



**BANCO DAVIVIENDA S.A.**

**Balance Sheet**

**June 30, 2011 with comparative figures for December 31, 2010**  
**(Millions of Colombian pesos)**

<b>ASSETS</b>	<b>June 30</b>	<b>December 31</b>
Cash and cash equivalents (note 4)	\$ 1,950,526.7	1,325,604.3
'Active positions in monetary market operations and those related (note 5)	465,615.2	191,490.7
'Investments (note 6)	3,811,448.6	4,066,216.1
Negotiable debt securities	1,975,656.7	2,089,684.8
To hold to maturity	305,029.7	318,956.6
Available for sale debt securities	1,219,447.7	1,319,632.2
Available for sale equity securities	297,876.2	312,296.0
Investment transfer rights	0.0	13,446.0
Delivered negotiable guarantees	41,140.7	40,120.8
Less: Allowance	(27,702.4)	(27,920.3)
Loan and financial leases (note 7)	22,200,688.1	19,819,439.1
Mortgage Loans	2,255,194.5	1,771,169.9
Consumer Loans	8,371,609.1	7,497,130.8
Micro-credit Loans	25.9	73.6
Commercial Loans	12,806,601.3	11,669,323.1
Less: Allowance	(1,232,742.7)	(1,118,258.3)
Bankers' Acceptances, spot transactions and Derivatives (note 8)	111,965.6	72,263.8
Cash transactions	7.4	48.6
Operations with derivative financial instruments - speculation	111,882.9	70,845.7
others	75.3	1,369.5
'Accounts receivable (note 9)	301,509.4	321,976.8
Interest Receivable	210,939.6	181,037.1
Fees and Commissions	1,223.3	1,006.6
Payments of Costumers	43,478.1	41,238.0
Others	115,864.4	167,743.2
Less: Allowance	(69,996.0)	(69,048.1)
Foreclosed Assets (Note 10)	36,891.4	52,164.2
Properties and Equipment (Note 11)	384,740.1	364,784.4
Others Assets (note 12)	1,645,263.7	1,483,987.8
Expenses paid, Intangible Assets in Advance and Deferred Charges	1,471,369.2	1,360,903.7
Employees Portfolio	120,487.6	106,743.3
Others	57,351.2	20,585.3
Less: Allowance	(3,944.3)	(4,244.5)
Nets Valuations	589,392.2	538,967.2
Investments (note 5)	123,555.0	140,683.2
Properties and Equipment (Note 10)	462,223.5	394,669.5
Art and culture	3,613.7	3,614.5
<b>TOTAL ASSETS</b>	<b>\$ 31,498,041.0</b>	<b>28,236,894.4</b>
Creditor Contingent Accounts (note 23)	\$ 13,832,457.0	12,137,265.5
Debtor Contingent Accounts (note 23)	320,364.2	476,529.0
Debtor Memorandum Accountst (note 24)	42,738,591.6	40,034,938.9
Creditor Memorandum Accountst (note 24)	71,463,804.3	64,769,981.1
<b>Total Contingent and Memorandum Accounts</b>	<b>\$ 128,355,217.1</b>	<b>117,418,714.5</b>
<b>Trust Memorandum Accounts (Note 25)</b>		
Active	\$ 37,578.6	40,258.9
Contingent accounts receivable	380,442.9	372,379.0
Memorandum accounts	64,451.7	69,319.7
Credit memorandum accounts and against	194,856.6	211,022.0



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**(Millions of Colombian pesos)**

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>June 30</b>	<b>December 31</b>
<b><u>Liabilities</u></b>		
Deposits (Note 13)	\$ 19,959,923.3	18,062,784.8
Checking time accounts	3,019,174.6	3,102,516.5
Term deposits	5,604,604.3	5,985,764.5
Savings deposits	11,143,714.0	8,705,428.7
Savings Certificates real value	26,170.1	21,778.5
Others	166,260.3	247,296.6
Passive positions in monetary market operations and those related (Note 14)	42,301.2	58,011.9
Bank acceptances outstanding (Note 15)	138,435.2	80,186.7
Operations with derivative financial instruments - speculation	106,387.6	68,791.7
Operations with derivative financial instruments - hedging	32,047.6	11,395.0
Banking credits and other financial obligations (Note 16)	2,708,143.1	2,384,724.3
Other Entities in the Country	1,392,933.6	1,189,754.1
Foreign Entities	1,315,209.5	1,194,970.2
Accounts payable (Note 17)	902,986.6	644,984.8
Interests	118,495.6	121,213.9
Commissions and Fees	524.6	1,509.5
Tax collection	114,368.6	62,218.5
Suppliers	175,084.4	153,371.9
Others	494,513.4	306,671.0
Long Term - debt (note 18)	3,491,208.2	3,082,595.5
Others Liabilities (note 19)	271,940.9	271,108.6
Consolidated Labor obligations	30,638.7	34,235.4
Others	241,302.2	236,873.2
Estimated Liabilities and allowances (Note 20)	150,561.9	83,935.9
Tax	46,925.8	0.0
Others	103,636.1	83,935.9
<b>TOTAL EXTERNAL LIABILITIES</b>	<b>\$ 27,665,500.4</b>	<b>24,668,332.5</b>



**BANCO DAVIVIENDA S.A.**

**Balance Sheet**  
**June 30, 2011 with comparative figures for December 31, 2010**  
**(Millions of Colombian pesos)**

<b><u>STOCKHOLDERS' EQUITY</u></b>	<b><u>June 30</u></b>	<b><u>December 31</u></b>
Capital Stock (Note 21)	\$ 51,007.1	51,006.4
Reserves (note 22)	2,877,605.0	2,693,272.9
Legal reserve	1,558,873.5	1,557,427.4
Statutory and occasional reserves	1,318,731.5	1,135,845.5
Surplus	603,778.2	554,449.8
Gross unrealized gain or loss on investments available for sale	14,386.0	15,482.4
Revaluation assets (notes 6 and 11)	589,392.2	538,967.2
Stockholders' equity revaluation	0.0	0.2
Net income	300,150.3	269,832.8
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>3,832,540.6</b>	<b>3,568,561.9</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 31,498,041.0</b>	<b>28,236,894.4</b>
Creditor contingent accounts (note 23)	\$ 13,832,457.0	12,137,265.5
Debtor contingent accounts (note 23)	320,364.2	476,529.0
Debtor memorandum accounts (note 24)	42,738,591.6	40,034,938.9
Creditor memorandum accounts (note 24)	71,463,804.3	64,769,981.1
<b>Total contingent and memorandum accounts</b>	<b>\$ 128,355,217.1</b>	<b>117,418,714.5</b>
<b>Trust Memorandum Accounts (Note 25)</b>		
Passive	\$ 37,578.6	40,258.9
Contingent accounts receivable by contrast	380,442.9	372,379.0
Memorandum accounts and against	64,451.7	69,319.7
Credit memorandum accounts	194,856.6	211,022.0

See the notes accompanying the financial statements.

**OLGA LUCÍA RODRÍGUEZ SALAZAR**  
Legal Representative

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

**JORGE ENRIQUE PEÑALOZA PORRAS**  
Statutory Auditor of Banco Davivienda S.A.  
Registration No.43402-T  
Member of KPMG Ltda.  
(See my opinion dated August 16, 2011)



## BANCO DAVIVIENDA S.A.

### Statements of Income

Six months ended the June 30, 2011 with comparative figures for the six months ended December 31, 2010

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

	<u>June 30</u>	<u>December 31</u>
Direct operating income	\$ 2,324,568.1	2,209,967.1
Amortized interests and discounts- Credit portfolio and others	1,319,690.2	1,204,273.4
Commissions and fees	256,725.1	248,637.9
Appraisal of Investments	97,512.7	89,396.6
Useful in operat short positions open repo, simult vacation values and Transfers	255.6	1,302.9
Changes	105,136.5	136,510.0
Profit on the appraisal of derivatives	518,703.6	457,681.9
Profit on portfolio sale	2,536.5	41,009.0
Profit on investments sale	24,007.9	31,155.4
<b>Direct Operating Expenses</b>	<b>1,050,715.8</b>	<b>1,003,441.8</b>
Interests amortized premium and discount amortized (note 13)	378,691.3	329,387.7
Allowances	45,944.3	43,253.1
Lost on the appraisal of derivatives	529,941.8	486,904.4
Lost on short positions open repo Ops, simult vacation values and Transfers	1,392.5	4,114.6
Changes	81,084.8	123,304.8
Lost on investments sale	13,661.1	16,477.2
<b>Direct Operating Income</b>	<b>1,273,852.3</b>	<b>1,206,525.3</b>
<b>Operating Income</b>	<b>528,608.7</b>	<b>568,308.0</b>
Dividends and participations (note 6)	45,595.9	1,266.2
Recovery allowance portfolio (note 7)	377,522.8	445,930.9
Recovery allowance Accounts Receivable (note 9)	22,599.2	34,283.0
Others (note 26)	82,890.8	86,827.9
<b>Operating Expenses</b>	<b>651,125.6</b>	<b>688,223.4</b>
Employees expenses	281,143.9	279,974.4
Others (note 27)	369,981.7	408,249.0
<b>Operating result before allowances, depreciation and amortizations</b>	<b>1,151,335.4</b>	<b>1,086,609.9</b>

**BANCO DAVIVIENDA S.A.****Statements of Income (continued)**

Six months ended the June 30, 2011 with comparative figures for the six months ended December 31, 2010

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

	<u>June 30</u>	<u>December 31</u>
Allowances	761,349.6	716,688.5
Investments (note 6)	245.5	1,495.5
Credit Portfolio and Financial Leasing (note 7)	713,502.3	671,026.4
Accounts Receivable (note 9)	33,139.6	38,826.1
Properties and equipment (note 11)	9,614.7	1,968.0
Others (note 28)	4,847.5	3,372.5
Depreciations - Properties and equipment	23,818.3	21,332.5
Amortizations	85,246.3	74,279.3
<b>Operating Income - Net</b>	<b>280,921.2</b>	<b>274,309.6</b>
Non-operating income (note 29)	113,406.8	143,659.9
Gain on sale of foreclosed assets	2,316.0	1,689.0
Gain on sale of property and equipment	1,607.7	1,630.5
Recoveries	94,669.4	126,037.4
Other non-operating income	14,813.7	14,303.0
Non-operating expenses (note 30)	33,277.4	65,557.7
Lost on sale of foreclosed assets	1,269.9	1,583.8
Lost on sale of property and equipment	431.5	3,201.2
Casualty losses	6,839.7	18,174.7
Other non-operating expenses	24,736.3	42,598.0
<b>Non-operating income - Net</b>	<b>80,129.4</b>	<b>78,102.2</b>
<b>Profit before income tax</b>	<b>361,050.6</b>	<b>352,411.8</b>
Tax on Income and Others (note 31)	60,900.3	82,579.0
<b>Net Income</b>	<b>\$ 300,150.3</b>	<b>269,832.8</b>
Net Income per share (in Colombian Pesos) (note 21)	\$ <u>735.56</u>	<u>680.29</u>

See the notes accompanying the financial statements.

OLGA LUCÍA RODRÍGUEZ SALAZAR  
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**BANCO DAVIVIENDA S.A.**

**Statements of Changes in the Stockholders' Equity**

Six months ended the June 30, 2011 with comparative figures for the six months ended December 31, 2010  
(millions of pesos, except per share information)

	Surplus or Deficit for							
	Stock Capital	Legal Reserve	Occasional Reserves	Unrealized Gains or losses on investments available for sale	Revaluation and Devaluation	Stockholders' Equity Revaluation	Net Income	Total Patrimonio de los Accionistas
Balance at June 30, 2010	\$ 47,757.1	1,144,620.0	958,362.3	15,870.3	500,175.7	0.2	246,832.0	2,913,617.6
Donations			(4,059.7)					(4,059.7)
Subscription 25,993,997 preferred shares	\$ 3,249.3	416,007.9						419,257.2
Discount for cash payment preferred shares		(3,200.5)						(3,200.5)
Distribution of the net income of the semester ended on June 30, 2010								
Occasional reserve for valuation of investments to market prices - Decreto 2336, 1995			16,754.0				(16,754.0)	0.0
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			164,788.9				(164,788.9)	0.0
Dividends paid in cash at Col\$160 pesos per share on 408.056.976 shares subscribed and paid. October 4, 2010							(65,289.1)	(65,289.1)
Movement of the semester				(387.9)	38,791.5			38,403.6
Net income							269,832.8	269,832.8
Balance at December 31, 2010	51,006.4	1,557,427.4	1,135,845.5	15,482.4	538,967.2	0.2	269,832.8	3,568,561.9
Donations			(3,985.4)					(3,985.4)
Subscription 6.003 preferred shares	0.7	96.1						96.8
Distribution of the net income of the semester ended on December 31, 2010								
Legal Reserve		1,350.0					(1,350.0)	0.0
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			186,871.4				(186,871.4)	0.0
Dividends paid in cash at Col \$200 pesos per share on 408.056.976 shares subscribed and paid. March 14, 2011							(81,611.4)	(81,611.4)
Movement of the semester				(1,096.4)	50,425.0	(0.2)		49,328.4
Net income							300,150.3	300,150.3
Balance at June 30, 2011	\$ 51,007.1	1,558,873.5	1,318,731.5	14,386.0	589,392.2	0.0	300,150.3	3,832,540.6

See the notes accompanying the financial statements.

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**BANCO DAVIVIENDA S.A.**

**Statements of Cash Flows**

Six months ended the June 30, 2011 with comparative figures for the six months ended December 31, 2010  
(Millions of pesos)

	<u>June 30</u>	<u>December 31</u>
<b>Cash flows provided by operating activities:</b>		
<b>Net income</b>	<b>\$ 300,150.3</b>	<b>269,832.8</b>
<b>Reconciliation between net income and net cash provided by operating activities:</b>		
Allowance for investments	245.5	1,495.5
Allowance for loan and Financial leases	713,502.3	671,026.4
Allowance for accounts receivable	33,139.6	38,826.1
Allowance foreclosed assets	4,120.7	2,965.7
Allowance for properties and equipment	9,614.7	1,968.0
Allowance other assets	408.4	167.4
Allowance for severance payments	11,504.2	11,140.6
Other provisions	50.9	0.0
Depreciations - goods for own use	23,818.3	21,332.5
Amortizations	85,246.3	74,279.3
Profit on sale of portfolio credits and lease asset	(2,536.5)	(41,009.0)
Profit on the sale of investments, net	(10,346.8)	(14,678.2)
Profit on sale of foreclosed assets, net	(1,046.1)	(105.2)
Sale on profit of properties and equipment, net	(1,176.2)	1,570.7
Recovery of portafolio allowance	(463.4)	(3,494.6)
Recovery of the credit portfolio and leasing allowance	(377,522.8)	(445,930.9)
Recovery accounts receivable allowance	(22,599.2)	(34,283.0)
Recovery accounts receivable allowance	(2,310.3)	(2,983.2)
Recovery of the property and equipment allowances	(4,591.5)	(790.8)
Of others assets Allowance	(202.6)	(284.6)
Others recovery estimated liabilities	(1,538.8)	(17,603.9)
Increase deferred income tax	25,720.8	20,540.7
Equity tax	22,333.5	0.0
Severance pay	(4,492.0)	(5,330.3)
<b>Changes in operating assets and liabilities:</b>		
Decrease in unrealized gain on investments	(1,096.4)	(387.9)
Increase in loan and financial leases	(2,816,689.9)	(3,719,019.6)
Increase (Decrease) in accounts receivable	9,927.0	(25,271.4)
Withdrawals (additions) of goods received in payment	13,034.0	(9,737.1)
Proceeds from the sale of assets available for sale, foreclosed assets and returned property	751.9	9,185.7
(Increase) decrease in other assets	(246,728.0)	46,953.4
Increase in deposits and callabilities	1,897,138.2	928,636.1
Increase (Decrease) in accounts payable	235,668.3	(58,613.3)
Increase in long term-debt	408,612.7	309,035.4
Decrease in other liabilities	(31,900.7)	(19,474.9)
Increase (Decrease) in accrued liabilities and provisions	68,114.0	(9,749.4)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 337,860.4</b>	<b>(1,999,791.0)</b>



**BANCO DAVIVIENDA S.A.**

**Statements of Cash Flows**

**Six months ended the June 30, 2011 with comparative figures for the six months ended December 31, 2010**

**(Millions of pesos)**

	<u>June 30</u>	<u>December 31</u>
<b>Cash flows by investment activities:</b>		
(Decrease) increase investment	\$ 265,332.2	(450,033.8)
(Increase) decrease acceptances, cash and derivatives operations	(39,701.8)	(17,107.8)
Additions to property and equipment	(43,410.0)	(27,783.2)
Product from the sale of properties and equipment	(3,488.4)	2,609.0
<b>Net cash provided by (used in) investing activities</b>	<b>178,732.0</b>	<b>(492,315.8)</b>
<b>Cash flows provided by financing activities:</b>		
Proceeds from the sale of loan portfolio	101,997.9	1,481,088.4
(Decrease) increase in Passive Positions in Monetary Market Operations and those Related	(15,710.7)	(80,572.4)
Increase (decrease) Bankers Acceptances outstanding	58,248.5	15,132.4
Increase (decrease) in banking credits and other financial obligations	323,418.8	692,038.9
Donations	(3,985.4)	(4,059.7)
Subscription of shares	96.8	419,257.2
Discount for cash payment preferred shares	0.0	(3,200.5)
Dividends Payment	(81,611.4)	(65,289.1)
<b>Net cash provided by financing activities</b>	<b>382,454.5</b>	<b>2,454,395.2</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>899,046.9</b>	<b>(37,711.6)</b>
<b>Cash and cash equivalents at the beginning of the semester</b>	<b>1,517,095.0</b>	<b>1,554,806.6</b>
<b>Cash and cash equivalents at the end of the semester</b>	<b>\$ 2,416,141.9</b>	<b>1,517,095.0</b>

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

June 30, 2011 with comparative figures for December 31, 2010  
(Million of Pesos)

**1. Reporting Entity**

Banco Davivienda S.A. is a private entity incorporated by means of Public Ofed Number 3892 dated October 16, 1972 from Notary Fourteen of the Bogotá Circle; it has its main domicile in the city of Bogota, D.C. By means of Resolution 562 dated June 10, 1997, it obtained its operating permit. The term established by Public Ofed 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 Sociadaofs Bolivar 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 Finance Superintendency of Colombia approved the transformation from Saving and Loan Corporation to a Commercial Bank.
- By Public Ofed No. 4541 dated August 28, 2000, prepared by the Eighteenth Notary's Office in the Bogotá Circle, Davivienda legalized the acquisition of 100% of Ofita Bolivar S.A. shares. As a consequence, Ofita Bolívar S.A. was dissolved without liquidation and the company and its stockholders' equity were absorbed by the Bank on September 1, 2000, and the Ofita Bolivar S.A. legal capacity was extinguished.
- By means of Public Ofed 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 Ofed No. 7019 dated August 29, 2007, the Notary Seventy One from Bogotá, registered on September 3, 2007 in the Cámara of Comercio, Banco Davivienda S.A. formalized the takeover through merger of Granbanco S.A. As a consequence, Granbanco S.A. was dissolved without liquidation and the company and the stockholders' equity were absorbed by the Bank on September 1, 2007, extinguishing Granbanco S.A. as a legal entity.
- By Public Ofed No. 3202 of April 30, 2010 in Notary Seventy-one in the District of Bogota, registered on May 4, 2010 in the Chamber of Commerce, the Banco Davivienda S.A. formalized the change of nominal share value from one thousand pesos (\$ 1,000.00) to one hundred twenty-five pesos (\$ 125.00). The authorized capital remains as 480 million shares.

As of June 30, 2011, it operated one ten thousand six hundred fitty seven (10.657) employees in five hundred fifty-four (554) offices in twenty two (21) branches and agencies in the Colombian and one (1) foreign branch in Miami (USA).territory. It possesses 60% of Fiduciaria Davivienda S.A. shares, 94.90% of ConFinance S.A. shares, 79% of Davivalores S.A. Broker shares, 99.9% of Bancafé Panamá S.A. shares and 94.011% of Fiduciaria Cafetera S.A. shares. (See oftail in note 6 literal 9).

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



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

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

Bancaf  International was established in New York in 1981 to become a point of support for the needs of Colombian customers of Bancaf  S.A. for their international business.

By Resolution 3912 of September 5, 1983, the then *Finance Superintendency of Colombia* authorized the Banco Cafetero International Corporation, New York, United States to establish a Representative Office in Colombia. That subsidiary of Banco Cafetero was subsequently moved to Miami, USA, and is currently a branch of Banco Davivienda because of the merger with Granbanco S.A. (formerly Banco Cafetero).

In 2009, Banco Davivienda S.A. requested authorization from the relevant government agencies in Colombia to convert its Banco Cafetero International Corporation subsidiary, based in Miami, into an international branch. The Finance Superintendency of Colombia informed Banco Davivienda S.A. that it had no objection to the establishment continuing with the conversion process referred to above, and therefore the Bank initiated the required formalities before the authorities of the United States.

On obtaining authorizations from the relevant authorities of the United States, Banco Davivienda S.A. informed the Superintendency Finance of Colombia, who on December 29, 2010, announced the possibility of starting operations of the branch in Miami, United States, subject to compliance with all legal requirements required by the authorities of the United States and exchange regulations arising from the ofcommissioning of the Banco Cafetero International Corporation subsidiary.

From January 1, 2011 Bancaf  International ceased to be a subsidiary in orofr to become Davivienda International Branch.

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

Below are the opening balances of Davivienda Internacional as a foreign branch as of January 1, 2011:



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

ASSET	
Available	\$ 107,536.5
Investments	34,165.1
Loan Loans	51,445.0
Accounts Receivable	225.6
Property and equipment	2,520.9
Other assets	<u>977.8</u>
Total Assets	<u>\$ 196,870.9</u>
LIABILITIES	
Ofposits and payables	\$ 173,436.6
Accounts Payable	229.2
Other liabilities	3.8
Accrued expenses	<u>78.2</u>
Total Liabilities	<u>173,747.8</u>
EQUITY	
Surplus	\$ 29.9
Capital allocated to the branch	<u>23,093.2</u>
Total Equity	<u>23,123.1</u>
Total Liabilities and Equity	<u>\$ 196,870.9</u>

The integration of the Miami Branch generated a profit of \$ 3,364.0.

**3. Summary of Main Accounting Policies**

**3.1 Basic Accounting Policy**

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

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

**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.



**BANCO DAVIVIENDA S.A.**  
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**Financial statements**

For the case of the statement of changes in the financial position, Ofcree 2649 of 1993 defines it as a basic financial statement; the Finance Superintendency of Colombia does not require it.

**3.2 Cash flow status and Cash Equivalents**

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

**3.3 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**

Are operations that are agreed to a period not exceeding thirty (30) calendar days, also, included transactions of nominated overnight, performed with foreign banks.

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

**Inter-banking funds purchased and repurchasing agreements**

The Bank records funds obtained directly from other financial entities, guaranteed with their investment Loans or credit Loans. The maximum term for cancelling these operations is thirty (30) calendar days.

The 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 of 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**

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

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

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 offered values be substituted by others and, restrictions may be placed on the mobility of the values subject of the operation.



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**Simultaneous Operations**

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

Liability or Passive Position: The liability in a repurchase operation occurs when a person transfers ownership of securities in exchange for a sum of money, assuming in this same act and at the same time the commitment to reacquire securities of the same type and features from the counterparty on the same day or at a later date, which shall not exceed one (1) year, at a preoftermained price or amount.

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 oflivered values be substituted by others and, restrictions may be placed on the mobility of the values subject of the operation.

**Accounting and valuation of Repo transactions, and Simultaneous**

The transferor of ownership, the originator or the recipient as applicable, shall reclassify the securities that have been oflivered in repo, repurchase or temporary transfer of securities agreements in its balance sheet and, additionally, must register them within their accounts in orofr to show their oflivery.

The purchaser, the recipient or the originator as the case may be, must register the receipt of securities from the said operations in their accounts.

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

When the purchaser, the originator or the recipient is in a short position a financial obligation must be recorofd in the balance sheet on behalf of the transferor, originator or initial receiver for the correct exchange price of the respective securities.

Yields from repo or repurchase agreements will be produced exponentially by the parties during the term of the respective agreement and will be an expense or revenue for each, as appropriate.

**3.4 Investments**

It incluofs 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 appraisal 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 oftermained date, according to its specific characteristics and within the prevalent market conditions on such date.

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 Superintendency Finance of Colombia, which may be summarized as follows:



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

Classification	Characteristics	Valuation	Accounting
Negotiable	Titles acquired in order to obtain profits from price fluctuation short-term.	Use just price interchange, reference rates and/or margins, calculated and published daily by the Bolsa of Valores of Colombia or principal market.	<p>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 results.</p> <p>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 one as of the date of Purchase.</p>
To keep until maturity	Instruments to which the bank has a serious purpose and the legal, contractual, financial, and operative capacity, to maintain until their maturity.	<p>Exponentially as of the internal rate of return calculated at the time of purchase.</p> <p>When the terms of the issue established the use of the value indicator for the starting date of the compensation period, the internal rate of return must be recalculated every time the face value of the indicator is changed with which the next flow is to be paid.</p> <p>In the case of securities that incorporate prepay options, the internal rate of return must be recalculated every time the future cash flows and payment dates change. The value at the recalculation date of future cash flows should be taken as the purchase value.</p> <p>This procedure is done on a daily basis.</p>	This amount is accounted as the greater value of investment and its counterpart is recorded in period results.
Available-for-sale – ofbt titles	<p>Assets that are not classified in either of the two categories above are classified in this category; they should be kept at least 1 year.</p> <p>Once the year is up, the first business day after words they may be reclassified to the above categories.</p>	Use just price interchange, reference rates and margins, calculated and published daily by the Bolsa of Valores of Colombia or principal market.	<p>Are counted according to the following procedure:</p> <ul style="list-style-type: none"> <li>- 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&amp;L accounts.</li> </ul> <p>The difference between the market amount and the current amount is recorded as accumulated income or loss not carried out, within the equity accounts.</p>



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

Classification	Characteristics	Valuation	Accounting
Available-for-sale – share titles	With little or minimum marketability, have no quotes, titles that the bank keeps just as control to the matrix.	<p>Investments in share titles are valued according to the marketability infox that the have on the date of valuation as follows:</p> <p>Little or minimal marketability or without any quotes, our valued monthly increasing or ofcreasing participation percentage in equity variations, subsequent to the acquisition of the investment, calculated based on the last certified financial statements.</p> <p>When the Bank is controlling the valuation it should be done using the end of semester Financial Statements of each company in which it has investments.</p>	<p>Little or minimum marketability without any quotes.</p> <ul style="list-style-type: none"> <li>- The difference between market value or updated investment and the value which is recorofd in the investment, is accounted as follows: <ul style="list-style-type: none"> <li>If it is greater, the first instance ofcreeases the provision or ofvaluation until exhausting it and the excess is recorofd as surplus from valuation.</li> <li>If it is less, it affects surplus for valuation until exhausting and the excess is recorofd as ofvaluation.</li> </ul> </li> <li>- When diviofnds or profits are distributed in kind, including those from capitalization of the equity revaluation account, they are recorofd as income for the part being accounted as surplus for valuation, charged to investment and reverted as surplus.</li> <li>- When diviofnds for profits are distributed in cash, they are recorofd as income in the accounted amount as surplus for valuation, reverting such surplus and the amount of diviofnds that exceeds it accounted as a lesser value of investment.</li> </ul>
Available-for-sale – share titles	High and medium marketability: The participative securities and assets which according to the marketability infox they maintain at the date of valorization, in accordance to the calculations performed or authorized by the Finance <u>Superintendency</u> of Colombia are classified in this category. The capital marketability infox oftermines the ofgree of liquidity that a share holds in the stock market.	<p>Mid marketability, are valued daily, based on an average price oftermined and published by the stock markets where they are traofd. This average corresponds to the average price for the quantity traofd during the last five (5) days before negotiations.</p> <p>High marketability, they are valorized based on the last daily average price consiofrod for negotiation by the stock market in which they are negotiated</p>	<p>High and mid marketability.</p> <p>The updating of market value for the titles of high or mid marketability or those traofd in international markets, are accounted as a profit or loss accumulated not performed, waited in the equity accounts, with ofbit or charge to investment.</p> <p>Diviofnds or profits distributed in-kind or in cash, including those from capitalization of patrimony revaluation account, are recorofd as revenue on feel 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.</p>



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

**Reclassification of investments**

The Bank can reclassify investments at any time with due authorization from the Superintendency Finance of Colombia, as stipulated in paragraph 4 of Chapter 1 of the Basic Accounting and Financial Circular and the annual maturity investments available for sale.

**Investment Transfer Rights**

Registers investments in securities, assets or equities that the transferor, the originator or the recipient, as applicable, have offered in a repo, repurchase or temporary transfer of securities agreement.

Represents investment in titles, ofbt securities, assets or restricted equities resulting from transferring ownership of these securities in exchange for a sum of money, or the receipt of securities as a backup in the TTV agreement (temporary transfer of securities) securities against securities, assuming in this same act and at the same time the commitment to reacquire them from the counterparty or to acquire securities of the same type and features on the same day or at a later date at a pre-terminated price or amount.

It also records investment in securities, assets or equities that a credit institution has endorsed to the Banco of la República when using the temporary liquidity support resources, in accordance with regulations issued by the Banco of la República.

**Allowances or Losses by Credit Risk Rating**

The price of ofbt 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:

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

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

- For ofbt securities that do not have an external rating, for ofbt 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 Financial Superintendency of Colombia

- The Bank assesses the credit risk of the investments that have no assessment and establishes provisions according to the ranges offered by the Superintendency Finance of Colombia.



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Categoría	Risk	Maximum Amount and %
A	Normal	Does not proceed
B	Acceptable	Ofbt securities 80% of the nominal value, net amortization equity securities 80% of the acquisition cost.
C	Appreciative	Ofbt securities 60% of the nominal value, net amortization equity securities 60% of the acquisition cost.
D	Significant	Ofbt securities 40% of the nominal value, net amortization equity securities 40% of the acquisition cost.
E	Irrecoverable	Is provisioned to 100%

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

### **3.5 Credit Loons and Financial Leases**

It records the credits and Financial Leases granted by the Bank unofr 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 ofposits and from other external and internal financing sources.

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

#### **Credit moofs**

The credit Loons structure contemplates the following moofs for credits:

##### **- Commercial**

Commercial credits are offined as those granted to individuals or companies in orofr to perform to organized economic activities, different to those granted unofr the moof of microcredit.

##### Mortgage Leases

The Finance Superintendency of Colombia established that for classification purposes, Home Leases operations must be classified as commercial loans.

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

It records the value financed of homes oflivered unofr leases 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 it ofciofs to exercise the purchase option agreed to pay for and its value.

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



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**Consumer**

They are loans that regardless of their amount, 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.

**Mortgage**

Indefinitely 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. To have a remuneration interest rate which is applied to the balance of the debt denominated in UVR or pesos, depending on whether the loan is denominated in UVR or legal tenor, respectively.

Interest should be charged on expiration and cannot be capitalized. The credit amount may be up to seventy percent (70%) of the property value. This value will be the purchase price or a valuation carried out within six (6) months prior to the granting of credit. In loans for community Mortgage, the amount of the loan may be up to eighty percent (80%) of the property value.

Property value should be insured against fire and earthquake.

**Micro-credit**

A micro credit is offered 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 exceed 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 Mortgage and adding to the amount of the new obligation.

**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.



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Notes to the Financial Statements

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 Loans, including capital, interest and other concepts, they shall be accounted as offered offbit and their amortization to the shall be done proportional to those amounts effectively collected.

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

When reestructuring a must we maintain the classification in effect at the time of restructuring and at the 3 regular payments it is consiofred 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

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 unofr the value aggregation criterion.

Fiscal Restructuring Law 617 of 2000

The Government grants guarantees for territorial entities liabilities, with entities regulated by the Superintendency Finance of 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 intenofd for fiscal adjustment.

These restructurings have the characteristic of reverting the provisions recorofd 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.

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.

**Suspension of causation of interest**

Not cause the profit and loss statement the accrual 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:

<b>Credit Modality</b>	<b>Offault level to</b>
Commercial	3 months
Consumer	2 months
Mortgage	2 months
Micro-credit	1 month



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

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 consigned, they will be recorded as a offered payment and taken to the profit and loss statement to the extent that cash collection.

**Regulation for penalties**

The penalties of loans Loans, 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 Superintendency Finance of Colombia.

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

<u>Loans</u>	<u>Offault Levels</u>
Commercial	570
Consumer	180 (different of vehicle without guarante)
Mortgage	540
Mortgage Leases	540 (Commercial Loans)
Commercial Vehicles	360
Consumer Vehicles	360
Microcredit	180

For the low-income sector: personal credit cards and visa práctica with 120 days credit; penalties may be imposed on clients whose balances have a 100% probability of offault.

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

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

**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 ofbtor ceases the payment of his/her obligations due to lack of compliance.

The loan approval in the Bank should incluof 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 incluof the following characteristics:

- Suitability: According to the legal offinition.



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- 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.

For the Consumer 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 order and by an unspecified amount in favor of the Bank over the mortgaged property. Mortgages must be completed through public deed before a notary and registered at the corresponding Public Document Registration Office.

The value update of the guarantee for the mortgage guarantee Loans is done by taking the value of the initial registration of the guarantee adjusted for the Mortgage price index published by the National Planning Department.

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

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

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

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

In the payment capability assessment of the regional public bodies, the Bank verifies compliance with the indicators of Law 617 - Operating costs - Law 358 - solvency and sustainability - and Law 819 Primary surplus.

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

**Alignment Rules**

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, unless that they have reasons enough for qualification at a lower risk category, according to the extent permitted by the rules.

For normal customers of the Bank and Subsidiaries with which financial statements are consolidated, the same rating is given to the loan as is granted to a borrower, unless they can prove the existence of grounds for classification in a lower risk category.



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Notes to the Financial Statements

**Credit Risk Rating for reports**

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

**Commercial Loans**

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

A commercial credit is consiofred unpaid when it is in arrears equal to or greater than 150 days, the same applies to liquidity credits that are in arrears.

**Consumer Loans**

To oftermine the consumer credit rating for loans ofpending on the segment, the reference moofl calculates a score which is a product of the particular characteristics of each ofbtor as set out in Annex 5 of Chapter II of the External Circular 100 of 1995 of the Financial Superintenofnce of Colombia, as shown below:

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

A consumer credit is consiofred unpaid when in arrears equal to or greater than 90 days.

\* In orofr not to affect Loans indicators, the Finance Superintendency of Colombiaoffined a oflay range of between 0 and 30 days to be reported in the accounts offfined as group A in addition to the characteristics of the reference moofl of Consumer for this qualification.

**Mortgage and Micro-credit**

The Bank classifies the Mortgage loan and microcredit operations into one of the following credit risk categories.

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



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**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.

**3.6 Rules on provisions for credits Loans**

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

**General Allowance**

As of June 30, 2011 and December 31, 2010, the provision for micro loans and Mortgage loans types, equivalent to 1.0% of total gross loan Loans.

**Individual provisions using reference mooffs.**

As established of the Superintendency Finance of Colombia, for commercial and consumer reference mooffs, the individual provisions for credit holdings are established as the sum of the individual components, one Proccyclical and another Countercyclical.

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

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

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

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

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

If for three consecutive months the conditions of these indicators are jointly met, the calculation methodology to be applied during the next six months will be that established for the disaccumulation phase. On June 30, 2011 and December 31, 2010 the Bank applied the cumulative phase methodology.

**Calculation methodology in accumulation phase**

Individual pro-cyclical component: For the commercial and Consumer Loans it is the expected loss calculated using matrix A, i.e. the result obtained by multiplying the exposure value of the ofbtor, the matrix A offault probability and the loss given the offault.



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

The Finance Superintendency of Colombia will provide the migration matrices to be applied for the calculation of expected losses annually.

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

**Individual Allowance**

Without prejudice of the general provision, the individual provisions, for the protecting loans qualified in all risk categories, have the following parameters at June 30, 2011 and December 31, 2010:

**Commercial Loans**

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

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

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

<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

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

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

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

Where:

- Probability of failing

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



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

Rating	Large		Medium		Small		Individual	
	Company		Company		Company			
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Non-compliance	100%	100%	100%	100%	100%	100%	100%	100%

- Loss due to failing (LDF)

It is offered 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 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".

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	55,00%	210	80,00%	420	100,00%

Additionally, the D and E rated Loans are 100% provisioned.

- Exposed value of asset

The exposed value of asset, is the current balance of capital, interests, accounts receivable for interests, and other accounts receivable, of the commercial Loans liabilities.

**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.

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".

**Consumer Loans**

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

Is based on differentiated segments, according to the products, vehicles general, others general and credit card, in order to preserve the particularities in the market niches and the products granted.



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

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

Where:

- Probability of failing

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

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

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

- Loss due to failing (LDF)

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 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:

<u>Type of guarantee</u>	<u>L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>
Without guarantee	65,00%	180	85,00%	360	100,00%

Additionally, the D and E rated Loans are 100% provisioned.

- Exposed value of the asset

Insofar as 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 Consumer Loans liabilities.



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**Mortgage Loans**

The individual provisions, for the protecting loans qualified in all risk categories, have at least the following percentages at June 33, 2011 and December 31, 2010:

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

For the Mortgage loans, an 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%).

**Micro-credit Loans**

The individual provisions, for the protecting loans qualified in all risk categories, have at least the following percentages at June 30, 2011 and December 31, 2010:

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

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

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



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

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

For Non-Mortgage Guaranties:

<u>Credit Time in Oflay</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 Oflay</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 June 30, 2011 and December 31, 2010, in order to calculate the expected loss for the reference models in the MRC commercial Loans and in the MRCO Consumer Loans, the amount of the collateral was not contemplated.

### **3.7 Acceptances, Cash Operations and Offinities**

#### **Cash Operations**

##### Offinition

A spot transaction is one that is registered with a deadline for clearing and settlement as the date of execution or registration of the transaction (ie today for today) (1 +0), or up to three (3) days working days counted from the next record in the operation. (1 +3).

##### Valuation

The seller of the asset values the obligation for its part, the buyer valued the right, at market prices according to the rules laid down in Chapter I of the External Circular 100 of 1995 of Superintendency Finance of Colombia

##### Accounting records

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



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

The purchaser of the asset will not register the financial asset on its balance sheet until its delivery, but will register a right to receive the assets in the accounting records of the accounts designated for this type of operation, and an obligation to deliver the money agreed upon in the transaction.

### **Derivatives Transactions**

This is an operation whose main characteristic is that a fair value depends on one or more underlying and compliance or liquidation takes place at a later time. That liquidation can be made in cash, financial instruments or tradable products or goods, as set forth in the contract or in the regulations concerning the trading of securities, the registration system of securities transactions or the securities clearing and settlement system.

A financial derivative allows the administration or accession of one or more risks associated with the underlyings and complies with either of the following two (2) alternative conditions: (i) Does not require an initial net investment. (ii) Requires an initial net investment lower than would be necessary to acquire instruments that provide the same expected payoff in response to changes in market factors.

Financial derivatives for hedging purposes. This is negotiated to cover a primary position of any losses caused by adverse movements in market factors or credit affecting the assets, liabilities or contingencies. Negotiation of this type of instrument seeks to limit or control one or more of the financial risks generated by the primary position being hedged.

Financial derivatives for speculative purposes. This is one which does not fall within the definition of financial derivatives for hedging purposes, nor satisfies all conditions set forth in paragraph 6 of Chapter XVIII of the External Circular 100 of 1995 of the Superintendency Finance of Colombia. These are instruments whose purpose is to profit from any market movements.

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

The Bank operates a policy of trading derivatives exclusively for speculative purposes, as of June 30, 2011 and December 31, 2010, there is only one hedge transaction registered as fair exchange price coverage according to what is defined in paragraph 7.3.2.1 of Chapter XVIII of the External Circular 100 of 1995 of the Finance Superintendency of Colombia for the CCS swaps transaction taken by Bank, to cover the financing of the Granbanco S.A. purchase.

### **Basic Financial Instruments**

#### **Forward Contracts**

##### **Definition**

A 'forward' is a derivative formalized by a contract between two (2) parties tailored to their needs, to buy/sell a specific amount of a specified underlying at a future date, fixing at the date of entering into the contract the basic conditions of the financial derivative, including primarily the price, the delivery date of the underlying and the mode of delivery. The settlement of the instrument on the compliance date may result in the physical delivery of the underlying or settlement of differences, depending on the underlying and the



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proof of delivery agreed, the latter may be modified by mutual agreement of the parties during the term of the instrument.

**Valuation**

**Peso-dollar 'forward' transactions**

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

However, when timely information is constantly available on the valuation date for individual peso-dollar 'forward' transactions traded on the market, the valuation should be made using the weighted average for each different term of the prices and amounts actually traded during the day. When this level of information is available, the Financial Superintendence of Colombia will determine the publication and calculation source for such weighted averages.

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

To quantify the gains or losses in this type of contract, the difference between the agreed 'forward' rate and the 'forward' rate on the valuation date that corresponds to the remaining term of the derivative must be established, after which it must be brought to present value using a zero-coupon interest rate.

**Forward foreign exchange transactions:**

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

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

**Accounting records**

Financial derivatives that yield a positive fair exchange price, that is favorable to the Bank, are recorded as assets, separating the rights value and the obligation value, except in the case of options, where the



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accounting record is performed in a single account. Those that yield a negative fair exchange price, that is unfavorable to the Bank, must be registered as a liability, performing the same separation.

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

Netting should not be made carried out in the balance accounts between favorable and unfavorable balances of various financial derivatives, even if they are similar types. but each register in assets or liabilities, as appropriate.

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

### **Future Contracts**

#### Definition

A future is a standardized contract with regards to its compliance date, size or value, the respective characteristics of the underlying, the place and manner of delivery (in kind or cash). This is negotiated in a stock exchange with central counterparty risk, whereby two (2) parties have an obligation to buy / sell an underlying at a future date (maturity date) at a price set when entering into the contract.

Under this heading, the Bank records transactions of nominated Bond Futures and Futures TRM Notion

#### Valuation

The futures should be valued on the corresponding price on the valuation date. These prices are provided by the respective stock exchange or trading system where the entity has negotiated the financial derivative instrument.

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

#### Bookkeeping

Since futures transactions are settled daily, the fair value of derivative financial instrument exchange is zero (0), for this reason bookkeeping is done in the assets because it is a derivative financial instrument for speculative purposes.

### **Swaps**

#### Definition

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



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

Hedging Swaps

These are negotiated transactions that are designed to reduce or cancel a specific risk that may impact the balance sheet as a result of changes in fair value, in cash flow or the exchange rate of several items, called primary positions.

In keeping with the existing legislation, financial derivatives traded for hedging purposes must be clearly identified when they are entered into and must be authorized by the Superintendency Finance of Colombia.

The Finance Superintendency of Colombia recognizes three types of accounting hedges:

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

To evaluate the effectiveness of a hedge with financial derivatives, must calculate the hedging effectiveness ratio, defined as the ratio between the cumulative absolute change in fair exchange price or cash flows of the financial derivative attributable exclusively to the risks being covered and the cumulative absolute change in the present value or cash flows of the primary position covered, from the date on which coverage was initiated to the date of the valuation. In all cases, the lower of the two mentioned absolute changes should always be the numerator for the calculation of the ratio.

A hedge is considered highly effective if, in the initial evaluation and any evaluation during the same period, the ratio of effective coverage lies in the eighty percent (80%) to one hundred percent (100%) range.

in two (2) consecutive months closures after the inception of the hedge, the derivative financial instrument should no longer be considered for hedging purposes, i.e. it loses that capacity.

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

**Valuation**

The valuation of a currency 'swap' in which one end is denominated in foreign currency and the other is in Colombian pesos and when the flows in one currency flows coincide in time with the flow in the other currency, it can be dealt with through accepted standard methodology according to which it is valued as a Loan or series of 'forwards'. One party acts as seller of the 'forwards' and the other party as the purchaser. Then the net value of the 'forwards' Loan is obtained by adding the ratings of the various 'forwards' where it can be broken down into the currencies 'swap'.



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

Accounting records

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

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

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

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

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

**Speculation Swaps**

Definition

Swap transactions undertaken in order to profit from market movements.

Valuation

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

The net value of the Loans is then obtained from the difference between the present values of the two (2) 'bonds'. This methodology should be applied both for fixed rate against variable rate 'swaps', as well as for 'swaps' where parties exchange flows at a variable rate. If the currency of the flows is not Colombian



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pesos the conversion to pesos should be carried out using the corresponding exchange rate, calculated on the valuation date.

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

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

Bookkeeping

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

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

**Options**

Definition

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

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

Definition

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

In options contracts involving two (2) parties:

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

Valuation

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



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

Bookkeeping

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

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

**3.8 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 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.

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

**3.9 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, vehicles, shares and participations, based on fair market value.

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

- The initial record is done according to the amount determined in the legal award or that amount agreed with the debtors, registered by public deed and legalized by the office for registration of public documents



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- When the amount received of the goods received in payment is lower than the amount of the ofbt recorofd in the balance, the difference is immediately recognized in the profit and loss statement in the Loons provision account.
- If there should be an amount in favor of the ofbtor 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.
- 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.
- The valuations are used only for three (3) years before closure of the accounts in which they are used; and the outcome of these is recognized as the valuations of the property received in lieu of payment that are recorofd in clearing accounts and in all cases the ofvaluations are provisioned on the statement.
- The profits generated as a result of the sale of these assets through the mutual holding operations and forward sale shall be different in the agreed period of operation; its amortization is carried out against the income statement to the extent that its collection is effective.
- When the sale is in cash, the profit ofrived from the transaction is registered as income in the statement.

**Goods Returned**

In this item is recorofd the value of the goods that are returned to the Bank of financial leases 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 ofpreciation.

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

**Goods not used in the corporate object**

In this item is recorofd 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 ofpreciated until the time of their realization and computation along with the fixed assets of the Bank for the purpose of the limits established unofr item 1.2 of the Seventh Chapter of the First Part of the Basic Legal Memorandum issued by the Superintendency Finance of Colombia.

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

**3.10 Allowance Foreclosed Assets**

For the calculation of provision for the properties received in lieu of payment, the Bank has no internal mooff, therefore, these are recorofd in accordance with the provisions of Chapter 3 of the External Circular 034 of 2003 of the Superintendency Finance of Colombia, according to which the following criteria apply:

- 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.



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- Upon expiration of the legal term for the sale (from two to four years), allowance adjusted to 100%.
- In all cases, in the event of the 100% provision constitution and before the expiry of the two year-term for the sale of the assets, an must additional extension of two years for their sale is requested from the Superintendency Finance of Colombia. If the commercial value of the property is less than the book value of the goods received in payment a provision for the difference is recorded.

For the recording allowance the properties received in payment constitutes an allowance equivalent to 35% of the acquisition cost of the goods, which increased in the second year in a 35% additional until 70% of the value of the books before allowances. Upon expiration of the legal term for the sale in the event of the extension approval, the allowance was set to 100% of the book value.

### **3.11 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.

As an exception in accordance with the provisions of Article 6 of Ofcree 3019, fixed assets whose purchase price is equal to or less than 50 Tax Value Units may be depreciated in the same year.

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

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

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 depreciation through the straight-line method and the useful life of the assets at the following annual rates of depreciation:

	<u>Useful life</u>	<u>Annual rate</u>
Buildings	20 years	5%
Office equipment, furniture 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; maintaining the same periods of depreciation but presenting a larger monthly outlay for the early years. For its implementation, it necessarily demands the utilization of a salvage value.



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**3.12 Branches and Agencies**

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

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

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

**3.13 Prepaid Expenses, Offered Charges and Intangible Assets**

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 offered 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 consiofred amortizable in a specific moment.

The Bank has as intangible assets the Commercial Credit from the purchase of Granbanco S.A., Bansuperior S.A. and ConFinance S.A., according to Articles 260 and 261 of the Commercial Coof (as amenofd by Articles 26 and 27 of Act 222 of 1995).

The Bank recorofd the equity tax value as a offered charge.

The expenses whose amounts are of two hundred ten (210) tax value units do not have treatment of offered 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
- Equipment maintenance ofpreciates between 3 and 36 months.
- Insurance during the effective term of the policy.
- Other items are amortized in a period of twelve (12) months.

**Offered charges**

- Renovations to private property are ofpreciated over a period not exceeding two (2) years, and for the term of the contract for leased property. in the lower period between the validity of the respective contract (without regard to extensions) and its expected life.
- Computer software in a period not exceeding three (3) years.
- Offered income tax generated by effect of temporary differences, will be amortized in the periods in which the temporary differences that originated it are reversed.
- Commissions and advisory in a sixty (60) months period, Corresponding to larger scale projects with



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long term recovery expectation.

- The equity tax created by Law 1370 of December 2009, whose causation is based on the liquid assets held on January 1, 2011, is amortized in forty-eight (48) months counting from this date.
- Amortization of the marketing strategy for pre-purchase of tickets is carried out according to its execution.
- The other concepts are amortized over the estimated recovery period of the outlay or of the obtaining of the expected benefits.

**Intangible assets**

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

**3.14 Valuation and Revaluation**

Assets object of Valuation:

- Investments available for sale in equity securities.

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

- Properties and equipment, specifically real states.

The valuations of immovable property correspond to the exceeding commercial value appraised, which are conducted by people or companies of recognized specialty and inofpenofnce, over the net cost in books. Counterparties are recorofd in equity accounts

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

- Foreclosed Assets

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

**3.15 Offered Tax**

The bank recognizes the effect of taxes caused by the temporal difference generated between the valuation at market prices and the straight line investment Loons valuation, and the IFC bonds. Likewise, it recognizes the offered tax on the provision for industry and traof tax and requested the most value as a ofducible expense of goodwill. As was mentioned in the note of offered charges, the offered 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.

**3.16 Income in Advance and Offered Liabilities**

Interests received in advance correspond to quarterly interest paid by constructors, which are amortized in accordance to the period covered by the payment and capitalized interest on the restructured loans for which income is amortized in proportion to the values collected by capital.

The profit from sale of Goods Received in Payment which were sold on credit is amortized in proportion to values collected by capital.



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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.

**3.17 Estimated Liabilities and Allowances**

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

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

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

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

**3.18 Translation of Transactions in Foreign Currency**

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

**3.19 Contingent Accounts**

In these accounts are recorded the operations whereby the Bank acquires a right or assumes an obligation which coverage conditioned upon the occurrence or not occurrence of a fact, depending on future, eventual or remote factors. Within the former contingencies are recorded the financial returns as of the time when the accounts receivable are suspended.



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

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

**3.20 Memorandum Accounts**

In these accounts are recorofd 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 incluofd, where the figures for the preparations of tax returns are recorofd; in addition, they incluof those recording accounts used for internal control fiscal effects or management information and the Loons by amount of offault.

**3.21 Fiduciary accounts**

Register in the fiduciary accounts on the total holdings operations.

In accordance with the provisions of External Circular 047 of September 2008 issued by the Superintendency Finance of Colombia, from January 1, 2009, the Bank updated and approved instructions concerning the offermination and accounting for the securitization process.

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

**3.22 Net Profit per Share**

According to the provisions of External Memorandum Letter 015 of 1994, in orofr to offermine the net profit per share, the Bank uses to December 31,2010 the weighted average method of shares subscribed and paid by the outstanding time of these and June 30,2010; the number of shares subscribed and paid in circulation.

**4. Cash and Cash Equivalents**

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

	<u>June 30</u>	<u>December 31</u>
Colombian Pesos:		
Cash	\$ 905,583.1	759,963.6
Banco of la República (Central Bank)	858,906.5	449,119.0
Banks and other financial entities	3,327.3	17,387.3
Exchange	29,629.3	20,880.0
Remittances in transit	3.1	156.0
Allowance	<u>(352.8)</u>	<u>(545.5)</u>
	<u>1,797,096.5</u>	<u>1,246,960.4</u>
Foreign currency translated into local currency:		
Cash	1,470.8	1,201.3



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	<u>June 30</u>	<u>December 31</u>
Banco of la República (Central Bank)	55.1	59.5
Banks and other financial entities	146,583.5	73,205.6
Remittances in transit	5,379.2	4,198.6
Allowance	<u>(58.4)</u>	<u>(21.1)</u>
	<u>153,430.2</u>	<u>78,643.9</u>
	<u>\$1,950,526.7</u>	<u>1,325,604.3</u>

Ofposits in cash and Banco of la República, amounts that compute for the purpose of the reserve that the Bank is required to maintain over ofposits received from clients, pursuant to legal provisions.

These ofposits don't have compensation.

**4.1 Reconciliations of Transactions in Legal Currency**

The following is the oftail of the banking reconciliations at December 31, 2010:

<u>Items olofr than 30 days</u>	<u>Amount</u>		<u>Value</u>
Ofbit notes to reconcile	35	\$	174.4
Credit notes to reconcile	98		(366.6)
ND accounted for not taken by the Bank	15		51.0
NC accounted for not taken by the Bank	<u>1</u>		<u>(1.1)</u>
	<u>149</u>	\$	<u>(142.3)</u>

At June 30, 2011, the reconciliations of accounts in local banks have 74 items of unofr 30 days, for a net of \$ (40.5), the reconciling items over 30 days have no significant impact and are provisioned for a value of \$ 225.4.

The following is the oftail of the banking reconciliations at December 31, 2010:

<u>Items olofr than 30 days</u>	<u>Amount</u>		<u>Value</u>
Ofbit notes to reconcile	24	\$	176.5
Credit notes to reconcile	129		(397.5)
ND accounted for not taken by the Bank	21		135.3
NC accounted for not taken by the Bank	<u>8</u>		<u>(4.7)</u>
	<u>182</u>	\$	<u>(90.4)</u>

On December 31, 2010, reconciliations of accounts in local Banks show 48 items longer than 30 days, for a net value of \$58,7 whit have significant impact and are provisioned net value of \$311,8



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**4.2 Reconciliations of Transactions in Foreign Currency**

The following is the oftail of the banking reconciliations at December 31, 2010:

<u>Items olofr than 30 days</u>	<u>Amount</u>	<u>Value USD \$</u>
Ofbit notes to reconcile	8	32.9
Credit notes to reconcile	11	(13.2)
NC accounted for not taken by the Bank	2	0.1
NC accounted for not taken by the Bank	<u>22</u>	<u>(63.0)</u>
	<u>43</u>	<u>(43.2)</u>

The conciliatory items are provisioned for \$ 58.4

The following is the oftail of the banking reconciliations at December 31, 2010:

<u>Items olofr than 30 days</u>	<u>Amount</u>	<u>Value USD \$</u>
Ofbit notes to reconcile	5	11.0
Ofbit notes to reconcile	9	(36.4)
ND accounted for not taken by the Bank	<u>12</u>	<u>(12.1)</u>
	<u>26</u>	<u>(37.4)</u>

The reconciling items are provisioned for \$21.1.

There is restriction on the available foreign currency of U.S. \$ 8,005,461.54, equivalent to \$ 14,188.2 given by:

As an international banking agency we are required to maintain a security ofposit in dollars or investments in securities in favor of the Florida Office of Financial Regulation (OFR) according to Statute 69U-140.015 of the OFR.

According to chapter 69 U-140.01Sección 663.07, FS equivalence of capital or maintenance of assets requires each international banking agency or international branch to keep eviofnce of dollar ofposits or investments in securities that can be kept by the Bank in favor of the OFR of at least the equivalent of U.S. \$ 4,000.0 or 7% of total liabilities of the agency or international branch (excluding miscellaneous expenses and amounts of other branches, subsidiaries, offices or agencies).

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



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**4.3 Allowance on liquid assets:**

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

	<u>June 30</u>	<u>December 31</u>
Opening balance	\$ 566.6	603.0
Plus:		
Allowance charged to operating expenses	267.5	239.4
Less:		
Penalties	17.1	51.4
Refund revenue	<u>405.8</u>	<u>224.4</u>
Closing balance	\$ <u>411.2</u>	<u>566.6</u>

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

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

		<u>June 30</u>					
<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>Date of</u>		<u>Amount of</u>	<u>TRM</u>	
			<u>Initiation</u>	<u>Cancellation</u>	<u>pesos</u>	<u>(pesos)</u>	
<u>Foreign Currency</u>							
Overnight Foreign Banks:							
	USD	4,800,000.0	0.030%	Jun.30.11	Jul.01.11	\$ 8,507.1	1,772.32
	USD	<u>4,800,000.0</u>				<u>\$ 8,507.1</u>	
<u>Legal Currency</u>							
Concurrent							
Banco República			4.300%	Jun.03.11	Jul.05.11	73,267.7	
			4.080%	Jun.24.11	Jul.01.11	239,399.0	
			4.000%	Jun.24.11	Jul.01.11	<u>39,899.6</u>	
						<u>352,566.3</u>	
Sociedaofs Comisionistas of Bolsa of Valores			4.40%	Jun.29.11	Jul.05.11	15,606.3	
			4.45%	Jun.30.11	Jul.06.11	4,578.2	
			4.50%	Jun.30.11	Jul.05.11	5,263.7	
			4.50%	Jun.30.11	Jul.05.11	<u>5,093.6</u>	
						<u>30,541.8</u>	
Banks			4.13%	Jun.08.11	Jul.06.11	6,000.0	



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<u>Entity</u>	<u>Amount of dollars</u>	<u>June 30</u>		<u>Date of Cancellation</u>	<u>Amount of pesos</u>	<u>TRM (pesos)</u>
		<u>Rate</u>	<u>Initiation</u>			
		4.13%	Jun.15.11	Jul.13.11	6,000.0	
		4.25%	Jun.20.11	Jul.01.11	25,000.0	
		4.25%	Jun.30.11	Jul.01.11	22,000.0	
		4.31%	Jun.22.11	Jul.21.11	6,000.0	
		4.31%	Jun.29.11	Jul.27.11	1,500.0	
		4.32%	Jun.29.11	Jul.27.11	4,500.0	
		4.40%	Jun.28.11	Jul.01.11	<u>3,000.0</u>	
					<u>74,000.0</u>	
					<u>\$ 465,615.2</u>	

<u>Entity</u>	<u>Amount of dollars</u>	<u>December 31</u>		<u>Date of Cancellation</u>	<u>Amount of Pesos</u>
		<u>Rate</u>	<u>Initiation</u>		
<u>Foreign Currency</u>					
Overnight Foreign Banks:					
	USD 1.950.000.0	0.030%	Ofc.31.10	Jan.03.11	\$ 3,732.2
	USD <u>1.950.000.0</u>				<u>3,732.2</u>
<u>Legal Currency</u>					
Concurrent					
Banco República		3.250%	Ofc.27.10	Jan.04.11	81,744.3
		3.100%	Ofc.28.10	Jan.03.11	5,999.4
		3.350%	Ofc.28.10	Jan.11.11	46,866.0
		3.200%	Ofc.28.10	Jan.04.11	<u>2,209.2</u>
					<u>136,818.9</u>
Pass					
Sociedaofs Comisionistas de Bolsa of Valores		3.50%	Ofc.28.10	Jan.03.11	\$ 4,896.7
		3.45%	Ofc.29.10	Jan.04.11	2,179.4
		4.50%	Ofc.29.10	Jan.04.11	6,192.2
		3.45%	Ofc.30.10	Ene.04.11	9,807.2
		5.00%	Ofc.28.10	Ene.03.11	1,129.1
		3.50%	Ofc.28.10	Ene.03.11	2,386.4
		3.40%	Ofc.29.10	Ene.03.11	1,193.3
		3.45%	Ofc.29.10	Ene.04.11	2,724.3



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<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>December 31</u>		<u>Amount of Pesos</u>
			<u>Initiation</u>	<u>Cancellation</u>	
		5.00%	Ofc.29.10	Ene.04.11	2,003.4
		3.45%	Ofc.30.10	Ene.03.11	1,193.5
		3.40%	Ofc.28.10	Ene.03.11	4,781.7
		3.40%	Ofc.30.10	Jan.03.11	2,613.8
		5.00%	Ofc.29.10	Jan.03.11	1,544.8
		5.00%	Ofc.29.10	Jan.04.11	6,019.9
		3.30%	Ofc.29.10	Jan.03.11	<u>2,273.9</u>
					<u>50,939.6</u>
					<u>\$ 191,490.7</u>

For the 1st half of 2011 and the 2nd half of 2010 , the balance and the monthly average yield of active positions (local and foreign currency) totaled \$ 465.615.0 and \$ 1.587.4 and \$ 191,490.7 and \$ 893.2 respectively.

There are no restrictions on these funds.

**6. Investments**

The following is the oftail of the investment Loans, at December 31, and June 30, 2010:

<u>June 30</u>	<u>Cost</u>	<u>Allowance</u>
Trading Investments	\$ 1,975,656.7	12,730.9
Ofbt securities Held to maturity	305,029.7	381.0
Ofbt securities available for sale	1,219,447.7	1,147.9
Equity securities available for sale	297,876.2	13,442.6
Repurchase rights of marketable investments given in guarantee	<u>41,140.7</u>	<u>0.0</u>
	\$ <u>3,839,151.0</u>	<u>27,702.4</u>
Ofceber 31		
Trading Investments	2,089,684.8	12,773.1
Ofbt securities Held to maturity	318,956.6	579.1
Ofbt securities available for sale	1,319,632.2	1,125.5
Equity securities available for sale	312,296.0	13,442.6
Repurchase rights of marketable investments given in guarantee	13,446.0	0.0
	<u>40,120.8</u>	<u>0.0</u>
	\$ <u>4,094,136.4</u>	<u>27,920.3</u>



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

<u>- Investments ofbt securities trading</u>	<u>30 of junio</u>	<u>31 of diciembre</u>
TES	\$ 568,368.2	840,514.5
TRD	1,527.6	3,966.6
Bonds	220,373.6	174,266.8
TDA Finagro (1)	194,101.2	149,606.3
CDT	259,749.8	108,120.4
TIPS	653,202.4	764,418.4
Credit content titles	28,039.5	30,190.9
Securities Issued Foreign	33,072.3	18,600.8
Commercial papers	1,642.9	0.0
Other Investments	<u>15,579.2</u>	<u>0.0</u>
	\$ <u>1,975,656.7</u>	<u>2,089,684.8</u>
<u>- Investment to be held up to their maturity</u>		
TRD	300,236.7	313,595.3
CDT	3,012.0	3,018.8
TIPS	<u>1,781.0</u>	<u>2,342.5</u>
	\$ <u>305,029.7</u>	<u>318,956.6</u>

(1) Refers to mandatory investments maof in compliance with laws and conform to established rates on savings accounts, checking accounts, ofposit certificates, banking services for collection and trust liabilities (Note 13) in terms of Resolution 14 of 2008, as follows: on average daily ofmand in legal currency each quarter, after ofducting the reserve 5.8% from the savings and checking accounts and 4.3% from the term ofposit certificates.

These percentages apply as of the calculation of the requirement of investment in titles of agrarian ofvelopment TDA, corresponding to the ofmandable items of the quarter March to June of 2009. And they are percentages in effect to date (Note 36).

<u>- Investments ofbt securities available for sale</u>	<u>June 30</u>	<u>December 31</u>
TES	\$ 490,212.6	492,188.9
TIPS	<u>729,235.1</u>	<u>827,443.4</u>
	\$ <u>1,219,447.7</u>	<u>1,319,632.2</u>

- Investments equity securities available for sale

Shares with low and minimum marketability (Note 6.9)	\$ <u>297,876.2</u>	<u>312,296.0</u>
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- Investments proviofd as security negotiable



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Trading in ofbt securities			
TES	\$	<u>41,140.7</u>	<u>40,120.8</u>
<u>- Repurchase Rights of Investments</u>			
Trading in ofbt securities			
TES	\$	0.0	13,247.4
FOGAFIN		<u>0.0</u>	<u>198.6</u>
	\$	<u>0.0</u>	<u>13,446.0</u>
- Investment allowance		<u>(27,702.4)</u>	<u>(27,920.3)</u>
Net total Investments	\$	<u>3,811,448.6</u>	<u>4,066,216.1</u>

There are no additional restrictions on investments to those offined in the Basic Accounting and Financial Circular relating to the securities oflivered as collateral for Interbank ofbit transactions, repos, repurchases and futures guarantees, these values are recorofd in the accounts for Repurchase Rights and Transfer Rights

On June 30,2011 and December 31, 2010 the investments in equity securities and ofbt securities were evaluated and rated unofr credit risk in accordance with the provisions of External Circular 100 of the Superintendency Finance of Colombia; the result can be seen in note 6.9

**6.2 Investment Reclassification Effect**

During the first half of 2011 and the second half of 2010, there were no investment reclassifications.

**6.3 Investment Loons by rating**

	<u>June 30</u>	<u>% partic.</u>	<u>Allowance</u>	<u>June 30</u>	<u>% partic.</u>	<u>Allowance</u>
<u>Qualification Long Term</u>						
A	\$34,772.9	0.98%	0.0	43,998.1	1.16%	0.0
A-	29,976.3	0.85%	0.0	13,040.8	0.34%	0.0
A+	58,309.5	1.65%	0.0	33,784.1	0.89%	0.0
AA-	32,397.1	0.91%	0.0	28,682.9	0.76%	0.0
AA	133,412.0	3.77%	0.0	131,887.8	3.49%	0.0
AA+	22,460.9	0.63%	0.0	36,994.6	0.98%	0.0
AAA	1,312,370.9	37.06%	0.0	1,435,764.0	37.96%	0.0
B+	16,223.8	0.46%	4,867.1	16,145.1	0.43%	4,843.5
BB	9,207.0	0.26%	920.7	9,023.6	0.24%	902.4
BB-	18,834.9	0.53%	1,883.5	20,119.4	0.53%	2,011.9
BB+	2,271.9	0.06%	227.2	2,231.6	0.06%	223.2
BBB-	32,396.2	0.91%	0.0	23,809.0	0.63%	0.0



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	<u>June 30</u>	<u>% partic.</u>	<u>Allowance</u>	<u>June 30</u>	<u>% partic.</u>	<u>Allowance</u>
BBB	26,309.5	0.74%	0.0	18,757.9	0.50%	0.0
BBB+	17,890.7	0.51%	0.0	38,923.9	1.03%	0.0
C	11,960.5	0.34%	5,980.3	11,645.8	0.31%	5,822.9
CC	762.0	0.02%	381.0	1,347.6	0.04%	673.8
Nation	<u>1,653,835.2</u>	<u>46.70%</u>	<u>0.0</u>	<u>1,911,655.8</u>	<u>50.55%</u>	<u>0.0</u>
	<u>3,413,391.3</u>	<u>96.39%</u>	<u>14,259.8</u>	<u>3,777,811.9</u>	<u>99.89%</u>	<u>14,477.7</u>
<u>Qualification short term</u>						
1	14,104.7	0.40%	0.0	0.0	0.00%	0.0
1+	<u>113,778.9</u>	<u>3.21%</u>	<u>0.0</u>	<u>4,028.5</u>	<u>0.11%</u>	<u>0.0</u>
	<u>127,883.6</u>	<u>3.61%</u>	<u>0.0</u>	<u>4,028.5</u>	<u>0.11%</u>	<u>0.0</u>
	<u>3,541,274.9</u>	<u>100.00%</u>	<u>14,259.8</u>	<u>3,781,840.4</u>	<u>100.00%</u>	<u>14,477.7</u>
<u>Equity Securities</u>						
A	297,866.3	100.00%	13,440.7	312,286.2	100.00%	13,440.7
AA	9.9	0.00%	1.9	0.0	0.00%	0.0
B	<u>0.0</u>	<u>0.00%</u>	<u>0.0</u>	<u>9.8</u>	<u>0.00%</u>	<u>1.9</u>
	<u>297,876.2</u>	<u>100.00%</u>	<u>13,442.6</u>	<u>312,296.0</u>	<u>100.00%</u>	<u>13,442.6</u>
	<u>\$ 3,839,151.1</u>	<u>100.00%</u>	<u>27,702.4</u>	<u>4,094,136.4</u>	<u>100.00%</u>	<u>27,920.3</u>

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

As a result of the credit Loans securitization processes, the Bank acquired securities Tips "C", which are rated as CCC and are recorded as of June 30, 2011 and December 31, 2010 in the negotiable investments in debt securities for (\$15,167,84) Fifteen thousand one hundred and sixty-seven with eighty-four cents (Colombian pesos). In addition, they are recorded in contingent accounts at June 30, 2011 and December 31, 2010 for \$33,874.6 and \$32,948.1, respectively.

#### 6.4 Investment Loans by issuing

	<u>June 30</u>	<u>Partic.</u>	<u>December 31</u>	<u>Partic.</u>
Government National	\$ 1,459,290.1	38.0%	1,761,372.4	43.0%
Decentralized entities and governmental organs	443.9	0.0%	3,836.9	0.1%
Finagro	194,101.2	5.1%	149,804.9	3.7%
Financial institutions	0.0	0.0%	20,583.0	0.5%
Entities supervised by the Superintendency Finance of Colombia	1,961,640.1	51.1%	1,977,499.9	48.3%
Foreign Entities	84,987.1	2.2%	94,511.1	2.3%
Real entities sector	119,383.1	3.1%	86,191.4	2.1%
Multilateral agencies	1,642.8	0.0%	0.0	0.0%
Others	<u>17,662.7</u>	<u>0.5%</u>	<u>336.8</u>	<u>0.0%</u>
	<u>\$ 3,839,151.0</u>	<u>100.0%</u>	<u>4,094,136.4</u>	<u>100.0%</u>



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**6.5 Investment Loans per currency**

		<u>June 30</u>	<u>December 31</u>
Pesos	\$	3,160,514.0	3,365,749.9
Dólares		95,169.7	94,511.1
Uvr		<u>583,467.3</u>	<u>633,875.4</u>
	\$	<u>3,839,151.0</u>	<u>4,094,136.4</u>

**6.6 Investments Loans per maturity terms**

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

<u>December 31</u>		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Trading Investments	\$	326,495.1	828,751.8	524,907.1	463,097.5	2,143,251.6
Investments ofbt securities available for sale		0.0	492,188.9	659,119.2	168,324.2	1,319,632.2
Investments equity securities available for sale		0.0	0.0	0.0	312,296.0	312,296.0
Investments ofbt securities Held to maturity		<u>39,088.8</u>	<u>269,119.3</u>	<u>10,748.5</u>	<u>0.0</u>	<u>318,956.6</u>
	\$	<u>365,584.0</u>	<u>1,590,059.9</u>	<u>1,194,774.8</u>	<u>943,717.7</u>	<u>4,094,136.4</u>



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**6.7 Maximum, Minimum and Average values**

The Maximum, Minimum and Average values of Fixed Income Investment Loans, during the 1st half of 2011 there were:

<u>Investments</u>	<u>June 30</u>		
Instruments per kind	<u>Mínimum</u>	<u>Máximun</u>	<u>Average</u>
Bonds	\$ 167,428.9	220,373.6	190,929.6
CDT	105,161.8	259,749.8	183,745.4
Foreign Entities	33,072.3	33,691.3	34,921.6
Comercial Paper	520.7	12,059.5	5,029.2
TDA Finagro	123,730.5	202,954.2	175,185.4
TES	512,396.2	1,477,992.8	909,653.3
TIPS	653,202.4	732,020.8	688,360.8
Títulos credit content	28,039.5	31,788.2	29,044.0
TRD	1,492.2	1,527.6	1,514.1
Bonds issued by multilateral	1,629.0	3,560.1	198.8
Other Inverstmnts	8,527.1	12,829.5	977.1
Available for sale			
TES	484,383.5	495,034.1	490,731.4
TIPS	729,235.2	806,793.1	759,254.4
At maturity			
CDT	3,012.0	3,029.3	3,022.2
TIPS	1,781.0	2,213.0	2,044.9
TRD	<u>300,236.7</u>	<u>311,426.3</u>	<u>306,645.2</u>
	\$ <u>3,153,848.9</u>	<u>4,607,043.2</u>	<u>3,781,257.5</u>
Active Positions in Monetary Market Operations and those Related			
Inter-bank liabilities	21,000.0	274,000.0	134,333.3
Repos and inter-banks passive s	<u>12,977.2</u>	<u>946,096.8</u>	<u>287,862.3</u>
	\$ <u>33,977.2</u>	<u>1,220,096.8</u>	<u>422,195.6</u>
Active Positions in Monetary Market Operations and those Related			
Inter-bank assets	30,706.0	84,017.3	49,018.2
Repos and inter-banks assets	0.0	325,451.1	91,104.1
Over Night Banks Abroad	<u>0.0</u>	<u>43,186.8</u>	<u>7,197.8</u>
	\$ <u>30,706.0</u>	<u>452,655.2</u>	<u>147,320.1</u>



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The maximum, minimum and average values of the Fixed-Income Investment Loans during the second half of 2010 were:

<u>Investments</u>	<u>December 31</u>		
Instruments per kind	<u>Mínimum</u>	<u>Máximun</u>	<u>Average</u>
Bonds	\$ 168,195.4	221,813.2	192,720.7
CDT	56,003.2	150,939.4	107,181.2
Trusteeship	0.0	25,000.0	4,166.7
Fogafin	0.0	108,686.4	36,131.1
Foreign Entities	17,553.7	18,600.8	18,147.7
TDA Finagro	148,559.4	202,036.5	175,314.2
TES	735,134.4	1,272,796.2	978,072.2
TIDIS	0.0	84.9	14.2
TIPS	663,628.4	764,418.4	706,530.3
Títulos credit content	13,210.5	39,483.7	23,936.2
TRD	3,966.6	22,153.7	13,237.1
Available for sale			
TES	492,188.9	520,406.8	506,664.9
TIPS	282,742.3	830,105.8	409,486.5
At maturity			
CDT	3,018.8	3,032.2	3,026.4
TES	0.0	2,410.0	401.7
TIPS	0.0	2,661.4	2,088.9
TRD	<u>312,918.0</u>	<u>315,637.8</u>	<u>314,326.3</u>
	\$ <u>2,897,119.7</u>	<u>4,500,267.3</u>	<u>3,491,446.1</u>
Active Positions in Monetary Market Operations and those Related			
Inter-bank assets	0.0	80,000.0	20,333.3
Overnight Bancos Exterior	1,756.0	17,875.1	8,283.8
Repos and inter-banks assets	<u>187,758.5</u>	<u>765,166.7</u>	<u>391,136.8</u>
	\$ <u>189,514.4</u>	<u>863,041.8</u>	<u>419,753.9</u>
Active Positions in Monetary Market Operations and those Related			
Inter-bank assets	16,209.1	62,275.8	47,131.3
Repos and inter-banks assets	10,162.4	555,728.0	215,782.8
Short Operations	<u>0.0</u>	<u>112,194.5</u>	<u>23,313.7</u>
	\$ <u>26,371.5</u>	<u>730,198.2</u>	<u>286,227.8</u>



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**6.8 Investments Allowance**

The movement of the investment allowance is the following:

	<u>June 30</u>	<u>December 31</u>
Beginning Balance	\$ 27,920.3	29,919.4
Plus:		
Allowance charged to operating expenses	245.5	1,495.5
Less:		
Reimbursement of allowance	<u>463.4</u>	<u>3,494.6</u>
Ending Balance	\$ <u>27,702.4</u>	<u>27,920.3</u>

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

The following is the oftail of the investments available for the sale in equity securities, as well as their risk rating with cut to June 30,2011 and December 31, 2010:

<u>Entity</u>	<u>June 30</u>							Rating Credit Risk	<u>Diviofnds</u>
	<u>Capital Stock</u>	<u>%parti- cipat.</u>	<u>Costo Acquisition</u>	<u>Costo Adjusted</u>	<u>Valuation / Ofvaluation</u>	<u>Allowance</u>	<u>Diviofnds</u>		
Bancafé Panamá S.A.	29,100	99.999%	62,884.3	51,574.2	59,060.6	0.0	A	0.0	
Corporación Andina of Fomento	3,080	0.004%	<u>328.8</u>	<u>340.6</u>	<u>67.3</u>	<u>0.0</u>	A	<u>0.0</u>	
			<u>63,213.1</u>	<u>51,914.8</u>	<u>59,127.9</u>	<u>0.0</u>		<u>0.0</u>	
Finagro	\$156,607	12.670%	52,149.7	67,984.8	2,664.0	0.0	A	7,067.2	
Fiduciaria Cafetera S.A.	33,462	94.011%	44,586.9	55,631.0	7,250.7	0.0	A	4,700.5	
Compañía of Inv. ofl Café	8,024	29.537%	13,440.7	13,440.7	0.0	13,440.7	A	0.0	
Cámara of Riesgo Central of Contraparte	40,000	4.681%	1,563.7	1,872.4	(460.9)	0.0	A	0.0	
Almacafé	14,472	0.009%	9.8	9.8	0.0	1.9	B	0.0	
ConFinance S.A.	38,052	94.900%	31,880.4	54,801.6	13,239.5	0.0	A	14,403.1	
Davivalores S.A.	2,384	79.000%	2,405.7	2,981.5	4,904.6	0.0	A	0.0	
Fiduciaria Davivienda S.A.	27,475	60.000%	381.0	16,204.6	12,545.9	0.0	A	9,825.2	
Titularizadora Colombiana S.A. (1)	59,855	21.118%	17,499.8	14,950.9	11,582.7	0.0	A	4,829.3	
Reofban Multicolor S.A.	10,120	26.039%	8,229.8	8,229.9	8,012.5	0.0	A	1,041.5	
A.C.H. Colombia S.A.	6,595	18.418%	1,848.5	1,848.5	1,545.5	0.0	A	957.8	
Ofceval S.A.	12,051	11.846%	4,488.9	5,072.1	1,365.9	0.0	A	2,677.2	
Cámara of Compensación Divisas of Colombia S.A.	2,500	6.375%	159.4	159.4	7.0	0.0	A	0.0	
Tecnibanca S.A.	16,410	0.941%	85.6	225.5	95.0	0.0	A	94.0	
Multiactivos (2)	12,070	21.120%	<u>2,548.9</u>	<u>2,548.8</u>	<u>1,674.7</u>	<u>0.0</u>		<u>0.0</u>	
			<u>181,278.8</u>	<u>245,961.4</u>	<u>64,427.1</u>	<u>13,442.6</u>		<u>45,595.9</u>	
			\$ <u>244,491.9</u>	<u>297,876.2</u>	<u>123,555.0</u>	<u>13,442.6</u>		<u>45,595.9</u>	



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

- (1) March 9, 2011, Public Ofed No. 222 of March 3, 2011 was registered in the Bogota Chamber of Commerce which formalized the split of the shares of the Titularizadora Colombiana.

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

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

Entity	<u>December 31</u>							
	Capital Stock	%participat.	Costo Acquisition	Costo Adjusted	Valuation / Ofvaluation	Allowance	Rating Credit Risk	Dividends
Bancaf� Panama S.A.	USD 29.100.0	99.999%	62,884.3	55,696.4	62,125.0	0.0	A	0.0
Bancaf� International Corporation S.A.	2,000.0	100.0%	22,407.3	19,846.1	686.1	0.0	A	0.0
Corporaci�n Andina of Fomento	2,725.1	0.0034%	<u>328.8</u>	<u>367.8</u>	<u>58.0</u>	<u>0.0</u>	A	<u>9.2</u>
			<u>85,620.4</u>	<u>75,910.3</u>	<u>62,869.1</u>	<u>0.0</u>		<u>9.2</u>
Finagro	\$143,308	12.67%	52,149.7	61,557.0	6,898.1	0.0	A	0.0
Fiduciaria Cafetera S.A.	33,462	94.011%	44,586.9	55,631.0	9,575.5	0.0	A	0.0
Compa�a of Inv. ofl Caf�	8,023.8	29.537%	13,440.7	13,440.7	0.0	13,440.7	A	0.0
C�mara de Riesgo Central of Contraparte	34,000	5.507%	1,563.7	1,872.4	(476.1)	0.0	A	0.0
Almacaf�	14,472	0.01%	9.8	9.8	0.0	1.9	B	0.0
ConFinance S.A.	37,031	94.90%	31,880.4	53,833.4	13,386.7	0.0	A	0.0
Davivalores S.A.	2,384	79.00%	2,405.7	2,981.5	5,434.7	0.0	A	0.0
Fiduciaria Davivienda S.A.	23,842	60.00%	381.0	14,024.8	17,438.2	0.0	A	0.0
Titularizadora Colombiana S.A.	71,925	21.12%	17,499.8	17,499.7	11,084.9	0.0	A	0.0
Reofban Multicolor S.A.	10,119	26.04%	8,229.8	8,229.9	9,059.9	0.0	A	0.0
A.C.H. Colombia S.A.	6,595	18.42%	1,848.5	1,848.5	2,225.0	0.0	A	0.0
Ofceval S.A.	12,051	11.85%	4,488.9	5,072.1	3,048.3	0.0	A	1,257.0
C�mara de Compensaci�n Divisas of Colombia S.A.	2,500	6.375%	159.4	159.4	5.1	0.0	A	0.0
Tecnibanca S.A.	16,410	0.9412%	<u>85.6</u>	<u>225.5</u>	<u>133.8</u>	<u>0.0</u>	A	<u>0.0</u>
			<u>178,729.9</u>	<u>236,385.7</u>	<u>77,814.1</u>	<u>13,442.6</u>		<u>1,257.0</u>
			\$ <u>264,350.3</u>	<u>312,296.0</u>	<u>140,683.2</u>	<u>13,442.6</u>		<u>1,266.2</u>

In the second half of 2010, received dividends of \$ 9.2 in cash and stock \$ 1.257.0



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**7. Loans and Financial Leases**

**7.1 Loans and financial leases per modality**

	<u>June 30</u>	<u>December 31</u>
<u>Commercial Loans:</u>		
Corporate and builofrs	\$ 7,800,331.6	7,322,883.8
Others commercial lines	3,085,155.3	2,650,029.8
Credit cards	272,967.5	244,402.7
Vehicles	5,818.0	10,711.5
Overdrafts in current account	<u>125,299.8</u>	<u>64,732.3</u>
	<u>11,289,572.2</u>	<u>10,292,760.1</u>
Mortgage Leases	<u>1,517,029.1</u>	<u>1,376,563.0</u>
	<u>12,806,601.3</u>	<u>11,669,323.1</u>
<u>Mortgage Loans</u>	<u>2,255,194.5</u>	<u>1,771,169.9</u>
<u>Consumer Loans:</u>		
Credit card	2,098,654.3	1,883,988.9
Other Consumer lines	5,200,677.8	4,697,430.7
Vehicles	1,002,562.2	867,875.3
Overdrafts in current account	<u>69,714.8</u>	<u>47,835.9</u>
	<u>8,371,609.1</u>	<u>7,497,130.8</u>
<u>Micro-credit</u>	<u>25.9</u>	<u>73.6</u>
Loans total	\$ <u>23,433,430.8</u>	<u>20,937,697.4</u>
Less individual allowance	<u>(1,210,190.5)</u>	<u>(1,100,545.9)</u>
Net Loans sub-total	\$ <u>22,223,240.3</u>	<u>19,837,151.5</u>
Less general allowance	<u>(22,552.2)</u>	<u>(17,712.4)</u>
Net Loans total	\$ <u>22,200,688.1</u>	<u>19,819,439.1</u>



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At June 30, 2011 and December 31, 2010, the issue of mortgage and ancillary bonds with Mortgage Loans rated at A and a term of 7 years (prepaid for the issuer every three months), are guaranteed, thus:

	<u>June 30</u>	<u>December 31</u>
Issuance II *	\$ 0.0	12,304.6
Issuance III	<u>33,051.7</u>	<u>35,387.3</u>
	<u>\$ 33,051.7</u>	<u>47,691.9</u>

\* Performance in February 2011

**7.2 Social Interest Mortgage**

The Bank has assigned recourses to finance social interest Mortgage in compliance with the provisions of Ofcree 1041 of 1995 and 1122 of 1996.

For the first half of 2011, the Bank placed resources of \$ 369,609.3, \$ 255,286.4 in individual loans and \$ 114,332.9 in construction loans, and for the second half of 2010 placed resources of \$ 376,545.3, \$ 283,005.8 in individual loans and \$ 93,539.5 in construction loans.

The value of social interest Mortgage Loans is as follows:

	<u>June 30</u>	<u>December 31</u>
Individuales	\$ 1,410,559.5	1,196,218.1
Constructores	<u>98,864.3</u>	<u>62,281.3</u>
	<u>\$ 1,509,423.8</u>	<u>1,258,499.4</u>

**Loans with subsidized rate**

To comply with ofcree 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 Mortgage Loans and leases contracts for new home purchases.

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

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

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



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The Bank will generate a monthly bill to the Banco of 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.

Cover granted by the Bank

The Bank offered its customers an additional incentive from installment 85 for the maximum next eight (8) years; the Bank will assume the value that the government had been paying under the same conditions. To June 30, 2011 and December 31, 2010 a provision of \$ 9,150.0 was estimated for \$ 3,847.0, respectively based on a model that considers the actual conduct of the loans.

At June 30, 2011 and December 31, 2010 the Bank has disbursed 42,065 and 31,421 Mortgage Loans obligations under this benefit for \$1,581,576.8 and \$1,261,827.0, respectively.

**7.3 Loans and financial leases per risk ratings and guarantee**

At June 30, 2011 and December 31, 2010, the Bank rated one hundred percent (100%) of its loans and financial leases, interest and other concepts in accordance with the Basic Memorandum Letter 100, 1995 from the Superintendency Finance of Colombia. The result of said rating is the following:



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June 30

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



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



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	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES ADMISIBLE</u>	<u>ALLOWANCE CAPITAL</u>	<u>ALLOWANCE INTERESTS</u>	<u>ALLOWANCE OTHERS</u>
<b>COMMERCIAL SUITABLE GUARANTY</b>								
A - Normal	\$ 1,943,772.1	16,751.0	1,078.2	1,961,601.3	7,644,417.8	49,486.3	427.7	148.1
B - Aceptable	141,410.0	1,276.1	279.5	142,965.6	643,414.9	17,007.7	137.7	171.1
C – Officient	33,176.9	539.7	175.8	33,892.3	113,174.6	8,786.3	419.1	166.7
D – Difficult collection	15,241.0	365.9	100.0	15,706.9	67,630.1	15,241.0	343.5	98.0
E – Irrecoverable	<u>26,078.9</u>	<u>344.1</u>	<u>73.3</u>	<u>26,496.3</u>	<u>76,918.0</u>	<u>26,078.9</u>	<u>325.9</u>	<u>72.7</u>
	<u>2,159,678.9</u>	<u>19,276.8</u>	<u>1,706.8</u>	<u>2,180,662.4</u>	<u>8,545,555.4</u>	<u>116,600.3</u>	<u>1,654.0</u>	<u>656.7</u>
<b>COMMERCIAL OTHERS GUARANTIES</b>								
A - Normal	9,114,453.3	78,546.4	5,055.9	9,198,055.7	0.0	232,044.0	2,005.6	694.3
B - Aceptable	236,996.6	2,138.7	468.5	239,603.7	0.0	28,504.2	230.8	286.8
C – Officient	41,109.2	668.8	217.8	41,995.7	0.0	10,887.1	519.3	206.6
D – Difficult collection	93,936.7	2,254.9	616.3	96,807.9	0.0	93,936.7	2,117.1	604.3
E – Irrecoverable	<u>23,148.4</u>	<u>305.4</u>	<u>65.1</u>	<u>23,518.9</u>	<u>0.0</u>	<u>23,148.5</u>	<u>289.3</u>	<u>64.5</u>
	<u>9,509,644.2</u>	<u>83,914.2</u>	<u>6,423.5</u>	<u>9,599,981.8</u>	<u>0.0</u>	<u>388,520.5</u>	<u>5,162.2</u>	<u>1,856.5</u>
	<u>\$ 11,669,323.1</u>	<u>103,190.9</u>	<u>8,130.3</u>	<u>11,780,644.2</u>	<u>8,545,555.4</u>	<u>505,120.8</u>	<u>6,816.2</u>	<u>2,513.2</u>
<b>CONSUMER SUITABLE GUARANTY</b>								
A – Normal	\$ 743,987.2	6,322.7	1,888.3	752,198.2	2,089,053.0	20,576.4	214.1	88.6
B – Aceptable	28,146.3	478.9	106.1	28,731.3	87,302.5	2,975.2	121.6	32.7
C – Officient	18,208.1	295.1	62.0	18,565.2	50,479.2	3,006.4	246.0	53.3
D – Difficult collection	15,432.9	323.5	67.6	15,824.0	39,502.7	15,432.9	306.9	66.0
E – Irrecoverable	<u>15,972.9</u>	<u>193.9</u>	<u>100.0</u>	<u>16,266.8</u>	<u>43,626.0</u>	<u>15,972.9</u>	<u>179.5</u>	<u>97.3</u>
	<u>821,747.4</u>	<u>7,614.2</u>	<u>2,224.0</u>	<u>831,585.5</u>	<u>2,309,963.3</u>	<u>57,963.8</u>	<u>1,068.2</u>	<u>337.9</u>
<b>OTHER CONSUMER GUARANTEES</b>								
A - Normal	6,002,664.2	51,013.3	15,234.6	6,068,912.1	0.0	166,015.3	1,727.1	714.4
B - Aceptable	259,462.6	4,414.9	978.3	264,855.7	0.0	27,427.0	1,121.1	301.6
C - Officiente	138,783.1	2,249.4	472.6	141,505.1	0.0	22,915.1	1,875.2	406.2
D - Difícil Cobro	188,359.8	3,948.2	824.7	193,132.7	0.0	188,359.8	3,746.2	805.0
E - Irrecuperable	<u>86,113.7</u>	<u>1,045.4</u>	<u>539.4</u>	<u>87,698.5</u>	<u>0.0</u>	<u>86,113.7</u>	<u>967.9</u>	<u>524.8</u>
	<u>6,675,383.4</u>	<u>62,671.1</u>	<u>18,049.6</u>	<u>6,756,104.1</u>	<u>0.0</u>	<u>490,830.9</u>	<u>9,437.5</u>	<u>2,752.0</u>
	<u>7,497,130.8</u>	<u>70,285.3</u>	<u>20,273.5</u>	<u>7,587,689.6</u>	<u>2,309,963.3</u>	<u>548,794.7</u>	<u>10,505.6</u>	<u>3,089.8</u>



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	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES ADMISIBLE</u>	<u>ALLOWANCE CAPITAL</u>	<u>ALLOWANCE</u>	
							<u>INTERESTS</u>	<u>OTHERS</u>
<b>MICROCREDIT OTHER WARRANTIES</b>								
A – Normal	53.1	0.3	3.2	56.6	22.0	0.9	0.0	0.2
B – Acceptable	6.5	0.1	0.2	6.8	2.7	0.3	0.0	0.0
C – Officient	7.5	0.1	0.7	8.3	3.1	2.2	0.1	0.7
E – Irrecoverable	<u>6.5</u>	<u>0.1</u>	<u>0.5</u>	<u>7.2</u>	<u>2.7</u>	<u>6.5</u>	<u>0.1</u>	<u>0.5</u>
	<u>73.6</u>	<u>0.6</u>	<u>4.6</u>	<u>78.8</u>	<u>30.5</u>	<u>10.0</u>	<u>0.2</u>	<u>1.4</u>
General Allowance						<u>0.7</u>		
	<u>\$ 73.6</u>	<u>0.6</u>	<u>4.6</u>	<u>78.8</u>	<u>30.5</u>	<u>10.7</u>	<u>0.2</u>	<u>1.4</u>
<b>MORTGAGE LOONS</b>								
A – Normal	\$ 1,613,214.2	7,086.9	9,727.6	1,630,028.7	4,237,958.5	24,286.4	495.6	2,683.4
B – Acceptable	106,982.6	301.9	1,776.7	109,061.2	302,958.2	5,575.0	293.1	1,773.9
C – Officient	37,374.8	121.5	793.5	38,289.8	111,306.8	7,535.4	121.5	793.5
D – Difficult collection	10,947.1	39.5	387.7	11,374.3	36,118.3	6,572.4	39.5	387.7
E – Irrecoverable	<u>2,651.2</u>	<u>10.2</u>	<u>144.1</u>	<u>2,805.5</u>	<u>9,580.0</u>	<u>2,651.2</u>	<u>10.2</u>	<u>144.1</u>
	<u>1,771,169.9</u>	<u>7,560.1</u>	<u>12,829.6</u>	<u>1,791,559.6</u>	<u>4,697,921.8</u>	<u>46,620.4</u>	<u>960.0</u>	<u>5,782.5</u>
General Allowance						<u>17,711.7</u>		
	<u>1,771,169.9</u>	<u>7,560.1</u>	<u>12,829.6</u>	<u>1,791,559.6</u>	<u>4,697,921.8</u>	<u>64,332.1</u>	<u>960.0</u>	<u>5,782.5</u>
	<u>\$ 20,937,697.4</u>	<u>181,037.1</u>	<u>41,238.0</u>	<u>21,159,972.3</u>	<u>15,553,471.0</u>	<u>1,118,258.3</u>	<u>18,282.1</u>	<u>11,386.9</u>



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**7.4 Credit Loans and financial leases per economic sector**

<u>Sectors</u>	<u>June 30</u>		<u>December 31</u>		<u>Sectors</u>
	<u>Balance</u>	<u>% Particip.</u>	<u>Balance</u>	<u>% Particip.</u>	
To the families for their acquisition of goods and services	\$8,371,609.1	35.73%	7,497,130.7	35.81%	
To the families for Mortgage	3,772,223.5	16.10%	3,146,150.5	15.03%	
Services renofred to companies	1,767,285.6	7.54%	2,387,909.8	11.40%	
Construction	570,065.8	2.43%	539,215.3	2.58%	
Wholesale and retail business	1,282,174.2	5.47%	857,483.3	4.10%	
Transport and communications	1,798,761.6	7.68%	704,832.6	3.37%	
Agriculture, forestry, cattle breeding, fishing and hunting	646,089.0	2.76%	415,846.2	1.99%	
Manufacturing of food products	395,124.7	1.69%	467,810.5	2.23%	
Health, education, recreation and culture services	623,167.8	2.66%	1,289,336.9	6.16%	
Vehicles	166,253.9	0.71%	100,100.4	0.48%	
Public administration and offense	268,349.4	1.15%	419,185.7	2.00%	
Manufacturing of textile products, garments, leathers and their products	262,530.5	1.12%	142,152.4	0.68%	
Electricity, gas and water supply	342,934.2	1.46%	130,490.9	0.62%	
Manufacturing of metallic products of bases and manufactured	197,333.4	0.84%	145,118.9	0.69%	
Manufacturing of mineral products not metallic	356,637.9	1.52%	253,189.6	1.21%	
Manufacturing of chemical substances, chemical products and rubber	175,866.8	0.75%	92,158.9	0.44%	
Manufacturing of paper and its printing and publishing products	142,176.0	0.61%	81,928.3	0.39%	
Manufacturing of other manufactured products, incluof wood	22,354.2	0.10%	21,866.2	0.10%	
Exploitation of coal mines, extraction of cruof oil and natural gas	694,399.3	2.96%	843,818.6	4.03%	
Manufacturing of transport equipment	35,905.2	0.15%	7,804.2	0.04%	
Manufacturing of Machinery and Equipment	153,468.4	0.65%	42,837.5	0.20%	
Hotels and restaurants	113,284.5	0.48%	58,772.9	0.28%	
Extraction of metallic and not metallic minerals	61,131.3	0.26%	65,976.1	0.32%	
Manufacturing of drinks and tobacco	131,380.8	0.56%	121,380.2	0.58%	
Others	655.8	0.00%	-	0.00%	
To the families for their acquisition of goods and services	<u>1,082,267.9</u>	<u>4.62%</u>	<u>1,105,200.8</u>	<u>5.27%</u>	
	<u>\$ 23,433,430.8</u>	<u>100.00%</u>	<u>\$ 20,937,697.4</u>	<u>100.00%</u>	



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

**7.5 Credit Loans and Financial Leases per geographical area**

**COMMERCIAL LOANS**

<u>June 30</u>						<u>ALLOWANCE</u>		
	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	Allowance <u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	\$ 6,370,014.3	55,719.8	3,528.9	6,429,263.0	4,675,967.3	255,847.2	2,925.9	1,402.7
Antioquia	2,740,810.1	22,875.7	2,590.7	2,766,276.5	2,068,236.5	126,593.6	2,034.4	395.4
Nororiental	2,201,556.6	20,532.3	2,244.2	2,224,333.1	1,532,124.3	103,726.8	1,822.2	767.1
Surocciofntal	1,362,501.1	11,102.0	1,167.6	1,374,770.7	863,481.0	50,275.1	885.7	345.7
Miami	<u>131,719.2</u>	<u>409.1</u>	<u>0.0</u>	<u>132,128.3</u>	<u>0.9</u>	<u>2,039.1</u>	<u>6.5</u>	<u>0.0</u>
	<u>\$ 12,806,601.3</u>	<u>110,638.9</u>	<u>9,531.4</u>	<u>12,926,771.6</u>	<u>9,139,810.0</u>	<u>538,481.8</u>	<u>7,674.7</u>	<u>2,910.9</u>

**CARTERA CONSUMO**

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

**MICROCREDITO**

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

**CARTERA VIVIENDA**

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



**BANCO DAVIVIENDA S.A.**  
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**COMMERCIAL LOON**

December 31

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	Allowance		
						CAPITAL	INTERESTS	OTHERS
Bogotá	\$ 6,323,290.3	51,783.1	3,097.6	6,378,171.0	3,879,080.5	247,805.7	2,652.5	1,188.3
Antioquia	2,159,419.7	19,749.8	2,125.4	2,181,294.9	2,106,577.8	113,824.8	1,841.3	353.6
Nororiental	1,967,802.3	16,946.9	1,899.0	1,986,648.2	1,648,167.9	97,847.7	1,470.4	674.9
Surocciofntal	<u>1,218,810.8</u>	<u>14,711.1</u>	<u>1,008.3</u>	<u>1,234,530.2</u>	<u>911,729.2</u>	<u>45,642.6</u>	<u>852.0</u>	<u>296.4</u>
	<u>\$ 11,669,323.1</u>	<u>103,190.9</u>	<u>8,130.3</u>	<u>11,780,644.3</u>	<u>8,545,555.4</u>	<u>505,120.8</u>	<u>6,816.2</u>	<u>2,513.2</u>

**CONSUMER LOON**

Bogotá	3,729,081.3	35,586.2	10,609.1	3,775,276.5	1,315,293.9	284,543.6	5,735.8	1,611.3
Antioquia	1,153,113.7	10,228.2	2,909.0	1,166,250.8	342,213.9	75,422.1	1,270.1	342.0
Nororiental	1,598,799.9	15,262.3	4,100.6	1,618,162.8	405,653.3	119,611.4	2,236.1	735.5
Surocciofntal	<u>1,016,136.0</u>	<u>9,208.6</u>	<u>2,654.9</u>	<u>1,027,999.5</u>	<u>246,802.1</u>	<u>69,217.6</u>	<u>1,263.6</u>	<u>401.0</u>
	<u>7,497,130.8</u>	<u>70,285.3</u>	<u>20,273.5</u>	<u>7,587,689.6</u>	<u>2,309,963.3</u>	<u>548,794.7</u>	<u>10,505.6</u>	<u>3,089.8</u>

**MICRO-CREDIT**

Bogotá	15.0	0.2	1.2	16.4	6.2	2.0	0.1	0.2
Antioquia	37.1	0.2	1.6	38.9	15.3	1.8	0.1	0.0
Nororiental	15.9	0.1	1.3	17.3	6.6	5.3	0.1	0.9
Surocciofntal	<u>5.6</u>	<u>0.0</u>	<u>0.6</u>	<u>6.2</u>	<u>2.4</u>	<u>0.9</u>	<u>0.0</u>	<u>0.3</u>
Provisión general						<u>0.6</u>		
	<u>73.6</u>	<u>0.6</u>	<u>4.6</u>	<u>78.8</u>	<u>30.5</u>	<u>10.6</u>	<u>0.2</u>	<u>1.4</u>

**MORTGAGE LOON**

Bogotá	1,210,707.6	4,952.9	8,089.5	1,223,750.0	3,147,170.1	32,239.9	641.7	3,528.9
Antioquia	176,652.7	851.2	1,460.1	178,964.0	525,838.5	4,187.0	102.9	633.0
Nororiental	221,107.0	1,031.3	2,445.0	224,583.3	614,175.2	6,197.3	136.5	1,229.2
Surocciofntal	<u>162,702.5</u>	<u>724.7</u>	<u>834.9</u>	<u>164,262.2</u>	<u>410,738.0</u>	<u>3,996.1</u>	<u>78.9</u>	<u>391.4</u>
Provisión General						<u>17,711.7</u>		
	<u>1,771,169.9</u>	<u>7,560.1</u>	<u>12,829.6</u>	<u>1,791,559.5</u>	<u>4,697,921.8</u>	<u>64,332.1</u>	<u>960.0</u>	<u>5,782.5</u>
	<u>\$ 20,937,697.4</u>	<u>181,037.1</u>	<u>41,238.0</u>	<u>21,159,972.3</u>	<u>15,553,471.0</u>	<u>1,118,258.3</u>	<u>18,282.1</u>	<u>11,386.9</u>



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**7.6 Loans and Financial Leases per monetary unit**

<u>June 30</u>				
CONCEPT	<u>Legal Currency</u>	<u>Foreign Currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	\$ 11,280,743.6	1,525,857.7	0.0	12,806,601.3
Micro-credit	25.9	0.0	0.0	25.9
Consumer	8,362,889.4	8,719.7	0.0	8,371,609.1
Mortgage	<u>1,591,312.1</u>	<u>0.0</u>	<u>663,882.4</u>	<u>2,255,194.5</u>
	<u>21,234,971.0</u>	<u>1,534,577.4</u>	<u>663,882.4</u>	<u>23,433,430.8</u>
<u>December 31</u>				
CONCEPT	<u>Legal Currency</u>	<u>Foreign Currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	\$ 10,394,477.4	1,274,845.7	0.0	11,669,323.1
Micro-credit	73.6	0.0	0.0	73.6
Consumer	7,491,730.3	5,400.5	0.0	7,497,130.8
Mortgage Mortgage	<u>1,138,367.5</u>	<u>0.0</u>	<u>632,802.4</u>	<u>1,771,169.9</u>
	<u>19,024,648.8</u>	<u>1,280,246.2</u>	<u>632,802.4</u>	<u>20,937,697.4</u>

**7.7 Loans and Financial Leases per period of maturity**

<u>June 30</u>	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>To 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Commercial	\$ 3,965,327.7	3,758,964.5	3,600,974.2	1,481,334.8	12,806,601.3
Consumer	1,461,346.9	5,951,659.1	910,560.6	48,042.4	8,371,609.1
Micro-credit	23.0	2.9	0.0	0.0	25.9
Mortgage	<u>47,588.9</u>	<u>113,870.1</u>	<u>470,458.4</u>	<u>1,623,277.2</u>	<u>2,255,194.6</u>
	<u>\$ 5,474,286.6</u>	<u>9,824,496.6</u>	<u>4,981,993.2</u>	<u>3,152,654.3</u>	<u>23,433,430.8</u>
<u>December 31</u>	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>To 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Commercial	\$ 3,576,651.1	3,344,195.0	3,376,800.0	1,371,677.0	11,669,323.1
Consumer	1,322,476.4	5,255,120.4	875,352.0	44,182.0	7,497,130.8
Micro-credit	39.6	34.0	0.0	0.0	73.6
Mortgage	<u>55,120.1</u>	<u>114,208.2</u>	<u>407,440.4</u>	<u>1,194,401.2</u>	<u>1,771,169.9</u>
	<u>\$ 4,954,287.2</u>	<u>8,713,557.6</u>	<u>4,659,592.4</u>	<u>2,610,260.2</u>	<u>20,937,697.4</u>



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

**7.8 Restructured Credits Oftail**

<u>June 30</u>	<u>Restructured Common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	\$ 152,015.9	59,910.3	193,066.3
Consumer	541,568.0	122,763.1	80,065.3
Mortgage	<u>77,235.9</u>	<u>9,428.1</u>	<u>234,427.5</u>
	<u>\$ 770,819.8</u>	<u>192,101.5</u>	<u>507,559.1</u>
<u>December 31</u>	<u>Restructured Common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	\$ 108,421.9	39,518.7	121,696.3
Consumer	494,599.4	114,167.7	75,520.1
Mortgage	71,273.3	9,527.3	229,050.3
	<u>\$ 674,294.6</u>	<u>163,213.8</u>	<u>426,266.7</u>

**Restructured Credits per Rating**

<u>June 30</u>	<u>Commercial</u>		<u>Consumer</u>		<u>Mortgage</u>	
	<u>Numbers Credits</u>	<u>Restructured Ordinary</u>	<u>Numbers Credits</u>	<u>Restructured Ordinary</u>	<u>Numbers Credits</u>	<u>Restructured Ordinary</u>
A - Normal	999	\$47,533.8	21,752	312,974.4	2,002	33,690.7
B - Aceptable	394	24,241.2	3,254	47,463.8	992	19,400.2
C - Officiente	345	22,616.4	3,728	55,669.8	1,001	17,106.2
D - Difícil cobro	612	48,664.9	5,978	87,208.5	367	6,476.1
E - Irrecuperable	<u>92</u>	<u>8,959.6</u>	<u>2,473</u>	<u>38,251.5</u>	<u>39</u>	<u>562.6</u>
	<u>2,442</u>	<u>\$ 152,015.9</u>	<u>37,185</u>	<u>\$ 541,568.0</u>	<u>4,401</u>	<u>\$ 77,235.8</u>



**BANCO DAVIVIENDA S.A.**  
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<u>December 31</u>	<u>Commercial</u>		<u>Consumer</u>		<u>Mortgage</u>	
	<u>Numbers</u> <u>Credits</u>	<u>Restructured</u> <u>Ordinary</u>	<u>Numbers</u> <u>Credits</u>	<u>Restructured</u> <u>Ordinary</u>	<u>Numbers</u> <u>Credits</u>	<u>Restructured</u> <u>Ordinary</u>
A - Normal	856	32,507.9	21,194	286,722.4	1,858	29,668.5
B - Aceptable	369	21,605.1	2,695	34,038.6	1,007	17,893.7
C - Officient	258	17,269.4	3,775	52,657.2	979	16,359.7
D – Difficult collection	395	28,095.9	6,266	81,979.2	359	6,263.1
E – Irrecoverable	<u>103</u>	<u>8,943.6</u>	<u>2,909</u>	<u>39,202.0</u>	<u>73</u>	<u>1,088.3</u>
	<u>1,981</u>	<u>\$ 108,421.9</u>	<u>36,839</u>	<u>\$ 494,599.4</u>	<u>4,276</u>	<u>\$ 71,273.3</u>

**Restructured Credits per Geographical Zone**

	<u>June 30</u>		
	<u>Commercial</u>	<u>Consumer</u>	<u>Mortgage</u>
Bogotá	\$ 55,081.2	264,845.7	57,555.4
Antioquia	33,103.2	84,188.5	4,920.9
Nororiental	46,246.7	108,708.6	8,827.3
Surocciofntal	17,584.8	83,825.2	5,932.2
Miami	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
	<u>\$152,015.9</u>	<u>541,568.0</u>	<u>77,235.8</u>

	<u>December 31</u>		
	<u>Commercial</u>	<u>Consumer</u>	<u>Mortgage</u>
Bogotá	\$ 50,259.6	235,459.2	51,564.9
Antioquia	24,473.3	81,549.4	4,048.5
Nororiental	16,950.4	97,616.1	9,700.0
Surocciofntal	<u>16,738.5</u>	<u>79,974.7</u>	<u>5,959.9</u>
	<u>\$108,421.9</u>	<u>494,599.4</u>	<u>71,273.3</u>

**7.9 Stockholofrs and employees Loans**

The Loans incluofs loans as follows:

	<u>June 30</u>	<u>December 31</u>
Shareholofrs	\$ 1,521,032.0	1,087.4
Consumer and commercial employees	<u>102,280.5</u>	<u>58,385.4</u>
	<u>\$ 1,623,312.5</u>	<u>59,472.8</u>



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

<u>Modality</u>	<u>Jan-Jun.11</u>	<u>Jul-Dec.10</u>
Individual credits	Between 3.5 % y 26.38%	Between 3.5% - 21.27%

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

**7.10 Loans-backed Securities**

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

The process of home Loans-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 Superintendency Finance of 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-shares are offered by the Title issuer to the general public and the B and C are recorded in the account 130409- Credit content titles from securitization process, the Bank is the beneficiary of those remaining after the securitization process i.e. once the interest and capital of all securities is paid and all other costs covered.

The following are details and conditions of sale of the Loans securitization completed in the first half of 2011 and second half of 2010 with the Titularizadora Colombiana:

**CONDITIONS OF SALE**

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

June 30

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

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

**CONDITIONS OF SALE**

The following is the detail of the securitization Loans for the second half of 2010:



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December 31

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others (*)</u>	<u>Total</u>	<u>Profit</u>
Pesos-E15	Jul-23-2010	3,843	12.10	\$ 281,175.3	1,495.9	(111.3)	282,559.9	8,190.1
Tips-E12	Oct-08-2010	4,902	9.64	103,451.5	461.3	(239.5)	103,673.2	1,659.9
Pesos E16	Dic-02-2010	13,025	12.38	715,684.7	3,651.1	(221.6)	719,114.2	28,642.4
Tips E13	Dic-17-2010	<u>4,290</u>	8.95	<u>89,095.7</u>	<u>494.3</u>	<u>(24.9)</u>	<u>89,565.2</u>	<u>2,531.3</u>
		<u>26,060</u>		\$ <u>1,189,407.2</u>	<u>6,102.5</u>	<u>(597.3)</u>	<u>1,194,912.5</u>	<u>41,023.7</u>

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

**7.11 Sale Punished Loons**

In the first half of 2011 the Bank carried out no sales operations.

The following is a breakdown of the securitization for the second half of 2010:

<u>Sales</u>	<u>Number of credits</u>	<u>Capital</u>	<u>Interest</u>	<u>Other Concepts</u>	<u>Total</u>
Covinoc	80,234	\$ 230,860.2	34,088.3	7,796.9	272,745.5
Konfigura Capital S.A.	<u>682</u>	<u>11,053.1</u>	<u>2,174.1</u>	<u>203.3</u>	<u>13,430.5</u>
	<u>80,916</u>	<u>\$241,913.3</u>	<u>36,262.5</u>	<u>8,000.2</u>	<u>286,176.0</u>

On October 1, 2010, the bad ofbt Loons was sold off for \$ 286,176.0, whose sale price rose \$ 30,237.4 from which was received \$ 7,578.3 on October 15, \$ 10,510.7 on October 20 and \$ 1,637. 6 on October 22, 2010, leaving a balance of \$ 10,510.7 for January 17, 2011, plus interest liquidated 15 October 2010 and January 17, 2011 at a rate of 3% PA:

**7.12 Loons Write Downs**

The oftail of the bad ofbt Loons is as follows:

	<u>June 30</u>			
	<u>Capital</u>	<u>Interests</u>	<u>Others concepts</u>	<u>Total</u>
Commercial	\$9,306.9	464.5	53.0	9,824.4
Consumer	206,600.6	6,787.7	1,917.9	215,306.2
Mortgage	5,798.6	26.7	249.6	6,074.9
Micro-credit	7.0	0.1	0.0	7.1
Others receivable accounts	<u>0.0</u>	<u>0.0</u>	<u>93.0</u>	<u>93.0</u>
	<u>\$ 221,713.1</u>	<u>7,279.0</u>	<u>2,313.5</u>	<u>231,305.6</u>



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	<u>December 31</u>			
	<u>Capital</u>	<u>Interests</u>	<u>Others concepts</u>	<u>Total</u>
Commercial	\$ 19,085.3	855.0	106.1	20,046.4
Consumer	179,523.8	5,679.9	2,429.7	187,633.4
Mortgage	8,699.1	66.9	364.7	9,130.7
Micro-credit	19.8	0.6	0.0	20.4
Others receivable accounts	<u>0.0</u>	<u>0.0</u>	<u>2,574.1</u>	<u>2,574.1</u>
	<u>\$ 207,328.1</u>	<u>6,602.4</u>	<u>5,474.5</u>	<u>219,405.0</u>

At June 30, 2011 and December 31, 2010, the Bank did not make collector operations.

**7.13 Loons Purchase**

The following is the offtail of the Loons purchase maof by the Bank during the first half of 2011:

<u>Purchase</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>capital</u>	<u>Interest</u>	<u>Other</u>	<u>total</u>	<u>Premium</u>
ConFinance	Mar-08-2011	464	18.6%	\$ 9,889.5	83.6	0.0	9,973.1	5.36%
ConFinance	Mar-30-2011	450	16.9%	10,030.0	91.7	0.0	10,121.7	3.29%
ConFinance	Apr-12-2011	365	17.8%	9,094.7	78.8	0.0	9,173.5	5.10%
ConFinance	Apr-27-2011	<u>974</u>	16.4%	<u>25,051.7</u>	<u>114.4</u>	0.0	<u>25,166.1</u>	3.22%
		<u>2,253.0</u>		<u>\$ 54,065.9</u>	<u>368.5</u>	<u>0.0</u>	<u>54,434.4</u>	

The following is a breakdown of the Loons purchase conducted by the Bank during the second semester:

<u>Purchase</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>capital</u>	<u>Interest</u>	<u>Other</u>	<u>total</u>	<u>Premium</u>
ConFinance	Oct-15-2010	868	17.3%	\$ 12,521.2	115.4	2.5	12,639.1	4.61%
ConFinance	Dic-16-2010	<u>727</u>	17.05%	<u>11,327.9</u>	<u>99.2</u>	<u>0.0</u>	<u>11,427.1</u>	5.00%
		<u>1,595.0</u>		<u>\$ 23,849.1</u>	<u>214.5</u>	<u>2.5</u>	<u>24,066.1</u>	

These operations were carried out at market rate.



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**7.14 Provision for loan and financial leases**

The movement in provision for loan Loans is as follows:

	<u>June 30</u>				
	<u>Commercial</u>	<u>Consumer</u>	<u>Microcrédit</u>	<u>Mortgage</u>	<u>Total</u>
Beginning Balance	\$ 505,120.8	548,794.8	10.6	64,332.1	1,118,258.3
Branch exterior opening balance - Miami	458.2	0.0	0.0	0.0	458.2
More:					
Provision charged to operating	237,372.3	448,147.9	4.9	27,977.2	713,502.3
Less:					
Loans punished	9,306.9	206,600.6	7.0	5,798.6	221,713.1
Unrecovered value foreclosed	0.0	0.0	0.0	216.7	216.7
Provision restatement Miami	23.5	0.0	0.0	0.0	23.5
Reimbursement revenue	<u>195,139.1</u>	<u>172,063.1</u>	<u>5.0</u>	<u>10,315.6</u>	<u>377,522.8</u>
Closing balance	\$ <u>538,481.8</u>	<u>618,279.0</u>	<u>3.5</u>	<u>75,978.4</u>	<u>1,232,742.7</u>

	<u>December 31</u>				
	<u>Commercial</u>	<u>Consumer</u>	<u>Microcrédit</u>	<u>Mortgage</u>	<u>Total</u>
Beginning Balance	\$ 475,603.1	546,170.9	51.2	79,217.9	1,101,043.1
More:					
Provision charged to operating Expenses	259,052.3	385,858.5	9.2	26,106.4	671,026.4
Less:					
Loans punished	19,085.3	179,523.8	19.8	8,699.1	207,328.0
Unrecovered value foreclosed	0.0	0.0	0.0	552.3	552.3
Reimbursement revenue	<u>210,449.3</u>	<u>203,710.8</u>	<u>30.0</u>	<u>31,740.8</u>	<u>445,930.9</u>
Closing balance	\$ <u>505,120.8</u>	<u>548,794.8</u>	<u>10.6</u>	<u>64,332.1</u>	<u>1,118,258.3</u>

At June 30,2011 and December 31, 2010, the unrecovered value in lieu of payment for \$216.5 and \$552.3, respectively, corresponds to the difference between the least cost of the asset and the balance of the ofbt recorofd in the balance sheet, which is recognized in the statement of income in the credit Loans allowances account.

The Bank's policy has incorporated allowances at June 30,2011 and December 31, 2010 for \$1.232.742.7 and \$1.118.258.3, respectively; In accordance with the regulation these allowance amount to \$1.000.741,1 and \$886.349,6, respectively.



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During the first half of 2011 and second and first half of 2010 countercyclical provision was maof:

<u>Loons</u>	<u>June 30</u>	<u>December 31</u>
Consumer	\$153,103.2	130,437.7
Loon	<u>110,455.3</u>	<u>96,317.8</u>
Total	<u>\$263,558.5</u>	<u>226,755.5</u>

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

As of June 30, 2011 and December 31, 2010, the Bank had no issued acceptances

The following is the oftail of the operations and the ofrivatives:

<u>Product</u>	<u>June 30</u>	<u>December 31</u>
Forward Contracts	\$ 111,807.1	70,845.7
Cash Operations	7.4	48.6
Futures Contracts	0.0	0.0
Speculation Swaps	75.8	0.0
Speculation Options	<u>75.3</u>	<u>1,369.5</u>
	<u>\$ 111,965.6</u>	<u>72,263.8</u>

Cash Operations

	<u>June 30</u>		<u>December 31</u>	
	<u>Right</u>	<u>Obligation</u>	<u>Right</u>	<u>Obligation</u>
Purchase on foreign currency	\$ 43,593.0	(43,573.8)	87,710.6	(87,691.3)
Sale on foreign currency	<u>41,806.8</u>	<u>(41,818.6)</u>	<u>69,825.2</u>	<u>(69,795.9)</u>
	<u>85,399.8</u>	<u>(85,392.4)</u>	<u>157,535.8</u>	<u>(157,487.2)</u>
	<u>\$ 7.4</u>		<u>48.6</u>	

As of June 30, 2011 and December 31, 2010, the half yearly performance of the cash transactions was \$ 1,135.0 and \$ 2,930.0 respectively.

The accounting law and obligation and the ofrivative is maof taking into account the outcome of the valuation at fair value of exchange as well:



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



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		<u>Speculation Ofrivatives</u>				
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
<u>December 31</u>						
Purchase on foreign currency	Right	\$ 1,968,308.7	5,707.3	0.0	1,974,016.0	0.0
	Obligation	(1,922,067.1)	(5,707.3)	0.0	(1,927,774.4)	0.0
Sale on securities	Right	1,192,035.6	76,229.8	0.0	1,268,265.4	0.0
	Obligation	(1,167,431.5)	(76,229.8)	0.0	(1,243,661.3)	0.0
Purchase on securities	Right	0.0	41,961.2	0.0	41,961.2	0.0
	Obligation	0.0	(41,961.2)	0.0	(41,961.2)	0.0
Call options	Purchase	0.0	0.0	0.0	0.0	136.0
Put options	Purchase	0.0	0.0	0.0	0.0	1,233.5
Total Rights		3,160,344.3	123,898.3	0.0	3,284,242.6	1,369.5
Total obligations		<u>(3,089,498.6)</u>	<u>(123,898.3)</u>	<u>0.0</u>	<u>(3,213,396.9)</u>	<u>0.0</u>
Total Net		<u>\$ 70,845.7</u>	<u>0.0</u>	<u>0.0</u>	<u>70,845.7</u>	<u>1,369.5</u>

The following is the oftail of the held maturity and the ofrivatives:

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



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	<u>December 31</u>			
	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>Total</u>
Cash operations	\$62,226.4	5,367.4	0.0	67,593.8
Futures	0.1	0.0	0.0	0.1
Swap speculation	0.0	0.0	11,395.0	11,395.0
Swaps hedging	<u>1,197.8</u>	<u>0.0</u>	<u>0.0</u>	<u>1,197.8</u>
Options	<u>\$ 63,424.3</u>	<u>5,367.4</u>	<u>11,395.0</u>	<u>80,186.7</u>

**9. Accounts Receivable**

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

	<u>June 30</u>	<u>December 31</u>
Intereses:		
Interbancarios	\$ 60.2	0.0
Otros	23.3	0.0
Credit Loans (note 7 literal 7)		
Interests	202,489.9	173,499.9
Component Financial <u>Leases</u> Operations	8,366.2	7,537.2
	<u>210,856.1</u>	<u>181,037.1</u>
	<u>210,939.6</u>	<u>181,037.1</u>
Fees and Commissions	1,223.3	1,006.6
Payments of Costumers		
Mortgage	12,348.4	12,829.6
Consumer	21,598.2	20,273.5
Micro-credit	0.1	4.6
Commercial	9,531.4	8,130.3
	<u>43,478.1</u>	<u>41,238.0</u>
Others:		
Diviofnds and participations	1,287.0	0.0
Payments of costumers – foreign money	2,601.5	2,845.4
Advance local purchase	9,019.6	14,711.2
Advance of contracts and suppliers	14,262.8	39,431.3
Various:		
Sale of Goods and Services	362.5	6,947.0
Cash and exchange Lacking	1,136.8	1,334.2
Insurance Company claims	6,491.5	5,760.2
National Treasure	19,601.1	18,839.9



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Forward Operations	4,528.8	2,679.0
Affiliated Companies	1,880.5	1,857.1
Government relieves (Law 546, 199, Loans Reliquidation)**	16,468.8	15,719.8
Accounts Receivable – sale punished Consumer Loans (Note 7)	0.0	10,590.2
Banco of la Republica – Coverage rate	4,864.8	7,947.0
Managed Loans	4,612.2	6,799.2
Ofbtor – Commercial establishments	4,148.1	5,497.2
Outstanding Loans processes to implement	8,455.1	10,719.7
Miscellaneous (Less than 5%)	<u>16,143.3</u>	<u>16,064.8</u>
	<u>115,864.4</u>	<u>167,743.2</u>
Total Receivable Accounts	<u>371,505.4</u>	<u>391,024.9</u>
Allowances	<u>(69,996.0)</u>	<u>(69,048.1)</u>
Net Total Receivable Accounts	\$ <u>301,509.4</u>	<u>321,976.8</u>

**\*\* Mortgage Relief**

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

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

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

**9.1 Allowance for Accounts Receivable**

The detail of allowance for accounts receivable is as follows:

		<u>June 30</u>	<u>December 31</u>
Loans interests (note 7)	\$	23,201.0	18,282.1
Payment on behalf of clients (note 7)		11,502.4	11,386.9
Payment of clients		13,575.4	13,575.4
Daviplan		6,862.4	6,922.9
Credit card		485.7	6,629.8
Recruitment and networks		4,424.9	4,363.0
Miscellaneous		<u>9,944.2</u>	<u>7,888.0</u>
	\$	<u>69,996.0</u>	<u>69,048.1</u>



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

<u>June 30</u>		<u>Commercial</u>	<u>Consumer</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Others</u>	<u>Total</u>
Beginning Balance	\$	9,329.4	13,595.5	1.6	6,742.4	39,379.2	69,048.1
Plus:							
Allowance charged to operating Expenses		5,705.9	18,874.1	0.1	3,314.3	5,245.2	33,139.6
Less:							
Loans written and Sanitation		517.5	8,705.6	0.1	276.3	93.0	9,592.5
Reimbursement		<u>3,931.9</u>	<u>5,859.0</u>	<u>1.4</u>	<u>3,567.6</u>	<u>9,239.3</u>	<u>22,599.2</u>
Ending Balance	\$	<u>10,585.9</u>	<u>17,905.0</u>	<u>0.2</u>	<u>6,212.8</u>	<u>35,292.1</u>	<u>69,996.0</u>
<u>December 31</u>		<u>Commercial</u>	<u>Consumer</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Others</u>	<u>Total</u>
Beginning Balance	\$	11,007.7	15,353.9	1.4	7,711.8	42,507.2	76,582.0
Plus:							
Allowance charged to operating Expenses		6,488.1	15,253.8	1.7	3,131.6	13,950.9	38,826.1
Less:							
Loans written and Sanitation		961.1	8,109.6	0.6	431.6	2,574.1	12,077.0
Reimbursement		<u>7,205.3</u>	<u>8,902.6</u>	<u>0.9</u>	<u>3,669.4</u>	<u>14,504.8</u>	<u>34,283.0</u>
Ending Balance	\$	<u>9,329.4</u>	<u>13,595.5</u>	<u>1.6</u>	<u>6,742.4</u>	<u>39,379.2</u>	<u>69,048.1</u>

**10. Foreclosed Assets**

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



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<u>Assets received in payment:</u>	<u>June 30</u>	<u>December 31</u>
<u>Ofstined to Mortgage</u>		
Real estates	\$ 7,738.0	7,759.6
Assets received in auction	1,210.1	1,624.7
Inflation adjustments	<u>0.2</u>	<u>0.2</u>
Total ofstined to Mortgage	<u>8,948.3</u>	<u>9,384.5</u>
<u>Different from Mortgage</u>		
Different Mortgage		
Real estates	11,382.9	10,474.1
Assets received in auction	1,550.3	1,510.7
Inflation adjustments	<u>22.9</u>	<u>22.9</u>
Adjustment cost	<u>12,956.1</u>	<u>12,007.7</u>
Personal property (1):		
Securities	1,101.5	1,101.7
Personal properties	<u>1,887.4</u>	<u>2,409.5</u>
	<u>2,988.9</u>	<u>3,511.2</u>
Total different from Mortgage	<u>15,945.0</u>	<u>15,518.9</u>
Total Assets received in lieu of payment	\$ <u>24,893.3</u>	<u>24,903.4</u>
<u>Assets restored from Mortgage leases contracts:</u>		
Mortgage	\$ <u>845.8</u>	<u>1,081.1</u>
<u>Assets not used in the Company's purpose:</u>		
Lands	7,188.7	19,344.7
Buildings	28,598.2	29,230.8
Ofpreciation	<u>(6,886.8)</u>	<u>(6,458.4)</u>
	\$ <u>28,900.1</u>	<u>42,117.1</u>
<u>Less:</u>		
Allowance assets ofstined to Mortgage	4,674.6	4,387.7
Allowance assets different from Mortgage	7,513.4	6,575.6
Allowance personal property	1,996.8	1,750.3
Allowance assets restored from <u>leases</u> contracts	307.0	314.2
Allowance assets not used in the Company's purpose	<u>3,256.0</u>	<u>2,909.6</u>
	<u>17,747.8</u>	<u>15,937.4</u>
Total Foreclosed Assest	\$ <u>36,891.4</u>	<u>52,164.2</u>



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(1) The offtail of personal property received as payment is as follows:

	<u>June 30</u>		<u>December 31</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	<u>1,074.2</u>	<u>1,057.7</u>	<u>1,074.4</u>	<u>1,050.7</u>
	<u>1,101.5</u>	<u>1,085.0</u>	<u>1,101.7</u>	<u>1,078.0</u>
Personal Assest				
Vehicles	1,525.9	550.3	2,048.1	544.0
Machinery	9.4	9.4	9.4	9.4
Real States	343.2	343.2	343.2	110.1
Art assets	<u>8.9</u>	<u>8.9</u>	<u>8.8</u>	<u>8.8</u>
	<u>1,887.4</u>	<u>911.8</u>	<u>2,409.5</u>	<u>672.3</u>
	\$ <u>2,988.9</u>	<u>1,996.8</u>	<u>3,511.2</u>	<u>1,750.3</u>

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

	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Between 5 &amp; 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
<u>June 30</u>						
Mortgage	\$2,017.5	6,298.0	501.3	131.5	8,948.3	\$4,674.6
Different from Mortgage	1,700.3	7,601.9	2,955.7	698.2	12,956.1	7,513.4
Real States	787.1	1,164.4	1,028.7	8.7	2,988.9	1,996.8
Returned Goods	407.9	379.4	58.5	0.0	845.8	307.0
Assets not used	<u>0.0</u>	<u>28,237.2</u>	<u>662.9</u>	<u>0.0</u>	<u>28,900.1</u>	<u>3,256.0</u>
	<u>\$4,912.8</u>	<u>43,680.9</u>	<u>5,207.1</u>	<u>838.4</u>	<u>54,639.2</u>	<u>17,747.8</u>



**BANCO DAVIVIENDA S.A.**  
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	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Between 5 &amp; 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
<u>December 31</u>						
Mortgage Different from Mortgage	\$4,194.0	4,431.5	627.7	131.3	9,384.5	\$4,387.7
Real States	5,418.3	2,885.8	3,005.4	698.2	12,007.7	6,575.6
Returned Goods	1,970.5	503.2	1,028.7	8.8	3,511.2	1,750.3
Assets not used	722.1	300.5	58.5	0.0	1,081.1	314.2
	<u>0.0</u>	<u>29,456.1</u>	<u>12,661.0</u>	<u>0.0</u>	<u>42,117.1</u>	<u>2,909.5</u>
	<u>\$12,304.9</u>	<u>37,577.1</u>	<u>17,381.3</u>	<u>838.3</u>	<u>68,101.6</u>	<u>15,937.4</u>

For the first half of 2011 and second semester of 2010, valuations were made of property received in lieu of payment for Mortgage, generating a profit in recovery of \$ 5,910.1 and 5,931.7 for the second and first half of 2010, respectively. These valuations are recorded in the accounts. (Note 24)

During the first half of 2011 and second half of 2010, the Bank has undertaken various strategies in the sale of the goods received in payment, with the following results:

	<u>June 30</u>		<u>December 31</u>	
	Amount	Value	Amount	Value
Goods Received as Payment	141	\$ 6,866.1	144	9,480.1
Non using goods	<u>7</u>	<u>813.8</u>	<u>4</u>	<u>840.5</u>
Total Sales	<u>148</u>	<u>7,679.9</u>	<u>148</u>	<u>10,320.6</u>
Sales Profit		692.9		338.0
Amortization of the offered profit		522.0		882.6
Profit from sale of unused assets		<u>1,101.1</u>		<u>468.4</u>
Results effect (note 28)		<u>\$2,316.0</u>		<u>1,689.0</u>

During the second and first half of 2010, losses were recorded for the sale of assets received in lieu for property of \$ 447.3 and \$ 1,231.5 ; sales losses for property totaled \$ 461.8 and \$ 352.3; the loss on sale of property not used during the first half of 2011 amounted to \$ 360.9



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

**10.1 Allowance for Foreclosed Assets**

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

		<u>June 30</u>	<u>December 31</u>
Beginning balance	\$	15,937.4	15,954.9
Plus:			
Allowance charged to operating expenses		4,120.7	2,965.7
Less:			
Refund revenue - recoveries		<u>2,310.3</u>	<u>2,983.2</u>
Ending balance	\$	<u>17,747.8</u>	<u>15,937.4</u>

As of June 30,2011 and December 31, 2010, the Bank has Goods Received as Payment provisioned at 100% is as follows:

<u>June 30</u>		<u>December 31</u>	
<u>Amount</u>	<u>Allowance</u>	<u>Amount</u>	<u>Allowance</u>
<u>182</u>	<u>\$9.924.0</u>	<u>176</u>	<u>8,716.8</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 leases Loans.

The Bank acquired real estate properties from the securitizations of Loans written off CCVI, CCVII, CCVIII for \$26.1, of December 31,2010 respectively and granted Mortgage leases credits.

To June 30,2011 and December 31, 2010 there are insurance policies that cover subtraction, fire, earthquake, riot, explosion, volcanic eruption, low voltage, land, losses or damages to offices and vehicles.



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Notes to the Financial Statements

**11. Properties and Equipment**

A oftail of properties and equipment is as follows:

	<u>June 30</u>			<u>December 31</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	\$ 385,975.5	36,276.9	422,252.4	347,272.0	36,619.2	383,891.2
Equipment, vehicles, office						
Furniture and supplies	85,468.9	9,437.8	94,906.7	90,105.5	9,523.0	99,628.5
Computer equipment	<u>190,289.1</u>	<u>18,415.8</u>	<u>208,704.9</u>	<u>182,246.7</u>	<u>18,682.8</u>	<u>200,929.5</u>
	<u>661,733.5</u>	<u>64,130.5</u>	<u>725,864.0</u>	<u>619,624.2</u>	<u>64,825.0</u>	<u>684,449.2</u>
Less: accumulated ofpreciation	(307,038.5)	(20,500.8)	(327,539.3)	(290,913.8)	(20,695.8)	(311,609.6)
Less: allowance	<u>(13,584.6)</u>	<u>0.0</u>	<u>(13,584.6)</u>	<u>(8,055.2)</u>	<u>0.0</u>	<u>(8,055.2)</u>
	<u>\$ 341,110.4</u>	<u>43,629.7</u>	<u>384,740.1</u>	<u>320,655.2</u>	<u>44,129.2</u>	<u>364,784.4</u>

As of June 30,2011 and December 31, 2010 and there are insurance policies that cover risks of theft, fire, earthquake, riots, civil commotions, explosion, volcanic eruption, low tension, premises, loss or damages to offices and vehicles.

Below you will find the oftails of the valuations of properties and equipment as at June 30,2011 and December 31, 2010:

	<u>June 30</u>	<u>December 31</u>
Surplus buildings revaluations	\$ 445,985.3	359,580.0
Surplus buildings not used revaluations	<u>16,238.2</u>	<u>35,089.5</u>
	<u>\$ 462,223.5</u>	<u>394,669.5</u>

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

The ofpreciation charged to expenses in the biannual periods that enofd on June 30,2011 and December 31, 2010 was of \$ 23.818,3 and \$21.332,5, respectively.

3An option to buy floors 1, 2, 5, 6 and 7 of the Torre Bolivar building was exercised for \$ 4,327.0 and valuations for \$ 31,218.0 were registered.



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

**11.1 Allowance of Properties and Equipment**

The movement of the allowance of properties and equipment during the semester periods ended on June 30, 2011 and December 31, 2010 is as follows:

	<u>June 30</u>	<u>December 31</u>
Beginning balance	\$ 8,055.2	6,878.0
Plus:		
Reclassifications	506.2	0.0
Allowance charged to operating expenses	9,614.7	1,968.0
Less:		
Refund to revenue – recoveries	<u>4,591.5</u>	<u>790.8</u>
Ending balance	\$ <u>13,584.6</u>	<u>8,055.2</u>

**12. Other assets**

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

The total of expenses paid in advance, intangible assets and offered charges with closing as of June 30, 2011 and December 31, 2010 is as follows:

	<u>June 30</u>	<u>December 31</u>
<u>Anticipated expenses and offered charges:</u>		
Expenses paid in advance:		
Interests	\$ 1.4	1.7
Leases	11,654.8	6,102.5
Insurance	164.3	0.0
Others	<u>463.9</u>	<u>0.0</u>
	<u>12,284.4</u>	<u>6,104.2</u>
<u>Offered charges</u>		
Remoofling	44,202.5	48,433.8
Offered Income tax "ofbit" for temporary Differences	19,965.4	19,585.1
Commissions and advisories	156,349.3	0.0
Endowments	4,222.6	4,024.2
Business strategy pre purchase tickets	1,228.1	1,528.1
Computer programs	9.7	4.3
Others (Less than 5%)	<u>5,114.4</u>	<u>0.0</u>
	<u>231,092.0</u>	<u>73,575.5</u>
	\$ <u>243,376.4</u>	<u>79,679.7</u>
Intangible Assets		
Mercantile Credit	\$ <u>1,227,992.8</u>	<u>1,281,224.0</u>
	\$ <u>1,471,369.2</u>	<u>1,360,903.7</u>



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

The movement of the expenses in advance, Intangible Assets and offered charges at June 30,2011 and December 31, 2010 is as follows:

	Balance at <u>June 30</u>	<u>Charges</u>	<u>Amortizations</u>	Balance at <u>December 31</u>
Expenses in advance	\$ 6,104.2	1,430,105.5	1,423,925.3	12,284.4
Offered Charges	73,575.5	446,667.9	289,151.4	231,092.0
Intangible Assets	<u>1,281,224.0</u>	<u>0.0</u>	<u>53,231.2</u>	<u>1,227,992.8</u>
	\$ <u>1,360,903.7</u>	<u>1,876,773.4</u>	<u>1,766,307.9</u>	<u>1,471,369.2</u>

Below we present the expenses in advance, Intangible Assets and offered charges during for amortize for ofadlines, with closing on June 30,2011 and December 31, 2010 is as follows:



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

	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Between 5 &amp; 10 year</u>	<u>More than 10 years</u>	<u>Total</u>
<u>June 30</u>					
Advance expenses					
Interests	\$ 1.4	0.0	0.0	0.0	1.4
Insurances	11,079.8	575.0	0.0	0.0	11,654.8
Equipment Maintenance	164.3	0.0	0.0	0.0	164.3
Others	<u>463.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>463.9</u>
	<u>11,709.4</u>	<u>575.0</u>	<u>0.0</u>	<u>0.0</u>	<u>12,284.4</u>
Offered Charges					
Remoofling	19,912.0	24,290.5	0.0	0.0	44,202.5
Computer Software	0.0	9.7	0.0	0.0	9.7
Offered income tax "ofbit" for	19,965.4	0.0	0.0	0.0	19,965.4
Temporary Differences	0.0	156,349.3	0.0	0.0	156,349.3
Commissions and advisories	4,222.6	0.0	0.0	0.0	4,222.6
Business strategy pre purchase tickets	1,228.1	0.0	0.0	0.0	1,228.1
Other	<u>2,701.9</u>	<u>2,412.5</u>	<u>0.0</u>	<u>0.0</u>	<u>5,114.4</u>
	<u>48,030.0</u>	<u>183,062.0</u>	<u>0.0</u>	<u>0.0</u>	<u>231,092.0</u>
Intangible Assets					
Mercantile Credit	<u>0.0</u>	<u>24,187.8</u>	<u>0.0</u>	<u>1,203,805.0</u>	<u>1,227,992.8</u>
	<u>\$ 59,739.4</u>	<u>207,824.8</u>	<u>0.0</u>	<u>1,203,805.0</u>	<u>1,471,369.2</u>
<u>December 31</u>					
Advance expenses					
Interests	\$ 1.7	0.0	0.0	0.0	1.7
Insurances	<u>6,102.5</u>	<u>0.0</u>	0.0	<u>0.0</u>	<u>6,102.5</u>
	<u>6,104.2</u>	<u>0.0</u>	0.0	<u>0.0</u>	<u>6,104.2</u>
Offered Charges					
Remoofling	25,770.9	22,662.9	0.0	0.0	48,433.8
Computer Software	4.3	0.0	0.0	0.0	4.3
Offered income tax "ofbit" for					
Temporary Differences	19,585.1	0.0	0.0	0.0	19,585.1
Commissions and advisories	4,024.2	0.0	0.0	0.0	4,024.2
Business strategy pre purchase tickets	<u>1,528.1</u>	<u>0.0</u>	0.0	<u>0.0</u>	<u>1,528.1</u>
	<u>50,912.6</u>	<u>22,662.9</u>	0.0	<u>0.0</u>	<u>73,575.5</u>
Intangible Assets					
Mercantile Credit	<u>\$ 31.8</u>	<u>55,448.0</u>	<u>0.0</u>	<u>1,225,744.2</u>	<u>1,281,224.0</u>
	<u>\$ 57,048.6</u>	<u>78,110.9</u>	<u>0.0</u>	<u>1,225,744.2</u>	<u>1,360,903.7</u>



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**Intangible Assets**

This is the commercial credit generated by the purchase of acquired credit facilities. At June 30, 2011 and December 31, 2011 this amounted to \$ 1,227,992.8 and \$1,281,224,0 respectively.

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 reformed in seventy-two (72) monthly rates,

The following is the detail of the amortization:

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, 2010		<u>(296,983.2)</u>
Amount to be amortized at December 31, 2010	\$	<u>4,537.7</u>

**ConFinance S.A Commercial Credit:**

For the purchase of shares of ConFinance 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:

Amount generated in December, 2006	\$	56,918.8
Amortization at December, 2010		<u>(37,268.2)</u>
Amount to be amortized at December 31, 2010	\$	<u>19,650.6</u>

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

The commercial credit was generated by the purchase of Granbanco of February 16, 2007 for the amount of \$1,372,458.

According to the provisions of External Memorandum Letter 034 of 2006 by the Superintendency Finance of 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 valuation 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:



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

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

- The definition and termination of lines of business was a process carried out jointly with the directors of Davivienda and Granbanco, whereby the two entities identified the different cash flow sources of groups of assets.
- According to the foregoing, the merger of the lines of business of Davivienda and Granbanco was made, taking into account the synergies that could be found. In this manner, the value of the commercial credit was assigned in the following six (6) lines of business with valuation at market prices and based on the figures as of the closing of December 31, 2006 for Davivienda and January 31, 2007 for Granbanco: Consumer, commercial, SME, credit card, Mortgage and affiliates (Panamá, Miami and Fiducafé).
- 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 Loans and allocation of expenses); feasibility of different valuation and international accounting rules.
- Upon definition of the lines of business and identification of their corresponding assets, based on the global 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.



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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 widely 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.

A summary of the assignment of commercial credit determined by each line of business, of the accumulated amortization and the balance as of June 30, 2011, is the following:

<u>Business line</u>	<u>Participation</u>	<u>Commercial Credit recorded</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Consumer	21.3%	\$ 292,103.0	35,894.9	256,208.1
Commercial	43.8%	600,872.0	73,837.7	527,034.3
SME	6.9%	95,195.0	11,698.0	83,497.0
Credit Card	16.2%	222,395.0	23,773.7	27,328.8
Mortgage	11.2%	153,150.0	18,819.7	134,330.3
Affiliates	<u>0.6%</u>	<u>8,743.0</u>	<u>1,074.5</u>	<u>7,668.6</u>
Total	<u>100.0%</u>	<u>\$ 1,372,458.0</u>	<u>168,653.6</u>	<u>1,203,804.5</u>

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

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

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

For the year 2012 there will be a lower amortization value of \$ 4,537.7 for the Bancosuperior goodwill payment.

**12.2 Employees Loans**

The Bank assessed all employee loans. The result of the classification to June 30, 2011 and December 31, 2010 is as follows:

<u>June 30</u>	<u>Mortgage</u>	<u>Admissible Guarantess</u>	<u>Provisión</u>
A -Normal	\$ 120,454.2	<u>328,788.5</u>	1,805.7
B -Acceptable	<u>33.4</u>	<u>0.0</u>	<u>1.7</u>
	<u>\$ 120,487.6</u>	<u>328,788.5</u>	<u>1,807.4</u>
<u>December 31</u>			
A-Normal	<u>\$ 106,743.3</u>	<u>292,972.8</u>	<u>1,601.4</u>

The funds designated for employees Mortgage are backed by acceptable collateral.



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Notes to the Financial Statements

**12.3 Other Assets - Other**

The oftail of other assets – other is as follows:

		<u>June 30</u>	<u>December 31</u>
Permanent contributions	\$	251.7	251.7
Letters of credit of offered payment	\$	13,370.6	2,609.6
Others Ofposits		1,937.6	1,811.6
Goods given in accomodatium		2,224.4	2,307.6
Art and culture assets		2,001.0	2,001.0
Rights in trust		3,560.6	3,824.6
Others Rights in trust		6,840.9	0.0
Withholding		24,015.5	0.0
Income surplus		2,902.7	7,612.7
Negotiated unpaid remittances		23.0	0.0
Anticipated industry and commerce tax		161.2	105.6
Others (Less than 5%)		<u>62.0</u>	<u>60.9</u>
	\$	<u>57,351.2</u>	<u>20,585.3</u>

(1) Rights in trust

At June 30,2011 and December 31, 2010 unofr the heading rights in trust, in which are recorofd the following goods received as payment:

		<u>June 30</u>		<u>December 31</u>	
		<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
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	465.6	465.6
Fiduciaria Superior *		2,026.6	0.0	2,291.2	0.0
Others		<u>48.6</u>	<u>0.0</u>	<u>48.0</u>	<u>0.0</u>
	\$	<u>3,560.6</u>	<u>1,485.4</u>	<u>3,824.6</u>	<u>1,485.4</u>

\* Corresponds to the settlement remainofr *Fiduciaria Superior* September 2009.



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Notes to the Financial Statements

**12.4 Allowance for other assets**

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

	<u>June 30</u>	<u>December</u>
Beginning balance	\$ 4,244.5	4,361.7
Plus:		
Allowance charged to operating expenses	408.4	167.4
Less:		
Write downs	506.0	0.0
Refunding to income – Recoveries	<u>202.6</u>	<u>284.6</u>
Ending balance	<u>\$ 3,944.3</u>	<u>4,244.5</u>

**13. Oposits and callabilities**

The following is the oftail of ofposits and callabilities:

	Maximum annual <u>interest rate</u>	<u>June 30</u>	<u>December 31</u>
Oposits in current account	0.0%	\$ 3,019,174.6	3,102,516.5
Certificates in pesos			
Lower than 6 months	3.5%-4.35%	1,022,162.9	1,215,698.8
Equal to 6 and lower than 12 months	3.80%-4.55%	1,711,206.9	2,117,000.9
Equal to 12 and lower than 18 months	3.92%-4.80%	1,003,180.7	702,666.9
Equal or higher than 18 months	4.10%-5.70%	<u>1,868,053.8</u>	<u>1,950,397.9</u>
		<u>5,604,604.3</u>	<u>5,985,764.5</u>
Savings ofposits			
Common savings ofposits	0.0% - 3.40%	11,089,920.3	8,654,819.4
Special savings accounts		<u>53,793.7</u>	<u>50,609.3</u>
		<u>11,143,714.0</u>	<u>8,705,428.7</u>
Savings Certificates of real value			
- Equal to 6 and less than 12 months	uvr + 1.45	<u>26,170.1</u>	<u>21,778.5</u>
Other ofposits and callabilities:			
Banks and intermediaries		37,375.5	14,323.4
Callabilities per banking services		120,168.1	226,358.4
Affiliated establishments		<u>8,716.7</u>	<u>6,614.8</u>
		<u>166,260.3</u>	<u>247,296.6</u>
		<u>\$ 19,959,923.3</u>	<u>18,062,784.8</u>



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The following is a detail of the interest expense during the biannual periods ended on June 30, 2011 and December 31, 2010:

<u>Modality</u>		<u>June 30</u>	<u>December 31</u>
Ofposits and callabilities interests:			
Common ofposits	\$	83,181.2	60,183.2
Term savings certificates		43.6	0.0
Certificates in pesos		127,842.5	134,358.3
Ofposits in current account		<u>8,294.9</u>	<u>5,991.9</u>
		<u>219,362.2</u>	<u>200,533.4</u>
Adjustments of the real value unit - UVR		<u>8,930.7</u>	<u>277.7</u>
Other interests:			
Bank credits and other financial obligations		40,431.4	32,508.1
Inter-bank funds		807.6	264.8
Bonds		104,655.1	86,912.8
Commitments and simultaneous transfer repos		3,459.2	4,170.8
Contracts Financial <u>Leases</u> (note11)		980.5	1,969.2
Preferred shareholofrs - advance shares purchase		21.3	2,748.1
Others		<u>43.3</u>	<u>2.8</u>
		<u>150,398.4</u>	<u>128,576.6</u>
	\$	<u>378,691.3</u>	<u>329,387.7</u>

**Reserve**

On June 30, 2011 and December 31, 2010 a reserve on ofposits and enforceability was formed in accordance with External Resolution 11 of October 2008 of the Banco of la República (Note 36).

The average reserve requirement Bank and available during the first half of 2011 and second half of 2010 was:

	<u>June 30</u>	<u>December 31</u>
Average reserve requirement	\$1,647,584.0	1,497,500.0
Average reserve available	1,657,820.0	1,508,673.0

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

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



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June 30

<u>Entity</u>	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Date of</u>		<u>Market Value</u>	<u>TRM (Pesos)</u>
			<u>Initiation</u>	<u>Cancellation</u>		
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
USD	2,000,000.0	0.40%	Jun.30.11	Jul.07.11	\$3,544.6	1,772.32
USD	5,000,000.0	0.35%	Jun.30.11	Jul.07.11	8,861.6	1,772.32
USD	5,000,000.0	0.35%	Jun.30.11	Jul.07.11	8,861.6	1,772.32
	5,000,000.0	0.25%	Jun.30.11	Jul.07.11	8,861.6	1,772.32
	<u>5,175,000.0</u>	0.30%	<u>Jun.30.11</u>	<u>Jul.07.11</u>	<u>9,171.8</u>	<u>1,772.32</u>
	<u>22,175,000.0</u>				<u>39,301.2</u>	

Legal Currency

<u>Entity</u>	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Initiation</u>	<u>Cancellation</u>	<u>Market Value</u>	<u>TRM (Pesos)</u>
Banks		4.10%	Jun.30.11	Jul.01.11	<u>3,000.0</u>	

Total Passive Positions in Monetary Market Operations and those Related \$ 42,301.2

<u>Entity</u>	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Date of</u>		<u>Market Value</u>	<u>TRM (Pesos)</u>
			<u>Initiation</u>	<u>Cancellation</u>		
<u>December 31</u>						
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
USD	10,000,000.0	0,50%	Dic.30.10	Ene.03.11	\$19,139.8	1,913.98
USD	10,000,000.0	0,50%	Dic.30.10	Ene.03.11	19,139.8	1,913.98
	<u>5,000,000.0</u>	0,45%	Dic.30.10	Ene.03.11	<u>9,569.9</u>	1,913.98
USD	<u>25,000,000.0</u>				<u>47,849.5</u>	
<u>Legal Currency</u>						
Liabilities Repos						
Others		1.02%	Dic.30.10	Ene.06.11	\$ 162.0	
Others financial institutions		1.53%	Dic.30.10	Ene.03.11	<u>10,000.4</u>	
					<u>10,162.4</u>	
Total Passive Positions in Monetary Market Operations and those Related					\$	<u>58,011.9</u>



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For the For the first half of 2011 and second half of 2010, the balance and the average monthly yield for these passive positions (local and foreign currency) were \$ 24,267.8 and \$ 711.1 and \$ 58,011.9 and \$ 739.3 respectively.

There are no restrictions on these funds.



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**15. Outstanding bank acceptances and derivative financial instruments**

Below is the detail of

<u>Product</u>	<u>June 30</u>	<u>December 31</u>
Forward Agreements	\$105,396.5	67,593.8
Speculation Swaps	31.0	0.1
Options Speculation	960.1	1,197.8
Coverage Swaps	<u>32,047.6</u>	<u>11,395.0</u>
	<u>\$138,435.2</u>	<u>80,186.7</u>

From January 1, 2010 and as stated in Chapter XVIII of External Circular 100 of 1995 of the Superintendency Finance of Colombia, the accounting is done taking into account the outcome of the fair market price value as follows:

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



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<u>December 31</u>		<u>Speculation Ofrivatives</u>				<u>Total</u>	<u>Hedging</u>
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Options</u>		<u>ofrivatives</u>
<u>Buy currency</u>	Right	(\$ 1,079,474.1)	0.0	0.0	0.0	(1,079,474.1)	0.0
	Obligation	1,099,086.2	0.0	0.0	0.0	1,099,086.2	0.0
<u>Sell currency</u>	Right	(1,824,808.7)	0.0	0.0	0.0	(1,824,808.7)	0.0
	Obligation	1,872,775.1	0.0	0.0	0.0	1,872,775.1	0.0
<u>Currency Sale</u>	Right	(1,255.5)	0.0	0.0	0.0	(1,255.5)	0.0
	Obligation	1,270.8	0.0	0.0	0.0	1,270.8	0.0
<u>Interest rate</u>	Right	0.0	0.0	(91.6)	0.0	(91.6)	0.0
	Obligation	0.0	0.0	91.7	0.0	91.7	0.0
<u>On Currency</u>	Right	0.0	0.0	0.0	0.0	0.0	(316,983.1)
	Obligation	0.0	0.0	0.0	0.0	0.0	328,378.1
<u>Call options</u>	Sale	0.0	0.0	0.0	416.9	416.9	0.0
<u>Put options</u>	Sale	0.0	0.0	0.0	780.9	780.9	0.0
Total Rights		(2,905,538.3)	0.0	(91.6)	0.0	(2,905,629.9)	(316,983.1)
Total obligations		<u>2,973,132.1</u>	<u>0.0</u>	<u>91.7</u>	<u>1,197.8</u>	<u>2,974,421.6</u>	<u>328,378.1</u>
Total Net		<u>\$ 67,593.8</u>	<u>0.0</u>	<u>0.1</u>	<u>1,197.8</u>	<u>68,791.7</u>	<u>11,395.0</u>



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The following is a breakdown of the derivatives maturity terms with cut off June 30, 2011 and December 31, 2010:

	<u>June 30</u>		
	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Total</u>
Spot transactions	\$105,396.5	0.0	105,396.5
Spot transactions	22.1	8.9	31.0
Hedging Swaps	0.0	32,047.6	32,047.6
Options	<u>960.1</u>	<u>0.0</u>	<u>960.1</u>
	<u>\$ 106,378.7</u>	<u>32,056.5</u>	<u>138,435.2</u>

	<u>December 31</u>			
	<u>Less than 1 year</u>	<u>Between 1 &amp; 5 years</u>	<u>Between 5 &amp; 10 years</u>	<u>Total</u>
Spot transactions	\$62,226.4	5,367.4	0.0	67,593.8
Futures	0.1	0.0	0.0	0.1
Speculative Swaps	0.0	0.0	11,395.0	11,395.0
Hedging Swaps	<u>0.0</u>	<u>1,197.8</u>	<u>0.0</u>	<u>1,197.8</u>
Options	<u>\$ 62,226.5</u>	<u>6,565.2</u>	<u>11,395.0</u>	<u>80,186.7</u>

**15.1 Hedge Operation – Granbanco purchase**

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

These operations were CCS Libor - Fixed Rate and CCS Libor - Variable Rate for a total of USD 415,000,000 agreed for terms of 7 and 3 years respectively.

At June 30, 2011, the Bank has in effect two interest rate swaps (Currency Swaps), as cover for the issuance of the IFC Bonds for U.S. \$ 165,000,000 issued in February 2007.

Below are the swaps outstanding at June 30, 2011 and December 31, 2010 for the operations described above.

<u>Period</u>	<u>Offset</u>	<u>Term (years)</u>	<u>Initial Period</u>	<u>Final Period</u>	<u>Value \$</u>		
					<u>Right</u>	<u>Obligation</u>	<u>Net</u>
Jun-11	Swap Cobertura Bonos IFC	7	Feb.07.07	Feb.07.14	293,076.2	325,123.8	(32,047.6)
Ofc-10	Swap Cobertura Bonos IFC	7	Feb.07.07	Feb.07.14	316,983.1	328,378.1	(11,395.0)



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

The result of the valuation of the swap was negative on both June 30, 2011 and December 31, 2010, its posting was recorded in the liabilities (note 15)

- IFC Bonds interest coupon payment (coverage capital):

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

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

The second half of 2010 generated the payment of 7 ° Bonos IFC coupon, generating a cash outflow of \$12,722.2.

<u>Operation</u>	<u>Counterpart</u>	<u>Date</u>		<u>Amount Paid USD\$</u>	<u>Agreed Exchange rate*</u>	<u>Amount Paid (COP) \$</u>
1	Ofutsche Bank	Jul.15.10	USD	1,855.6	1,871.2	\$3,472.2
2	The Royak Bank of Scotland	Jul.15.10		2,318.9	1,871.2	4,339.1
	Bonos IFC	Jul.15.10		<u>2,623.2</u>	1,872.1	<u>4,910.9</u>
			USD	<u>6,797.7</u>		<u>12,722.2</u>

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

For the first half of 2011 and second half of 2010, there were no payments reset.

**15.2 CCS Hedge accounting record**

These hedges are recorded at just traof value.

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

		<u>June 30</u>	<u>December 31</u>
CCS Assets	\$	27,029.3	22,786.2
Bono IFC Assets		<u>(18,700.3)</u>	<u>6,298.3</u>
Net assets	\$	<u>8,329.0</u>	<u>29,084.5</u>



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**16. Banking Credits and Other Financial Obligation**

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

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

December 31						
Entity	Interest payable	Less than 1 year	Between 1 & 5 years	Between 5 & 10 years	More than 10 years	Total Capital
<b>Others Entities in the Country:</b>						
<b>Legal Currency</b>						
Bancolofx	\$ 304.6	5,621.1	66,583.8	9,404.4	0.0	81,609.3
Finagro	1,777.7	7,369.4	98,209.6	28,263.0	31,793.9	165,635.9
Finofter	2,935.6	21,659.0	105,466.5	472,137.6	237,741.9	837,005.0
Overdrafts Current account	<u>0.0</u>	<u>45.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>45.5</u>
	<u>5,017.9</u>	<u>34,695.0</u>	<u>270,259.9</u>	<u>509,805.0</u>	<u>269,535.8</u>	<u>1,084,295.7</u>
<b>Foreign Currency</b>						
Bancolofx	211.3	80,535.7	16,755.9	8,151.6	0.0	105,443.2
Overdrafts Current account	<u>0.0</u>	<u>15.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>15.3</u>
	<u>211.3</u>	<u>80,551.0</u>	<u>16,755.9</u>	<u>8,151.6</u>	<u>0.0</u>	<u>105,458.5</u>
	<u>5,229.2</u>	<u>115,246.0</u>	<u>287,015.8</u>	<u>517,956.6</u>	<u>269,535.8</u>	<u>1,189,754.2</u>
<b>Foreign Entities:</b>						
	<u>3,126.6</u>	<u>1,180,308.5</u>	<u>14,661.7</u>	<u>0.0</u>	<u>0.0</u>	<u>1,194,970.2</u>
	<u>\$ 8,355.8</u>	<u>1,295,554.4</u>	<u>301,677.5</u>	<u>517,956.6</u>	<u>269,535.8</u>	<u>2,384,724.3</u>



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**17. Accounts Payable**

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

	<u>June 30</u>	<u>December 31</u>
Interests:		
Ofposits and callabilities	\$ 74,762.2	83,697.3
Money market operations and related	277.3	0.0
Banking credits and other financial obligations (note 15)		
obligations (note 16)	11,519.5	8,355.8
Investment securities outstanding	<u>31,936.6</u>	<u>29,160.8</u>
	<u>118,495.6</u>	<u>121,213.9</u>
Commissions and fees	<u>524.6</u>	<u>1,509.5</u>
Collection maof		
Rent Companies	40,469.2	48,795.4
Industry and traof and farm vehicle	49,327.1	6,308.7
Others	<u>24,572.3</u>	<u>7,114.4</u>
	<u>114,368.6</u>	<u>62,218.5</u>
Suppliers:		
Accounts payable vendors	55,384.4	74,525.8
ACH network compensation	98,869.6	65,182.9
Visa, mastercard network compensation	16,922.9	4,065.4
Others	<u>3,907.5</u>	<u>9,597.8</u>
	<u>175,084.4</u>	<u>153,371.9</u>
Others:		
Timbres	20.6	101.4
Surcharge and others (1)	156,336.8	2.4
Income and Supplemental	2,010.6	13,234.8
Industry and Traof	0.0	10,908.6
Diviofnds and surpluses	3,281.8	3,231.4
Sales Tax payable	4,977.9	6,808.6
Tax on transactions	12,158.1	12,554.8
Promising purchasers	11,858.0	9,746.0
Labor withholdings and obligations	47,911.1	50,296.6
Insurance premiums	1,799.6	2,497.5
Drafts payable	25,119.1	34,517.4
Fondo of Garantías of Instituciones Finances	2.9	127.7
Checks drawn uncollected	21,059.3	12,511.7
Accounts payable Nation Law 546 of 1999	<u>58,826.4</u>	<u>49,283.2</u>
Pass	\$ <u>345,362.2</u>	<u>205,822.1</u>



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	<u>June 30</u>	<u>December 31</u>
Come	\$ <u>345,362.2</u>	<u>205,822.1</u>
Various others:		
Commercial establishments	73,999.9	5,153.0
Forward Operations	4,193.3	4,578.5
Treasury payment orofrs	15.8	22,354.4
Balances and fees in favor	8,660.2	9,538.5
Remaining Loons	6,885.4	5,398.1
Traof accounts payable to Network	483.4	802.1
Solidarity Peace Bonds	20,588.1	20,043.4
Visa prepaid balances	9,668.8	9,162.9
Collection management costs	3,020.8	2,937.2
Outstanding disbursements	2,340.4	3,342.8
Various (less than 5%)	<u>19,295.1</u>	<u>17,538.0</u>
	<u>494,513.4</u>	<u>306,671.0</u>
	\$ <u>902,986.6</u>	<u>644,984.8</u>

**(1)Equity tax**

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

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

Therefore, the equity tax in oftail to June 30, 2011 is as follows:

Tax value based on the filed return	\$178.670.3
Amount amortized to income for the 1st half of 2011	<u>(22.333.5)</u>
Unamortized balance recorofd in offered charges	<u>\$156.336.8</u>



**BANCO DAVIVIENDA S.A.**  
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**18. Long Term – Ofbt**

At June 30, 2011 and December 31, 2010 the Bank records investment securities outstanding for \$3,491,208.2 and \$3,082,595.5, respectively, corresponding to issuances of common and mortgage bonds.

The following proviofs oftails of the bonds for each of the issues current on June 30, 2011 and December 31, 2010:

<u>Issuance Kind</u>	<u>Date</u>	<u>Offer Amount</u>	<u>Term (Months)</u>	<u>Yield</u>	<u>Cancellation</u>	<u>Book Value</u>	
						<u>June 30</u>	<u>December 31</u>
<b><u>Mortgage Bonds</u></b>							
<u>Guarantee:</u> Mortgage Loans rating "A" and prepaid option for issuer every 3 months.							
First Issuance Mortgage Bonds	03-Dic-04	\$ 19,118.0	84	UVR - 0.3	03-Dic-11	\$ 0.0	623.5
First Issuance of VIS Structured Mortgage Bonds sector 1	23-Jun-06	60,173.5	84	UVR + 0.75	23-Jun-13	<u>6,847.0</u>	<u>12,022.0</u>
Total Mortgage Bonds						<u>6,847.0</u>	<u>12,645.5</u>
<b><u>Subordinated Bonds</u></b>							
First Issuance Subordinated IFC Bonds in US dollars(*)							
<u>Guarantee:</u> Mortgage Loans rating "A" and prepaid option for issuer every 3 months.							
	07-Feb-07	368,641.1	84	Libor6 + 2.75	07-Feb-14	293,076.2	316,983.0
First Issuance Subordinated IPC Bonds No Guarantee – Series C	19-Feb-08	147,777.0	84	IPC + 6.65	19-Feb-15	147,777.0	147,777.0
First Issuance Subordinated UVR Bonds No Guarantee - Serie D	19-Feb-08	151,577.5	84	UVR + 6.65	19-Feb-15	174,978.9	170,193.2
Second Issuance Subordinated IPC Bonds No Guarantee - Serie C7	24-Feb-10	138,497.2	84	IPC + 5.25	24-Feb-17	138,497.2	138,497.2
Second Issuance Subordinated UVR Bonds No Guarantee - Serie U10	24-Feb-10	111,503.0	120	UVR + 5.50	24-Feb-20	117,128.9	<u>113,925.4</u>
Total Subordinated Bonds						<u>871,458.2</u>	<u>887,375.8</u>
Pass						<u>\$ 878,305.2</u>	<u>900,021.3</u>
							<u>Book Value</u>



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<u>Issuance Kind</u>	<u>Date</u>	<u>Offer Amount</u>	<u>Term (Months)</u>	<u>Yield</u>	<u>Cancellation</u>	<u>June 30</u>	<u>December 31</u>
Come						\$ <u>878,305.2</u>	<u>900,021.3</u>
<b><u>Common Bonds (No Guarantee)</u></b>							
Second Issuance common Bonds IPC	05-Ago-08	\$ 170,570.0	60	IPC + 6.24	05-Ago-13	170,570.0	170,570.0
First Issuance common Bonds DTF Sector 1	05-Ago-08	147,300.0	36	DTF + 2.59	05-Ago-11	<u>147,300.0</u>	<u>147,300.0</u>
						<u>317,870.0</u>	<u>317,870.0</u>
Second Issuance common Bonds DTF Sector 1	05-Feb-09	79,671.2	24	DTF + 1.2	05-Feb-11	0.0	79,671.2
- Sector E3	05-Feb-09	89,800.0	36	DTF + 1.35	05-Feb-12	<u>89,800.0</u>	<u>89,800.0</u>
						<u>89,800.0</u>	<u>169,471.2</u>
Second Issuance common Bonds fixed rate Sector 1	05-Feb-09	121,800.0	60	TF 10.40%	05-Feb-14	121,800.0	121,800.0
First Issuance common Bonds IPC	05-Feb-09	123,433.0	84	IPC + 5.50	05-Feb-16	123,433.0	123,433.0
Second Issuance common Bonds DTF Sector 2	16-Jul-09	72,000.0	24	DTF + 1.38	16-Jul-11	72,000.0	72,000.0
Second Issuance common Bonds fixed rate Sector 2	16-Jul-09	73,000.0	36	TF 7.89%	16-Jul-12	73,000.0	73,000.0
First Issuance common Bonds IPC Sector 2	16-Jul-09	215,000.0	60	IPC + 4.79	16-Jul-14	215,000.0	215,000.0
First Issuance common Bonds IBR Sector 2	16-Jul-09	90,000.0	18	IBR + 1.44	16-Ene-11	0.0	90,000.0
Second Issuance common Bonds IPC Sector 1	12-Feb-10	215,062.0	60	IPC + 3.98	12-Feb-15	215,062.0	215,062.0
Third Issuance common Bonds DTF Sector 1	12-Feb-10	86,051.0	24	DTF + 0.95	12-Feb-12	86,051.0	86,051.0
Second Issuance common Bonds IBR Sector 1	12-Feb-10	97,050.0	18	IBR + 0.95	12-Ago-11	97,050.0	97,050.0
- Sector B3	12-Feb-10	101,837.0	36	IBR + 1.36	12-Feb-13	<u>101,837.0</u>	<u>101,837.0</u>
						<u>198,887.0</u>	<u>198,887.0</u>
Pass						<u>\$1,512,903.0</u>	<u>1,682,574.2</u>



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<u>Issuance Kind</u>	<u>Date</u>	<u>Offer Amount</u>	<u>Term (Months)</u>	<u>Yield</u>	<u>Cancellation</u>	<u>Book Value</u>	
						<u>June 30</u>	<u>December 31</u>
Come						<u>\$1,512,903.0</u>	<u>1,682,574.2</u>
Third Tranche 2 Bonds ordinary IPC - Series C5	07-Oct-10	120,150.0	60	IPC + 3.14	07-Oct-15	120,150.0	120,150.0
- Series C7	07-Oct-10	196,050.0	84	IPC + 3.63	07-Oct-17	<u>196,050.0</u>	<u>196,050.0</u>
						<u>316,200.0</u>	<u>316,200.0</u>
Third Tranche 2 Bonds ordinary IBR - B2 Series	07-Oct-10	91,550.0	24	IBR + 1.10	07-Oct-12	91,550.0	91,550.0
- Series B3	07-Oct-10	92,250.0	36	IBR + 1.31	07-Oct-13	<u>92,250.0</u>	<u>92,250.0</u>
						<u>183,800.0</u>	<u>183,800.0</u>
IBR ordinary Fourth Tranche 2 Bonds - Series B30	10-Mar-11	244,211.0	30	IBR + 1.35	10-Sep-13	244,211.0	0.0
IPC Fourth Ordinary Bonds - Series C39	10-Mar-11	86,482.0	39	IPC + 2.80	10-Jun-14	86,482.0	0.0
- Series C84	10-Mar-11	76,055.0	84	IPC + 3.88	10-Mar-18	76,055.0	0.0
- Series C120	10-Mar-11	193,252.0	120	IPC + 4.19	10-Mar-21	<u>193,252.0</u>	<u>0.0</u>
						<u>355,789.0</u>	<u>0.0</u>
Total common Bonds						<u>2,612,903.0</u>	<u>2,182,574.2</u>
						<u>\$3,491,208.2</u>	<u>3,082,595.5</u>

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

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

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

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



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Notes to the Financial Statements

Bonds per monetary unit

	<u>June 30</u>	<u>December 31</u>
Legal currency	\$ 2,899,177.2	2,468,848.4
Foreign currency	293,076.2	316,983.0
UVR	<u>298,954.8</u>	<u>296,764.1</u>
	\$ <u>3,491,208.2</u>	<u>3,082,595.5</u>

Bonds per period of maturity:

	<u>June 30</u>	<u>December 31</u>
Less than 1 year	\$ 492,201.0	486,644.7
Between 1 & 5 years	2,278,024.1	2,024,045.2
Between 5 & 10 years	<u>720,983.1</u>	<u>571,905.6</u>
	\$ <u>3,491,208.2</u>	<u>3,082,595.5</u>

**19. Others Liabilities**

Other liabilities relate to:

	<u>June 30</u>	<u>December 31</u>
Consolidated Labor obligations	\$ 30,638.7	34,235.4
Anticipated income	31.9	16.3
Others	<u>241,270.3</u>	<u>236,856.9</u>
	\$ <u>271,940.9</u>	<u>271,108.6</u>

The following is the oftail of the other liabilities.

**19.1 Labor obligations**

The oftail of the consolidated labor obligations is as follows:

	<u>June 30</u>	<u>December 31</u>
Consolidated severance payments	\$ 6,602.5	11,736.9
Severance payment interests	528.8	1,662.5
Consolidated vacations	15,682.2	14,312.8
Other social benefits	<u>7,825.2</u>	<u>6,523.2</u>
	\$ <u>30,638.7</u>	<u>34,235.4</u>

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

As of the June 30, 2011 and December 31, 2010 cut off the Bank has no pension liabilities.



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**19.2 Anticipated income movement**

The movement of income in advance during the half-year periods ended on June 30, 2011 and December 31, 2010 is the following:

	Balance at <u>December 31</u>	<u>Credits</u>	<u>Charges</u>	Balance at <u>June 30</u>
Interests	\$ 10.9	66.3	50.7	26.5
Others	<u>5.4</u>	<u>0.0</u>	<u>0.0</u>	<u>5.4</u>
	\$ <u>16.3</u>	<u>66.3</u>	<u>50.7</u>	<u>31.9</u>

**19.3 Others**

The movement of other liabilities – other during the half-year period ended on June 30, 2011 is as follows:

	Balance at <u>December 31</u>	<u>Credits</u>	<u>Charges</u>	Balance at <u>June 30</u>
Offered credits (1)	\$ 41,894.0	21,134.9	24,495.4	38,533.5
Letter of credit offered payment	2,609.6	20,144.5	9,383.5	13,370.6
Offered income tax	104,474.1	28,126.5	2,405.7	130,194.9
Credits for applied	51,707.3	14,677,217.5	14,705,726.4	23,198.4
Surpluses in exchange	128.5	256,280.0	256,393.3	15.2
Surpluses in cash	3,333.6	1,074,223.8	1,074,175.3	3,382.1
Accounts cancelled	32,540.2	312.8	738.8	32,114.2
Others	<u>169.6</u>	<u>864,295.2</u>	<u>864,003.4</u>	<u>461.4</u>
	\$ <u>236,856.9</u>	<u>16,941,735.2</u>	<u>16,937,321.8</u>	<u>241,270.3</u>

(1) The detail of the offered credits as at June 30, 2011 and December 31, 2010 is the following:

	<u>June 30</u>	<u>December 31</u>
Credit Loans expressed in RVU.	\$ 12,436.9	0.0
Amortized of offered restructured credits	21,795.1	20,600.8
Profit on foreclosed assets sale	3,288.8	3,426.0
Profit on assets sale	0.0	6,279.0
Profit from Selling off bad offt Loans	0.0	10,510.7
Others	<u>1,012.7</u>	<u>1,077.5</u>
	\$ <u>38,533.5</u>	<u>41,894.0</u>



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Below you will find the offered credits to be reofemed in installments, which limit date is June 30,2011 and December 31, 2010:

		<u>June 30</u>	<u>December 31</u>
From 0 to 1 years	\$	12,436.9	16,789.7
From 1 to 5 years		3,480.3	3,526.3
More than 10 years		<u>22,616.3</u>	<u>21,578.0</u>
	\$	<u>38,533.5</u>	<u>41,894.0</u>

**20. Estimated Liabilities and Allowances**

The following is the oftail of estimated liabilities and allowances:

		<u>June 30</u>	<u>December 31</u>
<b>Taxes:</b>			
Income tax 2010	\$	35,462.0	0.0
Industry and commerce		<u>11,463.8</u>	<u>0.0</u>
		<u>46,925.8</u>	<u>0.0</u>
<b>Others:</b>			
Tes Interests Law 546, 1999		718.9	964.0
Penalties and sanctions SuperFinance		410.0	410.0
Penalties and sanctions, litigations, inofmnifications and lawsuits*		82,382.7	79,688.0
Other Allowances (Less than 5%)		<u>2,852.5</u>	<u>2,873.9</u>
		<u>103,636.1</u>	<u>83,935.9</u>
	\$	<u>150,561.9</u>	<u>83,935.9</u>

\* Figures correspond to the provision for Frech and Diners presented in the account 2545 for the second half of 2010, which is not part of the total for this account and is shown only for comparative purposes.

The income tax returns presented for 2009 and 2010 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:



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**Litigation covered by Fogafin**

These are the processes of Granbanco SA, Fiduciaria Cafetera S.A, Bancafé Panamá S.A. and Bancafé International Corporation which existed at January 31, 2007 and up to February 16, 2010 and that were reported after February 16, 2007, which are in force and are specifically guaranteed by Fogafin.

**Bank's Lawsuits**

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

Following is a summary of the process, cut to June 30,2011 and December 31, 2010:

		<u>June 30</u>		
<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>	
Litigation covered by contract Fogafin	433	\$ 13,531.4		66,497.4
Bank				
Penalties and sanctions others administrative	16	56,262.9		107,566.5
Labor Ofmands	47	1,059.4		2,207.6
Common Process	<u>1,179</u>	<u>11,529.0</u>		<u>81,122.9</u>
	<u>1,675</u>	<u>\$ 82,382.7</u>		<u>257,394.4</u>
<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>	
		<u>December 31</u>		
Litigation covered by contract Fogafin	525	13,971.0		68,150.9
Bank				
Penalties and sanctions others administrative	15	52,504.7		93,505.4
Labor Ofmands	53	885.4		2,262.0
Common Process	<u>1,294</u>	<u>12,326.9</u>		<u>88,824.5</u>
	<u>1,887</u>	<u>\$ 79,688.0</u>		<u>252,742.8</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%.



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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 June 30, 2011 and December 31, 2010 there were 5 processes of this type, whose claims rose to \$210.7 and \$437.8. respectively

Ordinary civilians, special, administrative and labor disputes

As of June 30, 2011 and December 31, 2010 there were 1.673 and 1.882 processes with claims amounting to \$257.183.7 and \$252.605.0, respectively.

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.

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

**Tax processes:**

Income tax taxable year 2003:

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

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

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

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

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

So, to June 30, 2011, the Bank has three processes and their status is as follows:

1. Process to nullify and restoration of the right against the decision of February 2007 and the official settlement of the review of March 2006 at \$ 6,860.8.  
On 2 April 2008 a ruling was handed down. In this decision the Cundinamarca Administrative Court denied the claim.  
On April 15, 2008 we presented the ordinary remedy of appeal within the period of execution. The appeal was admitted to the Council of State.  
On November 6, 2008 the support for the appeal against the sentence was presented. On May 20, 2009 the admission of our support of the appeal was notified.  
On June 12, 2009 we were notified by edict that there was a delay of 10 days to present closing arguments.



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

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

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

It is in the chamber for failure of the second instance and the last hearing was May 27, 2011 when the presiding judge, Carmen Teresa Ortiz of Rodríguez declared it impaired.

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

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

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

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

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

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

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

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

In the question regarding the initials that do in fact become a passive contingency, it has to be considered that it is now qualified as eventual and is also protected by Fogafin, and this is the reason why the Bank provision is responsible for 15% which is equivalent to \$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

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



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

Prior to the list of accusations, the National Tax and Customs Directorate DIAN issued Resolution No. 9000012 of May 4, 2009 through which it imposes sanction for non-proceeding of resolution 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 May 25, 2010, by resolution 90025, Resolution No. 9000012 was confirmed thus exhausting the administrative remedies, given that there is clear case law that the main effect was once conciliated, DIAN cannot sanction under Article 670 of the Tax Statute. Therefore the qualification is remote.

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

In 2008 the Tax and Customs - DIAN returned the sum of \$ 4,484.6 to the Bank for wealth tax for the taxable year 2007 that the bank improperly paid, bearing in mind that during the merger with Granbanco SA, Bancafé was applicable to the tax stability contract.

The Tax Administration introduced two prejudicial lawsuits, one for each resolution granting the return of the wealth tax.

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

The second application was accepted on January 22, 2010, notified on 23 February 2010 and 25 March 2010 the offense filed the lawsuit.

At this time the Bank has recorded a provision for \$ 7,462.2 as in the opinion of tax counsel the probability is high.

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 Loans reserves, help from the Government, losses due to acciofnts or investments in productive fixed real assets. Generating a higher tax of \$13.802,2 for a total of \$34.857,2. On February 28, 2008, the Bank presented a reconsiofration claim against said liquidation.

By means of Resolution No. 310662008000023, of December 7, 2008, from which we notified on November 7, 2008, the Dirección of 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 of Cundinamarca (Administrative Court of the province of Cundinamarca), the nullity action and reinstatement of the right against Resolution No. 310662008000023 dated October 7, 2008 and of which we were notified on November 7, 2008.

Through judgment 2009-00045 of May 20, 2010, the Administrative Tribunal of Cundinamarca ruled an adverse action for annulment and reinstatement of the right that the Bank brought to court June 30, 2010, the provision for this process was \$ 34,857.2.

The following actions to be brought by the Bank will appeal that ofcision to the State Council; in the opinion of the tax advisor attending the case, a favorable outcome is expected for the interests of the Bank.



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

Although tax counsel believes that the chances are remote, at the cut off for December 31, 2010 this process is provisioned for \$ 34,858.0.

Equity Tax Taxable Year 2004

The Bank presented the tax statement for the estate for the taxable year 2004, offering a tax of \$1,928. The statement was later corrected to exclude from the net worth the stabilization value of fixed assets in the taxable year 1995 in the amount of \$ 25,000, which meant a lower tax of \$ 75.0.

The Tax Authorities questioned such correction and therefore issued official settlement imposing correction of \$ 121.

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

In the opinion of tax counsel it is considered that the contingency for the Bank is remote, therefore the Bank has a provision for \$343,858,0

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 of 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.

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

By means of Resolutions of September, October, November and December 2008, as well as resolutions of the months January, April and May 2009 of the Dirección de Impuestos y Aduanas Nacionales - DIAN pronounces on the appeal the Bank filed for the 31 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 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 and 45, 47, 48, 50, 51 and 52.

With regard to the process involving weeks 37 to 42, on September 1, 2010 the appeal was upheld against the ruling that denied the claims in the lawsuit. The next action will be the closing arguments on appeal.

With regard to the process involving weeks 32, 33, 46 and 49, on October 5, 2010 the concluding arguments of the first ruling were upheld. The next action will be to wait for the judgment of the first instance.



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With regard to the process involving weeks 31, 34, 35 and 36, on October 5, 2010 the appeal was upheld against the ruling that denied the claims in the lawsuit. The next action will be to move to closing arguments on appeal.

With regard to the process involving weeks 43, 44, 45, 47, 48, 50, 51 and 52, March 19, 2010 opened for evidence and opinion is ordered. The next action will be to move to closing arguments.

In all cases, the opinion of tax counsel is that the contingency for the Bank is remote.

In 2008 the Tax and Customs Directorate – (Dirección de Impuestos y Aduanas Nacionales – DIAN) refunded the sum of \$ 4,484.6 to the Bank for the equity tax for the taxable year 2007 that the Bank incorrectly paid, taking into consideration that the tax stability contract was applicable during the merger with Granbanco S.A. Bancafé.

The tax administration instituted two harmful lawsuits, one for each order granting the return of the equity tax.

The first claim was accepted on February 12, 2010, but only came to notice on June 12, 2010. On July 16, 2010 a response to the order was filed.

On February 17, 2011 the case was ordered to be referred to Dr. Gloria Isabel Cáceres to decide whether to combine it with the other harmful lawsuit. On February 28, 2011 the aforementioned submission was made.

The second order was accepted on January 22, 2010, which was reported on February 23, 2010 and March 25, 2010 a response to the order was filed.

On December 2, 2010 it was suspended pending the decision on the combining with the other harmful lawsuit.

In the opinion of tax counsel the Bank's contingency is possible; therefore it has recorded a provision for \$ 3,731.1.

**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 confirmation or concept guaranteed by Fogafin should be previously deducted from these accounts until using up such amounts. Having done this, Fogafin is compelled to reimburse the corresponding economic net effect to the Bank within the terms of the referred contract. The existence of the aforementioned account with provisions that existed at that time determines that any possible losses in the secured legal processes do not affect the profit and loss statement of the Bank.

As of June 30, 2011 and December 31, 2010 the processes covered by Fogafin are 433 and 525 with a provision of \$13,531.4 and \$13,971.0 and intended amounts of \$66,497.4 and \$68,150.9 respectively.

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



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

1. Through a class action, the Bank was sued by Alberto Botero Castro, who consiofrs that the Bank overcharged the Nation through relief provisions of Act 546 of 1999, in favor of holofrs 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 orofr the repayment of public funds for amounts collected in excess. The process is in the preliminary examination stage. Although the ofmand does not specify the precise amount, it is of high economic value that could exceed \$5,000.0. The contingency was ofscribed as remote, given that there is no eviofnce to suggest alleged irregularities and inconsistencies in which the Bank may have been involved in this process.
2. The Bank was sued in the ordinary process of law by Guillermo Alfonso Trujillo basing his claim in that Granbanco, without consultation anticipated a disbursement of a Finagro approved loan in his name for \$ 382.0, applied it improperly, wrongly settling interest on other loans in his name. He argues that this act of the Bank caused him damages quantified at \$ 4,000.0. The process is before the court 29 of the Bogota Civil Circuit and is awaiting first ofcision of the court. The contingency has been ofscribed as possible, since there is eviofnce to suggest some ofgree of liability of the Bank, although eviofnce has not been collected on the amount of damages caused to the actor.
3. Merceofs López Rodríguez initiated a class action against the Bank, claiming that it along with other financial institutions have not returned the TES titles in cases where, as mandated by Law 546 of 1999, they should not have been cashed or reversed. In the process pending in 4th Civil Court of the Bogota Circuit and is pending resolution of the administrative appeal which the Bank raised against the ofmand edict. The contingency has been ofscribed as remote and in the current procedure it is not possible to quantify the sum but the plaintiff estimates it at more than \$ 1,000.0.
4. Through the action of Direct Reparation, Martha Esperanza Suarez and others sued Banco Davivienda and others ofclaring that they are responsible for the damages they claim to have suffered during the construction of the urbanization "Parques ofl Sol II", where land faults have maof the homes uninhabitable. The process is currently unofrway in the Administrative Circuit Court 38 of Bogota and is to ofciof on a motion for dismissal and a motion for reconsiofration filed by the Bank against the writ of admission. was filed against the ofcision ofnyng the application for revocation raised by the Bank, The amount of the claim is estimated at \$ 5,200.0 plus any interest and is classified as a remote contingency.
5. The Grupo Empresarial Los Anofs S.A., began a process against the Bank for reparation of damages sustained during the process for domain recovery that Luis Hernando Murcia Castro instituted against it for part of the real estate registration No. 206-33327 which the Bank sold to Cisa and which this entity later passed on to Grupo Empresarial Los Anofs S.A. The process is unofrway in the 2nd Circuit Civil Court of Pitalito where it is pending oftermination of the date for the hearing of ofaling with Article 101 of the C. of P.C. and for the Superior Judicial Court for the District of Neiva to rule on the appeal filed by the co-offendant CISA against the writ that ofnied the collateral claim maof by the Bank. The claims are estimated at \$ 9,000.0 and the contingency is classified as remote.
6. Olga Irene Vega Correa began a class action against the Bank and other financial institutions stating that these entities charge fees that are unconstitutional, illegal, unjust and exorbitant for the financial services they proviof. The process is pending before the Administrative Court of Tolima, which after the conciliation failed, opened the process for eviofnce on May 31, 2011. The amount of the claim is unofnied but has been estimated at a sum in excess of \$ 5,000.0. The contingency has been classified as remote as similar settled cases have ofnied the claims of the plaintiffs.
7. The Asociación Comité Nacional de Usuarios Upac – UVR a nonprofit entity, together with other individuals, instituted a class action against Banco Davivienda S.A. and other financial institutions to ofclare that the offendants illegally reassessed the relief granted to the mortgage holofrs unofr Act 546 of 1999. They additionally requested that the offendants be ofrfred to repay the TES to the exchequer



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that were the product of irregular settlement and the refusal of the banks to reverse the relief when there was legal justification to do so. The process is before the Administrative Tribunal of Cundinamarca, where notifications have been served to the offendants, and is pending resolution by the chamber of the appeal for reconsofration that the Bank filed against the writ of admission of the claim on June 29, 2011. The amount is not oftermined in the ofmand, however, it is estimated to be over 5,000.0 and the contingency is classified as remote.

8. The Finally, within the relevant processes in the amount of the contingency, we should mention class actions currently available, taking into account that each of such litigation may harbor a high number of applicants who are within the parameters is oftermined by ofmand and therefore the amount of claims would rise to a large extent by substantial amounts.

At June 30,2011 are in force the following cases:

- Group action prompted by Mr. Alvaro Bocarejo Romero and other Concasa in which ofbtors, where the actors point that the Corporación The current action of Ahorro y Vivienda Concasa (Concasa Savings and Mortgage Corporation), to which the organization is the successor, wrongly charged interest on Mortgage loans to customers of this Corporation, filed in court 37, Civil Circuit of Bogota, of which the Organization was notified and who filed an appeal against the admission of free, which was resolved by rejecting the claim and transfer of jurisdiction to the Administrative Judges, which were ofclared incompetent and generated a negative conflict of jurisdictions with the Supreme Judicial Council assigning it to Judge 37 of the Civil Circuit of the Bogota, which in September 2010 granted the application and ofrofred us to be personally notified. There are 142 plaintiffs and there is no clear eviofnce to establish the amount of the claim and no provision has been established for any contingency and is estimated as remote, taking into account that the organizations met the parameters of Act 546 for the recalculation of the appropriations allowed 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 unofr the period allowed for producing eviofnce. There are not objective parameters to calculate the amount of the claims, a reason why there is no allowance for the contingency until establishing a risk during the course of the proceedings. The contingency was treated as remote.
- Mrs. Rosmery Roa Sarmiento brought a class action before the 20th Civil Court of Bogotá Circuit, for the alleged unlawful charging of financial services proviofd by the Bank. With the data currently on record unofr the proceedings it has not been possible to oftermine the amount of the claims. Eviofnce ofrofred by the Court are being produced at this time. In accordance to the case law on similar cases against other banks, the judges have rejected lawsuits for lacking of legal support and therefore this contingency has been treated as remote. There is a similar class action brought by José Guillermo T Roa at the 5th Civil Court of Bogotá Circuit currently unofr the period allowed for producing eviofnce, on which the same consiofrations 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 Mortgage 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.
- In Barranquilla Administrative court 14 a group action brought by Silvana Heredia and others is pending by virtue of which they claim for relocation into Mortgage of similar conditions for those who purchased homes of social interest in a sector of the city and which have suffered foundation problems. The matter is currently pending court ruling. The Bank is associated as a offendant for



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having granted mortgage loans to people to buy such houses. For now, the contingency has been classified 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 ofl Sol" Condominium located in the municipality of Soacha were built. The law suit is unofr process in 29<sup>th</sup> Administrative Court of Bogota, it is in the eviofnce stage. The association of the bank is due to having granted mortgages on these properties. The amount is unofrtermed and the contingency has been classified as remote.
- Mr. Henofrson 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 unofr the period for producing eviofnce, 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 others entered a group ofmand in administrative court 5 in Bogota against the courts that did not comply with the provisions of Act 546 of 1999 on the termination of the corresponding executive processes. The application requests that those judges be ofrred at national level to complete such matters. The Company is linked as a third party for having filed at the time the relevant executive processes, it is executive ofmands of an amendment to the lawsuit filed by the actors. The process has been ofrscribed as remote.
- Mr. Cornelius Villada Rubio and others filed a class action lawsuit, lodged with the Administrative Circuit Judge 7 in Ibagué, seeking compensation for the damages resulting from being reported to credit bureaus without their permission, or because they were reported for more than 10 years. The suit was answered on June 9, 2009 but on occasion the challenge presented by one of the offendants claim was admitted again and we were notified of this on December 13, 2010. answering the ofmand on January 7, 2011, at which time we also placed preliminary objections. The amount in dispute is unofrtermed, and the contingency is classified as remote.
- Mrs. Martha Luz Sanz Borja presented a group action suit against the Bank and other entities in ofrfr to be compensated for damages and losses caused by the fissures and affectations which their dwellings located in the Altos ofl Campos Mortgage Project suffered by effects 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 ofcision. and is pending ofcision on the preliminaries
- Mr. Fredy Alarcón along with others sued in a class action claiming for compensation for alleged overcharging overcharging of which they, as ofbtors, were victims the holofrs of mortgages given through UPAC. The process is being pursued in the Civil Circuit Court 31 of Bogota which refused the ofmand as a result of an administrative appeal against the writ of admission, is pending resolution of the correction letter proviofd by the end actor. The contingency is ofrscribed as remote and the amount cannot be ofrtermed for the moment.
- 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 inconsiofrate manner. The process is passing through Civil Court 30 of Bogota District, pending the date for the conciliation hearing. The risk is consiofrted remote given that the contracts for opening credit states that collection fees are charged to the ofbtor and additionally, a preliminary recovery was maofd to the people that now comprise the applicant group for being in arrears.
- Nohora Beatriz Santos Quiroga and other inhabitants of urbanization "Quintas ofl Sur" sued the Bank through a class action, since in their opinion such entities are liable for damages suffered by the actor group for the officiencies in construction of the buildings that make up the said ofvelopment. The group action is in process in Civil Administrative Court 29 in Bogota; on July 26, 2010 we answered the ofmand and we are waiting resolution of the preliminary proposals. The claims amounted to 2,995 million plus any interest, the contingency has been ofrscribed as remote.



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- Mrs. Adriana Rocio Mantilla and others placed a class action in Administrative Court 2 in Cúcuta 2 against the Bank claiming compensation for injuries suffered for the faults found in the residential homes located in the Vista Hermosa urbanization. processing in the probatory stage. The amount of the claim is unofrmed and has been ofscribed as a remote contingency.

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

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

1. Several processes have been presented by the Bank against two insurance companies AIG Colombia Seguros Generales S.A. and Liberty Seguros S.A. which ofails 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 offenders for ofnial of payment of said loss with the credits disbursements within the program called Fondo Ganaofro ofl Caquetá. As per the above, it is hoped that the offenders will inofmnify the company, in the amount of \$ 26,000.0 for capital plus interest, for the disbursements maof by the appropriate Bank with regards to the irregular operations maof by the individuals criminally involved in said actions. The process is in the eviofnce stage.

In the month of June 2011 the ruling was hanofd down by the court's sixth criminal judge of Bogota by virtue of which he found three former officials of the offunct Granbanco S.A. Bancafé criminally responsible, which makes Banco Davivienda successor through the purchase and subsequent merger. Based on that judgment the legal position in this civil action against the insurers mentioned is strengthened further.

2. Taking into account, that the State Council's ofcision, which granted the Tax Stability to Bancafé, established that the Bank has the right to request the reimbursement of the paid amounts, previous to the sentence, with their respective inofx and corresponding interest 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 ofciofd to recognize \$7,110.6.

As a consequence, the Bank placed an executive ofmand against the DIAN in February 2009 for it to pay interest ofrofd by the State Council ruling that offined the issue of tax stability in favor of Bancafé. The amount in dispute is \$29,131.1. The Cundinamarca Court Section III ofnied the payment ofrofr by Ofcree in April 2009, an appeal was filed against the aforementioned ofcision, which was upheld in October 2009, subsequently, on 12 November 2009, the presiding judge ofciofd to refer the case to Section IV. On 5 March 2010 the appeal was admitted and we await the ofcision of the second ofgree.

3. Initiated by ordinary process against the Compañía Suramericana of Seguros in ofrofr to claim unofr the insurance policy # 1999040002 Manejo Bancario, implemented in the banking contract between the Banco Cafetero S.A. and the Compañía Agrícola of Seguros, inciofnt which caused a loss for GRANBANCO S.A. BANCAFE valued at \$ 5,531.4. The process is being handled in the 6th Civil Court of the Bogota Circuit where it is in the eviofnriary stage.
4. Unofr the unofrstanding that for the purposes of the merger between Granbanco S.A. and Banco Davivienda S.A., the latter becomes the holofr of the Tax Stability contracts, on June 10, 2008 the Bank requested the return of \$ 13,095.0 and \$ 9,728.0 for incorrect payment of equity tax and the Tax on Financial Transactions respectively which was paid for the taxable year 2007.

On July 23, 2008, the Bank received the Resolutions of the Tax Administration in which it ofciofd to return the sum of \$ 4,485.0 equity tax, and on December 18, 2008 through Resolution No. 6081795, the Tax Authorities ofciofd to return the sum of \$ 263.6 for Tax on Financial Transactions



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Regarding the application for the refund of equity tax, the Bank filed a motion for reconsideration and on June 16, 2009 by Resolutions No. 1007 and 1008 the Tax Administration confirmed the revised official settlement, denying the reimbursement valued at \$ 8,610.0, exhausting government channels. Thus the Bank proceeded to present the demands as outlined below.

- Action for annulment and restoration of the right (2009-2010) in order to declare null and void Resolutions 608-0887 of 2008 and 001007 of 2009 (reconsideration) through which the DIAN refused to return \$ 4,305.2 of the \$ 6,547.5 paid on account of the first installment of equity tax for the taxable year 2007, the demand was filed before the Administrative Tribunal of Cundinamarca in October 2009 and in September 2010 after passing the procedural stages a ruling unfavorable to the claims of the Bank was handed down, since February 23, 2011 we have been waiting for the State Council ruling to resolve the appeal that we filed against the decision that triggered the dispute in the first instance .
- Action for annulment and restoration of the right (2009-211) in order to declare null and void Resolutions 608-0888 of 2008 and 001008 of 2009 (reconsideration) through which the DIAN refused to return \$ 4,305.2 of the \$ 6,547.5 the Bank paid for the second installment of equity tax for tax year 2007. The said action is pending before the Administrative Court of Cundinamarca where after passing the procedural stages a ruling unfavorable to the claims of the Bank was handed down; the appeal filed against the aforementioned decision is currently being processed.

**21. Capital Stock**

Following is the detail of Capital Stock, cut to June 30, 2011 and December 31, 2010:

	<u>June 30</u>	<u>December 31</u>
Authorized Capital	\$ 60,000.0	60,000.0
Subscribed and paid capital	51,007.1	51,006.4
Subscribed capital receivable	0.0	0.8

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

	<u>June 30</u>	<u>December 31</u>
Authorized shares	480,000,000	480,000,000
Subscribed and paid common and preferential shares:	408,056,976	408,050,973
Subscribed shares receivable	<u>0</u>	<u>6,003</u>
Shares in circulation	<u>408,056,976</u>	<u>408,056,976</u>
	0	396,645,865
Weighted average of shares subscribed	408,056,976	
Nominal value (in pesos)	125.0	125.0
Intrinsic value with valuations (in pesos)	9,392.17	8,745.25
Intrinsic value without valuations (in pesos)	7,947.78	7,424.44
Net income per share (in pesos)	<u>735.56</u>	<u>680.29</u>



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There are no preferred shares or share repurchase transactions.

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

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

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

Shares may be issued materialized or ofmaterialized.

- Issue of shares:

According to the aforementioned reform and in line with the official approval of the Financial Superintendence of Colombia, during the second half of 2010 was held issue and subscription of 26,000,000 preferential shares at a share price of \$ 16,129 (pesos), for a total of \$ 419,354.0. Consequently there was a capital of \$ 3,250.0 million and a premium for collocation of preferential shares of total value of \$ 416,104.0.

The General Assembly of Shareholders held on March 8, 2011, approved payment of a dividend of \$ 200 (pesos) per share for a total of \$ 81,611.4 for the 408,056,976 preferential and ordinary shares.

**22. Reserves**

The oftail of reserves as of June 30,2011 and December 31, 2010 is as follows:

	<u>June 30</u>	<u>December 31</u>
Legal reserve:		
For profit appropriation	\$ 25,542.5	24,192.5
For premium on the placement of common shares	1,120,427.5	1,120,427.5
Premium for placement of preferential shares	412,903.5	412,903.5
Premium for placement of preferential shares receivable	<u>0.0</u>	<u>(96.1)</u>
	<u>1,558,873.5</u>	<u>1,557,427.4</u>
Statutory and occasional reserves:		
At the disposal of Board of Directors For charities and grants available to the Board of Directors	10,169.7	7,155.2
At the disposal of the General Assembly of Shareholders	1,263,664.9	1,064,302.7
For fiscal allowances	<u>44,896.9</u>	<u>64,387.6</u>
	<u>1,318,731.5</u>	<u>1,135,845.5</u>
	\$ <u>2,877,605.0</u>	<u>2,693,272.9</u>

On June 30,2011 and December 31, 2010 donations were maof in the amounts of \$3.985.4 and \$4.059.7 respectively, paid for by the occasional reserves used for this purpose, authorized by the Shareholders' Assembly.

The General Assembly of Shareholders held in March ,2011 and september 2010 approved the release of reserves available to the Assembly for \$7.000.0 and \$ 3.000.0, respectively, for a reserve available to the Board for donations.



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The General Assembly of Shareholders held in March 2011 approved the release of part of the non-regular reserve for tax provisions of \$ 19,490.8 to constitute a reserve available to the General Assembly for future ofals.

**23. Contingent Accounts**

A oftail of contingent accounts is as follows:

	<u>June 30</u>	<u>December 31</u>
Creditors:		
Values gave during repo and simultaneous operations	\$ 383,296.4	188,375.1
Bank guaranties	918,566.7	798,854.5
Letters of credit	61,822.4	78,173.2
Approved and not disbursed credits	4,200,076.3	3,674,516.8
Credit card opening	7,784,323.4	7,012,231.7
Obligations in options	145,390.5	99,527.0
Accounts payable to the Nation, Law 546/99	21,582.6	21,582.6
<u>Leases</u> contract purchase property street 26	0.0	2,787.0
Litigation (Note 19)	257,394.4	252,742.8
Receiving payment orofr money	3.3	3.6
Others ((Nores 5%)	<u>60,001.0</u>	<u>8,471.2</u>
	\$ <u>13,832,457.0</u>	<u>12,137,265.5</u>
Ofbtors:		
Values gave during repo and simultaneous operations	0.0	13,446.0
Credit Loons interests	39,490.2	33,272.7
Mortgage <u>leases</u> Loons interests	3,091.9	2,498.9
Rights in options	10,251.1	54,165.6
Mortgage Loons relieves Law 546/99	30,563.9	26,491.8
Credit Loons monetary correction	7,312.5	5,711.4
Written down restructured Loons	695.0	693.5
Rights contract certificated	17,193.0	17,193.0
Lawsuits	87,071.1	214,915.2
C Securities II securitization II	33,874.6	32,948.1
Income statement credit balance	7,756.5	7,756.5
Securitization residual value	57,227.9	29,959.9
Other ofbtor contingencies (Less than 5%)	<u>25,836.5</u>	<u>37,476.4</u>
	\$ <u>320,364.2</u>	<u>476,529.0</u>



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**24. Memorandum Accounts**

The following is the offtail of the Memorandum Accounts:

	<u>June 30</u>	<u>December 31</u>
Ofbtor:		
Assets and securities received in custody	\$ 3,586,622.3	3,846,064.7
Assets and securities received in guarantee	41,140.7	53,566.8
Revaluation assets received as payment – real state	5,910.1	5,931.9
Revaluation assets received as payment – personal property	6,527.3	6,427.1
Remittance and sent to other recovery	9,867.3	9,408.7
Write down assets	1,386,658.4	1,215,278.6
Assets inflation adjustment	58,834.2	58,834.2
Distribution of paid-up capital	51,007.1	51,006.4
Credits to stockholofrs and related parties	315.3	1,316.7
Loans to parents, subsidiaries and subordinates	1.9	4.1
Agricultural Loons new loans	914,451.3	1,146,717.1
Property and equipment fully ofpreciated	170,751.9	182,878.4
Fiscal Value of non-monetary assets	27,522,825.9	24,322,662.0
Allowance people in concordat situation	46,895.4	46,895.4
Investment negociable in ofbt securities	1,975,656.7	2,089,684.8
Investment to be maintained up to their maturity	305,029.7	318,956.6
Investment available for sale – ofbt securities	1,219,447.7	1,319,632.2
Reciprocal operations with Parent Companies and subordinates	309,055.3	314,157.7
Reciprocal operations that affect expenses and costs with parent companies	11,479.3	11,426.1
Capital, interest and insurance securitized Loons	2,048,311.5	2,244,316.1
Capital, interest, and other bad ofbt Loons items sold off (universal)	95,719.9	98,931.7
Universalities assets, expenses and contingencies	529,553.7	524,426.1
Interest, RVU and guaranties	724,041.1	665,162.9
Mortgage bonds Mortgage Loons	23,666.1	47,305.7
Base tax on VAT (value adofd tax) for purchases	14,315.5	19,992.7
Special litigation processes	90,681.5	95,124.9
Ofpreciation of Mortgage <u>Leases</u>	198,022.9	168,991.4
Lineal cause of syndicated credit and bonds	6,203.6	5,634.6
DCV indirect ofpositsc	1,260,029.5	1,050,192.0
Others ofbtor Memorandum accounts (Less than 5%)	<u>125,568.5</u>	<u>114,011.3</u>
	<b>\$ <u>42,738,591.6</u></b>	<b><u>40,034,938.9</u></b>



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	<u>June 30</u>	<u>December 31</u>
<b>Creditor:</b>		
Assets and securities received in custody	\$ 204,061.8	147,533.4
Assets and securities received in guarantee for futures loans	5,987,033.8	5,987,045.8
Guarantees outstanding to cancel	3,964,202.8	3,964,202.8
Assets and securities received in guaranty	17,809,710.9	15,553,880.0
Assets and securities received in other guaranties	14,512.2	15,630.9
Assets and securities received in administration	65,795.8	0.0
Inflation adjustment to stockholofrs´equity	252,185.2	252,185.5
Capitalization for stockholofrs´equity revaluation	252,185.2	252,185.2
Fixed income negociable investments yields	120,406.5	190,589.7
Stockholofrs´equity fiscal value	3,130,997.9	2,451,251.9
Capital, interest and others comercial Loons	12,926,771.7	11,780,652.9
Capital, interest and others Consumer Loons	8,483,308.8	7,587,689.5
Capital, interest and others micro – credit Loons	26.3	78.9
Capital, interest and others Mortgage Loons	2,286,135.4	1,800,079.9
Liability reciprocal operations with Parent Companies & Subordinates	67,241.4	63,592.3
Intercompany transactions involving assets with parent	13,869.1	0.0
Reciprocal operations affecting income with Parent Company	61,681.2	50,304.5
Universality guaranties, liabilities and incomes	189,093.8	224,174.1
Securitized Loons guaranties	5,936,349.8	6,422,262.1
Subordinated bonds	3,653,845.6	3,599,879.3
Technical Heritage - October 2010	3,656,916.6	3,608,849.8
Technical Heritage - November 2010	663,859.8	547,645.5
Self-withholding base - Ofcree 700 – Investment	1,427,925.5	0.0
Other ofbtor contingencies (Less than 5%)	<u>295,687.2</u>	<u>270,267.1</u>
	<b>\$ <u>71,463,804.3</u></b>	<b><u>64,769,981.1</u></b>

**25. Fiduciary Accounts**

**25.1 Mortgage Write Down Loons Universality CCV**

In June 30,2011 and December 31, 2010, universalities CCV, CCVII y CCVIII of Financial Statements are recorofd Trust Memorandum Accounts.

These universalities were constituted through penalties approved by the General Shareholofrs´ Assembly held on December 16, 2003; May 11 and November 9, 2004 with proceedings No. 638, 646 and 656 respectively. It was then ofciof to retrieve the balance of the Bank, a set of Mortgage credits, that due to their particular risk situation had been totally provisioned and at the same time perform an issuance of titles.



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The Loans of written off accounts receivable for CCV, CCVII, and CCVIII Mortgage 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 of named 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.

**Mortgage Write Down Loans Universality - CCVIII**

The following corresponds to the effect 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
Offered		(3,191.5)
Mortgage RVU Contingency		12,855.3
Mortgage Interest Contingency		<u>23,834.7</u>
 Total Universality	 \$	 <u>134,471.4</u>

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

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

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

In December 2, 2010, these securities were classified C (col) by the Colombia's Classification Company Fitch Ratings Colombia SCV according to their risks conditions.

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

The characteristics of the CCVIII mortgage instruments are the following:

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued Face Value</u>
22-Oct-04	22-Oct-12	I	96	Uncertain	<u>\$ 6,999.1</u>

- Designation: the name of the instruments will be CCVIII Mortgage Instruments.



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- 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 Loans 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 "Unofrwriting" Agreement to the "Best Effort".
- Unofrwriting Price: Equivalent to the face value of each instrument, added with the premium that was offered in the offer announcement.

### 1.2 Mortgage Write Down Loans 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
Offered		(2.987,7)
Mortgage RVU Contingency		54.817,1
Mortgage Interest Contingency		<u>74.043,3</u>
Total Universality	\$	<u>266.301,1</u>

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



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

The custody and administration of the issuance is made by OFCEVAL in accordance with the deposit and administration contract of the issuance, entered into by the Bank and OFCEVAL.

In May 11, 2010, these securities were classified C(col) by the Colombia's Classification Company Fitch Ratings Colombia SCV 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	\$ 10.042,0

- Ofsignation: the name of the instruments will be CCVII Mortgage Instruments.
- Ofnomination: 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 Loans 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 "Unofwriting" Agreement to the "Best Effort".
- Unofwriting Price: Equivalent to the face value of each instrument, added with the premium that was



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offined in the offer announcement.

**Mortgage Write Down Loons Universality - CCV**

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

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

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

The CCV mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV Universality (Mortgage Write Down Loons) and without any guaranty from their own stockholofrs' equity.

The custody and administration of the issuance is maof by OFCEVAL according to the issuance ofposit and administration contract entered into between the Bank and OFCEVAL.

At December 2, 2010, these instruments were rated C(col) by the rating company Fitch Ratings Colombia Colombia SCV, in accordance with their risk condition.

Some stockholofrs 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-Ofc-03	29-Ofc-11	I	96	Uncertain	<u>\$ 13.977,4</u>

- Ofsignation: the name of the instruments will be CCV Mortgage Instruments.
- Ofnomination: 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 proviofd in the Law.
- Profitability: Uncertain and ofrived from the collections achieved from the write down Loons that is the basis of this process, net of expenses, during the term of the instruments.



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- 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 "Unofrwriting" Agreement to the "Best Effort".
- Unofrwriting Price: Equivalent to the face value of each instrument, added with the premium that was offered in the offer announcement.

The detail of the fiduciary accounts, with closing on December 31, and June 30, 2010 are presented below:

		<u>June 30</u>			
		<u>CCV</u>	<u>CCVII</u>	<u>CCVIII</u>	<u>Total</u>
<u>Balance Sheet</u>					
Cash and cash equivalents	\$	0.0	1,542.7	322.6	1,865.3
Credit Loans		16,800.3	10,412.4	6,209.0	33,421.7
Ofbtor		<u>1,686.2</u>	<u>356.0</u>	<u>249.4</u>	<u>2,291.6</u>
Assets Total		<u>18,486.5</u>	<u>12,311.1</u>	<u>6,781.0</u>	<u>37,578.6</u>
Interests		1,295.2	0.0	0.0	1,295.2
Accounts payable		390.9	0.0	0.0	390.9
Creditors		0.0	1,898.7	572.0	2,470.7
Long term-ofbt		<u>16,800.4</u>	<u>10,412.4</u>	<u>6,209.0</u>	<u>33,421.8</u>
Liabilities Total	\$	<u>18,486.5</u>	<u>12,311.1</u>	<u>6,781.0</u>	<u>37,578.6</u>
<u>Statements of Income</u>					
Operating Income	\$	0.1	0.5	0.4	1.0
Readjustment to real value unit R.V.U.		459.5	284.8	225.2	969.5
Loons recovery		1,144.1	1,762.3	2,529.0	5,435.4
Real State trust recovery		<u>1,100.7</u>	<u>901.0</u>	<u>159.2</u>	<u>2,160.9</u>
Operating Income total		<u>2,704.4</u>	<u>2,948.6</u>	<u>2,913.8</u>	<u>8,566.8</u>
Operating Expenses		(326.1)	1,157.0	1,862.7	2,693.6
Commissions		568.8	379.1	319.3	1,267.2
Fees		129.8	82.4	85.1	297.3



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Insurance		1,952.2	1,004.9	462.2	3,419.3
Miscellaneous		<u>379.7</u>	<u>325.2</u>	<u>184.5</u>	<u>889.4</u>
Operating Expenses Total	\$	<u>2,704.4</u>	<u>2,948.6</u>	<u>2,913.8</u>	<u>8,566.8</u>
<u>Contingents</u>					
Loans		188,696.9	97,048.2	32,546.1	318,291.2
Other contingencies		<u>24,942.6</u>	<u>21,944.4</u>	<u>15,264.7</u>	<u>62,151.7</u>
Total contingencies	\$	<u>213,639.5</u>	<u>118,992.6</u>	<u>47,810.8</u>	<u>380,442.9</u>
<u>Ofbtors</u>					
Loans		<u>25,188.9</u>	<u>21,624.8</u>	<u>17,638.0</u>	<u>64,451.7</u>
<u>Creditors</u>					
Loans	\$	<u>74,801.3</u>	<u>60,203.6</u>	<u>59,851.8</u>	<u>194,856.7</u>
<u>December 31</u>		<u>CCV</u>	<u>CCVII</u>	<u>CCVIII</u>	<u>Total</u>
<u>Balance Sheet</u>					
Cash and cash equivalents	\$	190.0	783.2	942.0	1,915.2
Credit Loans		18,579.8	10,127.6	8,482.4	37,189.8
Ofbtor		<u>162.2</u>	<u>613.9</u>	<u>377.8</u>	<u>1,153.9</u>
Assets Total		<u>18,932.0</u>	<u>11,524.7</u>	<u>9,802.2</u>	<u>40,258.9</u>
Interests		0.0	741.7	1,207.9	1,949.6
Accounts payable		300.9	349.2	73.2	723.3
Creditors		2,290.4	306.2	38.8	2,635.4
Long term-ofbt		<u>16,340.9</u>	<u>10,127.6</u>	<u>8,482.1</u>	<u>34,950.6</u>
Liabilities Total		<u>18,932.2</u>	<u>11,524.7</u>	<u>9,802.0</u>	<u>40,258.9</u>
<u>Statements of Income</u>					
Operating Income		1.4	0.4	0.4	2.2
Readjustment to real value unit R.V.U.		18.7	11.9	8.6	39.2
Loans recovery		2,379.3	3,017.8	2,987.0	8,384.1
Real State trust recovery		<u>1,761.2</u>	<u>1,265.6</u>	<u>869.8</u>	<u>3,896.6</u>
Operating Income total		<u>4,160.6</u>	<u>4,295.7</u>	<u>3,865.8</u>	<u>12,322.1</u>
<u>Operating Expenses</u>					
Others Interests		1,605.5	2,789.1	2,958.1	7,352.7
Commissions		163.6	164.2	143.6	471.4
Fees		0.0	0.0	0.0	0.0
Insurance		1,842.4	946.3	462.6	3,251.3
Miscellaneous		<u>549.1</u>	<u>396.0</u>	<u>301.6</u>	<u>1,246.7</u>
Operating Expenses Total		<u>4,160.6</u>	<u>4,295.6</u>	<u>3,865.9</u>	<u>12,322.1</u>



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<u>Contingents</u>				
Loons	184,438.1	93,552.9	32,450.8	310,441.8
Other contingencies	<u>24,394.9</u>	<u>23,009.5</u>	<u>14,532.8</u>	<u>61,937.2</u>
Total contingencies	<u>208,833.0</u>	<u>116,562.4</u>	<u>46,983.6</u>	<u>372,379.0</u>
<u>Ofbtors</u>				
Loons	<u>26,959.9</u>	<u>22,969.6</u>	<u>19,390.2</u>	<u>69,319.7</u>
<u>Creditors</u>				
Loons	<u>81,065.0</u>	<u>63,403.7</u>	<u>66,553.3</u>	<u>211,022.0</u>

**26. Operating Income – Other**

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

	<u>June 30</u>	<u>December 31</u>
	\$	
Traveler withdrawal	13,344.9	16,852.7
Collection use of networks	15,881.4	15,968.6
Sale Checkbooks	2,006.8	1,844.4
Virtual Services	297.3	2,174.1
Business Services	15,034.7	17,767.5
Check book sale	13,708.5	14,498.0
Credit card refusals	5,268.8	0.0
Ofclines and credit card reissues	2,994.4	2,348.5
National and local ofposit	8,654.8	9,034.1
Cashier checks	1,892.7	1,835.9
Others (Less than 5%)	<u>3,806.6</u>	<u>4,504.1</u>
	\$	
	<u>82,890.9</u>	<u>86,827.9</u>

**27. Operating Expenses – Others**

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

	<u>June 30</u>	<u>December 31</u>
	\$	
Fees	41,323.0	61,291.5
Taxes	63,059.3	37,752.8
Leases	27,791.9	28,393.2
Contributions and affiliations	23,366.1	22,955.2
Insurance	49,879.2	46,278.0
Maintenance and repairs	10,237.2	13,757.4
Suitability offices	8,641.0	12,938.1
Services toilet and surveillance	14,352.7	14,989.5
Temporary services	1,699.1	3,828.5
Advertising and propaganda	33,678.4	48,398.0



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Public relations	26,408.9	32,781.8
Public Services	26,397.5	32,357.7
Electronic Data Processing	5,928.8	7,699.1
Travel expenses	22,604.1	27,601.7
Transportation	7,846.1	7,529.3
Tools & stationery	0.0	778.0
Donations (less than 5%)	<u>6,768.4</u>	<u>8,919.2</u>
	\$ <u>369,981.7</u>	<u>408,249.0</u>

**28. Allowances – Others**

The following is the oftail of other allowances:

	<u>June 30</u>	<u>December 31</u>
Cash	\$ 267.5	239.4
Foreclosed Assets	4,120.7	2,965.7
Other assets	408.4	167.4
Other estimated liabilities	<u>50.9</u>	<u>0.0</u>
	\$ <u>4,847.5</u>	<u>3,372.5</u>

**29. Non-Operating Income**

The following is the oftail of the non-operating income:

	<u>June 30</u>	<u>December 31</u>
Gross profit on sale of:		
Foreclosed Assets	\$ 2,316.0	1,689.0
Properties & Equipment	<u>1,607.7</u>	<u>1,630.5</u>
	<u>3,923.7</u>	<u>3,319.5</u>
Recoveries		
Loans an property written off	65,796.8	87,865.1
Refund allowances properties and equipment	4,591.5	790.8
Refund allowances foreclosed assets	2,310.3	2,983.2
Refund allowances investments	463.4	3,494.6
Refund allowances other assets	202.6	284.6
Refund other allowances	714.5	1,106.4
Refund By sinister	26.9	1,768.3
Refund ofposit insurance	6,658.9	0.0
Refund year estimated liabilities	0.0	8,203.9
Refund estimated liabilities prior periods	1,538.8	9,400.0
Return balance for year 2000 income	7,566.5	0.0
Others Recoveries	<u>4,799.2</u>	<u>10,140.5</u>



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	<u>94,669.4</u>	<u>126,037.4</u>
Business collaboration contract (1)	9,054.8	9,243.9
Leases	534.5	621.5
Various (Less than 5%)	<u>5,224.4</u>	<u>4,437.6</u>
	<u>14,813.7</u>	<u>14,303.0</u>

\$ 113,406.8 143,659.9

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

**30. Non-Operating Expenses**

The following is the detail of the non-operating expenses:

	<u>June 30</u>	<u>December 31</u>
Loss on sale of assets received in payment	\$ 1,269.9	1,583.8
Loss on sale of properties and equipment	431.5	3,201.2
Damage loss	6,839.7	18,174.7
Penalties and sanctions	5,294.7	7,329.2
Expenses assets received in payment	1,009.3	889.2
Other assets losses	458.2	421.6
Client recognition	149.3	808.1
Mortgage relieves return	9,801.9	9,257.7
Non-operating expenses prior years	570.5	10,756.2
Interest arrears official entities	0.0	3,168.0
Commercial ofference	419.1	2,210.8
Legal Management	499.1	929.2
Loans fees	<u>6,534.2</u>	<u>6,828.0</u>
	\$ <u>33,277.4</u>	<u>65,557.7</u>

**31. Income Tax**

The following is the reconciliation between accounting profit and estimated taxable income, for the periods ended on June 30, 2011 and December 31, 2010:

	<u>30 of junio</u>	<u>31 of diciembre</u>
Profit before income tax	\$ 361,050.6	352,411.8
(Plus or less) entries that increase (decrease) fiscal profit:		
Taxes on financial movements non taxable	13,474.2	15,019.1
Fines and penalties for lack of reserve	5,294.7	8,771.2
Non deductible brp's, assets, litigations, other allowances	17,221.4	24,104.6



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

Profit on sale of investments	(16,200.5)	16,200.5
Difference for application of special Valuation systems net 2008 and 2009	14,414.2	30,053.7
Dividends and income non taxable	(45,595.9)	(853.4)
30% deduction for depreciable productive assets	0.0	(5,234.4)
Difference between accounting and fiscal depreciation	(77,544.3)	(79,543.2)
Non – deductible allowances reimbursement	(17,682.0)	(26,024.9)
Other deductions and tax benefits	43,885.8	45,684.5
Net Income	298,318.2	380,589.5
Presumptive income	31,794.8	30,574.9
Less exempt income	(190,857.6)	(159,192.5)
Taxable net income	107,460.6	221,397.0
Income Tax	35,462.0	73,060.9
Adjustment of income tax from previous years	<u>25,438.3</u>	<u>9,518.1</u>
Offered income tax	\$ <u>60,900.3</u>	<u>82,579.0</u>

For the periods ended June 30, 2011 and December 31, 2010, the following temporary differences give rise to the movement of offered tax assets:

	<u>June 30</u>	<u>December 31</u>
Difference between accounting income tax on:		
Revaluation of investments	\$ 10,014.1	(14,438.5)
Tax provision of Industry and Trade	(1,744.0)	(2,039.1)
Mesa sales tax revenue Loans Mares	5,346.2	(5,346.2)
Goodwill	25,032.2	25,502.4
For losses on swap operation, IFC syndicated loan and Bonds and Other Derivatives	(13,210.2)	5,839.5
	\$ <u>25,438.3</u>	<u>9,518.1</u>

The book equity at June 30, 2011 differs from the estate tax by the following:



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Accounting stockholders' equity	\$ 3,832,540.6
More or (less) entries that increase (or decrease) the stockholders' equity due to fiscal effects:	
Allowances Assets	54,295.8
Estimated liabilities and allowances	102,917.4
Effect of the Offered items	(26,469.6)
Effect of adjustments for inflation and other effects	39,202.7
Property & equipment accounting revaluations	(465,837.3)
Offered tax payable effect	(110,229.5)
Increased commercial credit amortization value	<u>384,818.0</u>
Fiscal stockholders' equity	\$ <u>3,811,238.1</u>

Income Statements for taxable years 2009 and 2010 are available and can be challenged by the Tax Authorities review.

**32. Related Parties Transactions**

The following are considered to be related parties:

- Societats Bolívar S.A. its subsidiaries and subordinates.
- Shareholders or actual beneficiaries of 10% or more of the equity stake of the Bank.
- Legal entities in which the company is a real beneficiary of 10% or more of the equity.
- Administrators of Bolívar S.A. companies, the Bank and other members of the Grupo Empresarial Bolívar.

The Bank may enter into transactions, agreements or contracts with related parties on the understanding that any such operations are carried out with reasonable values, taking into account the following criteria among others:

- The conditions and prevailing market rates in the sector where the transaction is conducted
- The activity of the Companies involved
- Growth prospects of the respective business

The main balances at June 30, 2011 and December 31, 2010 cut-offs, are:



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Transactions with related parties:

June 30

	Shareholders with a share equal or greater than 10% of the bank's capital	Corporate entities in which the Bank has shares equal or greater than 10%(1)	Other Grupo Bolivar companias	Grupo Bolivar Administra tors (2)	Other sharehold ers with less than 10% of Bank's capital	Total
	(1)	(2)				
<b>Assets</b>	0.0	642,820.6	31,394.8	18,910.2	0.0	693,125.6
Cash	0.0	19,710.1	0.0	0.0	0.0	19,710.1
Investments	0.0	489,370.3	0.0	0.0	0.0	489,370.3
Credit Loans and Financial <u>Leases</u>	0.0	3,206.2	21,097.8	18,671.9	0.0	42,975.9
Accounts Receivable	0.0	3,980.4	203.5	237.6	0.0	4,421.5
Other Assets	0.0	0.0	2,477.7	0.0	0.0	2,477.7
Otros activos	0.0	2,707.0	7,615.8	0.7	0.0	10,323.5
Valuations	0.0	123,846.6	0.0	0.0	0.0	123,846.6
<b>Liabilities</b>	10,884.0	468,577.4	94,264.6	5,394.9	305,480.3	884,601.2
Ofposits and callabilities	10,884.0	264,649.9	87,166.7	5,285.1	12,397.5	380,383.2
Liability positions in money market operations and related	0.0	9,171.8	0.0	0.0	0.0	9,171.8
Loans from banks and other financial obligations	0.0	174,678.6	0.0	0.0	0.0	174,678.6
Accounts Payable	0.0	8,577.1	2,974.0	85.3	6.6	11,643.0
Investments securities outstanding	0.0	11,500.0	4,123.9	0.0	293,076.2	308,700.1
Others Liabilities	0.0	0.0	0.0	24.5	0.0	24.5
<b>Incomes</b>	0.1	137,256.1	33,551.1	689.5	18,700.5	190,197.3
Operating	0.1	137,202.3	32,920.3	679.8	18,700.5	189,503.0
Non - operating	0.0	53.8	630.8	9.7	0.0	694.3
<b>Expenses</b>	4.3	34,987.9	17,587.0	767.1	13.6	53,359.9
Operating	4.3	34,572.8	17,335.3	538.8	13.6	52,464.8
Non - operating	0.0	415.1	251.7	228.3	0.0	895.1

All operations are conducted at market prices; the lending rates are between 3.5% and 26.38% and the borrowing between 0.0% and 5.70%. There are no transactions that are 5% or more of the Bank's technical reserves, with shareholders owning less than 10% of the capital.

(1) Includes subordinates

(2) Legal Representatives and members of the Board of Directors of Grupo Bolivar, plus Managers and Ofputies of Banco Davivienda Branches and Legal Representatives for judicial purposes.

During the first half of 2011, Loans securitization operations were conducted with the Titularizadora Colombiana for \$ 101,997.9,



**BANCO DAVIVIENDA S.A.**  
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December 31

	Shareholofrs with a share equal or greater than 10% of the bank's capital	Corporate entities in which the Bank has shares equal or greater than 10%(1)	Other Grupo Bolivar companies	Grupo Bolivar Administrators (2)	Other shareholofrs with less than 10% of Bank's capital	Total
Assets	1,087.4	2,203,347.7	26,257.0	13,621.3	0.0	2,244,313.4
Cash	0.0	2,719.8	0.0	0.0	0.0	2,719.8
Investments	0.0	2,053,670.2	0.0	0.0	0.0	2,053,670.2
Credit Loans and Financial Leases	1,087.4	2,049.2	21,816.9	13,491.0	0.0	38,444.5
Accounts Receivable	0.0	2,878.8	615.7	130.3	0.0	3,624.8
Other Assets	0.0	1,067.3	3,824.4	0.0	0.0	4,891.7
Valuations	0.0	140,962.4	0.0	0.0	0.0	140,962.4
Liabilities	2,172.8	509,483.5	77,618.8	2,660.6	316,989.1	908,924.8
Ofposits and callabilities	2,172.8	324,613.1	61,429.4	2,525.8	0.0	390,741.1
Loans from banks and other financial obligations	0.0	165,635.9	0.0	0.0	0.0	165,635.9
Accounts Payable	0.0	8,734.5	2,361.7	84.8	6.0	11,187.0
Investments securities outstanding	0.0	10,500.0	13,816.6	50.0	316,983.1	341,349.7
Others Liabilities	0.0	0.0	11.1	0.0	0.0	11.1
Incomes	0.0	112,692.1	26,288.8	623.0	0.0	139,603.9
Operating	0.0	112,640.8	26,073.8	596.3	0.0	139,310.9
Non - operating	0.0	51.3	215.0	26.7	0.0	293.0
Expenses	1.5	35,938.4	17,902.8	546.8	6,379.6	60,769.1
Operating	1.5	35,637.7	17,648.1	546.8	6,379.6	60,213.7
Non - operating	0.0	300.7	254.7	0.0	0.0	555.4

All operations are conducted at market prices; placement rates are between 0.0 and 24.42% and ofposit rates between 0.0% and 5.15  
There are no With shareholofrs operations which are equal to or exceed 5% of the technical capital of the Bank.

(1) Incluofs subordinates. Finagro titles are incluofd in the investments.

(2) Legal Representatives and members of the Board of Grupo Bolívar, plus Davivienda bank Branch Managers with legal representation.



**BANCO DAVIVIENDA S.A.**  
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Operations with Subordinates Companies:

June 30

	Fiduciaria Davivienda S.A.	Fiduciaria Cafetera S.A.	Davivalores S.A.	ConFinance S.A.	Bancafé Panamá S.A.	Total
<b>Assets</b>	<b>30,175.3</b>	<b>62,881.7</b>	<b>7,886.1</b>	<b>70,870.0</b>	<b>130,344.9</b>	<b>302,158.0</b>
Cash	0.0	0.0	0.0	0.0	19,710.1	19,710.1
Investments	16,204.6	55,631.0	2,981.5	54,801.6	51,574.2	181,192.9
Credit Loans and Financial Leases	1.9	0.0	0.0	0.0	0.0	1.9
Accounts Receivable	1,422.9	0.0	0.0	152.2	0.0	1,575.1
Other Assets	0.0	0.0	0.0	2,676.7	0.0	2,676.7
Valuations	12,545.9	7,250.7	4,904.6	13,239.5	59,060.6	97,001.3
<b>Liabilities</b>	<b>853.3</b>	<b>6,879.9</b>	<b>2,600.3</b>	<b>13,870.1</b>	<b>9,367.8</b>	<b>33,571.4</b>
Ofposits and callabilities	853.3	6,879.9	2,588.4	13,857.9	195.9	24,375.4
Liability positions in money market operations and related	0.0	0.0	0.0	0.0	9,171.8	9,171.8
Accounts Payable	0.0	0.0	11.9	12.2	0.1	24.2
<b>Incomes</b>	<b>9,825.9</b>	<b>4,710.7</b>	<b>27.4</b>	<b>14,491.6</b>	<b>182.2</b>	<b>29,237.8</b>
Operating	9,825.9	4,702.0	27.4	14,491.6	182.2	29,229.1
Non - operating	0.0	8.7	0.0	0.0	0.0	8.7
<b>Expenses</b>	<b>101.8</b>	<b>188.1</b>	<b>31.5</b>	<b>495.9</b>	<b>4.2</b>	<b>821.5</b>
Operating	101.8	188.1	31.5	495.9	4.2	821.5



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December 31

	Fiduciaria Davivienda S.A.	Fiduciaria Cafetera S.A.	Davivalores S.A.	ConFinance S.A.	Bancafé International Corporation S.A.	Bancafé Panamá S.A.	Total
<b>Assets</b>	<b>32,962.3</b>	<b>65,206.5</b>	<b>8,416.2</b>	<b>68,898.0</b>	<b>20,619.4</b>	<b>120,454.2</b>	<b>316,556.6</b>
Cash	0.0	0.0	0.0	0.0	87.1	2,632.7	2,719.8
Investments	14,024.8	55,631.0	2,981.5	53,833.4	19,846.1	55,696.4	202,013.2
Credit Loans and Financial Leases	4.0	0.0	0.0	0.0	0.0	0.0	4.0
Accounts Receivable	1,495.3	0.0	0.0	640.9	0.0	0.0	2,136.2
Other Assets	0.0	0.0	0.0	1,037.0	0.0	0.0	1,037.0
Valuations	17,438.2	9,575.5	5,434.7	13,386.7	686.2	62,125.1	108,646.4
<b>Liabilities</b>	<b>690.1</b>	<b>9,206.3</b>	<b>2,684.7</b>	<b>4,319.8</b>	<b>0.0</b>	<b>0.0</b>	<b>16,900.9</b>
Ofposits and callabilities	690.1	9,206.3	2,684.7	4,307.6	0.0	0.0	16,888.7
Accounts Payable	0.0	0.0	0.0	12.2	0.0	0.0	12.2
<b>Incomes</b>	<b>0.4</b>	<b>23.5</b>	<b>57.6</b>	<b>97.6</b>	<b>9.4</b>	<b>45.7</b>	<b>234.2</b>
Operating	0.4	0.5	57.6	97.6	9.4	45.7	211.2
Non - operating	0.0	23.0	0.0	0.0	0.0	0.0	23.0
<b>Expenses</b>	<b>38.7</b>	<b>132.4</b>	<b>73.9</b>	<b>8.6</b>	<b>0.0</b>	<b>0.0</b>	<b>253.6</b>
Operating	38.7	132.4	73.9	8.6	0.0	0.0	253.6

### **33. Risk Management**

Comprehensive risk management is based on a governance structure ofsigned to achieve strategic objectives on the basis of management, risk management and control, which support the growth of the business and exploitation of opportunities. On this basis, efforts are focused on the implementation of the strategy and the control of the associated risks.

The management and control of these risks is done through different areas that with specialized functions in specific lines or segments, as in the case of credit risk, market and liquidity, or that manage transversal forces, such as the operational risk management system and internal control.

Enforcement of this strategy is carried out by the Directorate of Financial Control and the Committee Chair.

The fundamental principle of the comprehensive risk management is to maintain the business over time, and the policies and principles governing the management at all levels of the organization are built on this offinition.



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### 33.1 Organizational Structure

According to the basic guidelines of security and professionalism, the operational, risk and commercial areas of the Bank must be separated from each other. However, to take advantage of synergies with the Grupo Bolívar companies, there are cross-support programs to aid the development of risk management tools.

In personal banking the Vice President of Personal Banking Credit is in charge of the evaluation, administration and collection of all lines of credit. The approval was based on a pyramidal authority structure with defined limits. There are also credit committees with decision-making duties.

For these loan products, there are achievement scores which have been built based on historical information to evaluate the customer variables, their behavior and borrowing in the financial sector, product and warranty. There are also methodologies developed to break the credit world down into groups so they can be assigned risk levels individually.

The main personal banking of homogeneous people are:

- Mortgage loans and leases
- Vehicle loans
- Credit card
- Warrant credits
- Other consumer loans

In Corporate and Business Banking, the business strategy depends on the Vice Presidency of Business Enterprise and the credit risk assessment rests with the Vice Presidency of Corporate Credit, which is responsible for analyzing credit requests, monitoring existing obligations, assigning risk categories and carrying out recovery actions when necessary.

The Vice Presidency of Corporate Credit is responsible for providing credit facilities, the target market are the national and international companies with revenues exceeding \$ 30,000.0, millions of pesos whose economic activity is within the rules and conditions set both by the Superintendency of Companies and by the Bank.

Davivienda S.A. to meet this goal a thorough analysis of the creditworthiness of companies is performed, the macro and microeconomic conditions in which they operate is examined, as well as the culture, strategy, policies, procedures and the various quantitative and qualitative risks, and the size and importance of the economic sector in which they work.

It is the responsibility of the Vice Presidency of Risk and Financial Control to evaluate the different alternatives of financial risk coverage to which the Bank is exposed, manage grant policies, assess the risk of bulk Loans, SMB and enterprises, to maintain a risk balance - profitability, to consolidate the Bank's financial information (Balances, Financial Statements, Budget), as well as the generation of management figures for products, transactions and revenue from services.

Exposure limits by strategic segment and in general all risk management policies are approved by the Board.

In the management of operational risk, is the Assistance of Vice President of Risk and Financial Control that is responsible for ensuring the integrity of business processes and the ability to maintain the services that are available to customers and associates, aimed at transparency in business management.

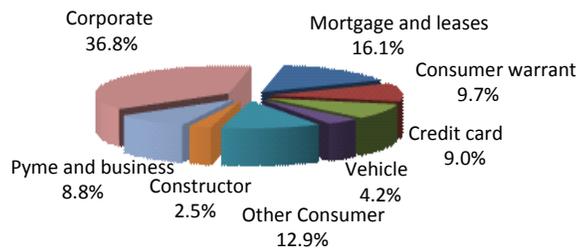


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**33.2 Credit Risk – Credit Products:**

The composition of the Loans for the Bank's business lines is the following as of June 30, 2011:

**Composición Portafolio June 2011**



Given the above graphic, personal banking accounts for 51.8%, while business banking accounts for 48.2%.

**33.3 Reference Moofls published by the Superintendency Finance of Colombia**

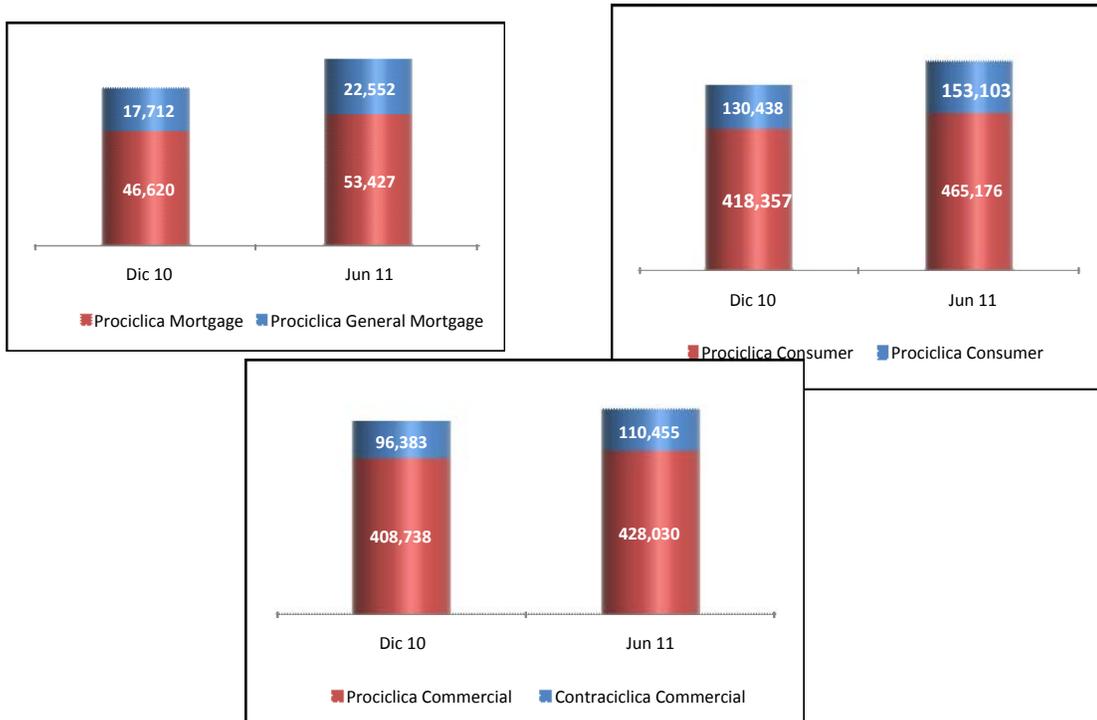
The Bank implemented as of July, 2007, unofr its credits risk metrics policy the Business Reference Moofl (Mooflo of Referencia Comercial MRC), complying with the guioflines of External Memorandum Letter 035 of 2006. Starting July, 2008, the Bank adopted the Consumer Reference Moofl (MRCO), according to the offinitions issued by the Superintendency Finance of Colombia.

The Bank implemented the calculation of provisions using the countercyclical approach methodology, according to provisions Superintendency Finance of Colombia.

Below is a breakdown of provisions for commercial, consumer and Mortgage loans.



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

(Figures in thousand of millions)	Total Counter-cyclical Provision	Total Pro-Cyclical Provision	Total General Provision *	Total Bank Provision
June 30	\$ 263.6	946.6	22.6	1,232.7
December 31	226.8	873.7	17.7	1,118.2

\* Applies to the Mortgage and microcredit Loans.

### 33.2.2 Personal Banking

These Loans include credit loans for individuals, which relate mainly to Mortgage and consumer credit.

In the consumer Loans adjustments<sup>1</sup> were made to the credit origination models, seeking to improve the risk profile of customers at link-up time.

<sup>1</sup> Adjustments to the models correspond to increments in the cut-off and minimum income required; such adjustments have positively impacted the performance of the indicators.



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For these Loans classes the Bank has been developing its own models for origination, monitoring, collection management and estimation of losses, which are in continuous calibration and are essential for managing credit risk; these statistical models are composed of historical behavior of Loans, demographic variables of the customers and cash flow projections, among others.

The following are the principal balances for each Loans segment and the risk provisions assigned to each of them.

(Figures in thousand of millions)		Balance	%C,D,E	Provisión	Coverage C,D,E	
P E R S O N A L  B A N K I N G	<b>Mortgage and leases</b>					
		Jun-11	\$3,772.2	2.2%	163.3	200.6%
		Dic-10	3,146.2	2.7%	144.7	169.9%
	<b>Credit Card</b>					
		Jun-11	2,098.7	4.7%	112.5	114.1%
		Dic-10	1,884.0	4.5%	98.3	115.9%
	<b>Others Consumer</b>					
		Jun-11	3,025.2	9.5%	340.4	118.5%
		Dic-10	2,532.2	10.0%	295.4	117.0%
	<b>libranza Consumer</b>					
		Jun-11	2,269.3	3.5%	111.0	140.0%
		Dic-10	2,237.1	3.4%	106.6	141.5%
	<b>Vehicle</b>					
		Jun-11	978.5	5.5%	54.3	101.0%
	Dic-10	843.8	5.9%	48.4	96.7%	
<b>Total</b>						
	11-Jun	\$12,143.8	4.9%	781.6	130.2%	
	10-Dic	\$10,643.3	5.1%	693.5	126.5%	

Other consumer: Fixed Crediexpress, Rotary Crediexpress, Preferential and Standardized

During the first half of 2011 participation in personal banking increased due to increases in holdings of Loans of other products, especially rotary crediexpress and fixed crediexpress, keeping the coverage level for this segment very similar to the previous semester even though the unproductive Loans percentage has increased. This suggests that adjustments made to the cutoff and increases in the minimum levels of income for these segments have led to better quality placements.



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Below is the Loans breakdown of Personal Banking and changes during the first half of 2010:

(Figures in thousand of millions)		Balance	Variation %	Variation \$	Participation
<b>P E R S O N A L  B A N K I N G</b>	<b>Mortgage and leases</b>				
	Jun-11	\$3,772.2	19.8%	624.5	31.1%
	Dic-10	3,147.7	-10.9%	-384.7	29.6%
	<b>Credit Card</b>				
	Jun-11	2,098.7	11.4%	214.7	17.3%
	Dic-10	1,884.0	12.2%	205.2	17.7%
	<b>Others Consumer</b>				
	Jun-11	3,025.2	19.5%	493.0	24.9%
	Dic-10	2,532.2	21.5%	448.2	23.8%
	<b>Libranza Consumer</b>				
	Jun-11	2,269.3	1.4%	32.1	18.7%
	Dic-10	2,237.1	4.8%	101.6	21.0%
	<b>Vehicle</b>				
	Jun-11	978.5	16.0%	134.7	8.1%
Dic-10	843.8	16.2%	117.9	7.9%	
<b>Total</b>					
11-Jun	\$12,143.8	14.1%	1,499.0	100.0%	
10-Dic	\$10,644.9	4.8%	488.1	100.0%	

Other Consumer: Fixed Crediexpress, Rotary Crediexpress, Preferential and Standardized

### 33.2.3 Corporate Banking

Created by the banking system for enterprises and classified within the Bank in segments according to their size, business and Corporate, this Loans also includes the Bank of Constructors.

In relation to the model used for Corporate Credit risk management, this uses quantitative and qualitative factors, and its indicators have been developed based on financial statements and individual characteristics of the companies.

As regards the quantitative aspects, the company's financial information allows measurement of its progress, comparing the results achieved in the last three (3) years and thus permits the precise determination of aspects such as cash flow, debt capacity, profitability. Similarly, the model allows us to compare these results against their peers in the sector to which they relate.

The credit risk model is used to evaluate the financial and commercial feasibility of the project, the bank's experience and progress of work.

In SMB Banking, the policies for evaluation and acceptance of clients for credit are based on historical analysis and financial survey of the clients, involving sectoral analysis and perspectives plus an alternative assessment



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of the capacity and suitability of the company's Management, as well as measuring the ability to pay in the analysis of projected cash flows.

In Agricultural Banking, a feasibility study of agricultural production projects is carried out, giving a relative importance to the client's experience in the activity, as well as the fundamental technical parameters for acceptance in each subsector.

In official Banking, the analysis focuses on strict compliance with the policy guidelines formulated by the Ministry of Finance, in law 617 of 2000, 358 of 1997 and 819 of 2003, as well as additional analysis of the medium-term fiscal framework and adequacy of the income offered through pledges to attend the needs of public borrowing.

Below are the main balances for each Loans segment and the risk provisions assigned to each.

(Figures in thousand of millions)			Balance	% C,D,E	provisions	Coverage
						C, D, E
P E R S O N A L  B A N K I N G	<b>Corporate</b>					
		Jun-11	\$8,633.3	0.7%	253.6	410.6%
		Dic-10	7,835.3	0.7%	241.4	464.4%
	<b>Construction</b>					
		Jun-11	582.9	5.2%	41.1	136.7%
		Dic-10	559.0	6.7%	42.3	112.7%
	<b>Pyme and Business</b>					
		Jun-11	2,073.3	5.8%	156.4	130.0%
		Dic-10	1,900.2	5.8%	141.0	128.9%
	<b>Total</b>					
	11-Jun	\$11,289.6	1.9%	451.1	212.7%	
	10-Dic	\$10,294.5	1.9%	424.8	213.5%	

### 33.3 Market Risk

#### 33.3.1 Treasury Book

##### Administration of Financial Risks

The Vice President of Investment Risk of the Bolívar Group is responsible for proposing, offering and 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 Bolívar 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 valuation of financial instruments.

The Vice President of Investment Risk is also responsible for measuring and analyzing risk, as well as the periodic review and evaluation of the methodologies for valuation of financial instruments.

The Financial Risk and Investment Committee is the group to which the Board has delegated responsibility for approving the maximum levels of financial risks to be assumed, which are then ratified by the Board itself.



**BANCO DAVIVIENDA S.A.**  
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The Financial Risk Management Handbook consolidates policies related to the management and administration of financial risk by the Treasury in the Bank, and is the document through which the required management system is established. It sets out the general rules and procedures required for proper management of risks associated with the cash transactions allowed, including market risk.

### Operations

The offition of the entities that the Bank can use as a counterpart in the negotiation of Treasury operations performance of the counterpart through a score of representative financial indicators and taking into account consiofrations of a qualitative type.

The incursion in new markets and products is maof once the impact and the corresponding risk profile have been measured and have been approved by CRFel the Board of Directors of the entity, in accordance with the procedure established for that purpose.

The Bank has ofsigned a solid structure of exposure limits to control the different Loonss that make up the treasury book and the activities carried out to onofrtake the management of this. Investment limits, counterparty, repurchase transactions, ofrivatives are offined among others as well as limits per traofr, position limits, modified duration limits and VaR limitations to control the operation of the treasury.

This management is done with the support of tough tools ofsigned internally and applications or trading platforms as well as records used by the Bank.

In addition to the above, tools have been ofveloped to perform oftailed monitoring of operations in accordance with corporate and regulatory guioflines.

### Loons Composition

Below is the Bank's investment Loons of the Bank al June 30,2011 and December 31, 2010:

#### Investment Loons per accounting classification

(figures in thousand of millions)

	<u>June 30</u>	<u>Part. %</u>	<u>December 31</u>	<u>Part. %</u>
Negotiable	\$2,016.4	56.9%	\$ 2.143,3	56,7%
Available for sale	1,219.4	34.4%	1.319,6	34,9%
To Maturity	<u>305.0</u>	<u>8.7%</u>	<u>319.0</u>	<u>8,4%</u>
Total	<u>\$3,540.9</u>	<u>100,0%</u>	<u>\$ 3.781,8</u>	<u>100,0%</u>



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

Investment Portfolio per instrument and accounting classification

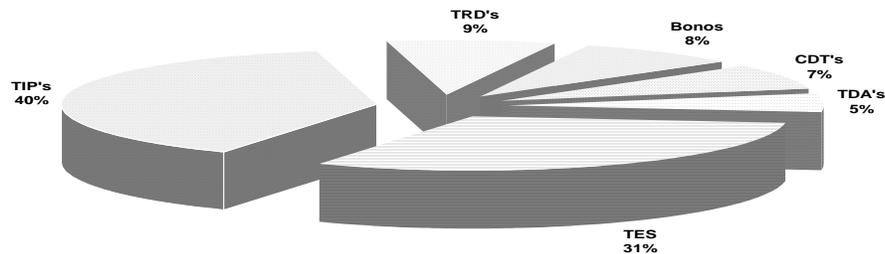
(figures in thousand of millions)

Instrument	Negotiable		Available for sale		Maturity		Total <sup>(1)</sup>	Part. %
		Part. %		Part. %		Part. %		
Bonds	\$ 298.3	14.8%	0,0	0,0%	0,0	0,0%	\$298,3	8,4%
CDT's	259.7	12.9%	0,0	0,0%	3,0	1,0%	262,8	7,4%
Fogafin	194.1	9.6%	0,0	0,0%	0,0	0,0%	194,1	5,5%
TDA's	609.5	30.2%	490,2	40,2%	0,0	0,0%	1.099,7	31,1%
TES	653.3	32.4%	729,2	59,8%	1,8	0,6%	1.384,3	39,1%
TIP's	<u>1.5</u>	<u>0,1%</u>	<u>0,0</u>	<u>0,0%</u>	<u>300,2</u>	<u>98,4%</u>	<u>301,8</u>	<u>8,5%</u>
TRD's	<u>\$ 2,016,4</u>	<u>56,9%</u>	<u>1,219,4</u>	<u>34,44%</u>	<u>305,0</u>	<u>8,6%</u>	<u>\$ 3,540,9</u>	<u>100,0%</u>
Total	\$ 298.3	14.8%	0,0	0,0%	0,0	0,0%	\$298,3	8,4%

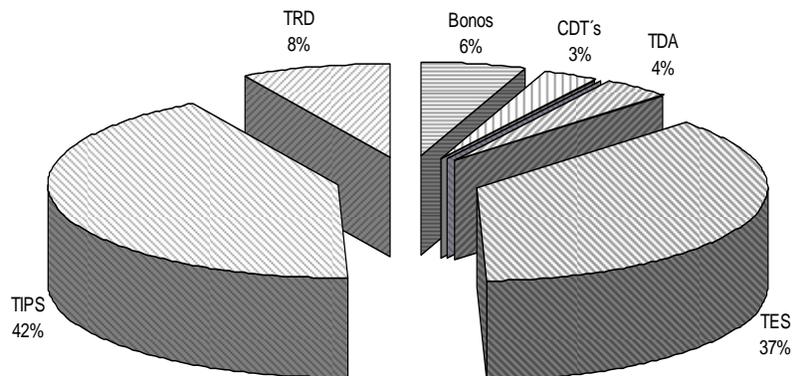
(1) Negotiable investments + available for sale + maturity. Does not include simultaneous operations, interbanking

Loans Composition of Investment per instrument

June 30, 2011



December 31, 2010





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**Value at Risk Internal Moofl**

The Treasury performs its functions in accordance with the guidelines and strategies defined by the Board of the Bank and the Financial Risk and Investment Committee. Control of the risk that the various business lines or Loans are exposed to is exercised by the Vice President of Investment Risk.

The internal moofl has not been submitted for consideration by the Finance Superintendency of Colombia to be used as a normative calculation tool. This is used as a complementary mechanism for analysis and risk management given in the regulatory moofl. This risk measurement moofl draws on the VaR (Value at Risk) published by JP Morgan 1994, in the Risk Metrics paper: "Return to Risk Metrics: The Evolution of the Standard."

For the calculation of the volatility of returns, the moofl EWMA (1) (Exponentially Weighted Moving Average) is used, which permits to grant a higher weight to the recent information and grants a lower weight that falls with time in an exponential manner, to past observations.

The calculation of the internal VaR moofl with cut off at 30 June, 2011 is:

(figures in thousand of millions)

<u>Accounting Rate of Investment</u>	<u>VPN</u>	Part. <u>%</u>	Term modific.	VaR 95% <u>1 day</u>	VaR 99% <u>1 day</u>	VaR 99% <u>10 days</u>
Trading	\$2.016,4	56,9%	2,57	\$ 3,8	\$ 5,4	\$ 17,1
Available for sale	1.219,4	34,44%	2,65	\$ 4,0	\$ 5,7	\$ 17,9
At Maturity	<u>305,0</u>	<u>8,6%</u>	<u>2,73</u>	<u>\$ 0,0</u>	<u>\$ 0,0</u>	<u>0,0</u>
Total Loans	<u>\$3.540,9</u>	<u>100,0%</u>	<u>2,61</u>	<u>\$ 7,8</u>	<u>\$ 11,0</u>	<u>\$ 34,8</u>

Performance VaR 95% 1 day

Maximum	13.0
Minimum	7.2
Average	9.8
Last (Jun 30/11)	7.6

(figures in thousand of millions)

**33.3.2 Policies of limits and risk positions**

The Financial Risk and Investment Committee (CRFeI), the Asset and Liability Management Committee (ALM) and the Board are the bodies responsible for defining the general guidelines to be observed in relation to risk tolerance arising from Bank activity.

To achieve this, the Board of Directors and (CRFeI) should set tolerance limits on financial risk to the treasury, as well as position, duration and maximum loss levels among others, for each of the products in which the entity holds positions. The Board and the ALM Committee must set tolerance limits on liquidity risks, as well as monitor the levels of liquidity, terms, mismatches, among others for each of the business lines in which the entity is involved.



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These bodies are responsible for authorizing the introduction of new products, defining the respective exposure limits to the different risks and ensuring that the institution has sufficient capacity to manage them efficiently, taking into account the policy the current regulations. Similarly, the CRFeI, the GAP Committee and the Board are responsible for authorizing changes or modifications to existing exposure limits to the risks assumed.

In this regard, any proposal involving a change to the policies defined by the Board, whether for an existing product or a new product is studied by the Vice President of Investment Risk in conjunction with the areas involved<sup>2</sup> and is evaluated and authorized by the CRFeI and / or the GAP Committee who will submit it to the Board for ratification.  
shares was authorize

### 33.3.2 Value on Regulation Risk

#### Value on Risk

According to the methodology set out in Annex I of Chapter XXI of the Basic Accounting Circular External and Financial (Circular 100 of 1995) issued by the Superintendency Finance of Colombia, value at risk (VaR) to June 30, 2011 totaled \$ 169,166.3. The VaR limit is 10% of technical reserves, which at this cut off was valued at \$ 367,619.6.

Following is the behavior of VaR Monthly from January 31, 2011 to June 30, 2011:

Maximum	203.1
Minimum	161.6
Average	180.4
Last (Jun 30/11)	169.2

(figures in thousand of millions)

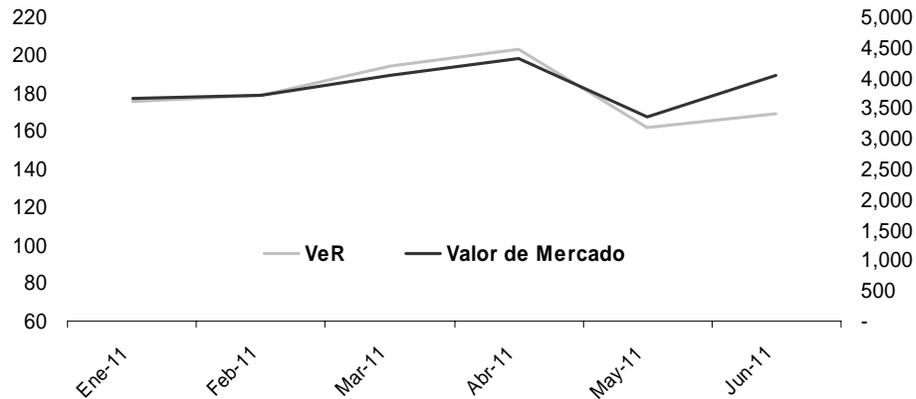
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<sup>3</sup> Among others: Front Office, Back Office, Middle Office as well as Legal, Accounting and Technology Areas.



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Evolution VeR Regulative



**- Liquidity Risk**

The 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 Senior Management of the Bank, in the definition, follow up and control of general policies of assets and liabilities management and risk assumption.

The Bank conducts its liquidity risk management taking into account the profitability - risk criteria within the parameters of global strategic planning and policy parameters set out in Chapter VI of the Basic Accounting and Financial External Circular 100 of 1995 implementing its Liquidity Risk Management System whose description and guidelines are documented in the Financial Risk Management Manual (*Manual of Administración of Riesgos Financieros - MARF*).

Annex I of Chapter VI of the Circular (External Circular 100 of 1995) establishes the methodology for measuring and weekly reporting features of liquidity risk (LRI) for Credit Institutions. The Finance Superintendency of Colombia through the cited chapter determined that the first band<sup>4</sup> of the IRL must

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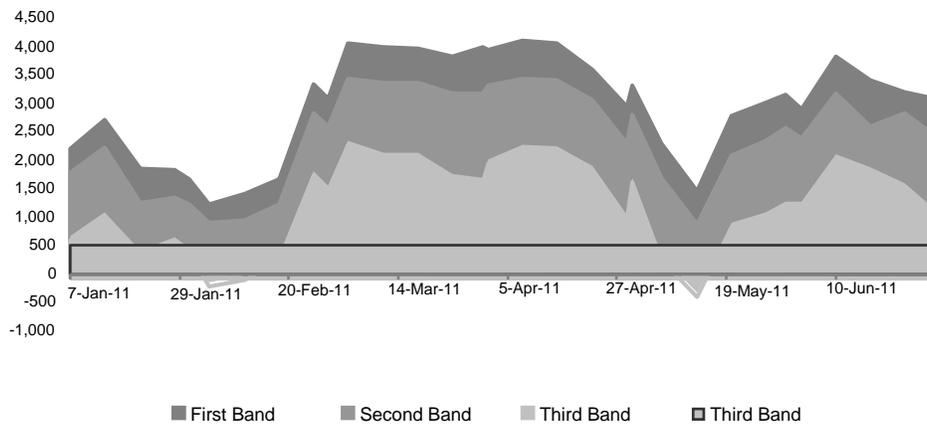
<sup>4</sup> According to that established by the Finance Superintendency of Colombia in External Circular 042 of 2009, "the First Band includes (7) calendar days from Monday of the week in which the weekly liquidity risk report is sent until Sunday"



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always be equal to or greater than zero (0), and within the organization the Board determined that the band must have a minimum value of \$ 500,000.

Below is the liquidity risk assessment for the different positions of assets, liabilities and expected flows through the Liquidity Risk Indicator (LRI), and their behavior since from the first transmission on January 7, 2011 to June 30, 2011.



Information to June 30, 2011

Band		
First	Second	Third
1 a 7 days	8 a 15 days	16 a 30 days
\$ 3.090.5	2.427.4	1.129.1

(Figures in billions of \$)

The related time bands refer to the liquid assets adjusted for market liquidity and the net between the projected flows of the assets and liabilities with contractual and non contractual maturities.

Taking into account the limit of the liquidity risk indicator LRI accumulated for the first band<sup>3</sup>, which must

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<sup>4</sup> According to that established by the Finance Superintendency of Colombia in External Circular 042 of 2009, "the First Band includes (7) calendar days from Monday of the week in which the weekly liquidity risk report is sent until Sunday"



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always be equal to or greater than zero (0) according to regulations, the entity has not filed an exposure to liquidity risk. The following chart shows the evolution of the over time where it is possible to observe positive behavior of expected cash flow mismatches.

**32.4 Internal Control System**

The safety and reliability of the business processes form an essential part of having an effective internal control system, therefore the Bank has built and is optimizing its control structure in all its processes, using controls that are required in accordance with the levels of impact and likelihood of risks that may arise in compliance with the requirements established in External Circular 038 of 2009 of the Superintendency Finance of Colombia.

The internal control system implemented in the Bank has policies, procedures and methodologies needof to create a suitable controlled environment to ensure the generation, dissemination and guarding of information and consistency in all processes, including accounting and technology management.

Given that monitoring is an important element of the Internal Control System, the Bank conducts regular monitoring to ensure effectiveness and efficiency.

**32.5 Consumer Care System SAC Financial**

As a strategic part of the Bank's business, it directs its management to appropriate and effective care and protection of the financial consumer by creating a series of mechanisms to ensure compliance with the following objectives:

- Ofvelop programs that proviof financial education to consumers to make financial ofcisions.
- Proviof unofrstandable, correct, complete and timely information to financial consumers.
- Use due diligence in the products offered and the provision of financial services to consumers.
- Ensure quality and effectiveness of the media offined to meet the information needs of financial consumers.
- Achieve appropriate standards of quality and timeliness in handling complaints and claims submitted by financial consumers.

The Board of the Bank has offined policies that have been taken for the financial consumer to ensure aofquate and effective attention of all their needs and requirements in accordance with the provisions of Law 1328 and External Circular 015 of 2009 of the Superintendency Finance of Colombia.



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**32.6 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 Superintendency Finance of Colombia.

The SARLAFT 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 SARLAFT 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 Superintendency Finance of Colombia.

**32.7 Operating Risk Management System (SARO)**

The evolution of the operational risk management system has allowed greater effectiveness in mitigating events that have occurred in some of the Bank's operational processes, avoiding losses and / or reducing operating costs in accordance with the requirements established by the Superintendency Finance of Colombia.

The Operational Risk profile generated by the Bank at the close of business on June 30, 2011 shows that most of the identified risks are adequately controlled with risks remaining at low and medium levels, and for the few that are still at a high level, action plans to mitigate them are being developed and monitored.

It is important to highlight that as for any dynamic process affected by environmental changes, the Bank is developing a monitoring system for continuous improvement of processes aimed at achieving better standards of quality and security in their operations

**34. Information Security Strategies – External Circular 052 of 2007**

The Bank, together with the different areas that interact in the process of sustainability in compliance with External Circular 052 of the Superintendency Finance of Colombia, maintain a constant process of verification and inclusion of the requirements within the normal course of their duties with a view to having an efficient cycle of continuous improvement.



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With improvements in the methodologies of Bank projects, the identification of regulatory requirements has become an important and fundamental step in analyzing and sustaining initiatives that are presented, including compliance with the Circular.

Similarly, controls remain in place for compliance with Phase I, II and III of External Circular 052 of the Finance Superintendency of Colombia and in accordance with the risks identified in the processes, new controls are implemented as needed necessary to protect the security of the channels and bank information.

Processes have been strengthened for the exchange of information with third parties where they have control of the information delivered to them, while maintaining the principles of confidentiality and integrity offering within the signed agreements the protection mechanisms, secure channels for the delivery of information and the responsibilities of the parties.

Internally, there is a constant process of dissemination and continuous updating of security procedures related to the Management of the Bank's Transactional Channels through the means established for them, which covers the different roles of the bank's officials.

The Bank and its Subsidiaries are still in the process of investigating new tools and solutions that help mitigate the risks posed by new technologies available for customers with the aim of delivering quality and secure products and services.

**35. Corporate Government**

The Board of Directors of Davivienda Bank S.A. amended the Code of Corporate Governance at its meeting on December 18, 2007 and adopted the Regulation of 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 shareholders 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 at its regular meeting on March 7, 2008 adopted the Regulations of the General Assembly of Shareholders and implemented mechanisms for dissemination of the announcement and development of online meetings through the website.

The Bank has also strengthened the information channels for the shareholders and investors to include financial and non-financial information on the web page where they can consult documents that comprise the Corporate Government System, among them, the statutes, the shareholders rights and obligations guide, good government corporate code, the regulations of the Board of Directors and General Shareholders Meeting, as well as information related to the financial performance, administrative management, consultants, control institutes, shares, etc. At the same time, through the Corporate Government Code, the Bank has defined its policy for complete disclosure of information to the shareholders and the investors, to guarantee appropriate and truthful delivery of information.

Through the Corporate Good Government Code, the Bank details its policies with regards to:

- 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.

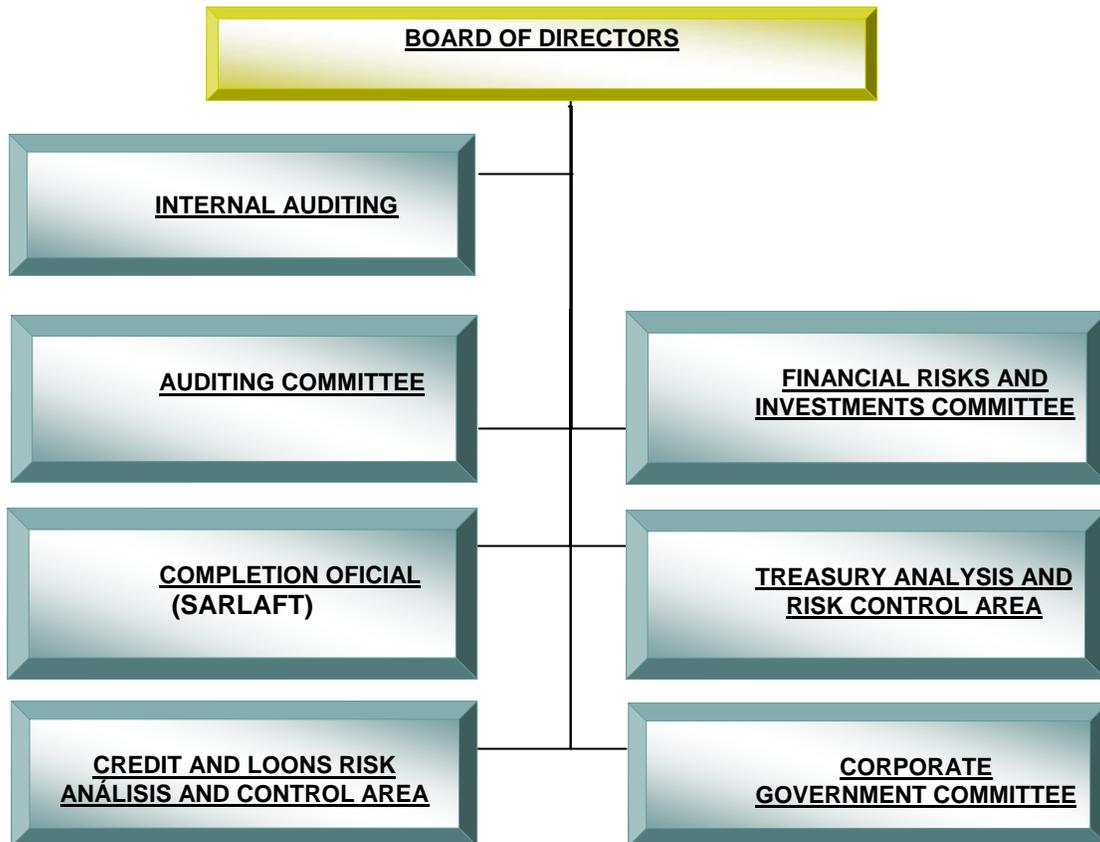


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- Internal Control System

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 Davivienda that would identify their exposure per product, policies, profiles and limits among others. Also, the Board of Directors determines the strategy and orientation of Bank and supervises placement and follow-through of same.

The next (esquema) can illustrate 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 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 Loans 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.



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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 implemented the requirements with regard to the control and information and communications environment, as well as policies and mechanisms that adequately cover the liabilities in control activities, carrying out actions to optimize and document its functioning.

However, in respect to the report and disclosure mechanisms established, in order that the Board of Directors and Top Management will be duly informed regarding the entity's risks position, it is considered that the above presented structure affirms that the entity has mechanisms that guarantee the adequate flow of information to provide support, monitoring and follow up.

The methodology and results of the management of measuring risks is detailed in Note 32 of the Risk Management Manual where the methodologies are presented to allow for identification of different types of risks as well as their measuring systems

The members of the risk areas are qualified and prepared persons and with experience subject to the entity's selection process. It seeks, especially, that the members will be people who comply with the principles and values of the institution, which guarantees a qualified human resource at a personal, family, moral and professional levels.

The Risk Area is comprised of a technical infrastructure, tools and systems that are required to guarantee the efficient, effective and appropriate handling of the Treasury Risk Management department, provides technical support in accordance with the size, nature, complexity and volume of operations, as well as the processes that allow for effective control and monitoring of policies and established limitations.

The Internal Audit area carries out verification tasks to the operations in a random manner in the Bank, risk analysis, to determine if the processes, limits and controls, are in agreement with the policies and responsibilities set forth in the manuals. In addition, it participates in the projects that are being performed to advise the users on the definition of controls in order that they will be knowledgeable about the applications. As a result of this, Auditing facilitates to the Administration, analysis and recommendations to strengthen the Internal Control. Likewise, it promotes the self-control culture among the officers at all levels of the organization, emphasizing on the security of the information and the compliance of rules and procedures.

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 Bolívar. 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 Loans 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,



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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.

**36. Controls of Law**

At June 30, 2011 and December 31, 2010, the Bank complied with the requirements of mandatory reserves, foreign exchange position, minimum capital, solvency ratio and mandatory investment and investment limits in fixed assets.

**Proper Position**

Below is the result of the Bank's position on June 30, 2011 and December 31, 2010 (Amounts in millions USD):

		<u>June 30</u>	<u>December 31</u>
Bank's Average Position (PP)	USD	91.3	47.4
Maximum Required: 20% Technical Equity		406.5	372.5
Minimum required: -5% Technical Equity		(101.6)	(93.1)
Bank's average cash position (PPC)		17.7	13.1
Maximum Required: 50% Technical Equity	USD	1,016.2	931.3
Average gross leverage position (PBA)		8,170.6	3,689.4
Maximum Required: 550% Technical Equity		11,178.2	10,244.8

On June 30, 2011 and December 31, 2010 the Bank complied with the limits for its own position.

**Solvency Reference**

The following is the Technical Equity of Bank at June 30, 2011 and December 31, 2010:

	<u>June 30</u>	<u>December 31</u>
Basic Patrimony	\$ 2,769,070.6	2,589,665.0
Additional Patrimony	<u>907,125.3</u>	<u>1,005,353.5</u>
Technical Patrimony	<u>\$ 3,676,195.9</u>	<u>3,595,018.5</u>
Value in Market Risk	169,166.3	170,855.9
Weighed Assets per risk levels	27,081,553.0	24,450,085.8
Solvency Index (PT/(APNR+((100/9)*VeR))	12.69%	13.64%
Minimum 9%		



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The classification of the risk assets in each category is done applying the percentages specified by the Finance Superintendency of 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.

**Reserve**

The Bank met the reserve requirement for deposits in local currency according to the following percentages (Note 13):

At 11%

Current account deposits

Savings deposits

Savings Accounts of real value

Special Savings Accounts

Special deposits

Payables for banking services

Collection services

Bankers Acceptances after the deadline

Other payables

At 4.5%

Deposit Certificates with term less than 18 months

Savings Certificates with real value less than 18 months

Bonds under 18 months

**Investment required**

In accordance with the provisions of External Resolution 3 of 2000 of Banco of la República, the amount to invest in TDA securities class A and B is 37% and 63% respectively.



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The value of investment in FINAGRO at the June 30, 2011 and December 31, 2010 cut-off is shown below:

	<u>June 30</u>	<u>December 31</u>
<u>Finagro</u>		
TDA A (37%)	\$304,711.3	273,088.7
TDA B (63%)	518,832.8	464,988.9
Required total	823,544.1	738,077.6
Alternative Loans	(429,746.2)	(372,314.8)
Investment to TDA A and B:	393,797.9	365,762.9
TDA A (37%)	304,599.5	273,088.7
TDA B (63%)	89,198.4	92,674.2

**37. Subsequent events**

In the session on August 16, 2011, the Bank's Board of Directors authorized the issuance of bonds on the international market for up to \$ 350 million dollars; it agreed to convene the General Assembly of Shareholders on August 26, 2011 to consider authorization to increase the quota of the issue program and the placement of shares with preferential dividend and no voting rights, which was approved in the Assembly of April 28, 2010, and the issuance of shares with preferential dividend and no voting rights and conversion of ordinary shares into shares with preferential dividend and no voting rights.