



# Evolution report

Second semester 2012

# REPORT FROM THE PRESIDENT



**We moved forward  
in our consolidation as a  
multi-Latin organization with  
over 15 thousand employees  
and 5.5 million clients.**

## **Dear Shareholders:**

It is our pleasure to share with you our report regarding activities and results corresponding to the second semester of 2012.

This has been a special period for Davivienda: we celebrated our 40<sup>th</sup> anniversary, changed our brand in Panama and integrated the operations acquired from HSBC in Central America (Honduras, El Salvador and Costa Rica), which allows us to move forward in our consolidation as a multi-Latin organization with presence in several Latin American countries, and over 15 thousand<sup>1</sup> employees and 5.5 million clients<sup>2</sup>.

The Colombian economic environment was marked by an economic deceleration due in part to a global slowdown a decline in production in sectors, such as mining and construction, which had previously experienced dynamic results.

Despite this volatile environment, on July 9 the bank made a successful debut in the international markets with a debt issuance of US\$ 500 million in subordinated bonds, achieving a good rate and obtaining demand of US\$ 3 billion. This result reflects the investor confidence in Colombia.

Personal banking generated strong results, accompanied by good quality indicators. The housing portfolio grew 26.5%, financing 18 thousand Colombian families during this period. The consumer portfolio, which showed a deceleration in 2011, concluded 2012 with nearly 8% growth; the issuance portfolio grew 15.8% placing the bank in third place in terms of market share. In addition, we remain the market leader in portfolio of credit cards per balance, growing 22.4% in 2012.

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<sup>1</sup> 15,290 officials, consolidated figure

<sup>2</sup> A consolidated figure, including DaviPlata clients

Commercial banking performed well in the SME (small and medium-sized companies) segment, growing 33% and mainly supported by the agricultural sector that recorded a 19.1% increase. The total commercial portfolio grew 9.1% and we expect higher dynamism for 2013, as the large infrastructure projects in the country commence.

During 2012, we continued our inclusion efforts through DaviPlata. In the second semester we were awarded one of the three groups that were auctioned by the Colombian g for the payment of the *“More Families in Action”* program. Beginning in February 2013, there will be 1.6 million DaviPlata users and we expect to double our coverage, passing from 187 municipalities to more than 380, which will transform us into a leader in financial inclusion in the Latin American region as well as occupying a third place globally in managing money through cellular telephones.

An organization of this dimension and multi-Latin market presence, in addition to excellent financial performance, should also be focused on sustainability, being socially and environmentally responsible in the long term. Our vision is integrating this concept into all our business lines and segments, as well as sharing and applying good practices to all of the bank’s affiliates, considering the expectations of our stakeholders in each of the countries in which we are present.

During the second semester 2012, we completed an internal sustainability assessment according to international standards, which encompassed all of the activities and processes of the bank in Colombia. The results of this assessment allowed us to determine the best way of generating value through the activities of all our companies and how to enrich the lives of our employees, our clients and the communities we touch.

We are clear about the fact that our responsibility goes far beyond the generation of wealth; we seek to be recognized as a sustainable organization increasingly higher standards, basing our strategy on knowledge. In order to achieve this goal, we aim to understand the needs of our clients, driving the banking system, promoting financial education, making a good use of resources, financing projects responsibly, contributing to the growth of our employees and to the development of community empowering initiatives.

**Efraín E. Forero Fonseca**  
President

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# MAIN ACHIEVEMENTS, SECOND SEMESTER 2012



## Integration with Central America

At the end of the year we completed the purchase of and started managing the operations acquired from HSBC in Honduras, El Salvador and Costa Rica that will allow us to bring our brand and consolidate as a Multi-Latin entity, also with a presence in Panama and Miami. The final price of this operation was US\$ 829.7 million, equivalent to COP 1.5 billion, generating goodwill of COP 534 billion.

## Bond issuance program

Davienda is an important protagonist in the private debt market in Colombia. In August 2012, we issued COP 500 billion in ordinary bonds, completing COP 2.5 billion of the COP 3 billion amount approved in 2010. This issuance was oversubscribed by 2.7 times the offered value.

Internationally, during the semester, we completed the first issuance of subordinated bonds: we debuted in the international markets with an issuance of US\$ 500 million, which received demands for US\$ 3,000 million. This placement was possible through the support of the Credit Suisse and JP Morgan, and included the participation of 192 institutional investors. Recently, in January 2013, we made a second international ordinary bond issuance for US\$ 500 million, with demand that exceeded US\$ 5 billion. During this issuance we obtained the lowest rate in history for a Colombian financial issuer.



## DaviPlata

DaviPlata continues successfully contributing to financial inclusion: at the close of 2012, it had 857 thousand clients<sup>3</sup>, 71.2% more than in the previous year, and 1,006 paying or receiving companies. On October 24, the Bank was awarded the administration of subsidy payments to one million families in the “*More Families in Action*” program from the Presidential Office Department for Social Prosperity, which delivers financial support to the neediest families in Colombia. In this way we will be present in more than 380 municipalities, 191 of which the Bank had no offices and 119 municipalities of which there was no financial institution present; Davivienda being the first.



This program positions DaviPlata as the third most important smart card in the world, in terms of the number of its clients, after M-Pesa (Kenia) and Wizzit Bank (South Africa). DaviPlata is an innovating model that allows clients a different type of access to the finance system. In fact, it had become into the new transactional medium in Colombia, and the first mass electronic funds platform in Latin America.

“*Al Gratin*”, the DaviPlata national wires campaign showed a positive dynamics. We highlight the behavior of teller deposits during the second semester in 2012, when approximately 112 thousand deposits were made.

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<sup>3</sup> Not including the new clients in the “*More Families in Action*” Program

## Confinanciera Merger



On July 31, Confinanciera and Davivienda merged. This merger allows us to offer its credit strategies and products related to productive and private vehicles to the whole country, as well as to become the second financial entity of private vehicles in Colombia. At the close of 2012 closing, the assets resulting from this merger assets reached a total of COP 516 billion, liabilities were COP 431 billion and accumulated net income was COP 13 billion.

## Merger of trust companies

On December 13, we completed the merger between the Bank's two trust companies: Fiduciaria Davivienda and Fiduciaria Cafetera. The new entity will keep the name Fiduciaria Davivienda, which now becomes the sixth-largest trust in the nation in terms of third party assets under management, around COP 12.4 billion, and equity of COP 101 billion, of which the Bank controls 94.7%. This merger will allow us to continue our expansion in the trust sector, expanding our service offering.



## Dividends payment

On September 27, the dividends corresponding to the first semester of 2012 were distributed. The amount approved was COP 115 billion (COP 260 per share), which was equivalent to 31.4% of profits and represented a growth of 18.2% compared to the COP 220 per share distributed in the previous semester.



## Cultivarte, a well-being space

“*Cultivarte*”, a well-being program was initiated by the Bank. The goal of the Bank is to bring this program to the municipalities in which we are present. Cultivarte is a space designed to offer the inhabitants of a municipality an alternative for using their free time, making entertainment, culture and education the foundation of this program. Here, communities will be able to enjoy a movie theater, a virtual class room and an exposition area.



## Financial Education



In 2012, we created “*My Home Finances*”, an education portal for Colombian to learn simple and friendly ways of managing their money and reach their personal goals. Through this portal we expect to reach all our clients. In addition, we continue with the Sena Program, and we are moving forward on training the employees of companies that have a payments agreements with the Bank, through a workshop called “*My Personal and Family Finance*”.

# MAIN FIGURES

(Davivienda excluding subsidiaries)

**4.7** million clients

**COP \$39.7** trillion assets

**572** offices in **186** municipalities

**1,529** ATM's

**11,563** employees

**1.8** million credit cards (in units)

**3** million debit cards (in units)



**DAVIVIENDA**

Banco Davivienda S.A.

## INTERNATIONAL RATINGS

**BBB-** Debt rating by Standard & Pools (investment grade)

**BBB-** Debt rating by Fitch Ratings (investment grade)

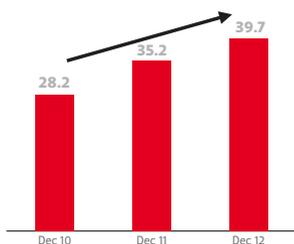
**Baa3** Debt rating by Moody's (investment grade)

## NATIONAL RATINGS

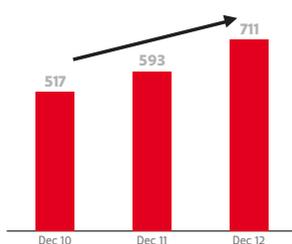
**AAA** Debt rating by BRC

**AAA** Debt rating by Value & Risk

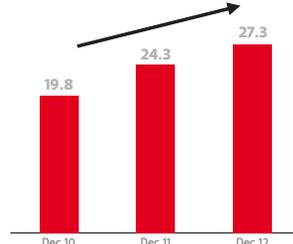
**Assets (\$ trillion)**  
Annual growth: 18.5%



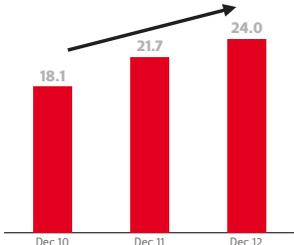
**Net income (\$ billions)**  
Annual growth: 17.3%



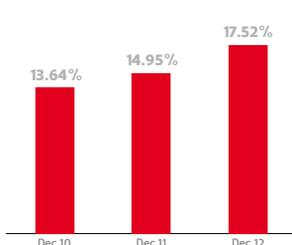
**Loans (\$ trillions)**  
Annual growth: 17.4%



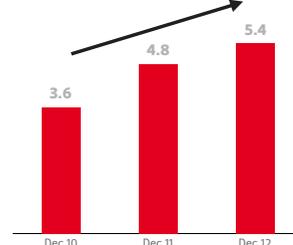
**Deposits (\$ trillions)**  
Annual growth: 15.3%



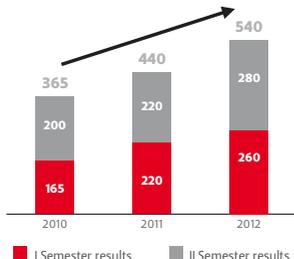
**Solvency**



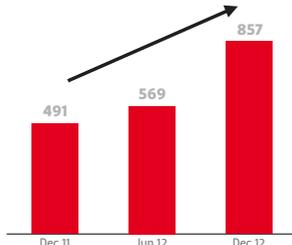
**Stockholder's equity (\$ trillions)**  
Annual growth: 22.5%



**Dividends per share (\$ Pesos)**  
Annual growth: 21.6%



**DaviPlata Clients (thousands)**  
Annual growth: 74.6%



**In 2012 the Bank keep presenting significant growth on its strategic indicators.**

(Annual growth from December 2010 to December 2012)

VIGILADO SUPERINTENDENCIA FINANCIERA DE COLOMBIA