivienda and Granbanco, whereby the two 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: consumption, 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.

Following is a description of each one of the lines of business:

Consumption Line: It corresponds to all credit granting businesses to individuals not included in the Credit Card line, to finance the acquisition of consumption goods or the payment of services for non commercial or business purposes.

Commercial Line: Banking business of granting credits, which is made with business legal persons, from the official and cooperative sectors, excepting the businesses with small and medium size enterprises –SMEs (contained in the SME line) which object is to finance commercial or entrepreneurial activities.

SME Line: Credit granting line to small and medium size companies not included in the commercial line, to finance economic activities of that customer segment.

Credit card line: It corresponds to the banking business of granting consumption credits for acquisition of goods and services, specifically through the use of the payment means called credit card.

Housing Line: Line of credit granted to individuals directed to financing the purchase of new or used home or the construction of a home unit and that the same is given in guarantee.

Affiliates Line: It includes the total businesses carried out by the Panama, Miami and Fiducaf  affiliates.



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Valuation methodology

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.

The methodology of flows of dividends discounted, permits to divide the total flow to be valued in several flows, and value each independently. The sums of these valuations is equal in terms of value, to the valuation of the total flow, assuming the same discount rate.

Following is a detail of the book value and commercial credit calculated for each line of business on the date of acquisition of Granbanco (February 16, 2007):

<u>Business line</u>	<u>Book Value</u>	<u>Commercial Credit Calculated</u>
Consumption	\$ 68.770,0	383.042,0
Commercial	423.275,0	787.939,0
SME	101.022,0	124.832,0
Credit card	21.960,0	291.633,0
Housing	43.873,0	200.829,0
Affiliates	<u>184.041,0</u>	<u>11.465,0</u>
Total	<u>\$ 842.941,0</u>	<u>1.799.740,0</u>

A summary of the assignment of commercial credit determined by each line of business, of the accumulated amortization and the balance as of December 31, 2009, is the following:

<u>Business line</u>	<u>Particip.</u>	<u>Commercial credit recorded</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Consumption	21,3%	\$ 292.103,0	22.442,7	269.660,3
Commercial	43,8%	600.872,0	46.166,0	554.706,0
SME	6,9%	95.195,0	7.314,0	87.881,0
Credit card	16,2%	222.395,0	17.087,0	205.308,0
Housing	11,2%	153.150,0	11.766,8	141.383,2
Affiliates	<u>0,6%</u>	<u>8.743,0</u>	<u>671,6</u>	<u>8.071,4</u>
Total	<u>100,0%</u>	<u>\$ 1.372.458,0</u>	<u>105.448,1</u>	<u>1.267.009,9</u>



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The result of the update revaluation at June 30, 2009 made by the firm PricewaterhouseCoopers Managers Advisors Ltda. The July 15, 2009, in base of the audited financial statements of Bank at December 31, 2008, the business lines did not generated lost for impairment.

c) Other Assets - Other

The detail of other assets – other is as follows:

	<u>December 31</u>	<u>June 30</u>
Letters of credit of deferred payment	\$ 2.914,2	3.284,2
Credits to employees (1)	150.968,2	131.100,0
Deposits in contracts for futures – titles (Opcf)	32.559,3	10.819,1
Others Deposits	1.672,6	1.510,4
Art and culture assets	1.850,0	1.823,7
Rights in trust (2)	3.859,1	2.817,4
Others Rights in trust	48,2	58,9
Income tax advance	0,0	17.621,2
Withholding	0,0	18.269,8
Income surplus	71.927,0	12.073,7
Miscellaneous:		
Industry and commerce tax advances	158,4	925,7
Others	<u>62,5</u>	<u>56,3</u>
	\$ <u>266.019,5</u>	<u>200.360,4</u>

(1) Credits to Employees and unemployees

The Bank evaluated one hundred percent (100%) of credits to employees. The results of the rating as of December 31 and June 30, 2009 is as follows:

	<u>December 31</u>	<u>Housing</u>	<u>Consumption</u>	<u>Total</u>	<u>Admissible Guaranties</u>	<u>Allowance</u>
A -Normal	\$ 100.957,6	46.786,8	147.744,4	117.872,6	2.757,7	
B -Acceptable	488,8	1.277,1	1.765,9	863,6	162,3	
C -Deficient	80,6	428,2	508,8	212,6	87,7	
D -Difficult collection	68,2	392,1	460,3	167,9	312,3	
E -Irrecoverable	<u>0,0</u>	<u>488,8</u>	<u>488,8</u>	<u>271,8</u>	<u>340,1</u>	
	\$ <u>101.595,2</u>	<u>49.373,0</u>	<u>150.968,2</u>	<u>119.388,5</u>	<u>3.660,1</u>	



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<u>June 30</u>	<u>Housing</u>	<u>Consumption</u>	<u>Total</u>	<u>Admissible Guaranties</u>	<u>Allowance</u>
A -Normal	\$ 88.658,9	37.521,3	126.180,2	297.789,2	2.245,5
B -Acceptable	510,4	2.205,5	2.715,9	5.977,1	299,5
C -Deficient	127,8	970,7	1.098,5	1.211,2	213,6
D -Difficult collection	0,0	347,7	347,7	890,7	259,2
E -Irrecoverable	<u>0,0</u>	<u>757,7</u>	<u>757,7</u>	<u>1.413,0</u>	<u>616,2</u>
	<u>\$ 89.297,1</u>	<u>41.802,9</u>	<u>131.100,0</u>	<u>307.281,2</u>	<u>3.634,0</u>

Loans granted to employees for housing and vehicle purchases are secured with admissible guarantee.

(2) Rights in trust

At December 31 and June 30, 2009 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>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Ingenio el Papayal	\$ 0,0	0,0	1.249,2	1.249,2
Lloreda S.A.	0,0	0,0	82,9	82,9
Copescol S.A.	982,8	982,8	982,8	982,8
Agropecuaria Molina Vivas	37,0	37,0	37,0	37,0
Textiles Omnes S.A.	465,6	465,6	465,5	465,5
Fiduciaria Superior	<u>2.373,7</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>
	<u>\$ 3.859,1</u>	<u>1.485,4</u>	<u>2.817,4</u>	<u>2.817,4</u>

d) Allowance for other assets

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

	<u>December 31</u>	<u>June 30</u>
Beginning balance	\$ 7.612,4	6.885,7
Reclasificaciones	59,9	0,0
Plus:		
Allowance charged to operating expenses	1.662,4	1.797,9
Less:		
Reclasificaciones	(1.456,9)	780,1
Write downs	110,8	250,0
Refunding to income - Recoveries	<u>1.463,8</u>	<u>41,1</u>
Ending balance	<u>\$ 6.303,2</u>	<u>7.612,4</u>



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12) Deposits and callabilities

The following is the detail of deposits and callabilities:

	Maximum annual <u>interest rate</u>	<u>December 31</u>	<u>June 30</u>
Deposits in current account	0,0%	\$ 2.616.134,8	2.197.262,3
Certificates in pesos			
- Lower than 6 months	0,0% - 5,30%	1.579.112,7	1.809.004,9
- Equal to 6 and lower than 12 months	4,10% - 5,50%	1.431.607,0	1.697.535,9
- Equal to 12 and lower than 18 months	4,35% - 5,65%	766.541,7	627.384,9
- Equal or higher than 18 months	5,10% - 6,80%	<u>1.858.681,9</u>	<u>1.719.093,2</u>
		\$ <u>5.635.943,3</u>	<u>5.853.018,9</u>
Savings deposits			
- Common savings deposits	0,0% - 5,0%	8.440.388,8	7.170.329,8
- Special savings accounts		<u>41.943,9</u>	<u>35.596,9</u>
		\$ <u>8.482.332,7</u>	<u>7.205.926,7</u>
Other deposits and callabilities:			
Banks and intermediaries		71.027,0	3.506,4
Special deposits		2,8	2,9
Callabilities per banking services		215.370,2	121.042,1
Affiliated establishments		<u>425,1</u>	<u>3.032,4</u>
		<u>286.825,1</u>	<u>127.583,8</u>
		\$ <u>17.021.235,9</u>	\$ <u>15.383.791,7</u>

The following is a detail of the interest expense during the biannual periods ended on December 31 and June 30, 2009:

<u>Modality</u>		<u>December 31</u>	<u>June 30</u>
Deposits and callabilities interests:			
Common deposits	\$	115.593,3	122.196,9
Term savings certificates		1.086,2	2.217,2
Certificates in pesos		182.934,7	261.845,8
Deposits in current account		<u>486,7</u>	<u>850,1</u>
	\$	<u>300.100,9</u>	<u>389.110,0</u>



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	<u>December 31</u>	<u>June 30</u>
Other interests:		
Bank credits and other financial obligations	\$ 30.180,8	44.204,0
Inter-bank funds	500,1	1.724,9
Bonds	71.827,4	66.615,8
Commitments and simultaneous transfer repos	1.585,0	5.699,3
Leasing (note10)	2.034,0	2.179,4
Others	<u>2,3</u>	<u>107,2</u>
	<u>106.129,6</u>	<u>120.530,6</u>
	\$ <u>406.230,5</u>	<u>509.640,6</u>

13) Passive Positions in Monetary Market Operations and those Related

The following is the detail of Interbank funds purchased and buyback agreements:

<u>Entity</u>	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Date of Initiation</u>	<u>Date of Cancellation</u>	<u>Market Value</u>	<u>TRM (Pesos)</u>
<u>December 31</u>						
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
Standard Chartered	USD 700,000	0,40%	Dec.09.09	Jan.11.10	\$ <u>1.431,0</u>	2.044,23
Standard Chartered	USD 8,000,000	0,45%	Dec.09.09	Jan.08.10	16.353,8	2.044,23
Standard Chartered	<u>9,000,000</u>	0,40%	Dec.15.09	Jan.14.10	<u>18.398,1</u>	2.044,23
	USD <u>17,700,000</u>				<u>36.182,9</u>	
<u>Legal Currency</u>						
<u>Interbank:</u>						
Banks						
Agrario		3,000%	Dec.30.09	Jan.04.10	20.000,0	
Bogotá		2,900%	Dec.29.09	Jan.04.10	35.000,0	
Bogotá		2,900%	Dec.29.09	Jan.04.10	35.000,0	
Bogotá		2,870%	Dec.30.09	Jan.04.10	30.000,0	
Citibank		3,000%	Dec.30.09	Jan.04.10	50.000,0	
Citibank		3,000%	Dec.30.09	Jan.04.10	50.000,0	
Colpatria		3,000%	Dec.29.09	Jan.04.10	<u>6.000,0</u>	
	<u>To</u>				<u>\$226.000,0</u>	



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<u>Entity</u>	<u>Rate</u>	<u>Date of Initiation</u>	<u>of Cancellation</u>	<u>Market Value</u>	<u>TRM Pesos</u>
From				\$226.000,0	
Occidente	3.000%	Dec.29.09	Jan.05.10	45.000,0	
Occidente	3.000%	Dec.29.09	Jan.05.10	50.000,0	
Santander	2.800%	Dec.29.09	Jan.04.10	35.000,0	
The Royal Bank of Scotland	3.000%	Dec.30.09	Jan.04.10	13.000,0	
				<u>369.000,0</u>	
Liabilities Repos:					
Banks					
BBVA Colombia	3,000%	Dec.30.09	Jan.04.10	<u>100.008,3</u>	
Others					
Real Sector	1,000%	Dec.30.09	Jan.04.10	12.465,4	
				<u>481.473,8</u>	
Total Interbank funds purchased and buyback agreements				<u>\$517.656,6.</u>	

<u>Entity</u>	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Date of Initiation</u>	<u>Cancellation</u>	<u>Market Value</u>	<u>TRM (Pesos)</u>
<u>June 30</u>						
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
Bancolombia	USD 10,000,000	0,40%	Jun.25.09	Jul.02.09	\$ 21.452,1	\$ 2.145,21
Banco de Bogotá	<u>10,000,000</u>	0,35%	Jun.25.09	Jul.02.09	<u>21.452,1</u>	2.145,21
	USD <u>20,000,000</u>				<u>\$ 42.904,2</u>	
<u>Legal Currency</u>						
<u>Interbank</u>						
Banks						
Helm Financial Service		4,340%	Jun.23.09	Jul.01.09	\$ 30.000,0	
Occidente		4,350%	Jun.30.09	Jul.02.09	20.000,0	
BSC		4,340%	Jun.23.09	Jul.02.09	20.000,0	
BSC		4,340%	Jun.24.09	Jul.01.09	30.000,0	
Financial Corporations						
JP. Morgan		4,340%	Jun.30.09	Jul.02.09	<u>40.000,0</u>	
					<u>\$ 140.000,0</u>	



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

<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>Cancellation</u>	<u>Value</u>	<u>(Pesos)</u>
<u>June 30</u>						
<u>Liabilities Repos:</u>						
<u>Banks</u>						
Banco de la República		4,402%	Jun.30.09	Jul.01.09	\$ 125.000,0	
<u>Others Financial Entities</u>						
Superfondo - Santander		4,300%	Jun.30.09	Jul.01.09	1.500,0	
<u>Sociedades Fiduciarias</u>						
Santander		4,300%	Jun.30.09	Jul.01.09	20.000,0	
<u>Soc. Admón. Fondos Pensiones y Cesantías</u>						
Cesantías ING		4,300%	Jun.30.09	Jul.01.09	3.000,0	
<u>Others:</u>						
Public sector		3,920%	Jun.26.09	Jul.02.09	4.158,3	
Public sector		3,000%	Jun.30.09	Jul.01.09	7.252,2	
Public sector		1,750%	Jun.30.09	Jul.01.09	7.000,0	
Real sector		2,000%	Jun.30.09	Jul.01.09	12.000,0	
Real sector		2,600%	Jun.30.09	Jul.02.09	29.210,1	
Real sector		2,300%	Jun.30.09	Jul.02.09	513,0	
Real sector		2,500%	Jun.26.09	Jul.01.09	446,8	
Real sector		2,500%	Jun.30.09	Jul.01.09	692,0	
Real sector		2,500%	Jun.30.09	Jul.02.09	<u>155,2</u>	
					<u>\$ 210.927,6</u>	
Total Interbank funds purchased and buyback agreements					<u>\$ 393.831,8</u>	

For the second and first semester 2009, the balance and monthly average performance for these funds was \$36,186.9 and \$269.8, respectively; and for the first semester it was \$155,337.3 and \$1,588.5, respectively.

There are no restrictions on these funds.

14) Banks Acceptances Outstanding

As of December 31 and June 30, 2009, the Bank records bank acceptances for \$611.8 and \$1,868.3, respectively.

The terms for these operations range from 27 to 180 days.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

15) Banking Credits and Other Financial Obligations

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

	<u>December 31</u>				
<u>Entity</u>	<u>Interests payable</u>	<u>Short term (- 1 year)</u>	<u>Medium Term (1-3 years)</u>	<u>LongTerm (+3 years)</u>	<u>Total Capital</u>
Other entities in the country:					
Legal Currency					
Bancoldex	\$ 426,4	6.845,5	10.097,8	40.710,9	57.654,1
Finagro	1.684,7	21.171,6	5.869,9	93.922,7	120.964,3
Findeter	<u>3.220,8</u>	<u>27.890,5</u>	<u>156.571,2</u>	<u>483.053,1</u>	<u>667.514,8</u>
	<u>5.331,9</u>	<u>55.907,7</u>	<u>172.538,8</u>	<u>617.686,7</u>	<u>846.133,2</u>
Foreign Currency					
Bancoldex	<u>70,5</u>	<u>38.220,6</u>	<u>2.664,4</u>	<u>5.552,1</u>	<u>46.437,2</u>
Other banks and financial entities:					
Overdrafts in current account	<u>0,0</u>	<u>302,3</u>	<u>0,0</u>	<u>0,0</u>	<u>302,3</u>
	<u>\$ 5.402,5</u>	<u>94.430,6</u>	<u>175.203,3</u>	<u>623.238,8</u>	<u>892.872,6</u>
Foreign entities:					
Banco Mercantil	58,7	30.663,5	0,0	0,0	30.663,5
Citibank New York	371,1	121.613,1	0,0	0,0	121.613,1
Bladex Panamá	31,2	0,0	0,0	0,0	0,0
Standard Chartered Bank	298,4	123.928,6	0,0	0,0	123.928,6
Bank of New York	66,1	12.596,0	0,0	0,0	12.596,0
The Bank of Nova Escocia	18,1	10.221,2	0,0	0,0	10.221,2
JP Morgan	78,6	0,0	0,0	0,0	0,0
Corporación Andina de Fomento	847,6	84.701,2	0,0	14.309,5	99.010,8
First Union Bank	1.620,0	0,0	0,0	0,0	0,0
Toronto Dominion Bank	10,1	0,0	0,0	0,0	0,0
Wachovia Bank N.A.	<u>301,7</u>	<u>98.123,0</u>	<u>0,0</u>	<u>0,0</u>	<u>98.123,0</u>
	<u>\$ 2.243,5</u>	<u>481.846,6</u>	<u>0,0</u>	<u>0,0</u>	<u>496.156,2</u>
	<u>\$ 7.646,2</u>	<u>576.277,2</u>	<u>175.203,3</u>	<u>637.548,4</u>	<u>1.389.028,8</u>



BANCO DAVIVIENDA S.A.
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June 30

<u>Entity</u>	<u>Interests payable</u>	<u>Short term (- 1 year)</u>	<u>Medium Term (1-3 years)</u>	<u>LongTerm (+3 years)</u>	<u>Total Capital</u>
Other entities in the country:					
Legal Currency					
Bancoldex	\$ 510,1	4.824,7	5.752,8	37.442,5	48.020,0
Finagro	3.248,5	6.283,4	48.085,6	67.222,5	121.591,5
Findeter	<u>5.805,1</u>	<u>668,7</u>	<u>6.989,0</u>	<u>515.516,6</u>	<u>523.174,3</u>
	<u>9.563,7</u>	<u>11.776,8</u>	<u>60.827,4</u>	<u>620.181,6</u>	<u>692.785,8</u>
Foreign Currency					
Bancoldex	<u>51,2</u>	<u>13.597,1</u>	<u>7.672,5</u>	<u>8.864,3</u>	<u>30.133,9</u>
Other banks and financial entities:					
Overdrafts in current account	<u>0,0</u>	<u>86,3</u>	<u>0,0</u>	<u>0,0</u>	<u>86,3</u>
	\$ <u>9.614,9</u>	<u>25.460,2</u>	<u>68.499,9</u>	<u>629.045,9</u>	<u>723.006,0</u>
Foreign entities:					
Banco Mercantil	78,4	21.452,1	0,0	0,0	21.452,1
Citibank New York	744,8	38.228,2	0,0	0,0	38.228,2
Banco Español de Crédito	47,9	11.798,7	0,0	0,0	11.798,7
Bac Florida Bank	98,4	17.161,7	0,0	0,0	17.161,7
Bladex Panamá	32,7	0,0	0,0	0,0	0,0
Standard Chartered Bank	746,0	101.223,4	682,2	0,0	101.905,6
Bank of New York	214,6	38.249,5	0,0	0,0	38.249,5
The Bank of Nova Escocia	127,4	21.452,1	0,0	0,0	21.452,1
JP Morgan (1)	0,0	182.990,0	0,0	0,0	182.990,0
JP Morgan	82,4	0,0	0,0	0,0	0,0
Corporación Andina de Fomento	1.849,0	77.227,6	18.744,3	0,0	95.971,9
First Union Bank	170,0	0,0	0,0	0,0	0,0
Toronto Dominion Bank	93,5	21.452,1	0,0	0,0	21.452,1
Wachovia Bank N.A.	1.031,0	111.550,9	0,0	0,0	111.550,9
Dresdner Bank	873,8	21.452,1	0,0	0,0	21.452,1
Bank of Montreal	<u>41,4</u>	<u>10.726,1</u>	<u>0,0</u>	<u>0,0</u>	<u>10.726,1</u>
	\$ <u>6.231,3</u>	<u>674.964,5</u>	<u>19.426,5</u>	<u>0,0</u>	<u>694.391,0</u>
	\$ <u>15.846,2</u>	<u>700.424,7</u>	<u>87.926,4</u>	<u>629.045,9</u>	<u>1.417.397,0</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

(1) Syndicated Credit

On occasion of the purchase of Granbanco S.A., the Bank entered into the following credit agreement in which Credit Suisse, Wachovia and JP Morgan Banks act as leaders:

<u>Administrative Agent</u>	<u>Rate first year</u>	<u>Term (years)</u>	<u>Starting period</u>	<u>Ending period</u>	<u>Value</u>	
					<u>USD</u>	<u>pesos</u>
JP Morgan Chase Bank	Libor 6+0,875%	3	Feb.2.07	Feb.2.10	250,000,000	\$ 561.515,0

The interest is paid semiannually in arrears taking Libor six months.

The rate for the second and third year will be of Libor6+ 1% and Libor6+ 1.125%, respectively.

In order to cover the risk inherent to this U.S. dollar liability, the Bank established an investment of seven (7) Cross Currency Swap in pesos for \$557.433,0 which permits it to change the exposure of the Libor and U.S. dollar rate (notes 7 and 31).

Pursuant to provisions established by the Superintendencia Financiera de Colombia by means of communication dated November 6, 2007 (note 7), the valuation of this obligation was modified from TIR to market value, employing the future implied rates obtained from the zero coupon rates of the libor-dollar swap 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 this credit 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 causation methodology.

To continue we present the face value of the syndicated credit at June 30, 2009 :

	<u>June 30</u>
Capital	\$ 178.767,5
Valuation (note 7)	2.608,0
Margin Uncovered causation (note 7)	<u>1.614,5</u>
	\$ <u>182.990,0</u>

The syndicated loan was canceled on 21 December 2009 with the last payment made for the value of USD 83,333,333.34.

16) Accounts Payable

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

	<u>December 31</u>	<u>June 30</u>
Interests:		
Deposits and callabilities	\$ 114.738,0	131.836,4
Monetary Market Operations and those Related.	47,0	63,9
Banking credits and other financial obligations (note 15)	7.646,0	15.846,2
Investment securities outstanding	<u>20.316,4</u>	<u>18.587,5</u>
	\$ <u>142.747,4</u>	<u>166.334,0</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
Commissions and fees	\$ 55,9	<u>226,2</u>
Others:		
Taxes	316,5	9.357,9
Dividends and surpluses	1.219,1	1.213,2
Sales tax payable	4.248,6	3.998,5
Tax on financial transactions	8.615,9	9.669,0
Promising purchasers	9.630,9	7.679,9
Suppliers*	114.109,0	52.737,9
Labor withholdings and obligations	45.117,8	41.275,6
Insurance premiums	2.614,5	5.289,0
Drafts	29.867,6	22.519,4
Miscellaneous creditors	17.946,5	12.620,5
Integral health policy	0,0	1.185,7
Treasury payment orders	4.251,9	5.788,8
Balances in favour	8.144,4	7.265,0
Checks drawn uncollected	10.098,7	11.585,7
Accounts payable Nation Law 546 of 1999	38.256,6	43.433,4
Agreement Income societies collection	76.069,1	116.530,1
Agreement Real state and vehicles tax collection	4.904,4	23.774,5
Universalities portfolio collection	3.236,9	6.459,2
Agreement Other collections	5.569,7	1.299,7
Commercial accounts payables redeban,		
Visa, credibanco and others	11.402,8	3.398,5
Peace Bonds	20.357,0	21.065,8
Remittances to recovery	693,6	763,2
Fees costs trial	63,1	148,4
Balances for forward operations	684,5	6.872,8
Prepayment cards	4.521,6	4.546,8
Collect cost	1.386,3	3.318,9
Miscellanious (1)	<u>20.219,2</u>	<u>19.712,6</u>
	\$ <u>443.546,2</u>	<u>443.571,3</u>

(*)The creditor Other ACH Networks is registered to for \$ 38,236.7, which will be paid the 1st working day of the following month.

(1) Comprised of resources received by Sebra \$8,735, credit balances of \$3,230 settled by AS400, diners and credibanco visa interbank clearing \$5,903, \$1,500 diners Incentives project.



BANCO DAVIVIENDA S.A.
Notas a los Estados Financieros

(17) Long Term - Debt

As of December 31 and June 30, 2009, the Bank records investment securities outstanding for \$2.182.681,3 and \$1.757.575,4 respectively, corresponding to issuances of common and mortgage bonds.

The following provides details of the bonds for each of the issues current on December 31, 2009:

<u>Issuance Kind</u>	<u>Date</u>	<u>Offer Amount</u>	<u>Serie</u>	<u>Term (Months)</u>	<u>Yield</u>	<u>Cancellation</u>	<u>Market Value</u>	<u>Guaranty</u>
First Issuance Mortgage Bonds	03-Dec-04	\$ 19.118,0	G	84	UVR - 0,3	03-Dec-11	\$ 3.552,2	Mortgages credit Rat. A and option prepayment for issuer c/3 months
First Issuance of VIS Structured Mortgage Bonds Sector 1	23-Jun-06	60.173,5	G	84	UVR + 0,75	23-Jun-13	21.904,3	Mortgages credit Rat. A and option prepayment for issuer c/3 months
First Issuance Subordinated IFC Bonds – In U.S. dollars	07-Feb-07	368.641,1	G	84	Libor6 + 2,75 Revaluation Adjustmen(note 8) Accrual margin not covered (note 8)	07-Feb-14	337.298,0 1.665,9 <u>4.354,4</u> <u>\$ 343.318,3</u>	Mortgages credit rat. A and option prepayment for issuer c/3 months
First Issuance of Bonds IPC Serie C7	19-Feb-08	147.777,0	C	84	IPC + 6,65	19-Feb-15	147.777,0	Do not have
First Issuance Bonds R.V.U Serie D7	19-Feb-08	151.577,5	D	84	UVR + 6,65	19-Feb-15	166.129,5	Do not have
Second Issuance Bonds IPC	05-Aug-08	170.570,0	G	60	IPC + 6,24	05-Aug-13	170.570,0	Mortgages credit. Rating A
Primera Bonos DTF Tramo 1	05-Aug-08	60.471,5	E	18	DTF + 2,29	05-Feb-10	\$ 60.471,5	Do not have
	05-Aug-08	50.550,0	E	24	DTF + 2,39	05-Aug-10	50.550,0	
	05-Aug-08	147.300,0	E	36	DTF + 2,59	05-Aug-11	<u>147.300,0</u> <u>\$ 258.321,5</u>	
First Issuance Bonds DTF Sector 1	05-Aug-08	71.108,5	F	18	TF 11,75%	05-Feb-10	71.108,5	Do not have
Second Issuance Bonds DTF Sector 1	05-Feb-09	67.295,8	E1	18	DTF + 1,1	05-Aug-10	\$ 67.295,8	Do not have
	05-Feb-09	79.671,2	E2	24	DTF + 1,2	05-Feb-11	79.671,2	
	05-Feb-09	147.300,0	E3	36	DTF + 1,35	05-Feb-12	<u>89.800,0</u> <u>\$ 236.767,0</u>	
Second Issuance Bonds Fixed Rate Sector 1	05-Feb-09	121.800,0	F5	60	TF 10,40%	05-Feb-14	121.800,0	Do not have
First Issuance common Bonds IPC	05-Feb-09	123.433,0	G	84	IPC + 5,50	05-Feb-16	123.433,0	Do not have
First Issuance common Bonds IBR	05-Feb-09	68.000,0	G	18	IBR + 1,48	05-Aug-10	68.000,0	Do not have
Second Issuance Bonds DTF Sector 2	16-Jul-09	72.000,0	E2	24	DTF + 1,38	16-Jul-11	72.000,0	Do not have
Second Issuance Bonds Fixed Rate Sector 2	16-Jul-09	73.000,0	E3	36	TF 7,89%	16-Jul-12	73.000,0	Do not have
First Issuance Common Bonds IPC Sector 2	16-Jul-09	215.000,0	G5	60	IPC + 4,79	16-Jul-14	215.000,0	Do not have
First Common Bonds IBR Sector 2	16-Jul-09	90.000,0	I1	18	IBR + 1,44	16-Jan-11	<u>90.000,0</u>	Do not have
Total current bonds on December 31, 2009							<u>\$ 2.182.681,3</u>	



BANCO DAVIVIENDA S.A.
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(*) Pursuant to provisions established by the Superintendencia Financiera de Colombia by means of communication dated November 6, 2007 (note 7), the valuation of this obligation was modified from TIR to market value, 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 provided an investment of 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 7)

The bonds are distributed in accordance with the interest rate as follows:

<u>Rate</u>	<u>December 31</u>	<u>June 30</u>
DTF + 1,10	\$ 67.295,8	67.295,8
DTF + 1,20	79.671,2	79.671,2
DTF + 1,35	89.800,0	89.800,0
DTF + 1,38	72.000,0	0,0
DTF + 2,29	60.471,5	60.471,5
DTF + 2,39	50.550,0	50.550,0
DTF + 2,59	147.300,0	147.300,0
IPC + 4,19	215.000,0	0,0
IPC + 6,65	147.777,0	147.777,0
IPC + 6,24	170.570,0	170.570,0
IPC + 5,50	123.433,0	123.433,0
UVR – 0,30	3.552,2	5.029,5
UVR + 0,75	21.904,3	27.078,5
UVR + 6,65	166.129,5	166.680,8
Tasa fija 7,89%	73.000,0	0,0
Tasa fija 11,75%	71.108,5	71.108,5
Tasa fija 10,40%	121.800,0	121.800,0
IBR + 1,48 %	68.000,0	68.000,0
IBR + 1,44 %	90.000,0	0,0
Libor6 + 2,75	<u>343.318,3</u>	<u>361.009,6</u>
	\$ <u>2.182.681,3</u>	<u>1.757.575,4</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Bonds per monetary unit

	<u>Legal Currency</u>	<u>Foreign Currency</u>	<u>UVR</u>	<u>Total</u>
December 31	\$ 1.647.777,0	343.318,3	191.586,0	2.182.681,3
June 30	1.197.777,0	361.009,6	198.788,8	1.757.575,4

Bonds per period of maturity:

	<u>December 31</u>	<u>June 30</u>
From 0 to 1 years	\$ 330.925,8	324.177,8
From 1 to 5 year	1.071.097,2	634.497,0
From 5 to 10 year	<u>780.658,3</u>	<u>798.900,6</u>
	<u>\$ 2.182.681,3</u>	<u>1.757.575,4</u>

18) Others Liabilities

a) Labor obligations

The detail of the consolidated labor obligations is as follows:

	<u>December 31</u>	<u>June 30</u>
Consolidated severance payments	\$ 9.886,3	5.147,1
Severance payment interests	1.164,9	303,7
Consolidated vacations	11.661,3	11.486,3
Other social benefits	<u>5.857,3</u>	<u>6.164,4</u>
	<u>\$ 28.569,8</u>	<u>23.101,5</u>

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

b) Anticipated income movement

The movement of income in advance during the half-year periods ended on December 31 and June 30, 2009 is the following:

	<u>Balance at June 30</u>	<u>Credits</u>	<u>Charges</u>	<u>Balance at December 31</u>
Interests	\$ 0,7	3,9	4,6	0,0
Credit & debit cards handling	0,0	6.138,1	6.138,1	0,0
Others	<u>0,6</u>	<u>143,1</u>	<u>4,3</u>	<u>139,4</u>
	<u>\$ 1,3</u>	<u>6.285,1</u>	<u>6.147,0</u>	<u>139,4</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

c) Other liabilities movement – others

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

	Balance at			Balance at
	<u>June 30</u>	<u>Credits</u>	<u>Charges</u>	<u>December 31</u>
Deferred credits	\$ 22.396,7	41.430,3	18.320,5	45.506,5
Letter of credit deferred payment	3.284,2	18.078,3	18.448,3	2.914,2
Deferred income tax	22.539,1	76.418,4	28.647,7	70.309,8
Credits for applied	28.603,8	15.268.954,6	15.250.447,2	47.111,2
Surpluses in exchange	47,2	66.148,7	35.865,7	30.330,2
Surpluses in cash	3.047,6	53.654,6	53.783,3	2.918,9
Accounts cancelled	7.570,8	18.936,7	825,4	25.682,1
Others	<u>2.732,9</u>	<u>5.564,0</u>	<u>6.155,1</u>	<u>2.141,8</u>
	\$ <u>90.222,3</u>	<u>15.549.185,6</u>	<u>15.412.493,2</u>	<u>226.914,7</u>

The detail of the deferred credits as at December 31 and June 30, 2009 is the following:

	<u>December 31</u>	<u>June 30</u>
Credit Portfolio expressed in RVU.	\$ 0,0	1.906,2
Amortized of deferred restructured credits	18.378,5	16.152,3
Profit on foreclosed assets sale	3.797,8	4.338,2
Profit on assets sale	22.047,4	0,0
Others	<u>1.282,8</u>	<u>0,0</u>
	\$ <u>45.506,5</u>	<u>22.396,7</u>

Below you will find the deferred credits to be redeemed in installments, which limit date is December 31 and June 30, 2009

	<u>December 31</u>	<u>June 30</u>
From 0 to 1 years	\$ 22.047,4	208,0
From 1 to 5 years	0,0	1.524,9
From 5 to 10 years	0,0	4.338,2
More than 10 years	<u>23.459,1</u>	<u>16.325,6</u>
	\$ <u>45.506,5</u>	<u>22.396,7</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

19) 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 2009	\$ 0,0	25.436,3
Income tax previous years	<u>0,0</u>	<u>15.345,1</u>
	<u>0.0</u>	<u>40.781,4</u>
Industry and commerce	<u>10.469,7</u>	<u>6.790,1</u>
Others:		
Tes Interests Law 546, 1999	599,0	373,5
Savings Interests	1.031,1	1.232,4
Contributions & affiliations	6,3	6,3
Penalties and sanctions Superfinanciera	410,0	410,0
Penalties and sanctions, litigations, indemnifications and lawsuits	81.395,6	81.129,3
Other Allowances	<u>2.930,5</u>	<u>8.735,6</u>
	<u>86.372,5</u>	<u>91.887,1</u>
	\$ <u>96.842,2</u>	<u>139.458,6</u>

The income tax returns presented for 2007 and 2008 are pending for review by the Administración de Impuestos y Aduanas Nacionales [National Tax and Customs Administration] (DIAN).

Fines And Sanctions From Legal Actions

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

Bolsa

Are those processes of Granbanco S.A., that existed as of January 31, 2007 and are in force as of December 31, expressly secured by Fogafin.

Fogafin Posteriores

They are the Granbanco S.A. processes, that generate a contingent liability, notified after February 16, 2007, originated by events occurred previous to that same date, which should be expressly secured by Fogafin.

Bank's Lawsuits

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



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Notes to the Financial Statements

Following is a summary of the process, cut to December 31 and June 30, 2009:

December 31

<u>Class of process</u>	<u>Quantity processes</u>	<u>Allowance value</u>	<u>Claims value</u>
Litigation covered by contrac Fogafin	782	\$ 15.043,7	88.072,6
Bank:			
Penalties and sanctions others administrative	14	52.312,8	81.666,6
Labor Demands	41	564,6	1.557,5
Common Process	<u>1.275</u>	<u>13.474,5</u>	<u>71.012,8</u>
	<u>2.112</u>	<u>\$ 81.395,6</u>	<u>242.309,5</u>

June 30

<u>Class of process</u>	<u>Quantity processes</u>	<u>Allowance value</u>	<u>Claims value</u>
Litigation covered by contrac Fogafin	789	\$ 15.713,3	\$ 86.244,3
Bank:			
Penalties and sanctions others administrative	14	52.312,8	52.312,8
Labor Demands	33	546,3	1.217,6
Common Process	<u>1.163</u>	<u>12.556,9</u>	<u>58.542,6</u>
	<u>1.999</u>	<u>\$ 81.129,3</u>	<u>\$ 198.317,3</u>

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

Pursuant to the provisions of Decree 2649 of 1993 which regulates accounting in general and contains the principles and regulations that are generally accepted in Colombia, the classification of the possible result of legal actions initiated against the Bank for the purposes of allowance is performed according to a contingency that is catalogued as probable, eventual or remote and according to this classification the percentages have been defined in the following manner:

Contingency likely	100%
Contingency possible until	50%
Contingency remote	0%



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Notes to the Financial Statements

Processes initiated by the Bank could be:

Criminal

In the case of a criminal proceeding linked to the Bank as Civilly Responsible Third Party – As of December 31 and June 30, 2009 there were 5 processes of this type, whose claims rose to \$311,7.

Ordinary civil, special and labor

As of December 31 and June 30, 2009 there were 2.107 and 1.994 processes with claims amounting to \$241.997,8 and \$198.005,5.

This type of process 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 because of fines or 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.

The most important processes are detailed below:

Tax processes:

Income tax taxable year 2003:

The Bank took all the legal steps required by the DIAN by presenting a reconsideration appeal against the legal administrative act that utilized an official revision liquidation referring to the rental tax levied during 2003, that was then confirmed by the DIAN in February 2007 by issuing a negative answer to the appeal presented by the company, and for this reason a legal action was presented to invalidate same and to reestablish the right to present a suit before the administrative court. The claims under discussion total \$2.638,8 plus their appropriate interest and sanctions, if they apply.

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 Fogatin, and this is the reason why the Bank provision is responsible for 15% which is equivalent to \$317,0. 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



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The Bank presented a motion to nullify and reestablish against Resolution No. 684-000007 of June 23, 2006 and against Resolution No. 608-1163 of August 4, 2005 by which the tax administration rejects the return of the larger balance in favor in an amount of \$3.046,0. On November 16, 2007 an Interlocutory Action (Auto interlocutorio) was handed down suspending the pretrial process. This process shall be renewed and finalized once a definite sentence has been issued within process No. 2007-139.

Income tax taxable year 2000 favorable decision in first instance:

On May 9, 2005 the Bank filed a nullity and reestablishment of the law action against the Resolution that modified the Income Tax assessed for taxable year 2000 by \$4.330,1 On May 9, 2007, affixed in an edict of the 25 of the same month, the Court issued a ruling favorable to the Bank, with a contingent tax of \$81,8.

Rental Taxes for the 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. They imposed a sanction for inaccuracy in the amount of 160%. Amount under discussion \$14.975, which includes the greater tax of \$13.802,2 and the sanction for imprecision for \$21.055,8. On February 28, 2008, the Bank presented a reconsideration claim against said liquidation.

By means of Resolution No. 310662008000023, of October 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 exhausted.

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.

Equity Tax Taxable Year 2004

Special requirement No. 900003 of February 21, 2007, proposes to modify the Equity Tax to include in the base a penalty for assets as of December 31, 1995. It assesses a higher tax plus penalty for \$197,3.

Taxes on the 4 x 1000 Financial Movement during 2005

Revision liquidation dated January 19, 2007, henceforward called weeks 01 to 52 proposes modifying the Tax with charges and collection of sanctions due to inaccuracies, including charges made on operations in the checking account. Amount under discussion \$14.975,0, which includes the greater tax of \$5.759,7 and the sanction for imprecision for \$9.215,3.



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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.

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 de Impuestos y Aduanas Nacionales - DIAN pronounces on the appeal the Bank filed for the 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51 and 52 weeks. With such decision, the Tax Administration, confirms those weeks Official Liquidations Revision and in turn, with this act, the government instance was exhausted.

In January, February, and June 2009, the Bank placed an annulment and restitution of right action before the Administrative Tribunal of Cundinamarca against Resolutions No. 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 46 and 49. The demand by the Administrative Tribunal of Cundinamarca was submitted on 2 October 2009, which brings the action to nullify and restore the rights in weeks 43, 44, 45, 47, 48, 50, 51 and 52

Income tax on fiscal 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 devolution and/or compensation, consisting in 50% of the overdue interests liquidated for an amount of \$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 July 6, 2009 the Bank presented resource of reconsideration against Resolution 900012 before the Fiscal Administration to request reversal of the Resolution.

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 and its subsidiaries 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.

As of December 31 and June 30, 2009, the processes covered by Fogafin are 782 and 789 with a provision of \$15.043,7 and \$15.713,3 and intended amounts of \$88.072,6 and \$86.244,3, respectively.



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According to the above mentioned, the Bank structured several accounting accounts, that reflect not only the reality of its contingent liabilities, secured by the contract entered into with Fogafin, but others, that include the issues that are not secured by Fogafin, and therefore should be totally assumed by the Bank.

Processes that Generate Important Passive Contingencies:

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. The risk was described as remote, since it is not feasible to support the claims made by the actor with evidence, also the overpricing alluded to by the actor obeyed the factors authorized by law, as the interest capitalization at that moment would be in compliance with the existing requirements.
2. The Bank was sued by Mr. Guillermo Alfonso Trujillo, based on his claim that Bancafé, without consulting him, had paid a FINAGRO credit that had been approved in his name in the amount of \$382,0 and had applied it in an unauthorized manner to pay other credits, also in his name, that were coming due. His argument was that this Bank action was to his detriment which he quantifies in the amount of \$4.000,0. The process is under course in the 29th Civil Court of the Bogota Circuit; the evidence stage closed, and pending transfer to closing arguments. The contingency has been qualified as temporary or casual, due to the fact that there are trial items that will eventually determine the Banks civil responsibility.
3. Finally, within this group of important cases and for being major the contingencies, we must mention the class actions currently pending, taking into account that each of these litigation types can cover a large number of applicants who are within the parameters determined by the demand, the amounts of the claims would increase by large amounts.
 - An action group initiated by Mr. Alvaro Bocarejo Romero and other Concasa debtors, where they consider that the Corporación de Ahorro y Vivienda Concasa, from which the bank is successor, unduly collected interests on home loans to clients of that Corporation, this actions is in progress in Bogota Civil Court 37, which was notified to the Bank, which filed an appeal, against the decision of acceptance of lawsuit, which was solve, rejecting the lawsuit and sending it to the competency of administrative judges. In a second instance, the above mentioned decision, was confirmed, and therefore, the file should be further sent to administrative courts for assigning. The Administrative Court in charge of the issue was declared incompetent and this generated a negative jurisdiction conflict that the Supreme Judicial Council has not resolved. The plaintiffs are 142 individuals and there is not clear elements to establish the intended amounts, nor there is any recorded provision, as the contingency is considered not feasible, taking into account that theBank fulfilled the parameters of Law 546, for the reliquidation of loans granted in the Upac system.
 - 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



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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 proceedings 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.
- Mrs. Aida Acero and other parties brought a class action before the 7th Civil Court of Bogotá Circuit for excess charging of Upac in housing mortgage credits granted by that time on which they argue inappropriate collection. There are no objective elements of judgment to quantify the lawsuit and integration of the group. The contingency has been treated as remote, and therefore no allowance.
- Mrs. Silvana Heredia and other parties brought a class action before the 9th Civil Court of Barranquilla seeking relocation to houses of similar conditions to the persons who purchased Social Interest Housing (Viviendas de Interés Social) in a sector of that city which has experienced problems with foundations. The Bank is involved as one of the defendants for having granted the mortgage credits on those houses. These proceedings are under the period for producing evidence, and there are still no objective criteria to quantify the claims. For the time being, this contingency has been treated 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 29th 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 eventual.
- Mr. Henderson Sepúlveda and other parties brought a class action at the 5th Civil Court of the Bogotá Circuit against the Bank for excessive charging of rates of interest on credit card transactions. This proceeding is currently under the period for producing evidence, there is no valid fundamental data to calculate the amount of the claims and the contingency has been treated as remote.
- Mrs. Clara Cecilia Murcia and other parties brought a class action at the 5th Administrative Court of Bogotá, against the courts which did not meet the provisions of Law 546 on termination of the corresponding executives proceedings. Among the petitions of the lawsuit are ordering these courts to terminate such matters at the National level. The bank has been linked as a third party under these proceedings for having filed executory proceedings. is pending the processing of an amendment to the lawsuit filed by the actors. The process has been described as far-off..
- Mr. Cornelio Villada Rubio and others, placed a group action suit before the 7th Administrative Court of the Ibagué Circuit, seeking compensation for damages and losses derived by having been reported to the risk central without their authorization, and additionally that reports have been made which have lasted for over 10 years. The law suit was answered on June 9, 2009 but we await that Judge 8 Administrator of Ibagué assumes the knowledge of the process as Court 7 is prevented. The amount of the claim is undetermined, though the risk is classified as remote.



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- Mrs. Martha Luz Sanz Borja presented a group action suit against the Bank and other entities in order to be compensated for damages and losses caused by the fissures and affectations which their dwellings located in the Altos del Campos Housing Project suffered by defects of the terrain. The bank only financed a few dwellings. The suit was answered on June 10, 2009. The topic of prior exceptions is pending decision.
- Mr. Fredy Alarcon 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 Bogota which has yet to resolve an administrative appeal that was filed against the order which granted the application. The risk was 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 being pursued in the Civil Circuit Court 30 of Bogota, an answer to the complaint is being prepared. 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.

Processes that generate a positive contingency where the Bank acts as plaintiff.

On the December 31 the Bank had 54 processes where they are presented as plaintiffs, with a total amount due them in the order of \$89.204,7 Within these contingencies, the most representative are as follow:

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 \$26,505.0, 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. On July 15, 2009, statements were taken.
2. The Bank placed an executory process against the DIAN in February 2009 seeking payment of the interests ordered in the judgment of the Council of State which defined the topic of fiscal stability in favor of Bancafé. The amount of the litigation is of \$29,131.1. The Tribunal of Cundinamarca denied the order of payment. The appeal that the bank placed against this decision is pending processing before the Council of State.
3. 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.
4. With this understanding, and due to the process of consolidation operations between Granbanco S.A. and Banco Davivienda S.A., this company, Davivienda, became the holder of the tributary tax contract and on the June 10, 2008, the Bank requested the repayment of \$13.095.0 and \$9.728.0, as payments of what was not due in patrimony tax and liens on the financial movements mentioned above, which were paid for during the taxable year of 2007.



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On July 23, 2008, the Bank received the Tax Administration Resolutions, in which it decide to reimburse, as equity tax, the amount of \$4,485.0 and on December 18, 2008, by means of Resolution No. 608-1795, The Tax Administration, decided to reimburse the amount of \$263.6, as Levy on Financial Transactions.

In reference to the request of reimbursement of tax on capital, the Bank placed a reconsideration resource and on June 16, 2009, through Resolutions No. 1007 and 1008, the Fiscal Administration confirmed the official liquidations of revision, denying the reimbursement for an amount of \$8,610.0, exhausting thus the governmental option. Due to the previously mentioned, the Bank will proceed to request an action annulment and restitution of right before the Administrative Tribunal of Cundinamarca.

20) Capital Stock

As of December 31 and June 30, 2009, the Bank's authorized capital was \$50,000 and \$47,757,1 subscribed and paid shares, represented on 50,000,000 and 47,757,122 in shares, respectively, each with face value of \$1,000 (pesos), according to the following detail:

	<u>December 31</u>	<u>June 30</u>
Authorized shares	50.000.000	50.000.000
Subscribed and paid shares:		
Common with a face value of \$1,000 colombian pesos	47.757.122	43.183.399
Subscription of shares	<u>0</u>	<u>4.573.723</u>
Total subscribed and paid shares	<u>47.757.122</u>	<u>47.757.122</u>

There are no preferred shares or share repurchase transactions.

On March, 2009 through minute No. 101, General Assembly of Shareholders approved the authorized capital increase of \$5,000.0, for a total of \$50,000.0.

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

Net Profit per share

For the second semester at December 31, 2009, net income per share was \$ 4,861.97 (in pesos) on a total of 47,757,122 subscribed and paid shares, noting that this semester there no shares were issued.

For the semesters ending June 30, 2009 and December 30, 2008, the average share that was subscribed and paid for was 45,470,261 and the a net profit per share of \$4,932.16 (in pesos).

Intrinsic Value per share

For the semesters ending December 31 and June 30, 2009, the intrinsic value per share including appreciation was \$56,921.3 (in pesos) and \$51,930.3 (in pesos), respectively. Without said appreciation the intrinsic value was of \$46,450.5 and \$42,881.69, respectively.



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21) Reserves

The detail of reserves as of December 31 and June 30, 2009 is as follows:

	<u>December 31</u>	<u>June 30</u>
Legal reserve:		
For profit appropriation	\$ 24.192,5	24.192,5
For premium on the placement of common shares	<u>1.120.427,5</u>	<u>1.120.427,5</u>
	<u>1.144.620,0</u>	<u>1.144.620,0</u>
Statutory and occasional reserves:		
At the disposal of the General Assembly of Shareholders	776.435,4	603.964,5
For charities and donations	1.407,0	1.323,9
For fiscal allowances	<u>15.516,0</u>	<u>25.703,4</u>
	<u>793.358,4</u>	<u>630.991,8</u>
	\$ <u>1.937.978,4</u>	<u>1.775.611,8</u>

On December 31 and June 30, 2009, donations were made in the amounts of \$1.916,9 and \$812,6, respectively, paid for by the occasional reserves used for this purpose, authorized by the Shareholders' Assembly.

The General Assembly of Shareholders held in March 2009 approved transfer of \$ 182,948.9 reserves for the subscription of 4,573,723 shares.

The General Assembly of Shareholders held in September 2009 approved the release of reserves available to the Assembly for \$ 2,000.0 for a reserve available to the Board for donations.

22) Contingent Accounts

A detail of contingent accounts is as follows:

	<u>December 31</u>	<u>June 30</u>
Creditors:		
Bank guaranties	\$ 489.607,9	342.102,0
Letters of credit	63.190,4	36.707,1
Approved and not disbursed credits	1.914.265,9	1.706.482,7
Credit card opening	5.704.657,3	5.140.207,0
Obligations in options	161.000,3	94.315,6
Accounts payable to the Nation, Law 546/99	23.045,7	23.045,7
Leasing contract purchase property street 26	6.365,3	8.039,9
Litigation (Note 19)	242.309,5	198.317,3
Receiving payment order money	1.904,8	2.355,6
Others	<u>6.198,1</u>	<u>5.567,1</u>
	\$ <u>8.612.545,2</u>	<u>7.557.140,0</u>



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Debtors:		
Values gave during repo and simultaneous operations	\$ 145.033,1	210.927,6
Credit portfolio interests	40.881,1	46.323,9
Housing leasing portfolio interests	2.223,2	2.336,6
Rights in options	161.716,1	93.630,7
Housing portfolio relieves Law 546/99	23.702,1	23.302,8
Credit portfolio monetary correction	8.283,7	28.019,3
Written down restructured portfolio(1)	40.473,2	40.182,4
Rights contract certificated	17.193,0	17.193,0
Lawsuits	135.297,8	117.766,1
Other debtor contingencies	<u>57.107,4</u>	<u>58.954,9</u>
	\$ 631.910,7	638.637,3

(1) The value of written down restructured portfolio corresponds to the business restructuring agreement entered into on February 3, 2005 between Promotora La Alborada and its creditors; Product of this agreement Davivienda received a representative title of 21,121,632,105 shares for an amount of \$21,121.6. The remaining balance corresponds to a credit of 101,988,429.81 UVR liquidated to December 31, 2009 for \$19,060.8, which will be paid in a sole installment on January 30, 2012.

In the second semester of 2008, these rights were sold on credit; however, in June 2009 the promisors made the decision of abandoning the deal, which generated an expense to the bank for the return of \$2,342.9 for advancements made in the previous period.

23) 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	\$ 3.883.650,2	3.075.676,3
Assets and securities received in guarantee	186.549,6	272.465,1
Revaluation assets received as payment	6.232,6	6.258,5
Remittance and sent to other recovery	5.384,3	7.200,5
Write down assets	1.269.705,7	1.415.335,9
Assets inflation adjustment	58.834,2	58.834,2
Credits to stockholders and related parties	14.126,6	24.743,2
Agricultural portfolio new loans	931.535,3	677.395,8
Property and equipment fully depreciated	182.714,0	177.721,9
Fiscal Value of non-monetary assets	21.333.994,7	21.333.994,7
Allowance people in concordat situation	39.097,7	39.298,1
Investment negociable in debt securities	3.304.015,4	2.440.247,6
Investment to be maintained up to their maturity	402.779,9	352.233,3
Investment available for sale – debt securities	8.791,3	10.301,6
Reciprocal operations with Parent Companies and subordinates	328.384,8	316.615,8
Reciprocal operations that affect expenses and costs with parent companies	24.022,9	19.161,0
Capital, interest and insurance securitized portfolio	1.146.824,8	1.158.798,4
Capital, interest, Daviplan and insurance universality and portfolio	109.463,7	114.308,5
	\$ 33.236.107,7	31.500.590,4
	To \$ 33.236.107,7	31.500.590,4



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	<u>December 31</u>	<u>June 30</u>
From	\$ 33.236.107,7	31.500.590,4
Universalities assets, expenses and contingencies	527.885,6	544.573,6
Interest, RVU and guaranties	1.395.590,3	358.805,0
Mortgage bonds housing portfolio	53.886,7	57.681,0
Base tax on VAT (value added tax) for purchases	512.816,6	418.255,8
Special litigation processes	97.617,0	95.249,8
Swaps rights on foreign currency US dollars	338.961,1	537.978,0
Depreciation of Housing Leasing	95.172,7	95.172,7
Lineal cause of syndicated credit and bonds	5.880,1	10.824,9
DCV indirect deposits	444.772,0	490.909,1
Others debtor Memorandum accounts	<u>149.319,2</u>	<u>121.520,0</u>
	\$ <u>36.858.009,0</u>	<u>34.231.560,3</u>
Creditor:		
Assets and securities received in custody	\$ 171.036,0	190.989,3
Assets and securities received in guarantee for futures loans	6.282.032,5	6.402.785,9
Guarantees outstanding to cancel	2.116.254,5	1.555.287,0
Assets and securities received in guaranty	14.745.029,0	12.883.958,7
Assets and securities received in other guaranties	744,7	0,0
Assets and securities received in administration	414.785,6	426.437,8
Inflation adjustment to stockholders´equity	252.185,5	252.185,5
Capitalization for stockholders´equity revaluation	252.185,2	252.185,2
Fixed income negociable investments yields	211.960,0	123.843,9
Stockholders´equity fiscal value	2.209.197,0	2.209.197,0
Capital, interest and others comercial portfolio	9.533.690,0	8.862.650,3
Capital, interest and others consumption portfolio	5.989.285,8	5.462.311,3
Capital, interest and others micro – credit portfolio	1.117,4	3.478,3
Capital, interest and others housing portfolio	2.016.550,3	1.811.781,5
Liability reciprocal operations with Parent Companies & Subordinates	133.966,8	77.832,6
Reciprocal operations affecting income with Parent Company	37.547,4	17.390,9
Universality guaranties, liabilities and incomes	261.515,0	283.342,1
Securitized portfolio guaranties	5.143.564,0	5.147.480,4
Write down credit guaranties	0,0	134.154,2
Syndicated credit	0,0	190.040,0
Subordinated bonds	337.298,0	353.959,7
Self-withholding base - Decree 700 – Investment	307.566,4	112.978,0
Allowance contracíclica	174.653,9	196.533,3
Other debtor contingencies	<u>625.848,5</u>	<u>600.713,2</u>
	\$ <u>51.218.013,5</u>	<u>47.551.527,4</u>

24) Fiduciary Accounts

In accordance to what is established by External Memorandum 047 of September 2008, issued by the Superintendencia Financiera de Colombia, as of January 1, 2009, the Bank updated and homologated the instructions concerning the determination and accounting of said entitlement process.

The General Balance and the balance transmitted to the Superintendencia Financiera de Colombia differ from the official accounting books of the Bank and its subsidiaries in the accounting of the fiduciary accounts, due to the fact that they are not enabled for transmission.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Housing Write Down Portfolio Universality

In December 31 and June 30, 2009, universalities CCV, CCVII y CCVIII of Financial Statements are recorded Trust Memorandum Accounts.

These universalities were constituted through penalties approved by the General Shareholders' Assembly held on December 16, 2003; May 11 and November 9, 2004 respectively. It was then decide to retrieve the balance of the Bank, a set of housing credits, that due to their particular risk situation had been totally provisioned and at the same time perform an issuance of titles.

The portfolio of written off 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 Financial Superintendence 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 titles 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 Financial Superintendence, the Titles CCV, CCVII, and CCVIII were inscribed in the Registro Nacional de Valores e Intermediarios [National Registry of Titles and intermediaries], 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 Write Down 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)
Housing RVU Contingency		12.855,3
Housing 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 administered by the Bank with an exclusive support in the CCVIII Universality (Housing Write Down Portfolio III) and without guaranty from their own stockholders' equity.

The custody and administration 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.

In December 3, 2008, these securities were classified CCC by the Colombia's Classification Company Duff and Phelps S.A according to their risks conditions.

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



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

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.
- Profitability: Uncertain, derived from the collections achieved from the write down 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 quotas 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 Write Down 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)
Housing RVU Contingency		54.817,1
Housing 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 Write Down Portfolio II) Universality and without any guaranty from their own stockholders' equity.



BANCO DAVIVIENDA S.A.
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The custody and administration of the issuance is made by DECEVAL in accordance with the deposit and administration contract of the issuance, entered into by the Bank and DECEVAL.

In May 12, 2009, these securities were classified CCC by the Colombia's Classification Company Duff and Phelps S.A. according to their risks conditions.

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

The characteristics of the CCVII 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>
26-May-04	26-May-12	I	96	Uncertain	<u>\$ 10.042,0</u>

- 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 write down 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 quotas 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.

Housing Write 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>



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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 Write Down Portfolio) 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.

At December 3, 2008, these instruments were rated CCC by the rating company Duff and Phelps de Colombia S.A., in accordance with their risk condition.

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

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	<u>\$ 13.977,4</u>

- 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 write down 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 quotas 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.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

The detail of the fiduciary accounts, with closing on December 31 and June 30, 2009 are presented below:

<u>December 31</u>	<u>CCV</u>	<u>CCVII</u>	<u>CCVIII</u>	<u>Total</u>
<u>Balance</u>				
Cash and cash equivalents	\$ 2.498,5	524,1	433,0	3.455,6
Credit portfolio	18.888,1	13.039,1	8.941,1	40.868,3
Debtor	<u>128,2</u>	<u>241,1</u>	<u>191,8</u>	<u>561,1</u>
Assets total	<u>21.514,8</u>	<u>13.804,3</u>	<u>9.565,9</u>	<u>44.885,0</u>
Interests	1.330,3	186,5	585,2	2.102,0
Accounts payable	(207,3)	228,3	(45,5)	(24,5)
Creditors	1.503,7	350,4	85,0	1.939,1
Long term-debt	<u>18.888,1</u>	<u>13.039,1</u>	<u>8.941,2</u>	<u>40.868,4</u>
Liabilities total	\$ <u>21.514,8</u>	<u>13.804,3</u>	<u>9.565,9</u>	<u>44.885,0</u>
<u>Results</u>				
Operating Income	\$ 1,6	1,0	1,1	3,7
Readjustment to real value unit – R.V.U.	(62,7)	(43,3)	(29,7)	(135,7)
Portfolio Recovery	4.252,5	2.462,8	3.437,7	10.153,0
Real estate trusts	<u>931,0</u>	<u>1.122,9</u>	<u>659,6</u>	<u>2.713,5</u>
Operating income total	<u>5.122,4</u>	<u>3.543,4</u>	<u>4.068,6</u>	<u>12.734,5</u>
Other interests	2.597,6	1.884,6	3.157,5	7.639,7
Commissions	193,7	151,1	146,3	491,1
Fees	52,8	55,2	90,5	198,5
Insurance	1.465,4	783,0	420,3	2.668,7
Miscellaneous	<u>813,0</u>	<u>669,5</u>	<u>254,0</u>	<u>1.736,5</u>
Operating expenses total	\$ <u>5.122,5</u>	<u>3.543,4</u>	<u>4.068,6</u>	<u>12.734,5</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

<u>June 30</u>		<u>CCV</u>	<u>CCVII</u>	<u>CCVIII</u>	<u>Total</u>
<u>Balance</u>					
Cash and cash equivalents	\$	1.880,9	494,5	0,3	2.375,7
Credit portfolio		18.950,8	13.082,4	8.970,8	41.004,0
Debtor		<u>389,7</u>	<u>1.298,7</u>	<u>486,3</u>	<u>2.174,7</u>
Assets total		<u>21.221,4</u>	<u>14.875,6</u>	<u>9.457,4</u>	<u>45.554,4</u>
Interests		1.510,7	1.189,3	371,7	3.071,7
Accounts payable		0,0	319,9	6,4	326,3
Creditors		759,9	284,0	108,5	1.152,4
Long term-debt		<u>18.950,8</u>	<u>13.082,4</u>	<u>8.970,8</u>	<u>41.004,0</u>
Liabilities total	\$	<u>21.221,4</u>	<u>14.875,6</u>	<u>9.457,4</u>	<u>45.554,4</u>
<u>Results</u>					
Operating Income	\$	1,6	0,9	1,5	4,0
Readjustment to real value unit – R.V.U.		527,4	364,1	249,6	1.141,1
Portfolio Recovery		3.266,6	2.965,5	4.178,0	10.410,1
Real estate trusts		<u>1.503,7</u>	<u>2.044,7</u>	<u>751,6</u>	<u>4.300,0</u>
Operating income total		<u>5.299,3</u>	<u>5.375,2</u>	<u>5.180,7</u>	<u>15.855,2</u>
Other interests		2.883,3	3.746,5	4.152,1	10.781,9
Commissions		159,3	149,7	160,9	469,9
Fees		68,5	68,5	57,7	194,7
Insurance		1.599,4	892,4	495,5	2.987,3
Miscellaneous		<u>588,8</u>	<u>518,1</u>	<u>314,5</u>	<u>1.421,4</u>
Operating expenses total	\$	<u>5.299,3</u>	<u>5.375,2</u>	<u>5.180,7</u>	<u>15.855,2</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

25) Operating Income - Other

The detail of the operating income – others is as follows:

	<u>December 31</u>	<u>June 30</u>
Traveler withdrawal	\$ 15.374,2	14.311,8
Servibanca collection	4.870,7	5.889,4
Commission nets	9.347,2	10.069,8
Checkbooks	1.455,6	1.379,9
Virtual Services	3.614,4	4.653,7
Entrepreneurial service collection	16.384,7	14.838,2
Transactions income	1.247,8	1.712,6
Check book sale	13.713,5	12.524,4
Accounts receivable allowance refunding	28.306,1	26.327,4
Credit portfolio allowance refunding	450.042,2	346.179,9
Individuals' portfolio	28.579,2	33.105,0
Credit card refusals	1.266,9	1.003,9
Revaluation of syndicated loan and subordinated (Note 7)	25.116,5	12.903,6
Profits in simultaneous short-term and open repo operations and temporary security transferences.	181,2	483,6
Others	<u>11.214,7</u>	<u>7.781,7</u>
	<u>\$ 610.714,9</u>	<u>493.164,9</u>

26) Operating Expenses - Others

The detail of the operating expenses – others is as follows:

	<u>December 31</u>	<u>June 30</u>
Fees	\$ 59.260,1	31.452,8
Losses in simultaneous short-term and open operations and temporary security transferences	589,1	2.366,3
Taxes	16.628,6	19.018,1
Leases	23.906,2	20.942,6
Contributions and affiliations	24.026,6	18.665,0
Insurance	37.311,6	31.284,4
Maintenance and repairs	<u>17.199,4</u>	<u>13.887,2</u>
To \$	<u>178.921,6</u>	<u>137.616,4</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
	From	
	178.921,6	137.616,4
Suitability offices	8.603,1	5.101,8
Services toilet and surveillance	14.892,2	11.933,5
Temporary services	1.372,2	1.427,8
Advertising and propaganda	37.239,0	21.951,7
Public relations	516,9	725,0
Public Services	23.606,9	21.241,9
Electronic Data Processing	27.058,3	19.334,2
Travel expenses	7.869,6	3.999,2
Transportation	23.296,5	21.509,9
Tools & stationery	7.139,2	6.490,9
Commissions exchange and cash	3.037,6	1.482,5
Commissions redes	206,9	394,6
Others	<u>7.582,6</u>	<u>8.683,7</u>
	\$ <u>341.342,6</u>	<u>261.893,1</u>

27) Allowances - Others

The following is the detail of other allowances:

	<u>December 31</u>	<u>June 30</u>
Cash	\$ 124,5	120,9
Foreclosed Assets	3.851,0	2.912,5
Other assets	1.662,4	1.797,9
Other estimated liabilities	<u>217,5</u>	<u>110,7</u>
	\$ <u>5.855,4</u>	<u>4.942,0</u>

28) 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	\$ 1.518,7	2.682,0
Properties & equipment	<u>739,4</u>	<u>7.734,0</u>
To	\$ <u>2.258,1</u>	<u>10.416,0</u>



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Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
	From \$ <u>2.258,1</u>	<u>10.416,0</u>
Recoveries:		
Portfolio and property written off	\$ 46.882,4	54.364,5
Refund allowances properties and equipment	716,5	3.007,8
Refund allowances foreclosed assets	7.811,9	3.566,8
Refund allowances investments	2.624,2	260,0
Refund allowances other assets	1.463,8	41,1
Refund other allowances	18.250,2	1.718,7
Refund By sinister	1.254,3	19,1
Refund deposit insurance	0,0	6.201,9
Deduction previous years	48,6	4.052,2
Taxes	0,0	2.273,7
Refund estimated liabilities curse year	233,4	0,0
Refund estimated liabilities prior periods	6.951,5	8.306,5
Others Recoveries	<u>4.145,0</u>	<u>2.107,8</u>
	<u>90.381,8</u>	<u>85.920,1</u>
Business collaboration contract (1)	7.632,3	6.662,3
Membership rights Visa Inc. Franchise. (2)	0,0	16.644,0
Cancellation of contract Fiducia Mercantil		
Promotora de Inversiones Arroba (3)	0,0	2.852,5
Leases	803,5	644,6
Various	<u>7.215,5</u>	<u>5.013,0</u>
	<u>15.651,3</u>	<u>31.816,4</u>
	\$ <u>108.291,2</u>	<u>128.152,6</u>

(1) Through business cooperation contract concluded between the bank and the Fiduciaria Davivienda S.A. which is extended every year, with the purpose of promotion business trust, it was agreed to distribute the income the proceeds in equal parts between the trustee and the Bank

(2) In February 2009 the income for the membership fee of 258,938 shares of Visa International for \$ 16,644.0 was recorded, which had been acquired in June 2008. These shares were sold on June 3, 2009 to Citibank NA residing in New York.

(3) For termination of the contract of Fiducia Mercantil, for administration and conditioned payment of resources undertaken between Promotora de Inversiones Arroba S.A. and the Banco Davivienda S.A. to cover possible hidden liabilities for the purchase of Bansuperior (with expiration of three years as of the sale) it was agreed upon between the parties that the liquidation was performed in favor of the Bank, and generated an amount of \$4,465.7, with which the debt on behalf of Inversiones Arroba was cancelled for \$1,613.2 and the difference of \$2,852.5 was recorded in income.



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Notes to the Financial Statements

29) 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	\$ 5.117,7	1.534,3
Loss on sale of properties and equipment	63,9	127,6
Damage loss	4.953,0	6.598,4
Penalties and sanctions	4.076,4	3.456,6
Expenses assets received in payment	1.154,9	871,5
Other assets losses	448,9	482,2
Client recognition	2.406,2	1.468,1
Housing relieves return	2.238,5	2.662,3
Overdue payment interests for income tax 2006	0,2	2.137,8
Frauds	12.370,9	11.772,9
Portfolio fees	314,8	270,8
Others	<u>4.899,2</u>	<u>7.801,7</u>
	\$ <u>38.044,6</u>	<u>39.184,2</u>

30) Income Tax

The following is the reconciliation between accounting profit and estimated taxable income, for the periods ended on December 31 and June 30, 2009:

	<u>December 31</u>	<u>June 30</u>
Profit before income tax	\$ 245.193,5	288.282,6
(Plus or less) entries that increase (decrease)fiscal profit:		
Taxes on financial movements non taxable	116,4	149,6
Non deductible brp's, assets, litigations, other allowances	(6.496,0)	56.186,3
Difference for application of special Valuation systems net 2008 and 2009	(59.573,0)	6.738,5
Dividends and income non taxable	(30.722,3)	(24.478,1)
Other non-deductible expenses and allowances	753,7	14.756,1
40% deduction for depreciable productive assets	(8.587,0)	(3.013,9)
Difference between accounting and fiscal depreciation	(157.783,1)	(1.066,1)
Non – deductible allowances reimbursement	(25.488,5)	(11.294,6)
Other deductions and tax benefits	<u>106.487,8</u>	<u>(120.786,6)</u>
Net Income	63.901,5	205.473,8
Presumptive income	32.725,0	32.725,0
Less exempt income	<u>(128.671,8)</u>	<u>(132.798,7)</u>
Tasable net income	<u>(64.770,3)</u>	<u>72.675,1</u>
Income Tax	(22.669,7)	25.436,3
Deferred income tax	<u>35.669,7</u>	<u>38.579,8</u>
Total income tax and surtax	\$ <u>13.000,0</u>	<u>64.016,1</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Tax Stability Regime

The overall rate of income tax applicable to taxable year 2008 according to Act 1111 of 2006 is calculated at a rate of 33%, plus two (2) points for the benefit of tax stability obtained as a result of the merger with Granbanco, for general rate of 35%

By means of Resolution 07582 of June 27, 2007 from the National Tax and Customs Direction (DIAN), it was established that the Bank will be able to apply the Tax Stability Regime that covers the company Granbanco S.A. Bancafe, as of the formalization of the merger agreement between the two banking institutions, up to December 31, 2009.

For periods ended on December 31 and June 30, 2009 the following temporary differences originated the movement of the deferred tax:

	<u>December 31</u>	<u>June 30</u>
Difference between accounting and fiscal income:		
By valuation of investment	\$ 11.053,6	16.774,7
By allowance of industry and comerse Tax	(1.316,8)	1.103,5
Higher value Mercantil Credit	50.953,0	0,0
By losses not realizad in Swap operation – Hedgin Syndicated Loan and IFC Bonds	<u>(7.928,7)</u>	<u>20.701,6</u>
	<u>\$ 35.669,7</u>	<u>38.579,8</u>

Book value equity at December 31, 2009 defers from estimated the taxable equity for the following reasons:

Accounting stockholders´ equity	\$ 2.718.399,1
More or (less) entries taht increase (decrease) the stockholders equity´due to fiscal effects:	
Allowances Assets	41.146,7
Estimated liabilities and allowances	84.742,4
Effect of the Derived items	20.795,5
Property & equipment accounting revaluations	(386.532,5)
Deferred tax payable efect	<u>54.523,1</u>
Estimate Fiscal stockholders equity	<u>\$ 2.533.074,3</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

31) Related Parties Transactions

They are considered as related parties the main stockholders, members of the Board of Directors and the companies in which the Bank possesses investments higher than ten percent (10%) or where economic, administrative or financial interests exist.

Likewise, the companies in which the stockholders or members of the Board of Directors have participation higher than ten percent (10%).

In addition, and in accordance with the provisions in the Article 29 in the Law 222, 1995 and taking into account that the Banco Davivienda S.A. is a company controlled by the Grupo Empresarial Bolivar, we present herein below the most important direct or indirect operations, compared with closing at December 31 and June 30, 2009:

Operations with Related Parties:

<u>Bancafé Panamá S.A.</u>	<u>December 31</u>	<u>June 30</u>
Assets		
Cash	\$ 35.911,2	45.475,4
Investment available for sale In equity securities (note 5f.)	59.486,7	62.425,2
Swaps	(430,3)	3,5
Revaluations on investments available For sale in equity securities (note 5f.)	49.259,8	38.935,4
Liabilities		
Deposits and callabilities	0,0	13,9
Operating Income		0,0
Banking services	0,0	393,5
Operating Expenses		
Interest deposits an callabilities	0,0	0,3

Bancafé International Corporation S.A.

Assets		
Cash	\$ 62,4	67,7
Active Positions in Monetary Market Operations and those Related	1.482,1	3.003,3
Investment available for sale In equity securities (note 5f.)	21.196,6	22.243,7
Revaluations Investment available for sale In equity securities (note 5f.)	2.512,1	2.329,4
Operating Income		
Banking services	0,9	15,2



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

<u>Fiduciaria Cafetera S.A.</u>	<u>December 31</u>	<u>June 30</u>
Assets		
Investment available for sale		
In equity securities (note 5f.)	\$ 50.227,5	44.586,9
Accounts receivable	0,0	2,5
Revaluations on investments available		
For sale in equity securities (nota 5f.)	13.594,9	7.572,6
Liabilities		
Deposits and callabilities	14.333,5	2.839,7
Operating Income		
Dividends and shares (nota 5f.)	897,7	8.230,5
Others	0,1	0,2
Non-operating income		
Others	13,9	13,9
Operating Expenses		
Interest deposits an callabilities	\$ 128,2	143,3
<u>Fiduciaria Superior S.A. - En liquidación</u>		
Assets		
Investment available for sale		
In equity securities (note 5f.)	\$ 0,0	2.525,3
Revaluations on investments available		
For sale in equity securities (nota 5f.)	0,0	71,5
<u>Fiduciaria Davivienda S.A.</u>		
Assets		
Investment available for sale		
In equity securities (note 5f.)	\$ 14.024,8	11.757,3
Credits	0,1	2,0
Accounts receivable – Business collaboration contract (note 8)	1.234,3	1.166,4
Other accounts receivable	49,0	0,0
Revaluations on investments available		
For sale in equity securities (note 5f.)	12.732,9	11.625,5
Liabilities		
Deposits and callabilities	2.395,6	2.317,4
Accounts payable	\$ 0,0	0,6



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
Operating Income		
Refund global bank policy	\$ 700,0	0,0
Dividends and shares (nota 5f.)	2.267,5	4.015,1
Others	0,7	1,6
Non-operating income		
Business collaboration contract	7.632,3	6.662,3
Operating Expenses		
Interest deposits an callabilities	95,5	102,4
Commissions other services	0,0	2,0
Other financial costs	\$ 1,5	1,5

Confinanciera S.A.

Assets		
Investment available for sale		
In equity securities (note 5f.)	\$ 57.695,3	31.880,4
Investment negociable in debt securities	517,8	588,1
Accounts receivable	48,3	44,3
Revaluations on investments available		
For sale in equity securities (note 5f.)	1.050,9	24.312,4
Liabilities		
Deposits and callabilities	44.911,6	11.195,4
Accounts payable	1,0	4,8
Operating Income		
Profit on revaluation of invesment	0,0	42,5
Comissions	93,5	49,3
Various	0,0	43,8
Operating Expenses		
Interest deposits an callabilities	54,1	29,5
Mercantil credit	4.065,6	4.065,6
Non-operating income		
Others	\$ 16,8	0,0

Davivalores S.A.

Assets		
Investment available for sale		
In equity securities (nota 5f.)	\$ 2.981,5	2.570,6
Revaluations on investment available		
For sale in equito securities (note 5f.)	4.418,1	4.246,3
Liabilities		
Accounts Payables	0,0	129,6
Deposits and callabilities	3.378,5	5.468,1

December 31

June 30



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Operating Income		
Various	57,4	0,5
Operating Expenses		
Interest deposits an callabilities	58,2	63,1
Other fees	\$ 822,4	835,2

Seguros Comerciales Bolívar S.A.

Assets		
Loans	64,0	73,7
Swaps	\$ 0,0	190,3
Accounts receivable	143,5	80,8
Liabilities		
Deposits and callabilities	21.563,9	2.423,8
Accounts payable	553,5	815,8
Operating Income		
Insurance policies collection commission	3.360,0	2.706,8
Various – Banking services Commission	249,8	577,2
Interest and discount amortized credit card	2,2	0,0
Non-operating income:		
Leases Assets	19,7	19,7
Operating Expenses		
Insurance	0,0	3.028,8
Financial cost and restatement - Swap	(1.075,2)	2.773,0
Non-operating expenses		
Local and offices leases	57,7	11,3

Compañía de Seguros Bolívar S.A.

Assets		
Swaps	\$ 0,0	698,0
Credits	259,2	199,7
Accounts receivable	5,3	8,9
Liabilites		
Deposits and callabilities	13.544,4	9.940,9
Accounts payable	133,8	237,9
Operating Income		
Interest and discount amortized credit card	2,9	1,0
Insurance policies collection comisión	10.254,0	9.262,3
Various – Banking services commission	2.061,6	1.894,9



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
Non-operating income		
Various – Recovery others	599,2	0,0
Operating expenses		
Financial cost and reexpression – Swap	1.912,6	4.314,2
Insurance	289,4	2.818,4
 <u>Capitalizadora Bolívar S.A.</u>		
Assets		
Credits	2,7	3,6
Swaps	\$ 0,0	698,0
Liabilities		
Deposits an callabilities	4.307,2	1.797,0
Operating Income		
Insurance policies collection commission	1.816,1	1.684,0
Various – Banking services commission	765,5	689,1
Non- operating Income		
Various – Others recoveries	208,9	0,0
Operating expenses		
Interest deposits and callabilities	0,0	0,2
Financial cost and restatement - Swap	\$ 1.912,6	4.314,2
 <u>Leasing Bolívar S.A.</u>		
Assets		
Accounts receivable	\$ 180,1	105,2
Liabilities		
Deposits and callabilities	22.777,2	24.598,2
Operating Income		
Various	210,2	376,2
Operating expenses		
Interests deposits and callabilities	\$ 1.233,5	2,0
 <u>Sociedades Bolívar S.A.</u>		
Liabilities		
Deposits and callabilities	\$ 2.047,3	780,0
Operating Income		
Various	0,0	1,0
Operating expenses		
Interest deposits an callabilities	\$ 0,0	129,6
 <u>Constructora Bolívar Bogotá S.A.</u>		
Assets		
Credits	\$ 16.657,5	22.687,6
Accounts receivable	23,6	89,5
Liabilities		
Deposits and callbilities	3.650,6	1.755,0



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
Operating Income		
Interest and discount amortized on credits	\$ 128,5	129,9
Non-operating expenses		
Various expenses goods received in payment	0,0	16,8

Constructora Bolívar Cali S.A.

Assets		
Credits	8.006,3	6.992,2
Accounts receivables	21,4	10,8
Liabilities		
Deposits and callabilities	645,0	446,9
Operating Income		
Interes and discount amortized on credits	0,9	0,0

	<u>December 31</u>	<u>June 30</u>
<u>Constructora Bolívar Medellín S.A.</u>		
Liabilities		
Deposits and callabilities	0,0	10,1

Seguridad Cía. Adm. de Fondos de inversión S.A.

Liabilities		
Deposits and callabilities	2.341,3	4,8
Investment securities outstanding	3.725,4	3.737,8
Operating income		
Various	12,6	1,1
Operating expenses		
Interests Deposits and callabilities	1,9	1,2
Various	0,0	104,0



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Cusezar S.A.

Assets		
Credits	\$	409,3
Accounts receivables		0,0
Liabilities		
Deposits and callabilities		2.682,9

Urbe Capital S.A.

Assets		
Credits		13.317,7
Accounts receivable		0,0
Liabilities		
Deposits and callabilities		6.895,6
Operating Income		
Interest and discount amortized on credits		241,5
Operating Expenses		
Interests Deposits and callabillites		1,1

Inversiones Zárate Gutierrez y Cia. S.C.S.

Assets		
Credits		1.083,4
Liabilities		
Deposits and callabilities		5,0
Operating Income		
Interest and discount amortized on credits		95,8

International Finance Corporation (I.F.C.)

Assets		
Others expenses for amortizing		225,4
Liabilities		
Accounts Payables		6,8
Subordinates Bonds		343.318,3
Operanting Income		
Subordinates Bonds Revaluation (Note 7)		15.508,5
Non – operating income		
Refund liabilities estimated previous years		2,6
Operating Expenses		
Comissions		0,0
Fees		13,6
Financial Advisings		0,0



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

	<u>December 31</u>	<u>June 30</u>
<u>Promociones y cobranzas Beta S.A.</u>		
Assets		
Accounts receivables	\$ 5,6	5,6
Liabilities		
Deposits and callabilities	2.215,7	2.748,8
Comissions and Fees	725,3	829,2
Accounts payable	783,7	1.009,4
Operating income		
Various – Banking services commission	0,0	12,4
Non-operating income		
Leases	36,0	20,7
Others recoveries	78,5	485,0
Operating expenses		
Fees	8.246,7	4.762,2
Legal expenses	10,6	0,2
Aids to the personal	28,8	0,0
Non - Operating expenses		
Various – collect fees	\$ 57,1	344,4
<u>Ediciones Gamma S.A.</u>		
Assets		
Account receivable	\$ 2,8	2,8
Provision Account receivable	(2,8)	(2,8)
Liabilities		
Deposits and callabilities	577,9	105,4
Accounts Payables	0,3	0,3
Operating Income		
Various	0,0	3,3
Non-operating income		
Leases	35,0	41,7
Various	2,3	0,0
Operating expenses		
Provision Account receivable	0,0	2,8
Advertising and propaganda	730,2	207,5
Public relations	\$ 0,0	193,9

The balance of the credits with economically related parties, is the following:



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

	<u>Interes Anual Rate</u>		<u>December 31</u>	<u>June 30</u>
Stockholders				
Commercial	0,01% y 25,78%	\$	259.383,4	160.014,1
Consumption	0% y 25,78%		14.906,2	15.231,4
Housing	0% y 18,43%		<u>1.026,4</u>	<u>1.245,0</u>
		\$	<u>275.316,0</u>	<u>176.490,5</u>
Board of Directors				
Commercial	0,2% y 14,50%	\$	186,7	60,2
Consumption	0,00% y 25,78%		343,4	154,6
Housing	7,50% y 12,50%		<u>207,0</u>	<u>205,5</u>
		\$	<u>737,1</u>	<u>420,3</u>
Administrators				
Commercial	0% y 14,75%	\$	1.710,6	2.248,3
Consumption	0% y 25,78%		756,1	1.167,1
Housing	0% y 18,15%		<u>1.406,3</u>	<u>2.203,5</u>
		\$	<u>3.873,0</u>	<u>5.438,9</u>
Other related Parties				
Commercial	0,01% y 25,78%	\$	<u>24.686,9</u>	<u>30.226,3</u>
		\$	<u>304.613,0</u>	<u>212.756,0</u>

On December 31 and June 30, 2009 the credit asset operations made with stockholders – titular partners of 5% or more of the subscribed capital are recorded in debtor memorandum accounts. Increased to \$14,126.6 and \$24,743.2, respectively. (Note 23)

The balance of the deposits and callabilities with related parties is the following:

	<u>Interes Anual Rate</u>		<u>December 31</u>	<u>June 30</u>
Stockholders				
Saving Accounts	0,3%	\$	81.667,5	52.621,9
Certificates pesos	2,00% y 12,64%		4.985,9	6.664,3
Certificates CPI	IPC + 0,23% and IPC + 0,84%		25,3	6,3
Checking accounts	0,0%		<u>76.895,0</u>	<u>58.580,4</u>
		\$	<u>163.573,7</u>	<u>117.872,9</u>
Board of Directors				
Saving Accounts	0,3% - 0,5%	\$	198,4	297,8
Checking accounts	0,0%		<u>34,9</u>	<u>36,7</u>
		\$	<u>233,3</u>	<u>334,5</u>



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

		<u>December 31</u>	<u>June 30</u>
Borrad of Directors´Advisors			
Saving Accounts	0,3% - 0,5%	\$ 462,8	151,2
Certificates in Pesos	3.95% at 9.9%	678,4	0,0
Checking accounts	0,0%	<u>285,1</u>	<u>302,0</u>
		\$ <u>1.426,3</u>	<u>453,2</u>
 Administrators			
Saving Accounts	0,3% - 0,5%	\$ 442,0	210,6
Certificates pesos	4,4% and 4,15%	23,0	22,0
Checking accounts	0.0%	<u>13,4</u>	<u>298,2</u>
		\$ <u>478,4</u>	<u>530,8</u>
 Other related parties			
Saving Accounts	0,3%	\$ 166.878,5	91.750,7
Certificates pesos	3,8% and 4,8%	42,4	35,8
Checking accounts	0,0%	<u>28.954,0</u>	<u>59.417,2</u>
		\$ <u>195.874,9</u>	<u>151.203,7</u>
		\$ <u>361.586,6</u>	<u>270.395,1</u>

Fees

The following fees were paid for attendance to the Board of Directors as at December 31 and June 30, 2009:

		<u>December 31</u>	<u>June 30</u>
Board of Directors	\$	140,1	114,9
Board of Directors´ Advisors		<u>64,4</u>	<u>43,4</u>
	\$	<u>204,5</u>	<u>158,3</u>

Others Payments

As at December 31 and June 30, 2009, other payments for fees and commissions to members and advisors of the Board of Directors were paid for \$13.6 and \$119.3, respectively.

32) Risk Management

Risk Management at Banco Davivienda is based on a solid and segmented organizational structure. The Board of Directors and the Top Management, aware of the segregation and segmentation have designated different credit areas as responsible of the processes for granting, origination, follow up, control and recovery. The same occurs with the front, middle and back office for treasury. Additionally, there is a clear definition of policies and procedures in order to maintain the risk profile within authorized limits.

The Risk Management and Administration at Bolivar Group is carried out through a strategy of synergy between the companies, consolidating a Risk Area for all the companies which optimizes the technological and academic resources for the development of measurement, analysis and control tools of the risks assumed.



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

On the other hand, the Financial and Investments Risk Committee of the Bolivar Group analyzes and evaluates the different operating and investment alternatives in accordance with the philosophy of each entity, recommending their approval or rejection in the Board of Directors.

In general, Davivienda's processes are based on qualified and trained human capital, thanks to the efforts of the Human Relations Direction and the Executive Training Center.

1. Organizational Structure

As refers to the organizational structure, according to the basic guidelines of security and professionalism, and using the advantages of synergy with group companies, the operational, risk and commercial areas of the Bank must be separated from each other.

For personal credit, there is an executive vice presidency in charge of this subject. The approval is based on a pyramidal structure with defined tops. Also, there are credit committees that issue group decisions.

For these credit products, there is a score for granting the credit, both acquired, for consumption and developed internally for mortgage credit, based on the Bank's own historic data. There are methodologies developed to segment by homogenous groups the universe of credits and thus be able to assign individually the risk levels.

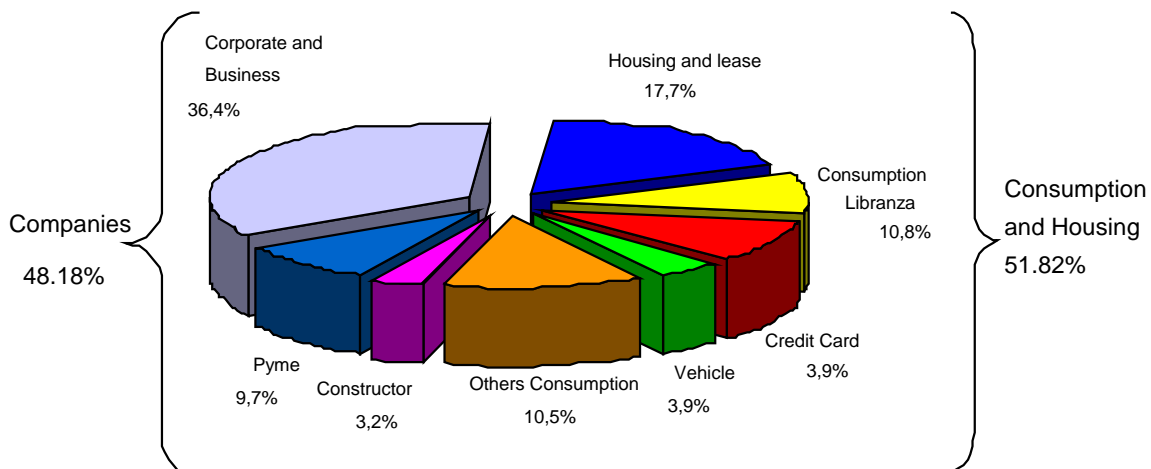
For corporate and business credits, the commercial strategy is developed by the Vice Presidency of Entrepreneurial Business and the credit risk evaluation is the responsibility of the Corporate Vice-Presidency.

In order to evaluate different coverage alternatives for the financial risks to which the Bank is exposed, manage the personal granting credit policies and the risk evaluation of mass credit portfolios to maintain a risk / profitability balance, and to prepare the Bank's financial information (balance sheets, financial statements, budget), as well as the generation of management figures of products, transactions, and income from services, there is the Planning and Risk Vice- Presidency.

The limits of exposure by product are approved by the Board of Directors. To the recovery management is designated the Collection Vice-Presidency.

2. Credit Risk – Credit Products:

The composition of the Banco Davivienda's portfolio at December 31, 2009 is the following:





BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

2.1 Reference Models published by the Superintendencia Financiera de Colombia

The Bank implemented as of July, 2007, under its credits risk metrics policy the Business Reference Model (Modelo de Referencia Comercial MRC), complying with the guidelines of External Memorandum Letter 035 of 2006.

Likewise, starting July, 2008, the Bank adopted the Consumption Reference Model (MRCO), according to the definitions of Annex 5 of Chapter II or External Bulletin 022 of 2008, this model generated an impact in the risk qualification of clients, having as a consequence, an increase on the quality indicators per risk category Up until June 2009, however, following recommendations made by the Superintendencia Financiera de Colombia in which it was felt that some of the Bank's interpretations in terms of benchmark definitions may be overestimating the level of debtors risk, a series of technological adjustments in the application of concepts were carried out this semester, aimed at a more lenient application of the definitions in current regulations aligned with the standards defined in existing regulations.

Notwithstanding these adjustments in the quality indicators of portfolio risk rating, the Bank allocated provisioning is maintained for portfolios in low risk categories, those graded A or B, and increased coverage for higher risk categories C, D and E, from 57.8% in June 2009 to 76.2% in December 2009, as shown in the table below:

Risk Rate	December – 09			June – 09		
	Capital	Allowance	%Coverage	Capital	Allowance	Coverage%
C	158.744	54.033	34.04%	274.166	56.175	20.49%
D	149.505	149.505	100.00%	211.147	179.816	85.16%
E	132.418	132.418	100.00%	177.661	147.421	82.98%
Total	440.666	335.955	76.24%	662.974	383.412	57.83%

These benchmarks and the current regulations are the basis for estimating portfolio provisions.

2.2 Portfolio Mass

These portfolios include mainly personal credits for housing and consumer goods.

For this class of portfolio the Bank has been developing its own models to estimate losses which are being continuously calibrated. The use of these models is internal and being a tool used in financial management processes and risk control and is based on cash flow projections in accordance with the historical behavior of arrears through transition matrices, historical recovery data and behavioral parameters of the portfolio.

The models are constructed with historical data, the most recent beginning in January 2002, and suggest an expected percentage loss for one year, which is constantly monitored and calibrated adjusting the inherent risk of each portfolio. These models have not yet been approved by the Superintendencia Financiera de Colombia.

The Certificates of Credit Card and Housing models are estimated based on annual losses given the difference between the duration of the portfolio and the period of one (1) year and for the other products we estimate the expected loss on an actual value for the total period of the portfolio.

Below we describe the main balances per type of portfolio and the results of the provisions compared to the results of the internal models for large portfolios.



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(figures in thousand of millions)		Balance	% C, D, E	Allowance	Coverage C,D,E	Supply model
PORTFOLIO MASS	Housing and Lease					
	Jun-09	\$ 2.660,6	3,0%	\$ 124,2	153,3%	\$ 117,4
	Dec-09	3.055,9	2,5%	134,8	175,5%	94,3
	Credit Card					
	Jun-09	1.451,5	7,0%	86,9	86,1%	147,7
	Dec-09	1.553,0	4,8%	83,6	111,7%	91,6
	Other Consumption					
	Jun-09	1.779,5	21,5%	319,7	83,7%	211,3
	Dec-09	1.811,9	12,5%	282,2	125,1%	446,2
	Consumption Libranza					
	Jun-09	1.501,7	7,3%	107,1	97,5%	42,9
	Dec-09	1.858,3	4,2%	97,4	126,1%	51,7
	Vehicle					
	Jun-09	639,3	11,0%	56,3	80,3%	32,4
Dec-09	678,4	9,3%	51,6	81,9%	36,5	
Total						
Jun-09	8.032,6	9,3%	694,2	93,3%	551,7	
Dec-09	8.957,5	5,8%	649,6	125,5%	720,4	

2.3 Non-Mass portfolios

We mainly include business portfolios for small businesses and corporations, for purposes of measuring risk, the Bank has developed its own assessment models that seek to manage the proper administration of credit risk.

The risk model for Corporative Credit uses quantitative as well as qualitative factors. The indicators have been developed based on financial statements and characteristics of each company.

The first model for a construction credit evaluates the financial and commercial viability of the project, the experience of the construction company and the advances made on the job. The risk rating of this segment is attached below :

(Figures in thousand of millions)	Jun-09	Dic-09
Constructor		
A - Normal	\$ 526,1	487,8
B - Acceptable	4,6	35,0
C - Deficient	1,4	0,4
D - Difficult Collection	33,7	20,5
E - Irrecoverable		1,2
Total	\$ 565,8	544,9

The model of this expected loss for SME's, assesses the probability of failing in function of the historical arrears behaviors per loan and the loss due to failing, according to the guarantees associated to each liability. The value of the expected losses is detailed as follows:



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(Figures in thousand of millions)	Balance	% C, D, E	Allowance	Coverage C, D, E	Internal model Allowance
Pyme					
Jun-09	\$ 1.343,7	10,8%	\$ 134,6	92,9%	\$ 73,4
Dec-09	1.496,5	8,0%	134,0	112,3%	78,9

3. Market Risk

3.1 Treasury Book

3.1.1 Administration of Financial Risks

The Financial Risk Administration Manual consolidates information on the management and administration of the company's risks. In it are set forth the rules and procedures necessary for the control and administration of the Market Risks.

The Area of financial risks is in charge of overseeing the adequate compliance with the policies and procedures established to carry out risk management in the Group, in accordance to the decisions made by the Board of Directors or by the Committee of Financial Risks and Investments of the Bolivar Group, taking into account the attributions that correspond to each category, the Risks Area is also responsible of the mediation, analysis as well as the review and periodic evaluation of the methodologies of valorization of financial of financial instruments.

3.1.2 Operations

The definition of entities authorized to operate with companies of the Bolivar Group, is made using a 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. There are investment and counterparty limits well defined (both in pesos and in U.S. dollars), limits by trader, position limits, modified term limits, limits for maximum loss and limits of VaR to control the operations of the treasury

3.1.3 Portfolio Composition

The investment portfolio of the Bank in legal currency as at December 31, is made up of negotiable investments (90,4%), investments to maturity (10,4%) and available for sale (0,2%).



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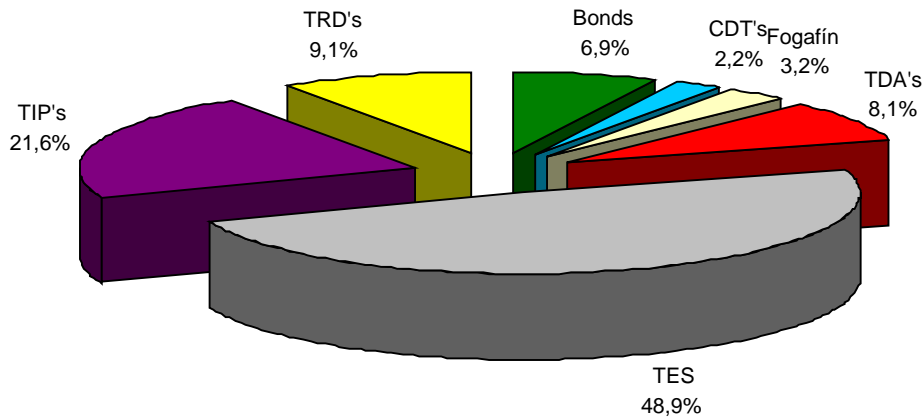
Accounting Rate

(Thousand of millions)

Instrument	<u>Negotiable</u>	<u>Part. %</u>	<u>Avai. Sale</u>	<u>Part. %</u>	<u>Expiration</u>	<u>Part. %</u>	<u>Total ⁽¹⁾</u>	<u>Part. %</u>
Bonds	\$ 268,0	7,7%	0,0	0,0%	0,0	0,0%	268,0	6,9%
CDT's	82,2	2,4%	0,0	0,0%	3,0	0,7%	85,2	2,2%
Fogafin	123,2	3,5%	0,0	0,0%	0,0	0,0%	123,2	3,2%
TDA's	242,4	6,9%	0,0	0,0%	70,5	17,5%	312,9	8,0%
TES	1.887,1	54,6%	0,0	0,0%	3,6	0,9%	1.890,7	48,9%
TIP's	825,5	23,6%	8,8	100,0%	3,0	0,7%	837,3	21,6%
TRD's	<u>29,6</u>	<u>0,8%</u>	<u>0,0</u>	<u>0,0%</u>	<u>322,7</u>	<u>80,1%</u>	<u>352,3</u>	<u>9,0%</u>
Total	<u>\$ 3.458,0</u>	<u>89,4%</u>	<u>8,8</u>	<u>0,2%</u>	<u>402,8</u>	<u>10,5%</u>	<u>3.869,6</u>	<u>100,0%</u>

(1) Negotiable investments + available for sale + maturity. Does not include simultaneous operations, inter-banking operations, repo operations and provisions

Portfolio Composition of Investment on December 31,2009



3.1.4 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.



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The internal model that is not approved by the Superintendencia Financiera de Colombia used in the measuring of risks uses as reference the model called VaR (Value at Risk) published by J. P. Morgan in 1994, as per documents called Risk Metrics: "Return to Risk Metrics: The Evolution of the Standard".

For the calculation of the volatility of returns, the model EWMA (1) (Exponentially Weighted Moving Average) 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 the Value at Risk internal Model for the portfolio as of December 31, 2009 is:

(Thousand of millions pesos)

<u>Instrumento</u>	<u>VPN</u>	Particip. <u>%</u>	Term <u>modific.</u>	VaR 95% <u>1 day</u>	VaR 99% <u>1 day</u>	VaR 99% <u>10 days</u>
Trading	\$ 3.458,0	89,5%	3,02	13,0	18,3	58,0
Available for sale	8,8	0,2%	1,39	0,1	0,1	0,3
At maturity	<u>402,8</u>	<u>10,3%</u>	<u>3,13</u>	<u>0,0</u>	<u>0,0</u>	<u>0,0</u>
Total Portafolio	<u>\$ 3.869,6</u>	<u>100,0%</u>	<u>3,03</u>	<u>13,0</u>	<u>18,3</u>	<u>58,0</u>

1 EWMA: Exponentially Weighted Moving Average

Policies of limits and risk positions

Policies of foreign currency portfolio

Maximun exposure	(+/-) 20 millon dollars - daily
Var	\$5,000.0 VaR daily 95% - 1 day internal methodology
Term	1 year (Derived items Treasury book, operations with greater terms have special authorizations) (+/-) 70 million dollars - per day
Fix - Derivate maturity Non delivery	(+/-) 100 millon dollars - per day

maximum exposure includes the operations; Spot, Fordware, Next Day, OPCF and Options



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3.2 Bank Book

3.2.1 Value on Regulation Risk

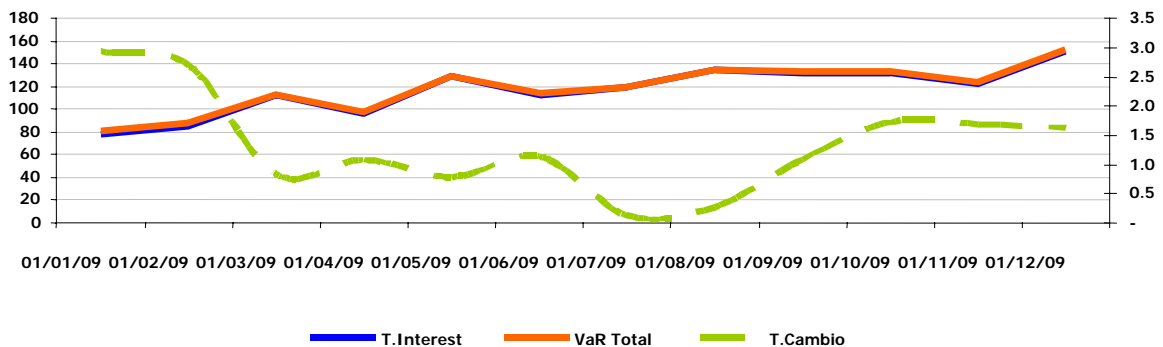
According to the methodology established in Chapter XXI of the Circular Básica Contable y Financiera [Basic Accounting and Financial Memorandum] (External Memorandum 100 of 1995) Attachment I, issued by the Colombian Financial Superintendence the Value in Risk "VeR" to December 31, 2009 sums \$154,926.8.

Detailed below is the behavior of the VeR from January 1, 2009 to December 31, 2009:

(Thousand of million pesos)

Maximum	154.9
Mínimum	81,9
Average	118,6
End (Dec 31/09)	154.9

Evolution VeR Regulative



3.2.2 Liquidity Risk

The Bank's 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 considered relevant, like the financial margin, yields, ROA, ROE and others. The objective of this Committee, will be to support the Board of Directors and the Presidency of the Bank, in the definition, follow up and control of general policies of assets and liabilities management and risk assumption.



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The Bank carries out the liquidity risk measurement, 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 Financial Circular (External Circular 100 of 1995) issued by the *Superintendencia Financiera de Colombia*, pursuant to the provisions of the chapter mentioned above, the Bank implemented its Liquidity Risk Management System in the Financial Risk Management Handbook (*Manual de Administración de Riesgos Financieros - MARF*).

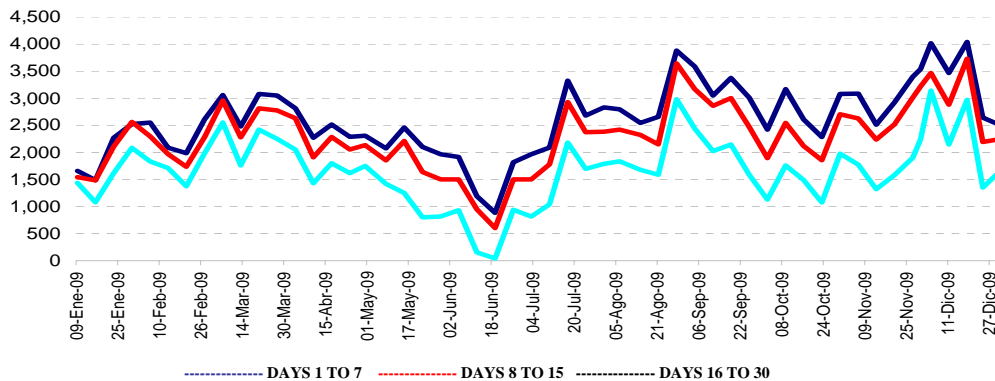
Annex I of Chapter VI of the Basic Accounting and Financial Circular (External Circular 100 of 1995) establishes the methodology for measuring and weekly reporting features of liquidity risk (LRI) for Credit Institutions. Below is the liquidity risk assessment for the different positions of assets, liabilities and expected flows through the Liquidity Risk Indicator (LRI), and their behavior since the first transfer made on 9 January 2009 (according to that established by External Circular 020 of June 11, 2008 of the *Superintendencia Financiera de Colombia*) until 31 December 2009.

(Thousand of million pesos)

	Bands		
	First	Second	Third
	1 to 7 days	8 to 15 days	16 to 30 days
\$	2.501,8	2.246,8	1.665,7

The time related bands refers to liquid assets adjusted for market liquidity and the net between the projected flows of the asset and liability with contractual and non contractual maturities. The entity is not exposed to liquidity risk if the liquidity risk indicator LRI accumulated for the first band¹, is equal to or greater than zero. The following chart shows the evolution of the LRI in different time frames, through which a positive trend of the expected gaps in the flow can be seen.

IRL - Banco Davivienda



(1) In accordance to what is established by the Colombian Financial Superintendence in External Memorandum 016 of 2008, "The First Band Comprises (7) calendar days as of the first Monday of the week in which the weekly liquidity risk report is issued until Sunday of the same week.



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3.3 Internal Control

In conformity with External Memorandum Letter 31 of 2004 issued by the Superintendencia Financiera de Colombia, the Bank has internal control policies and procedures that are carried out by the financial and investment risk committee, which meets periodically and which duties and authorities are regulated in the Financial Risk Management Manual, Codes and Regulations chapter.

Among the policies and procedures defined, the Code of Conduct and Ethics of Treasury has been established, which identifies the different conducts that must rule the acts by its members and the conflicts of interest to which they are exposed, and methods are established to evaluate and penalized such members in the cases required.

In addition, the risk area performs different activities intended to watch for the adequate coverage of the policies and procedures, supported on technological and computer tools that permit to make an adequate follow up to the Treasury operation.

4. Risk Administration System for Money Laundering and Financing of Terrorism (SARLAFT)

The Bank has implemented a Risk Administration System for Money Laundering and Financing of Terrorism, based on the premise of risk management that includes the client knowledge and their entity operations, definition of Segments market, client, products, channels of distribution and jurisdictions, monitoring transaction and operation report to the competent authorities in order to avoid being used to give the appearance of legality to assets originating from illegal activities, in accordance to what is established by External Memorandum 026 of June 2008 of the Superintendencia Financiera de Colombia.

This System is supported by an organizational culture, policies, controls and procedures that are known and applied by the entire organization and which collect the entire Colombian regulatory frame, as well as international recommendations and better practices in the matter, mainly those of the International Financial Action Group "GAFI".

The procedures and rules of conduct on the application of all the mechanisms and instruments of control are contained in the compliance manual and code of conduct, which is known by all officers of the Bank.

The Bank provides permanent training to officers and employees for seeking to create conscience and commitment in each of them.

Reviews of the control mechanisms designed and implemented in the Compliance Unit and other areas of the entity within the processes of the Statutory Auditor's Office and Internal Audit are also included.

In compliance with the rules The Board of Directors appointed a Compliance Officer and deputy who are duly sworn before the Superintendencia Financiera de Colombia.

5. Operating Risk Management System (SARO)

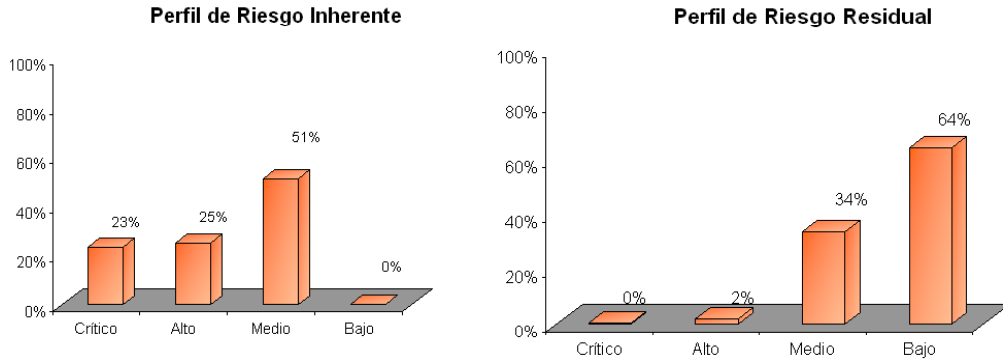
In accordance with the provisions of the External Circular 041 of 2007 issued by the Superintendencia Financiera de Colombia, the Bank has implemented an Operational Risk Management system (SARO).

This system identifies the risks in each process that takes place in the Bank to evaluate their level of criticality, evaluate quality and effectiveness of the controls and ensure through action plans that the risk profile and possible exposure of the Bank to losses is properly controlled.

As can be seen in the graph our residual risk profile enables us to ensure effective control of the inherent risks rated as critical and high, and thus have adequately mitigated the operational risks most representative of the Bank.



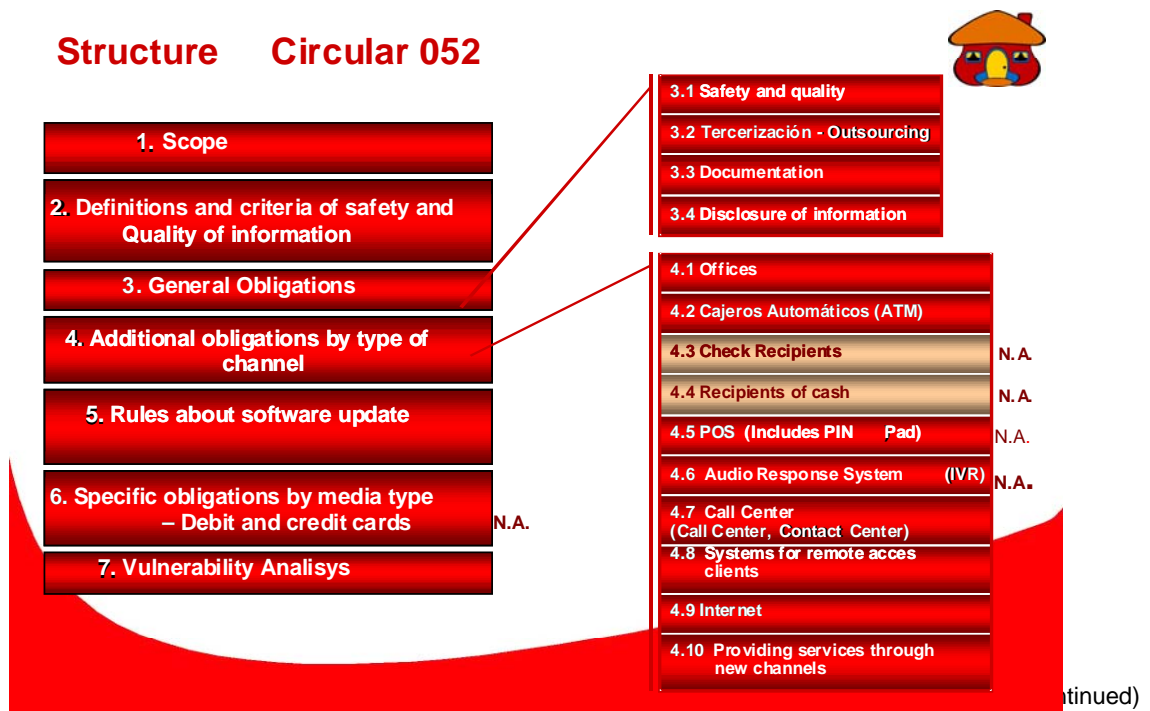
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33) Information Security Strategies – External Circular 052 of 2007

As part of the Bank's safety strategy and in order to comply with integration or adaption of the minimum requirements for Safety and Quality demanded by External Memorandum 052 of 2007 of the Superintendencia Financiera de Colombia, the Organization and Methods are of the Bank, leading the implementation of phases II and III, in reference to management of projects of implementation and maintenance of the other requirements implemented for phase I. The use and maintenance of the other requirements that were implemented in phases I and II have also has prioritized.

Since the Bank has been using international guidelines and standards to implement and develop its Safety of Information strategy, a high level of alignment with said External Bulletin 052, which comprises the following structure:





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All the processes and controls implemented for the compliance of phase I and II are being maintained.

For phase III important definitions have been accomplished early with requirements such as offering the management of different passwords for each channel, process definitions is now working with this scheme.

Within the bank's channel policies, caring for people with disabilities while maintaining a high level of protection for their information has been established.

Among the topics defined within the strategic planning that is aligned with this Circular was the project oriented to the implementation of the CHIP card, which offers benefits for our customers from the security point of view and which serves as the beginning of a new stage in payment methods. We are confident that we will remain at the forefront of changes that occur in this field and those who use the payment methods and are currently focused on mobile banking. The project starts with a segment of customers using a strategy that will serve to measure the impact on the customer segment at the security level and also at business level, in order to broaden its scope.

For the technology acquired in PINPADs and ATMs, there are clear policies regarding the compliance of these devices that can read chip cards.

An interdisciplinary group was allocated to evaluate solutions that might interact with the platform currently used focused on strengthening it for video recording and image storage of customer service areas, and images that are associated with transactions in the case of ATMs. A solution plan was arrived at and an implementation determined at the level of Offices and ATMs.

Work was done with the Banking Association and other banks in strategic initiatives designed to mitigate risk by phishing, which is listed as one of the main types of fraud attacks on the Internet channel. Security mechanisms were strengthened and investment is planned to complete the security according to the mechanisms that hackers commonly use.

The security scheme used to share or exchange information with others and within areas of the Bank and its subsidiaries was strengthened.

The development of activities aimed at strengthening and maintaining security management continues through the dissemination of information protection mechanisms, examples, rules and messages about the proper use of Bank information.

For the maintenance of the phases that support the objectives of the External Circular 052, the Bank and its subsidiaries continue to develop initiatives, projects and investments needed to maintain appropriate mechanisms, processes, procedures and tools in addition to advances in research and updates on security issues which could be implemented to mitigate further risks.

34) 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.



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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:

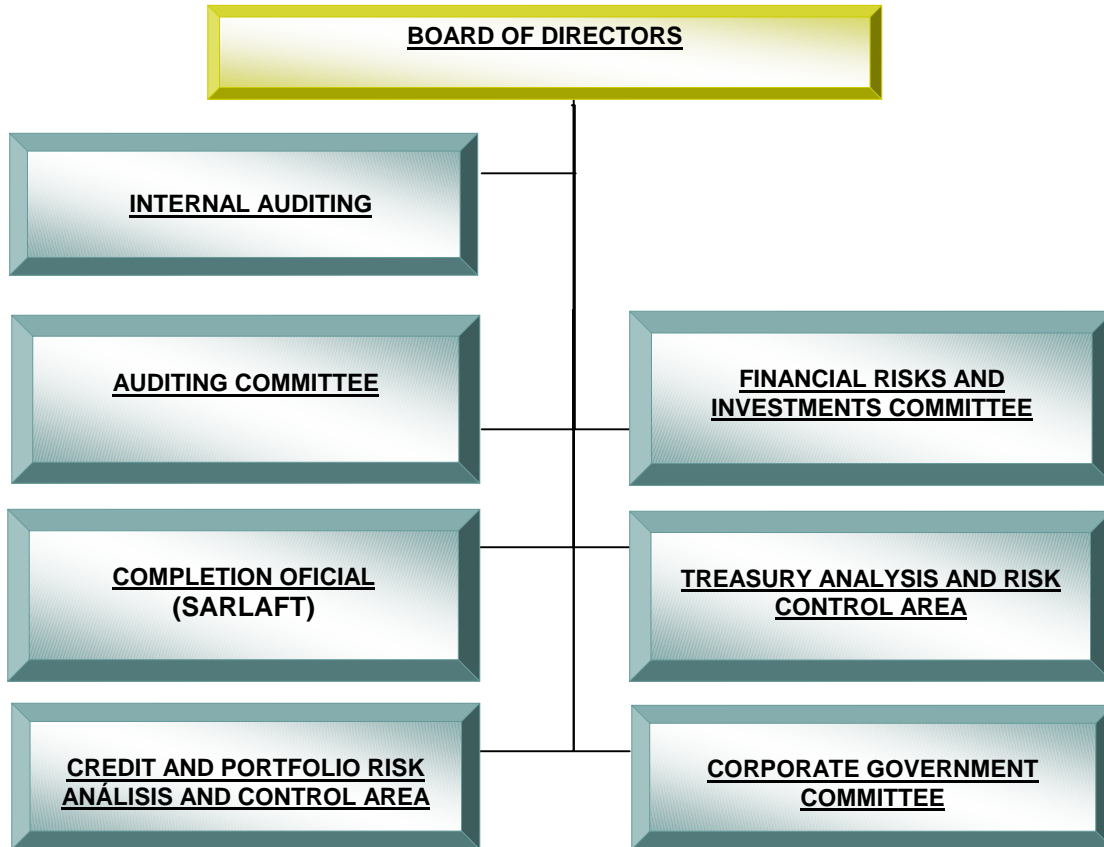
- Evaluation and control of activity of the administrators, principal executives and the directors.
- Disclosure of information to shareholders and investors in subjects regarding the institutional policies of the Bank, government structure and its shareholders composition, handling conflicts of interest, 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 Davivienda Bank and supervises placement and follow-through of same.

The next (esquema) can illust the main (organos) the support of the board to the develop the functions.



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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



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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 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 Memorandum 014 of 2009 modified by the External Memorandum 038 of 2009 issued by the Colombian Financial Superintendence, the Bank currently counts on a control system integrated by the principles mentioned in the memorandum, relative to auto-control, auto-regulation, and auto-management and identifies the internal control system elements in the organization structure. The Bank has implemented all requirements of the control environment in line with the timetable established for it.

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,



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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.

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.

35) Controls of Law

During the periods ended on December 31 and June 30, 2009, the Bank complied with the requirements of mandatory reserves, foreign exchange position, minimum capital, solvency ratio and mandatory investment.

Proper Position

Below, we present the main amounts (in foreign currency) that allow us to calculate the proper position to December 31 and June 30, 2009. (Amounts in USD)



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		<u>December 31</u>	<u>June 30</u>		<u>Limits</u>	
					<u>December 31</u>	<u>June 30</u>
Assets	USD	358.164.052	303.515.579			
Liabilities		342.511.272	309.436.750			
Contingent Assets		1.179.864.722	1.397.061.798			
Contingent Liabilities		1.202.853.433	1.392.477.650			
Technical equity base para el cálculo del PT		1.328.671.668	1.180.744.620			
Average Proper Position (PP)		-7.335.931	-4.143.330	(-5% Tech. Equi.)	-66.433.583	-59.037.231
Proper Position in cash (PPC)		15.652.780	11.638.488	(50% Tech. Equi.)	664.335.834	590.372.310
Gross leverage position (PBA)	USD	2.375.725.827	2.781.472.483	(550% Tec. Equi.)	7.307.694.177	6.494.095.409

- Solvency Reference

The following is the Technical Equity of Bank at December 31 and June 30, 2009:

	<u>December 31</u>	<u>June 30</u>
Basic Patrimony (Primary Capital)	\$ 1.883.601,8	1.658.139,8
Additional Patrimony (Secondary Capital)	<u>868.453,3</u>	<u>851.369,4</u>
Technical Patrimony	<u>2.702.055,1</u>	<u>2.509.509,2</u>
Value in Market Risk	154.926,8	113.733,7
Weighed Assets per risk levels	20.009.458,5	18.441.818,8
Solvency Index (PT/(APNR+((100/9)*VeR))	12,43%	12,74%

According to data defined in Article 2° of the Decree 1720 de 2001, the Technical Patrimony may not be less than 9% of the assets in national and foreign currency weighed by level of risk.

The classification of the risk assets in each category is done applying the percentages specified by the Superintendencia Financiera de Colombia on each one of the asset amounts, contingency account, business and fiduciary matters established in the Single Account Plan.

Individual fulfillment is verified each month by non-consolidated financial statements and in June and December of each year in a consolidated statement to include the subordinates.

36) Other points of interest:

For the December 2009 cut-off, the bank presented no material facts affecting the financial situation.