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Federico Salazar Mejía
Enrique Flórez Camacho
Lakshmi Shyam Sunder

Main Figures

3.7 million Clients

\$28.2 billion of assets

545 offices in **163** municipalities

1.403 ATMs

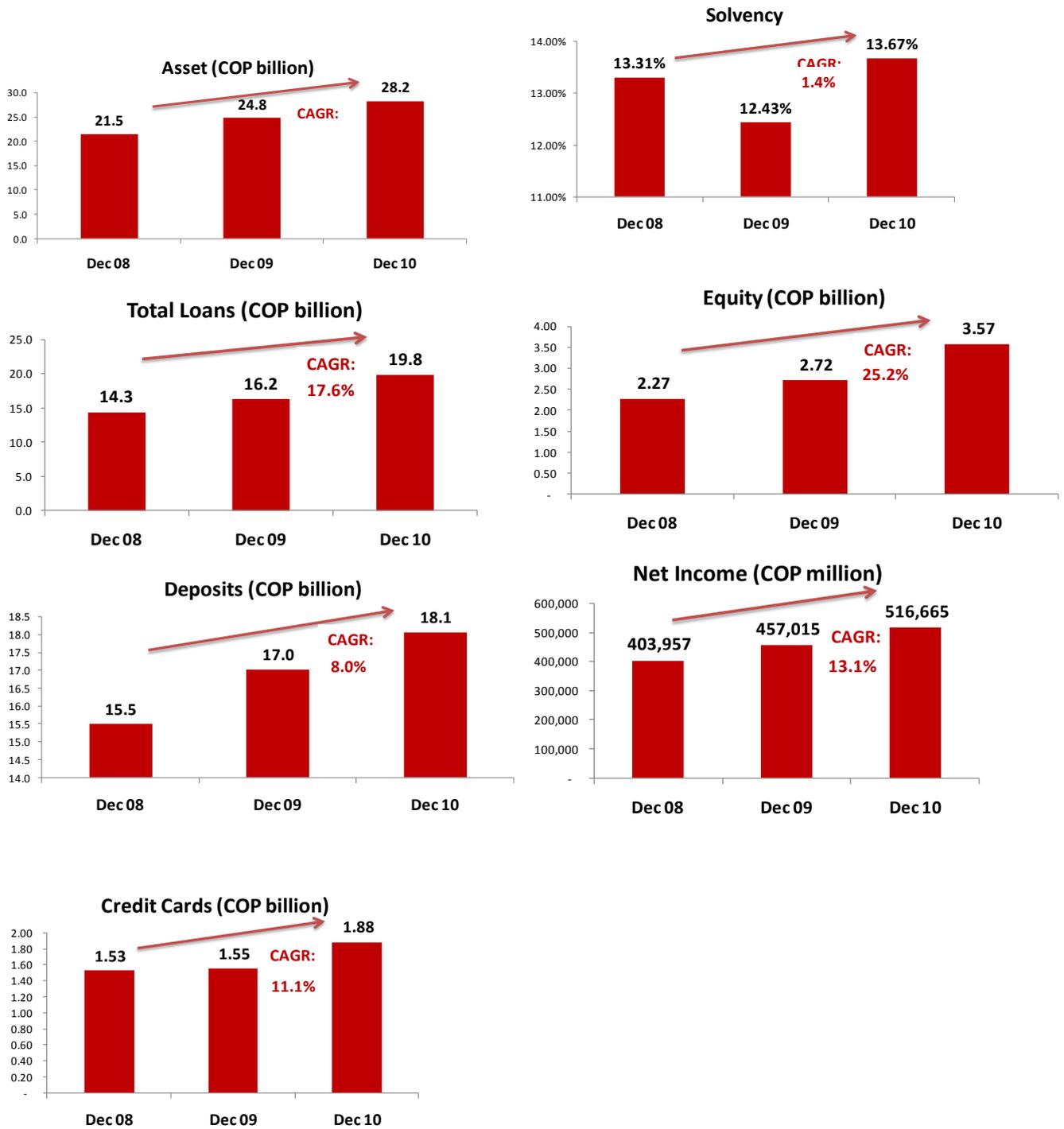
10.388 employees

1.48 million Credit Cards

2.66 million Debit Cards

AAA Long Term Debt qualification by BRC and Value & Risk

Evolution of the main figures



**Report from the Board of Directors and the President
to the General Meeting of Shareholders
Six-month period July / December 2010**

Messrs Shareholders:

The second term of the year 2010 was characterized by relevant events and good results, which we are pleased to submit you through this Bank report of activities.

On August the first issuance of Bank’s preferred stocks was carried out, and the response received from the market was satisfactory. The demand exceeded 13 times the amount of the offer, becoming a milestone in the history of the Colombian stock market and a reference for other issuers. Through this placement, 82,457 investors became shareholders of the Bank, converting Davivienda into the private issuer in the country with the highest number of shareholders.

This successful placement coincided with the beginning of a new government, which economic policies are based on providing incentives to the key or “locomotive” sectors that drive the economic growth. These locomotives are agriculture, infrastructure, innovation and technology, housing and mining; sectors that represent a potential growth for the Bank while they are part of its proper strategy.

Toward the end of the term, the country experienced a strong rainy season that resulted in the cooling of the economic growth process and the increase of inflation, pushed by the higher cost of food. In addition, the impact of this phenomenon obliged to begin a tax reform and to create an infrastructure investment plan for this year.

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I. Macroeconomic surroundings

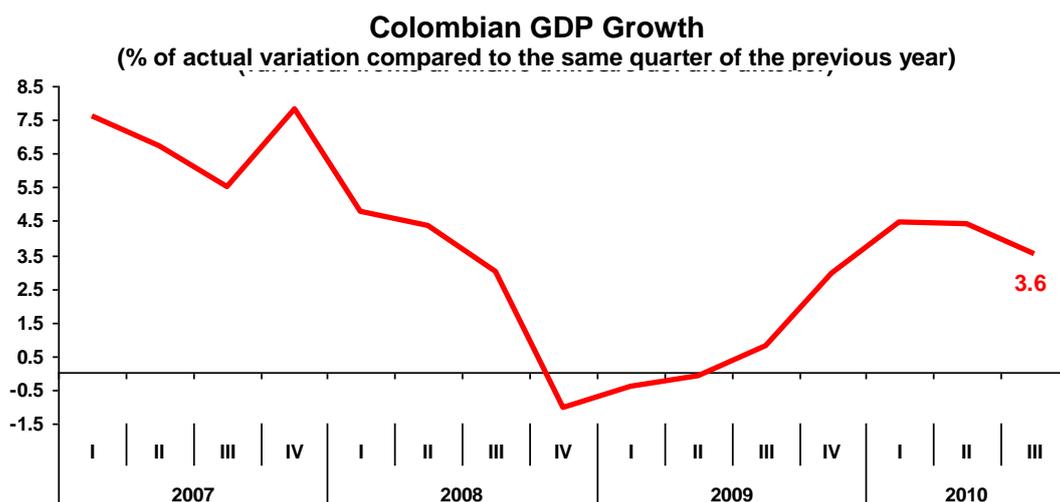
1. Introduction

After presenting an important process of recovery during the first half of the year, climatic factors and a strong revaluation of the Colombian peso, as recorded until October, cooled the economic growth process. The economy only grew 3.6% during the third quarter of the year and the preliminary data suggest that the fourth quarter was not good either. Under such conditions the economic growth for the whole year should be very close to 4%.

As a result of the strong “El Niño” phenomenon, the food prices significantly increased during the two last months of the year. Inflation closed in 3.17%, very close to the mean point of the goal range established by the Central Bank.

2. Gross Domestic Product

The DANE (National Administrative Department of Statistics, for its abbreviation in Spanish) figures indicate that the Colombian economy grew an annual real 3.6% in the third quarter of 2010, a figure that is under the estimates made by most analysts. With this last data, the balance for the first nine months of the year 2010 indicate that the national economy grew a real 4.1%. However, the offer shock the economy has been experiencing as a result of climatic factors and the trend shown by several activity indicators seem to suggest that the economic activity would have moderately expanded during the fourth quarter in 2010. Therefore, the most likely growth scenery for the last year would be around 4%, even with a decrease deviation.



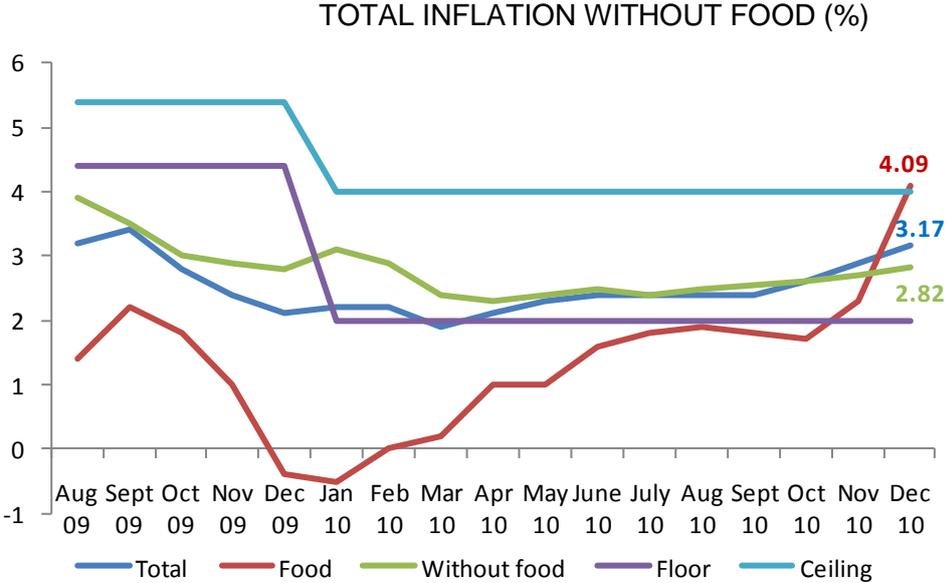
Source: DANE

The economic sectors with highest growth in the year 2010 (to September) were the mining and the manufacturing sectors. The first one grew 12.7% real, meaning, 4.1 percent points above the growth presented in the year 2009, a result that is mainly explained by the value added dynamics of the group constituted by crude oil and natural gas. In turn, the manufacturing industry increased importantly compared to 2009, its growth was 5.4%, in a good portion influenced by a comparison basis that was characterized by a poor result in the year 2009. For that period of time (January – September), an actual contraction of 7.6% occurred.

On the other hand, the construction and the agriculture were located as the two activities that contracted during the period of time analyzed. These two sectors even experienced similar contractions in their GDP (0.8%). A good portion of the explanation of these results is grounded on the effect resulting from the intensity of “La Niña” phenomenon on the areas of agricultural production and road infrastructure. Beside this issue, it is important to consider that during the previous year the sub-sector of civil works grew at rates that exceeded an annual 50%, a reason why, again, the statistical effect plays an important role, at this time against a large growth in civil works.

On the analysis of the added demand, the results confirm the recovery of home consumption, which grew 3.9% real in the consolidated result of the three first quarters of 2010. Another component of the demand, as it is the gross formation of capital increased 11.7%, while the Government expense grew 5.3%. In the external front a growth gap of 14.1 percent points occurred in favor of the imports that grew 14.4%.

3. Inflation



In the year 2010 the inflation closed in 3.17%, a figure that although is close to the mean point of the goal range established by the Central Bank, it indeed shows a growth higher to the one expected by the analysts. Disaggregated per groups of expense, the annual inflation of food reached 4.09% compared to the annual inflation of non food that reached 2.82%. The acceleration of the food heading was evident in the extent that in last October this group of goods just grew 1.69%.

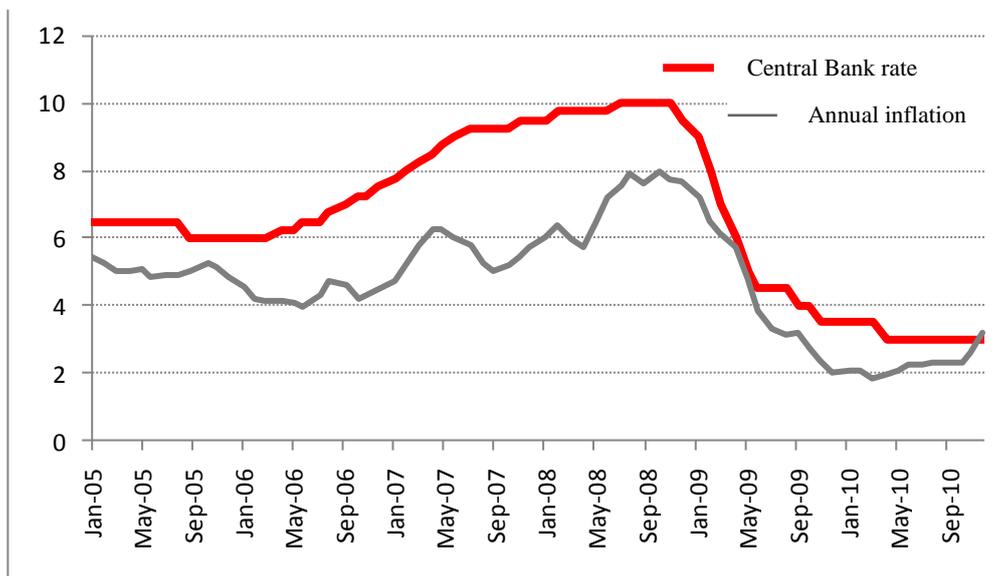
In turn, the behavior of the non food prices shows a slight trend toward product price increase, mainly in respect to the increase of the international prices of oil.

Given the high share the food has in the family basket of the lowest income groups, the inflation for this sector of the population was significantly higher (3.58% compared to 3.17%) than the total inflation. As a consequence, the Government was obliged to reconsider the increase of the minimum monthly salary it had decreed at the end of the year 2010.

4. Monetary policy

The Central Bank maintained a position of expansive monetary policy, maintaining the intervention rate that was modified on the last 30th day of April, in 3% during the rest of the year 2010. The low growth of the inflation levels observed during the year allowed the Central Bank to maintain an expansionist policy that promoted growth in the economy. Some other factors that also contributed to the maintenance of such position by the Central Bank were the following: a perception of a lower growth in the industrialized countries and an increase of liquidity in the international financial systems.

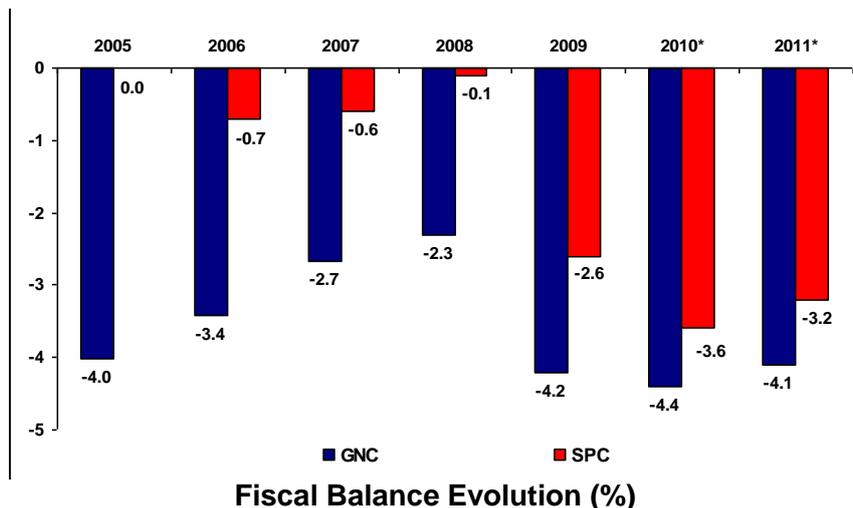
Intervention rates by the Central Bank and Annual Inflation



The low rates of intervention by the Central Bank translated into declining active and passive rates during most part of the year.

5. Fiscal Policy

Once the administration of President Santos took their charges, the fiscal goals for the year 2010 were ratified: a deficit of -4.4% for the Central National Government (CNG) and -3.6% for the Consolidate Public Sector (CPS). These figures represented a growth, although modest, of the deficit compared to what was recorded in the previous year.



The most important fact, in fiscal matter, during the year 2010 was the approval, by the Congress of the Republic of a tax reform presented by the new administration. This reform envisages the elimination of a tax benefit for investments in fixed assets, the elimination of a surcharge to power for the industrial sector, a dismantling scheme is established of an Assessment to the Financial Movements (GMF for its abbreviation in Spanish), some measures addressed to improving the collection of the GMF (enlargement of the transactions that generate tax collection), and some other provisions that seek to optimize the tax collection activities.

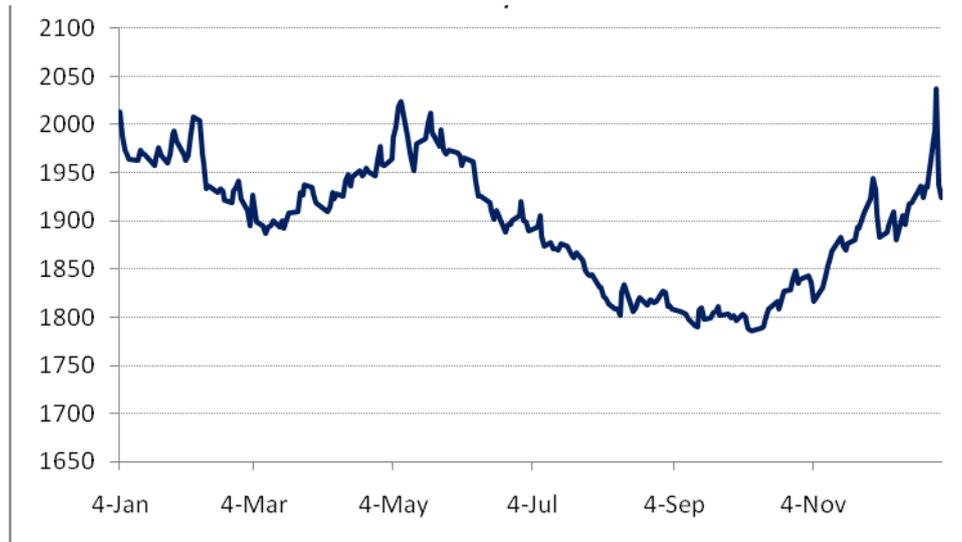
On the other hand, and within the frame of an economic, social and environmental emergency decreed by the National Government at the end of 2010 – which purpose is assisting the population affected by the strong rainy season occurred in the previous year – the Decree 4825 was issued with the purpose of creating the net worth tax for taxpayers who have levels of wealth among COP 1,000 and COP 3,000 million. The same decree imposed a surcharge of 25% to the net worth tax for those taxpayers whose wealth exceeds the COP 3,000 million.

Another important fact to be mentioned is the reduction of custom tariffs that occurred at the beginning of the month of November. With the purpose of generating a higher demand of importations and a higher exchange rate in respect to the dollar, the Government reduced the custom tariffs from 20% to 15% for commodities, and from 10% to 5% for raw materials and inputs. Some custom tariffs for capital goods were reduced from 8% to 5%.

6. Exchange rate

During the second term in the year 2010, the exchange rate devaluated 0.13%, closing the year in COP 1,913.98 (when on the 30th day of June it was COP 1,916.46). Several elements contributed to explain the behavior of the dollar quotation during the second term in the year 2010: the purchases made by the Central Bank that reached an amount of US \$1,460 millions during the second, a higher perception of the global risk resulting from the European crisis and the alteration of the term market prices that pressed the exchange rate during the last weeks of the year. In a meeting held by the Board of Directors of the Central Bank on the 29th day of October, the National Government and the Central Bank implemented some measures addressed to favor the devaluation of the Colombian peso, among which measures were included not to monetize the resources of the National Government, the possibility of the General Direction of Treasury to intervene the term market and the offer of an exchange cover by the Ministry of Agriculture to the exporters.

COP / USD Exchange Rate



7. Foreign Trade

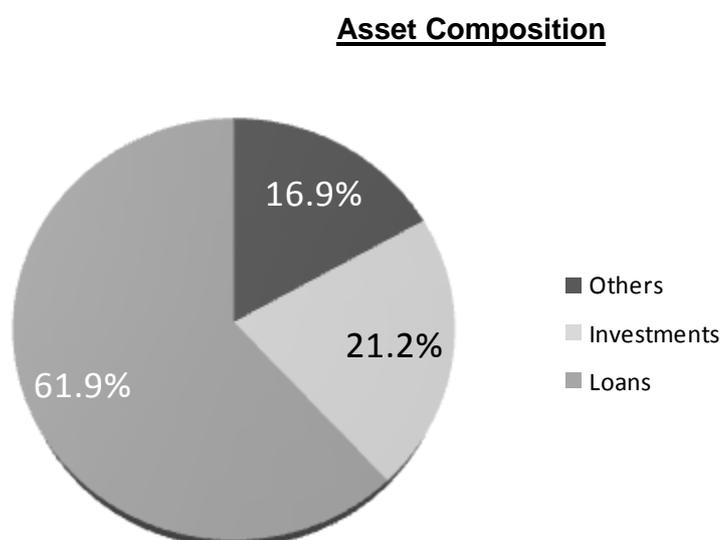
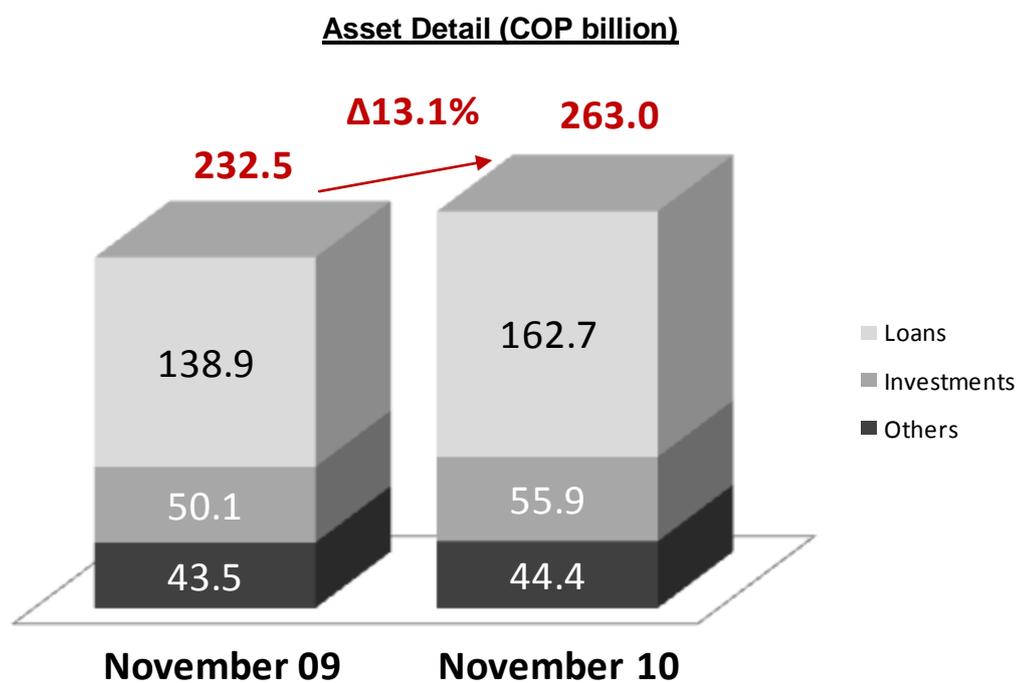
Along the year 2010, the foreign trade activities showed a recovery after being strongly affected during the year 2009. During the months elapsed in the year and with a cut on the month of October, the external sales of oil and its derivatives drove the Colombian exports that reached an amount of USD \$35.548 millions FOB and recorded a growth of 21.4% compared to the same period of time in the year 2009. On the other hand, the importations reached an amount of USD \$32.879 millions CIF, showing an increase of 21.8% compared to the same term of the previous year, as a result of an increase of the external purchases of fuels, mineral oils, and vehicles and their parts.

The sales abroad were particularly driven by the mining sector that was benefited both by the higher volumes and by the better international quotations of the oil and its substitutes.

II. Financial Sector – second term in 2010

1. Balance

As of November 2010, the amount of the assets of the set of financial entities recorded a variation of 13.1% with respect to the same period of the previous year, reaching a balance of COP 263 billion. The investment portfolio reached a total amount of COP 55.9 billion, higher in COP 5.8 billion with respect to the same term in the previous year. The amount of liabilities was located in COP 225.8 billion, achieving a growth of 12.34% during the last 12 months.



2. Credit portfolio

During the year 2010, the net credit portfolio obtained a growth above 19%. This was due to the growths that occurred mainly in Housing, Commercial Portfolio and in the improvement of provisions.

Credit portfolio – Credit Establishments (Figures in COP billion)

Credit Portfolio	November 2009	November 2010	Growth	
	Amount	Amount	Amount	Variation
Commercial	81.1	95.9	14.8	18.30%
Retail	38.9	44.7	5.7	14.73%
Microcredit	3.8	4.2	0.4	10.99%
Housing	10.7	12.9	2.2	20.45%
Provisions	7.5	6.5	-1.0	-13.38%
Net portfolio	126.9	151.1	24.2	19.05%
Housing + Securitized	15.3	17.9	2.6	17.09%
Net + Securitized Portfolio	131.6	156.2	24.6	18.71%

* Securitized at October 2010

Source: Financial Superintendency of Colombia

As of November 2010, the quality of the Total portfolio in the system presents an important improvement, passing from 3.13% to 2.2% during the last year due to a generalized improvement of the Retail, Housing and Commercial Portfolios.

Credit Portfolio Quality and Coverage

	November 2009		November 2010	
	Davivienda	Sistema	Davivienda	Sistema
Retail	3.75%	4.82%	2.77%	3.19%
Commercial	1.78%	2.16%	1.63%	1.70%
Housing	2.22%	4.19%	1.58%	3.24%
Total	2.53%	3.13%	1.74%	2.20%
Coverage	250.81%	191.25%	236.28%	200.35%

Total Portfolio Quality: Unproductive Portfolio / Total Portfolio

Coverage: Provisions / Expired Portfolio

Source: Financial Superintendency of Colombia

2. Money received from the public

The growth of the amount of money received from the public in savings accounts at the financial system is an instrument that now represents 42.6% of the deposits. In addition, the bonuses increased 47% during last year, as a result of several issuances of debt titles that were made along the year.

Money Received from the Public
(Figures in COP billion)

	Nov-09	Nov-10	Variation
Saving Accounts	68.1	77.4	13.67%
Checking Accounts	25.5	29.3	15.19%
Time deposits	56.1	53.4	-4.87%
Others	7.2	5.9	-18.11%
Bonds	10.7	15.7	47.09%
Total	167.5	181.7	8.45%

Source: Financial Superintendency of Colombia

3. Equity

As of November 2010, the financial system's Equity reached an amount of COP 37 billion, COP 5.7 billion higher than the one recorded last year.

The solvency relation increased from 14.54% in November 2009 to 14.85% in the same term of the year 2010.

4. Accounting period results

The financial sector records profits accumulated as of November 2010 for an amount of COP 5.4 billions, 4.6% higher than those reported for the same period in the previous year.

5. Housing credit

a. Credits to people

The origins of the mortgage credit to people, accumulated as of November 2010, recorded a growth of 39.1% compared to those of the same term in the year 2009.

Origins of the Accumulated Mortgage Credit
(Figures in COP billion)

	Ene - Nov 2009	Ene - Nov 2010	Growth
Individual	3.22	4.69	45.6%
Subrogation	0.78	0.84	8.6%
Leasing	0.52	0.75	44.0%
Total	4.51	6.28	39.1%

Source: "Asobancaria"

b. Construction licenses

In October 2010, the construction licenses approved increased 12.3%, and the new area obtained on the basis of the Building Census recorded 25.8% increase between September 2009 and September 2010.

c. Constructor portfolio

The disbursements of constructor credit as of November 2010 decreased 9.6%, passing from COP 2.19 billion to COP 1.98 billion in respect to the previous year. The gross constructor portfolio decreased 13.6%, passing from COP 2.7 billion in November 2009 to COP 2.4 billion on November 2010.

d. Performance of social interest housing – SIH (VIS in Spanish)

The amount of the individual credits disbursed for the purchase of Social Interest Housing increased 40.4%, a result that is mainly explained by the growth of credit for new housing. In turn, we can say that the number of SIH financed units increased during the third quarter in 2010, as well as the percentage of completed SIHs.

6. Credit cards

The credit card industry has shown a sustained growth as for balances and invoicing. The number of credit cards in effect increased 6.2% between November 2010 and the same period of the previous year.

Credit Cards – Financial System
(Figures in COP billion)

	November 2009	November 2010	Growth
Balance	9.7	11.1	13.9%
Retail	9.0	10.3	15.0%
Commercial	0.7	0.7	0.6%
Invoicing (Ene -Nov)	19.5	21.9	12.3%

Source: Financial Superintendency of Colombia

7. Vehicles

The year 2010 marked an important recovery in the sale of vehicles. The industry totalized sales for 253,869 new units in the year, constituting a new record that exceeds the 253,034 units sold in the year 2007. This result shows an increase of 37.1% in sales, where the utilitarian vehicles and the pick up vehicles were the sub – segments that pushed the growth the most with 64.1% and 54.6% of increase respectively. The passenger business vehicles were the only ones with a decrease in their sales (-12.3%), mainly due to the process of awarding of the Integrated System of Public Transportation (SITP, for its abbreviation in Spanish) in Bogotá, in which the purchases of the models of vehicles required for attending the specifications of the mentioned bid are transferred to the near future. The taxi and cargo transportation segments showed growths lower than the average (11.6% and 33.4% respectively).

III. Davivienda

1. Main achievements during the second term in 2010

During the second term in 2010, the Bank concreted different projects that allowed the linking of new shareholders, the enlarging of the offer of products and services, the coverage offered to the customers, and the positioning of the Davivienda brand.

- **Issuance of Capital Stock in Preferred Shares**

The Bank carried out a process of issuance of preferred stock or shares in which 26 million of shares were successfully issued, and which constitute the first trench of a total issuance approved by the Financial Superintendency of Colombia for a number of 50 million of shares.

In one hand, the Bank became the private issuer with the higher number of shareholders, 82,457, from which 78,318 are Colombian, 85 are institutional investors, and 4,054 are enterprises. On the other hand, the offer made by Davivienda for 26 million of shares was very well accepted as the response demanded an amount 13.1 times higher than the number of shares offered since the beginning. Finally, the behavior of the Davivienda shares at the Stock Market has been satisfactory because the percentage of the volume transacted within the local market was 3.7% as of December 2010 and their valuation at the end of this year is 42.5%, passing from COP 16.129 to COP 22,980.

		Volume COP Million	% Part IGBC
Oct	Davivienda	306,265	6.5%
	Peers	329,840	7.0%
Nov	Davivienda	198,919	4.1%
	Peers	243,777	5.1%
Dic	Davivienda	149,900	3.7%
	Peers	536,396	13.4%

Source: Stock Market of Colombia

***Peers:** Correspond to the Grupo Aval, Bogotá and Preferencial Bancolombia. The month of October is taken from the day 5.

- **Bonds issuance**

On the 7th day of October, Banco Davivienda made its last issuance of Bonds of the year, placing COP 0.5 billion and receiving a demand 3 times higher than this amount. With this issuance the Bank completed its plan of issuances of the year that placed COP 1 billion in Ordinary Bonds and COP 2.5 billion on Subordinate Bonds.

- **Approval and conversion of Bancafé Miami into a branch**

During this term the OFR (Office of Financial Regulation of the State of Florida) and the FED (Federal Reserve of the United States of America) approved the conversion of Bancafé Internacional from “Edge Act Corporation” a current affiliate of the Bank into a branch, which allows to activate the business generation capacity.

This conversion took place on the first day of January 2011 and during the first days of this month, this new branch of the Banco Davivienda was open to the public.

- **The Davivienda “Transmilenio” Debit Card**

At the end of the year 2010 the Banco Davivienda developed a product that approached the inhabitants of Bogotá to their city and that reaffirmed the positioning of the Bank as a highly innovative entity, always at the vanguard on the matter of satisfaction of their customers needs. The Davivienda Transmilenio Debit Card integrates the functionalities of two products: the functionality of a Debit Card because this card allows to make purchases from commercial establishments, withdrawals from ATMs, and consultations in offices, and the functionality of the Transmilenio Frequent Customer Card that allows to recharge its balance for being able to access this Mass Transportation System. Only three months after the launching of the Transmilenio Davivienda Debit Card, some 20,000 customers are enjoying this benefit and we will soon extend the scope of this product to all the cities that have similar transportation systems. We expect to have your valuable support and be able to make you participants, very soon, of another great achievement by Davivienda.

- **The “top of mind” reached by Davivienda thanks to the “Corresponsal”**

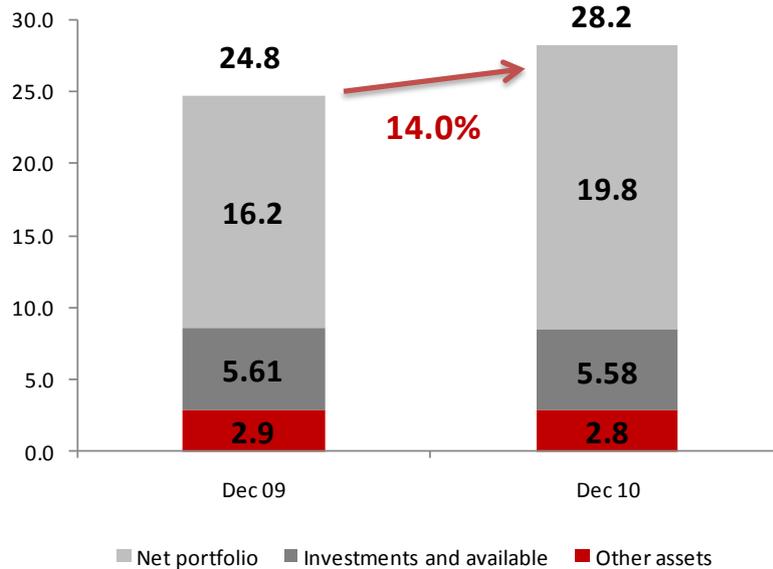
Among other important facts occurred during the term, we can mention the strengthening of the Davivienda brand after the successful campaign “The Corresponsal” during the soccer world championship which commercials were seen on the Internet by more than 15 million of visitors and converted the organization into the second one in recalling (“top of mind”). This shows the degree of innovation by Davivienda that took advantage of the exponential growth and the reach of the social networks, and translated such advantages into a campaign during the Soccer World Championship on 2010 that *Dinero* magazine classified as the best publicity campaign. In addition, the correspondent blog received more than 40 million visits; more than 28 official groups of said figure were created with more than 240,000 fans and 8,814 followers in the Twitter network.

2. Bank results

1. Asset analysis and structure

As of December 2010 the Bank’s assets showed a growth of COP 3.47 billion compared with the results of the same month in 2010, reaching COP 28.2 billion. This growth is driven by the increase of credit portfolio that represents 70% of Bank’s assets.

Davivienda Asset Behavior
(Figures in COP billion)



2. Credit portfolio

As of December 2010, an important increase occurred in the evolution of the credit portfolio as a result, mainly, of the growth of the commercial and consumption portfolio through an important increase of their different segments, credit cards and vehicles.

Banco Davivienda – Total Portfolio
(Figures in COP thousand million)

DAVIVIENDA	Dec 09	% Part.	Dec 10	% Part.	Growth
Housing and housing leasing	3,055	18.8%	3,146	15.9%	3.0%
Commercial portfolio & Microcredits	8,328	51.3%	10,294	51.9%	23.6%
Credit card	1,553	9.6%	1,884	9.5%	21.3%
Vehicles	693	4.3%	844	4.3%	21.8%
Other personal credits	3,655	22.5%	4,769	24.1%	30.5%
Provision for credit portfolio and financial leasing	-1,056	6.5%	-1,118	5.6%	5.9%
Cartera neto	16,229		19,819		22.1%

The moderate performance of the economy, together with the preventive measures taken by the Bank since 2008, in addition to the Bank good results as well as the growth of the portfolio, allow the quality and coverage indicators to continue being better than those of the sector average.

**Banco Davivienda – Indicators of Unproductive Portfolio and Coverage
December 2010**

	Davivienda	
	2009	2010
Retail	2.81%	2.65%
Commercial	1.63%	0.73%
Housing	2.13%	2.03%
Total	2.12%	1.62%
Coverage	287.8%	330.5%

The Commercial Portfolio includes Microcredits

The Housing Portfolio includes Housing Leasing

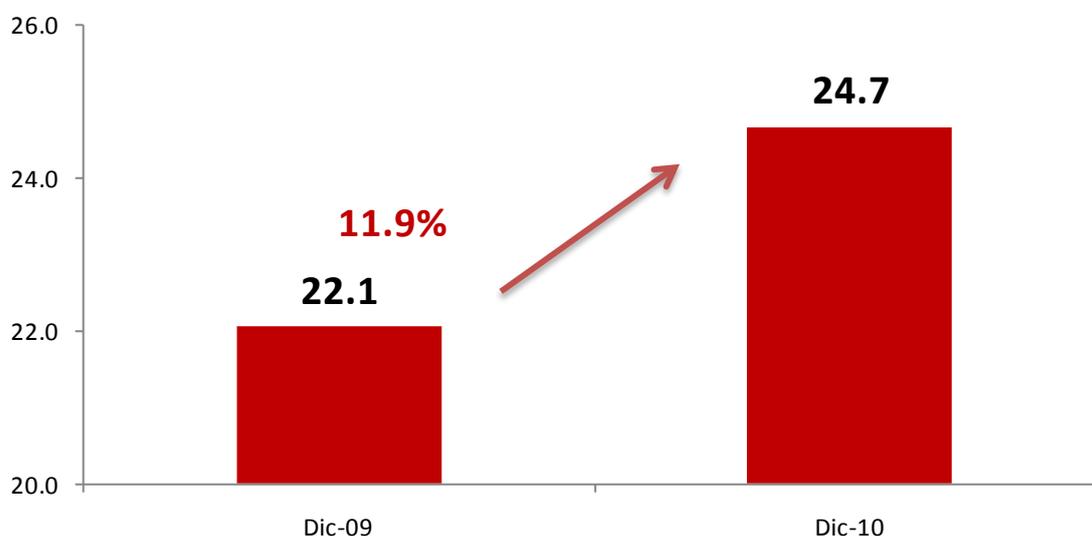
Quality: Consumption >60 Days / total, Commercial > 90 days / total

Housing > 120 days / total. Coverage: Provisions / Unproductive per height

3. Liability analysis and structure

As of December 2010, the Bank's liabilities presented a growth of COP 2.6 billion compared to those recorded on the same date of the year 2009, growing 11.9%.

Banco Davivienda – Liability Behavior
(Figures in COP billion)



4. Fund raising from the public and bonuses

The traditional fund raising from the public instrument that has grown the most during the last 12 months in the Bank was the issuance of bonds that grew 41.2%, in part due to the two issuances of common bonuses and the issuance of subordinate bonuses that were carried out this year. In effect, during the whole year 2010, the Bank issued a total amount of COP 1.25 billion in bonds. This amount corresponds to 9.19% of the total of bonuses issued in Colombia, corresponding to COP 13.6 billion, converting Davivienda into the private company that issued the highest amount of this kind of debt. The growth of Checking Accounts also highlights as it reached 18.6%.

Banco Davivienda - Fund raising instruments

(Figures COP thousand million)

DAVIVIENDA	Dec 09	%Part.	Dec 10	%Part.	Growth
Saving Accounts	8,482	44.2%	8,727	41.3%	2.9%
Checking Accounts	2,616	13.6%	3,103	14.7%	18.6%
Time deposits	5,636	29.3%	5,986	28.3%	6.2%
Others	287	1.5%	247	1.2%	-13.8%
Bonds	2,183	11.4%	3,083	14.6%	41.2%
Fund raising from the public	19,204		21,145		10.1%

5. Equity structure

The Bank's equity closed at December 2010 in COP 3.6 billion, COP 0.85 billion more than at December 2009. This is explained by the issuance of shares occurred on August 2010 for an amount of COP 0.416 billion and the internal generation of results that reached an amount of COP 0.517 billion.

As of December 2010, the technical net worth ascended to COP 3.6 billion, while the assets weighted for risk level reached an aggregate amount of COP 24.4 billion. As a whole, these two figures indicate the ratio of solvency of the Bank (technical net worth / assets weighted per risk plus the market risk) in 13.64%.

6. Statement of results

The results as of December 2010 reached an amount of COP 0.517 billion. This means an increase of 13.1% compared to the results as of December 2009.

Banco Davivienda - Results as of December 2010

(Figures COP million)

	December	December	Growth	
	2009	2010	Amount	% Porc.
Portfolio income	2,361,966	2,316,297	-45,669	-1.9%
Investments income	604,878	332,141	-272,738	-45.1%
Disbursements	906,358	670,802	-235,556	-26.0%
Provisions	798,210	531,364	-266,845	-33.4%
Net financial Margin	1,262,277	1,446,272	183,995	14.6%
Operational Income	672,197	685,353	13,156	2.0%
Operational Expenses	1,560,213	1,642,241	82,028	5.3%
Utilidad Operacional	374,261	489,384	115,123	30.8%
Net non operational	159,215	169,399	10,184	6.4%
Profit before Taxes	533,476	658,783	125,307	23.5%
Taxes and others	77,016	142,118	65,102	84.5%
Net income	456,460	516,665	60,205	13.2%

3. Affiliate performance

a. Bancafé Panama

During the second term in the year 2010, a growth of 17.1% occurred in the net worth and during the last twelve months the profits increased US \$5 million that translate into a growth of 50%, reaching US \$15 million as of December 2010.

(Figures in USD million)

	Dec. 2009	Dec. 2010	Growth	
			Amount	%
Asset	513	526	13	2.53%
Liability	443	444	1	0.23%
Equity	70	82	12	17.14%
Profits	10.0	15.0	5.0	50%

b. Bancafe International

The Financial Superintendency of Colombia approved, on the 15th day of October 2009, the conversion of Edge Act Corporation (Bancafe International) into an International Branch of the Banco Davivienda. In addition, the entity "Office of Financial Regulation" (OFR) approved such conversion on the 9th day of August 2010. For the second term in 2010, an approval was obtained from the FED. At the beginning of the year 2011, this affiliate was already part of the Banco Davivienda branches.

(Figures in USD million)

	Dec. 2009	Dec. 2010	Growth	
			Amount	%
Asset	104	103	-1	-0.96%
Liability	91	91	0	0.00%
Equity	13	12	-1	-7.69%
Profits	0.0	(0.0)	0.0	

c. Confinanciera

The main conclusion of the financial result of Confinanciera for the year 2010 is that all its relevant indicators moved toward a suitable direction. The credit and leasing disbursements grew 31.33% in respect of the year 2010. On the other hand, although Confinanciera at the end of the first term showed a decrease of 6.55% in its credit and leasing productive balance, this situation was reverted during the second term and the year ended with a growth of 11.50%. In the same way, the asset quality substantially improved. The level of default index according to oldness at more than 30 days passed from 11.30% at the beginning of the year, to 4.81% on the 31st day of December 2010. Likewise the properties or goods received in payment decreased 71%, passing from COP 1,110 million to COP 320.8 million.

As a result of the above, the company passed from recording profits in the year 2009 for an amount of COP 6,043.3 million to COP 15,824.9 million, and during the last 3 months the monthly average profits recorded were COP 1,735.5, anticipating a year 2011 with a positive trend.

(Figures in COP million)

	Dec. 2009	Dec. 2010	Growth	
			Amount	%
Asset	459,273	416,683	(42,590)	-9.3%
Liability	399,225	345,850	(53,375)	-13.4%
Equity	60,048	70,833	10,785	18.0%
Profits	6,043	15,825	9,782	161.9%

d. Fiduciaria Davivienda

During the year 2010 its profits grew 14%. The return over the initial equity was 32% and the return over the asset was 28%. The Administrated Assets had a variation of 41.4% with an amount higher in COP 976 million to the amount of the last year, and represented by COP 3.3 billion.

At the end of the year 2010, the amount of the trusts administered by Fiduciaria Davivienda S.A. was COP 3,333,785.7 million, with a growth of 41% compared to the year 2009. This result is mainly explained by the growth of the real estate trust businesses of 95%, administration 48%, and collective portfolios of 22%.

The result of the administered fund and the collective portfolios was the following: The Dafuturo Voluntary Fund of Pensions closed the year with an amount of COP 735,315.9 million growing 9% with respect of the year 2009; the Daviplus Collective Portfolio ended with an amount of COP 88,344.8 millions. The reduction of this balance had its origin in the decrease of the contributions made by the individual and corporate customers. The Consolidar Collective Portfolio grew 17% and closed with an amount of COP 221,004.6 million; this increase resulted from the increase of the funds from the real estate businesses; and the Superior Collective Portfolio grew 46% and ended the year 2010 with an amount of COP 859,452.1 million. This growth was in part due to the merging with the compartment of individuals of the Rentacafe Open Collective Portfolio and the growth in the number of individual customers and their respective contributions.

At the closing of the year 2010, the amount of the real estate trusts reached COP 1,061,429.0 million that represent 95% growth product of a strategy of deepening with the constructor customers and the obtaining of businesses at the main cities in the country.

At the closing of the 2010 accounting period, the amount of the administration trusts reached COP 368,239.3 million, representing 48% growth compared to the year 2009, due to the growth of the parking, administration and payment businesses.

(Figures in COP million)

	Dec. 2009	Dec. 2010	Growth	
			Amount	%
Administrated Assets	2,358,061	3,333,786	975,725	41.4%
Asset	50,906	58,392	7,486	14.7%
Liability	4,979	5,954	975	19.6%
Equity	45,927	52,438	6,511	14.2%
Profits	13,245	15,116	1,871	14.1%

e. Fiduciaria (Trust) Fiducaf 

During the year 2010, the total number of businesses directly manager by the Trust reached and amount of COP 6.5 billion, with a positive variation of 8% in respect to the month of December in the previous year. From the total ob businesses, the pension trusts had a participation of 66.6%, followed by the administration and payment businesses with 13.5%, the guaranty and payment source businesses with 8.7% and the other resources related to social security with 8.1%. During the first term in the year 2010, the (CCA) *Rentaliquida* (Net Income) operation started and the amount administrated on the 31st day of December 2010 is COP 27.907 million.

(Figures in COP million)

	Dec. 2009	Dec. 2010	Growth	
			Amount	%
Administrated Assets	5,984,656	6,537,467	552,811	9.24%
Asset	75,748	76,356	608	0.80%
Liability	7,999	7,008	-991	-12.39%
Equity	67,748	69,348	1,600	2.36%
Profits	23,099	7,334	-15,766	-68.25%

f. Davivalores

The Davivalores main income during the year 2010 derived from the performance of customer orders through a commission agreement for an amount of **COP 1,852 million**, and the placement of primary issuances for an amount of **COP 684 million**. The income from administration and custody suffered an important decrease mainly due to the fact that the customers, owners of Ecopetrol shares, were not charged for this service.

The company showed an increase of its operational expenses of 25%, mainly explained for the direct costs associated to a higher volume of operations in variable income and to the technological optimizations carried out during the year. The company's personnel expenses grew, from one year to the other, 73% as a result of the strengthening of the personnel plant, even when an increase of 300% has been projected for this heading.

(Figures in COP million)

	Dec. 2009	Dec. 2010	Growth	
			Amount	%
Asset	10,398	11,902	1,504	14.5%
Liability	653	1,248	595	91.1%
Equity	9,745	10,653	909	9.3%
Profits	1,493	380	(1,114)	-74.6%

4. Risk analysis

The risk administration and management of Davivienda and the “Grupo Bolivar” is made through a synergy strategy among the companies, consolidating a Risk area for all the companies, which optimizes the technological and academic resources for the development of tools addressed to measure, analyze and control the risks assumed. The Note 32 of the Financial Statements includes indicators detailed for each one of them.

1. Credit Risk Administration System (SARC for its abbreviation in spanish)

The management of credit risk is based on the definitions made by the credit risk committees, focused on analyzing and controlling the policies defined for People and Enterprise Banks, in accordance with the guidelines established for each of them by the Board of Directors. The credit portfolio provisions are made in accordance with the methodologies and models of reference described in Chapter II of Basic, Accounting and Financial Circular Letter (External Circular Letter 100, 1995) from the Financial Superintendency of Colombia, and on December 2010 such provisions reached an amount of COP 1.1 billion, providing 150% coverage to the unproductive portfolio qualified in C.D.E.

2. Market risk

The Bank’s Treasury is performing in accordance with the guidelines and strategies defined by the Board of Directors, the Asset and Liability Management Committee, and the Financial and Investments Risk Committee. The control to the creation of value of the different business lines and/or portfolios is made by the Financial Risk Area, as well as the identification, measurement and monitoring of the market risk. As of December 31, 2010, the amount in regulatory risk (VeR for its abbreviation in spanish), calculated pursuant to the methodology described in Chapter XXI in the Basic, Accounting and Financial Circular Letter (External Circular Letter 100, 1995) from the Financial Superintendency of Colombia was COP 170.9 thousand million. The summary of the internal model used for calculating the amount in risk can be found in Note 32 of the Financial Statements, as well as the main results of the standard methodology.

3. Liquidity risk

With the purpose of measuring the liquidity risk, the guidelines established in Chapter VI in the Basic, Accounting and Financial Circular Letter (External Circular Letter 100, 1995) from the Financial Superintendency of Colombia apply, which establishes the Rules Related to the Administration System of the Liquidity Risk and defines the Indicator of the Liquidity Risk (IRL for its abbreviation in spanish), which on the 31st day of December 2010 was COP 2.7 billion. The guidelines in the Administration System of Liquidity Risk (SARL for its abbreviation in spanish) are explained in Note 32 to the Financial Statements.

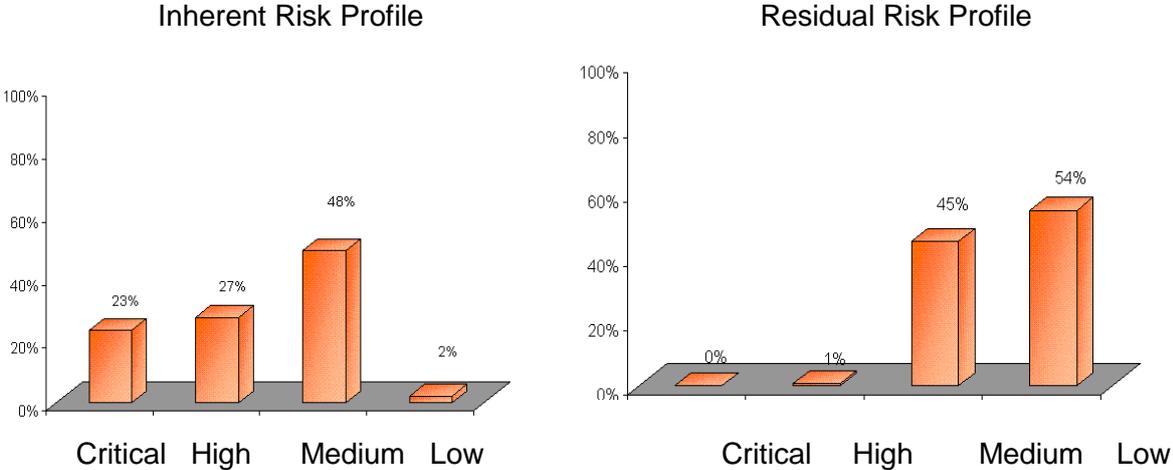
4. Administration System of the Operative Risk (SARO for its abbreviation in spanish)

- **Evolution 2010:**

The administration system of the operative risk has been converted into one of the basic elements for preventing and mitigating the possibility of incurring in losses due to deficiencies, failures or impropriety in the Bank’s processes pursuant to the External Circular Letter 041, 2007 from the Financial Superintendency of Colombia.

The action plans developed during the year 2010 on the subject of the continuous improvements of our processes, technological and physical structure, the selection and continuous training of human talent and the establishment of controls addressed to mitigate both internal and external risks have allowed the Bank to offer higher effectiveness and security to its operations.

The profile of the Operative Risk presented on the graphics below allows us to show that the risks qualified as critical and high (Inherent Risk Profile Graphic), applying the controls the Bank has been establishing (Residual Risk Graphic), has, in a representative manner, achieved their effective and timely mitigation.



For those risks that are still qualified as high, action plans are under process for achieving a better assurance.

It is important to highlight that as any dynamic process affected by the surrounding changes, the Bank, using its monitoring systems, is developing continuous improvement plans, assuring the quality, effectiveness, and timely of its businesses for the benefit of the customers, shareholders, officials and the community in general.

- INTERNAL CONTROL SYSTEM (SCI for its abbreviation in spanish)

The Bank, as a part of its risk administration strategy, has implemented and is optimizing an internal control system that allows assuring that the market risks (SARM), credit risk (SARC), operative risk (SARO), liquidity risk (SARL), asset laundry and terrorism financing risk (SARLAFT), and the guaranty ris (SARG) are duly controlled in accordance with their level of probability and impact, pursuant to the provisions in the External Circular Letter 038, 2009 from the Financial Superintendency of Colombia.

The structure of the internal control system is constituted by the following fundamental elements:

- A control environment
- Policies and procedures for the generation, revelation, and custody of information
- Accounting policies and procedures
- Policies and procedures for technology management
- Control activities in all the entity's processes
- Policies and procedures for monitoring the ICS
- Independent assessments of the ICS made by Audit

Their application and maintenance are permanent and their evolution will be consolidated along time.

- FINANCIAL CONSUMER ATTENTION SYSTEM (SAC)

As a part of a duly attention and protection of the financial consumer, the Bank has developed a series of activities addressed to propitiate an environment of protection and respect of the financial consumers, in accordance with the provisions in the regulations in effect (Law 1328, 2009 and External Circular Letter 015, 2010 from the Financial Superintendency of Colombia).

With the purpose of achieve such an environment of attention, protection and respect of the financial consumer, the Bank is applying and is in the process of optimizing the following goals:

- Using due diligence as for offering the products and the rendering of the services to the consumers, with the purpose of the consumers to receive the information and/or the respectful attention they deserve, in developing the relations they establish or wish to establish with the Bank.
- Endeavour to achieve a suitable education of the financial consumer.
- Providing the financial consumer with true, sufficient, clear and timely information that allows them to suitably know their rights, obligations and the costs of the different products and services.

5. Administration System of Asset Laundry and Terrorism Financing Risk (SARLAFT for its abbreviation in spanish)

During the second term in the year 2010, the Banco Davivienda complied with the accounting policies and procedures established, which gather the whole Colombian regulatory frame, as well as the recommendations and better international practices on this matter, mainly those of the Group of International Financing Action – GAFI and GAFISUD. These policies are envisaged in our Compliance Manual.

We also complied with the process of customer knowing, we made a follow up of operations in accordance with a process established, made amendments to the Compliance Manual in what respects to procedures, which were approved by the Company's Board of Directors; and we complied with the training plan established for the year 2010.

6. Evolution of the Internal Control System (SCI for its abbreviation in Spanish)

Davivienda and its affiliate companies possess the abilities needed for the execution of the Internal Control System, in accordance with the provisions in the External Circular Letter 038, 2009 from the Financial Superintendency of Colombia.

Currently Davivienda is applying control regulations to its operations, which are performed and monitored in each one of the organizational processes. These regulations are frequently assessed by the Audit Vice-presidency and the other control bodies.

The assessment made to the internal control and risk administration systems allows concluding that they efficient and contribute to the achievement of the organizational purposes.

This system is characterized by the following:

- It possesses a suitable control environment as it offers the elements of the organizational culture, generating a sense of integrity and awareness on all the officials, regarding control.
- Some activities are developed for assisting the risk management, such as the establishment of purposes, the identification of events, the assessment of risk, and the answer to risk supported on the Risk Administration Systems.
- Control activities are performed, such as the policies and procedures necessary for managing the risks and following up the controls, generating assessments and action plans.
- Some necessary measures have been adopted for protecting, storing, accessing, maintaining, protecting, and revealing the information that is considered reliable, complete, and available; having the means to communicate any significant information both inside and outside the Bank and its affiliated companies.
- This system establishes and promulgates policies and procedures for the administrators and senior directors to perform monitoring.

7. Audit Committee

The Bank Board of Directors verified the operation of the internal control procedures through the definition and approval of strategies and policies that agree with the recommendations made by the Audit Committee, and the compliance with the legal regulations issued by the Financial Superintendency of Colombia.

With the purpose of guaranteeing the compliance of the organizational objectives, some policies were defined and established, addressed to improving the internal control system, which envisages aspects related to the human talent (self-control principle), regulations, control methods and procedures (self-regulation principle), entity operation (self-management principle), as well as risk management, control activities, information, communication, accounting management, technological management, ICS monitoring and independent assessments.

In order to verify the effectiveness of the internal control system, the Bank has a Statutory Accounting Revision Office, an Audit Vice-presidency Office, and some risk management areas that in accordance with their duties perform the assessment and monitoring activities to the different components in the internal control system. In respect to the monitoring of the application of the controls and their effectiveness for mitigating risks, it was established as a continuous activity in charge of those responsible of each process. A special attention is given to the verification of the optimum assurance of the financial – accounting management, the technology management, the risk management, the information management and the communication management, which are considered as critical for the achievement of the strategic objectives of the business.

During the examined period of time, and in accordance with the reports prepared, no material deficiencies were detected that impact the financial statements of the entity.

The Audit Committee met three times during the second term in the year 2010, in accordance with the conditions established within the regulatory frame. The main managements or activities performed during said sessions were the following: Follow up of the risk exposure levels in the entity and their implications to the Bank, Assessment of the reports presented by the Internal Audit, the compliance officer and the Statutory Auditor's Office, Revision of the progress of the strengthening of the ICS, Study and analysis of the financial statements, and Verification of the opinions presented by the vigilance body. For all

the cases, a follow up was made, as well as a timely verification and correct attention by the administrators to the opinions presented.

The Bank has an Audit Vice-presidency that reports to the Board of Directors with the purpose of guaranteeing their independence. The Internal Audit developed 100% of its program in accordance with the plan presented to the Audit Committee. This plan was the result of a prioritization exercise by level of risk of the different Bank processes, based on the Strategic Map, regulatory and legal obligations. The different areas have attended the recommendations made, developing an action plan for each of them, which is the object of follow up at the Audit Committees.

8. Administrative aspects

a. Juridical situation

The Bank currently has processes against it that can affect its solvency or stability situation. The more important processes are listed in the Note 19 to the Financial Statements.

b. Administrative situation

As of December 2010, the Bank had 9,755 positions at indefinite term, 42 positions at fixed term, 411 apprentice positions, and 180 temporary positions, for a total number of 10,388 positions.

c. Intellectual property and copy rights

Davivienda has internally established programs for making its officials aware, with the purpose that through self-regulation, the compliance of the Intellectual Property and Copy Rights regulations is achieved. In addition, these programs are reinforced by periodical audit visits to the different areas in the Bank, with the purpose of assessing this aspect, among other things.

d. Operations with partners and administrators

The operations made by the “Banco Davivienda” with its partners and administrators are adjusted to the general policies established by the entity. These operations are detailed in the Note 31 to the Financial Statements.

The credits and deposits with economic linked persons (shareholders, members of the board, administrators and other linked persons) reach an amount of COP 38,444 and COP 390,741 million, respectively.

As a retribution for attending the meetings of the Board of Directors, the entity paid fees and commissions to members and advisors for an amount of COP 227 million.

e. Intensity of relations of the entrepreneurial group

As a tradition, the Banco Davivienda maintains business relations with enterprises in the same group, seeking a higher joint efficiency through the specialization of each company on those tasks in which they have competitive advantages.

Herein below we present a summary of the main operations with linked or related parties as of the 31st day of December 2010, which detail is submitted on the Note 31 to the Financial Statements:

(Figures in COP million)

Assets	2.244.313
Liability	908.925
Income	139.604
Expenses	60.769

No important operations were completed during the accounting period ended on the 31st day of December 2010, between the Banco Davivienda and other entities through the influence or in interest of the Sociedades Bolivar S.A., or Sociedades Bolivar S.A. and other entities in the interest of Davivienda either.

No important decisions were made or not made by the Banco Davivienda due to the influence or in the interest of Sociedades Bolivar S.A., or decisions made or not made by Sociedades Bolivar S.A. in the interest of the Bank.

f. Disbursements for the directors of the company

The disbursements to directors reach an amount of COP 3,224 million.

g. Disbursements for linked advisors or managers

The disbursements made to advisors and managers are listed below:

(Figures in COP million)

Board of Directors Fees	\$130
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h. Donations

During the second term in the year 2010 donations were made for an amount of COP 4,060 million.

i. Propaganda and public relations expenses

The propaganda expenses reach an amount of COP 48.398 million and those of public relations to COP 576 million.

j. Foreign Property

The money and other property belonging to the company abroad reach an amount of COP 73,206 million and its obligations in foreign currency to COP 1,791,013 million.

k. Local and/or foreign investments

The detail of the investments in participative titles is revealed on the Note 5.9 to the Financial Statements. They reach an amount of COP 312,296 million as follows:

Local investments:	COP 236,386
International Investments:	COP 75,910

I. Statement of Entrepreneurial Social Responsibility:

“We work for the prosperity and happiness of the families”

It is important to acknowledge that the “Grupo Bolivar” and the “Banco Davivienda” have worked for years under guidelines of Sustainability, seeking to offer quality and wellbeing to our employees and customers, as well as to their families and the society in general.

Our entrepreneurial actions are based on the principles and values that govern us and we do things in a suitable manner in order to be an ethical sense enterprise and to become a reference for the financial sector and the other sectors in the country.

We responsibly and efficiently manage the financial resources for being profitable along time and to have the capacity of generating development and wellbeing to our shareholders, employees, customers, suppliers, and the society in general.

We assess our actions and processes for them to be environmentally sustainable, at the same time that we make an effort to develop an environmental conscience.

We believe in our people and value their wish for learning and knowing, their innovating capacity, their attitude to work as a team and their compromise for reaching excellence.

We work to continuously satisfy our customers, creating positive experiences and building relations of appreciation, respect and loyalty. This is why we endeavor for having good business relations that generate development for our Bank and for those with whom we interact.

We are aware of the needs the society has and of the great importance of promoting progress and equity in our country, a reason why we have made contributions addressed to developing the low resource population.

We are constructing an ambitious strategy of Social Responsibility, with the purpose of effectively coordinating the tasks addressed to contributing to the wellbeing and development of our community and particularly of our country.

m. Foreseeable evolution of the Banco Davivienda

During the year 2011, the Banco Davivienda will offer new products addressed to facilitate the access to transactional services of the population with no bank accounts or links; the Bank will continue focused on supporting the economic strategies of the new government, supporting housing, infrastructure, agricultural banking projects, among others.

Likewise, we have planned the placement of a package of 24 millions of shares that are envisaged in a plan of placement approved by the Superintendency in the year 2010.

n. Important events occurred after the accounting period.

Starting on the first day of January 2011, the affiliated company Bancafé Miami became the first International Branch of the Bank and the first branch of a Colombian bank in the United States of America. Said branch has the capability of offering products and services to the needs of the Colombian customers who have operations in Miami or to customers residing in the United States of America who have operations in Colombia, through a team of more than 50 officials committed to the excellent service that characterizes our organization.

In addition, and starting in the month of January, the Davivienda preferred share became a part of the IGBC index, thanks to the appetite the market showed for this share since it was launched.

o. Certification and responsibility of the financial information

We certify that the Financial Statements and other reports relevant to the public do not contain vices, inaccuracies, or mistakes that prevent knowing the real net worth situation or the operations of Davivienda.

In accordance with the provisions in Article 57 of Decree 2649, 1993, the information and statements integrated to the Financial Statements have been duly verified and obtained from the accounting records of the entity, prepared in accordance with the accounting regulations and principles in effect in Colombia.

Davivienda has suitable revealing and control systems of the financial information, and for this purpose we have designed the corresponding procedures that allow assuring that this information is suitably presented, and its operativeness is verified by the General Audit and the Financial Direction.

Likewise, we inform that no significant deficiencies exist occurring in the design and operation of our internal controls that could have prevented the Bank from recording, processing, summarizing or presenting in a suitable manner its financial information, and no frauds were presented either that could affect the quality of the financial information, or changes in its assessment methodology.

We attach to this report the Financial Statements as of the 31st day of December 2010. These financial statements record all the assets and liabilities existing on the cutting date, and they represent the probable rights and the future obligations respectively. In addition, all the transactions of the accounting period were recorded and all the economic facts have been acknowledged and correctly classified, described and revealed. All the elements have been acknowledged by the corresponding amounts, in accordance with the Article 57 in Decree 2649, 1993.

We have previously verified the statements contained therein, pursuant to the regulation, and the same have been faithfully taken from the books, pursuant to the provisions in Article 37 of Law 222, 1995 and the entity has suitable procedures for control and reveal of the financial information and their operativeness has been verified in accordance with the provisions in Article 47 in Law 964, 2005.

We are grateful for the commitment of all the officials and the support of our shareholders, without whom these results could have not been possible.

Carlos Arango Uribe
President of the Board of Directors

Efraín E. Forero Fonseca
President