Davivienda S.A. / Management Report 2013

Board of directors report and chairman report to the general assembly or shareholders

Banco Davivienda S.A.

Report from the Board of Directors and the President to the General Shareholders' Meeting

Year 2013

Banco Davivienda S.A.

Report from the Board of Directors and the President for the General Shareholders' Meeting.

Content

Letter from the President

Dear Shareholders:

It is a pleasure for me to provide you the Bank's results for 2013.

Below is a summary of its main achievements:

Housing: Helping to Build Family Property

Davivienda maintained leadership in home financing in Colombia. The evolution of this portfolio in 2013, motivated by the National Government's incentive programs for home financing, led the Bank to pay out COP 3.4 trillion, which represents a growth of 51% compared to the previous year. Out of the total loans, 21,500 correspond to low-income housing.

To facilitate access to the incentives offered by the National Government, Davivienda held housing fairs in 24 cities with the participation of around 500 construction firms and more than 900 projects in around 700 sales rooms. As a result, 53 thousand loans were pre-approved for COP 4.3 trillion.

As part of the development of the 100 Thousand Free Homes Program driven by the Government, as at December, nearly COP 258 billion were paid out to constructors, financing 26,300 homes.

Acquisition of Corredores Asociados

In February, a purchase agreement was signed to acquire the Corredores Asociados brokerage firm and its subsidiary in Panama. The transaction was completed last September, thus strengthening the set of products and services to clients of both companies.

Corredores Asociados is a brokerage firm with 38 years of experience and an unbeatable track record. At the end of 2013, Corredores Asociados had COP 8.3 trillion in managed assets, a profit of COP 1,900 million and 25 thousand clients.

51%
Growth of mortgage portfolio disbursements in 2013.

DaviPlata:
1,9 million
customers.

83 thousand online classes
held on our Mis Finanzas en Casa portal.

First Year of Operations for International Subsidiaries

Davivienda consolidated its presence in Central America, following a year of acquisitions in El Salvador, Costa Rica and Honduras. We integrated our Corporate Governance, strengthened our brand and achieved good results reflected in 13% portfolio growth, 17% growth in deposits and profits of USD 65 million[1].

DaviPlata, a New Banking Network in Colombia

Around 1.1 million new clients joined this network in the year, mainly from the *Más Familias en Acción* (More Families in Action) Program. Since last March, they have received their subsidy on a bimonthly basis through DaviPlata, using nearly 5,300 banking correspondents in more than 835 municipalities.

At the end of 2013, DaviPlata had around 1.9 million clients, who had access to **"*Giros al Gratín*" (Free Transfers),** our new free transaction service available in any city in the country.

In the month of September, DaviPlata received the Financial Innovation award from the Latin American Federation of Banks, Felaban.

Financial Education

Our financial education strategy was focused on searching for tools for us to reach more families, including the web portal **"My finances at home",** which teaches simple money management. In 2013, more than 37 thousand persons enrolled on the portal, taking nearly 83 thousand online courses.

In July, the traditional classroom program ***Mis Finanzas Personales y Familiares para los Héroes* (My Personal and Family Finances for Heroes)** was launched, and nearly a thousand members of the Army participated. They attended conferences and received supporting material.

In 2013, nearly 37 thousand employees of companies with loan agreements with Davivienda based on deductions from payroll took part in the conference **"My Personal and Family Finances".**

Cultivarte (Personal Growth)

Cultivarte is a program provided in municipalities in an effective partnership with municipal and state governments, through which services are provided for children, young people and families to use their free time in a healthy, enriching manner.

1 Figure in local accounting.

cultivarte
Espacios de Bienestar

8 branches in
3 departments,
1,280 users per day,
100,000 thousand visits
since November 2012.

In 2013, six new Cultivarte branches were opened in the municipalities of Antioquia and Caldas. At the end of the year, there were eight locations with an average of 1,280 visitors a day and a total of 862 children under ongoing follow-up.

Following a year of activity, the community has recognized the significant impact on the behavior of the attendees and the way in which they use their free time for educational activities. It also highlights improvements in academic processes and important contributions to fulfilling the objectives of the municipalities' development plants. This allows the consolidation of partnerships with municipal governments. In 2014, 20 new Cultivarte branches will be opened nationwide.

Environmental and Social Risk Management System (SARAS in Spanish)

SARAS is being implemented as a risk system aligned with the loan assessment processes to identify, assess and monitor the possible environmental and social impact of clients and third parties. In 2013, this system was implemented in the Construction Loan line for loans of amounts equal to or greater than USD 8 million. Additionally, the risk analysis has begun with the Bank's main providers.

SARAS is supported with constant training and communication activities for the internal work team.

Bond Issuance Program

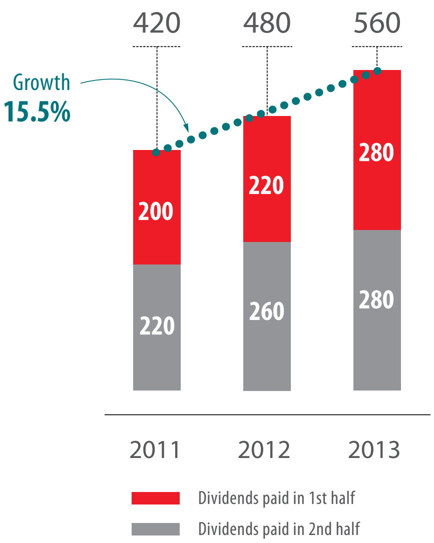
Davivienda continues to be a major player in the private debt market in Colombia. In 2013, the quota of the local bonds program was increased to COP 6 trillion for three more years starting last October, which has allowed the continued successful bond issues:

In February 2013, COP 500 billion in straight bonds were issued, with a demand of 2.7 times the amount offered and in December, an additional COP 400 billion in straight bonds were issued, with a demand of 2.1 times the amount offered.

During the first half of 2013, the second international issuance was carried out; the first being of straight bonds for USD 500 million, with demands for USD 5.1 billion, more than 10 times the amount offered. This placement obtained the lowest rate to date in the history of a Colombian financial issuer with 2.950%.

Dividend Payment

Dividend per share (COP)[2]



In March, dividends were paid at a rate of COP 280 per share for a total of COP 124 billion. Compared to the dividend of COP 260 per share (COP 115 billion) of the first half of the same year, a total of 33.7% of the profits of 2012 were paid in dividends.

On June 19, Shareholders decided in a special meeting to change the accounting period from semi-annual to annual. In addition, the payment of dividends in shares at COP 2,582 per share was decreed based on an increase in the nominal share value of COP 15. Finally, on September 30 extra dividends were paid in cash for COP 124 billion, at a rate of COP 280 per share.

On behalf of the Bank's employees and allies, we would like to thank you for your confidence; it has enabled us to satisfy the financial needs of more than 6.6 million households and businesses in Colombia and Central America.

Efraín E. Forero Fonseca
President

COP 248 billion
paid in cash dividends in 2013.

2 The payment of dividends for the second half of 2013 is based on capitalization.

Board of Directors

Principal Members

Carlos Guillermo Arango Uribe
Javier Suárez Esparragoza
Alvaro Peláez Arango*
Gabriel Humberto Zárate Sánchez*
Bernard Pasquier*

Alternate Members

Alvaro Carvajal Bonnet
David Peña Rey
Federico Salazar Mejía*
Enrique Flórez Camacho
Mark Alloway*

* Independent member

Main Figures [3]

There are domestic and foreign subsidiaries

	Assets (COP trillion)	Net Portfolio (COP trillion)	Liabilities (COP trillion)	Equity (COP trillion)
Colombia	46.9	32.6	40.9	6.0
Subsidiaries	9.4	6.8	9.4	0.1
Total	56.4	39.4	50.3	6.1

	Net Income (COP billion)	Clients (in thousands)	Offices	Municipalities
Colombia	730	5,792	577	835
Subsidiaries	121.1	805	167	37
Total	851	6,597	744	872

	ATMs	Employees	Credit cards (in thousands)	Debit cards (in thousands)
Colombia	1,582	11,497	1,600	2,800
Subsidiaries	414	4,635	115	449
Total	1,996	16,132	1,715	3,249

DOMESTIC RATINGS

AAA BRC long-term debt rating
AAA Fitch Ratings long-term debt rating

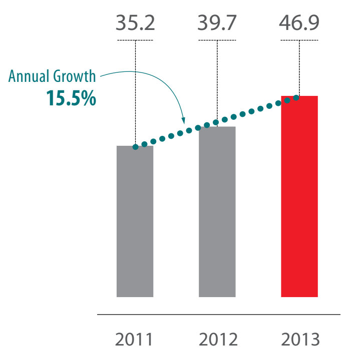
INTERNATIONAL RATINGS

BBB- Standard & Poors debt rating (investment grade)
BBB- Fitch Ratings debt rating (investment grade)
Baa3 Moody's debt rating (investment grade)

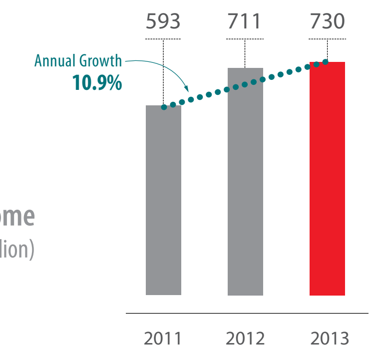
3 The figures for Colombia correspond to those of Davivienda, excluding national and international affiliates.

Performance of Main Figures [4]

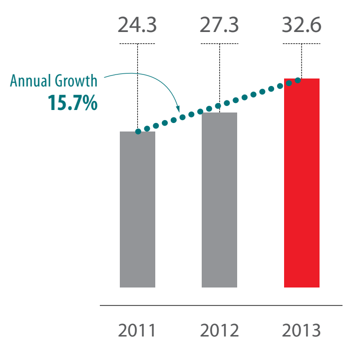
Assets
(COP trillion)



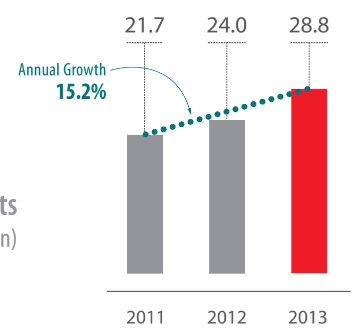
Net Income
(COP billion)



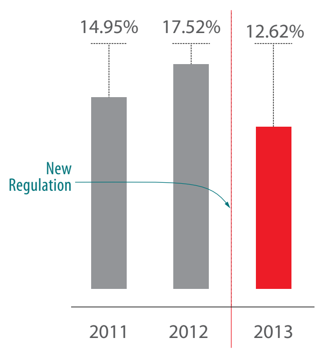
Loans
(COP trillion)



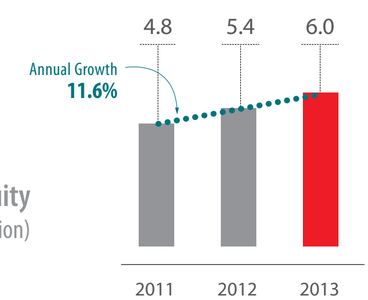
Deposits
(COP trillion)



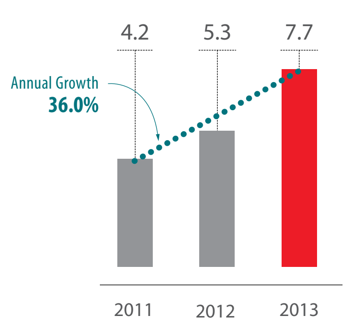
Solvency[4]



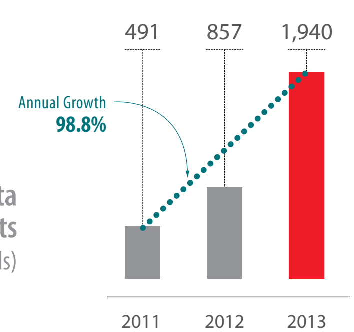
Equity
(COP trillion)



Mortgage Portfolio
(COP trillion)



DaviPlata
Number of clients
(In thousands)



4 In August 2013, the new solvency regulations took effect in the form of Decree No. 1771 / 2012 issued by the Ministry of Finance and Public Credit, and regulated by External Circulars 020 and 032 / 2013 by the Colombian Financial Superintendence.

Macroeconomic Context

Introduction

Continuing with the downward trend of economic activity that was observed throughout 2012, GDP grew by a mere 2.6% in the first quarter of the year. This process was the result of the lower world demand and moderation in the domestic consumption of durable goods. However, as of the second quarter, there was a more positive trend mainly associated with the strong recovery of agricultural production and the reactivation of the construction sector. The growth of the entire year is estimated at approximately 4.1%.

GDP in Colombia grew **2.6%** in 2013.

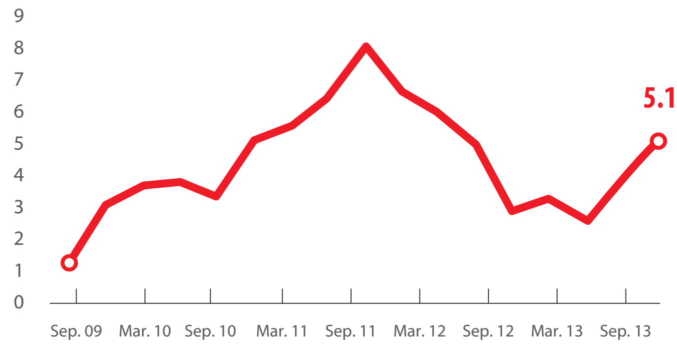
Without a doubt, one of the most important events of the year has to do with the effects of the change in the monetary policy in the United States on bond yields around the world, as of the end of May. Due to the positive trend of some growth indicators in that economy, in particular those related to the labor market, the FED announced at the end of May the possibility of initiating a plan to standardize monetary policy. This finally came to fruition in its decision in last December to start cutting back on asset purchasing starting in January 2014. Between the end of May, and December, there was a significant increase in the rates of return on US Treasury Bonds and an increase in risk aversion. This was accompanied by a significant change in the direction of capital flows to emerging countries and Colombia was no exception; the exchange rate for the US Dollar and the rates of return on local public debt both increased.

The international situation was also marked by the recession in Europe and the slower pace of growth in China. In the first case, the European Central Bank lowered its interest rate to 0.25% as a mechanism to accelerate economic growth amidst very low inflationary pressure.

Another one of the most remarkable events in 2013 was the low level of domestic inflation. Consumer inflation measured by the CPI closed at 1.94%. This figure, below the target range established by the Central Bank, is the lowest year-end inflation since 1955.

Gross Domestic Product

GDP growth in Colombia
(variation % compared to same quarter of the previous year)



Source: Dane

Construction sector,

growth leader for added-value.

According to the latest information reported by DANE (National Administrative Department of Statistics), the Colombian economy grew by 5.1% at a real annual rate in the third quarter of 2013. Therefore, the growth data observed returned to a level above the average estimated by analysts. The data from the third quarter confirmed the recent process of revitalization of production activity. Since the first quarter of 2012, the GDP had not varied more than 5%.

Despite good third quarter results, in the first three quarters of 2013 the GDP had a variation of 3.9%, which is below the figure reported for the same period in 2012 (4.5%).

The fastest growing sectors in the aggregate during the first three quarters were construction (10.8%), agriculture (6.1%), social services (4.8%), and financial institutions and company services (4.2%). On the other hand, transport and industry were the slowest growing activities, with a variation of 2.7% in aggregate value and a reduction of 1.2%, respectively.

As mentioned, the construction sector stood out for its leadership in value-added growth. Within this economic activity, the fastest growing element was the building subsector. In the first nine months of 2013, the subsector grew 13.6%, which is the highest level reported since 2008.

Sector activity figures suggest good prospects for 2014. New projects in the construction process (measured in square meters) grew 21% in the second quarter of 2013 and 42% in the third quarter of the same year. These variations were supported by the home building trend, but non-residential locations, especially offices, have also grown significantly. The reactivation of construction is confirmed by recent figures of home sales.

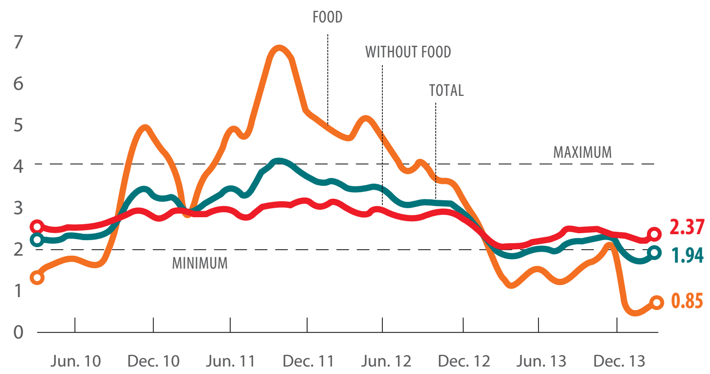
In terms of the GDP as regards the expenditure, in the first nine months of 2013, it was noted that the expenditure of the Government was the fastest-growing component (5.2%), and it was the only component whose growth accelerated with respect to the same period in 2012.

Household investment and consumption did not report growths of more than 4% in real terms. However, the variables of the external sector had even lower variations: exports fell by 2.4% and imports by 1.3%.

It is estimated that the variation of the GDP in 2013 was nearly 4.1%, which is very similar to the growth achieved in 2012.

Inflation

Total annual inflation, food and without food (%)



1,94% lowest annual inflation in Colombia since 1955.

Consumer price inflation in 2013 closed at 1.94%. This figure, which is below the target range established by the Central Bank, is the lowest year-end inflation since 1955. Annual food inflation reached 0.85% and the annual non-food inflation ended at 2.37%. During the greater part of 2013, annual inflation had a moderate upward trend, up to October, when the sharp drop in food prices left it below the target range.

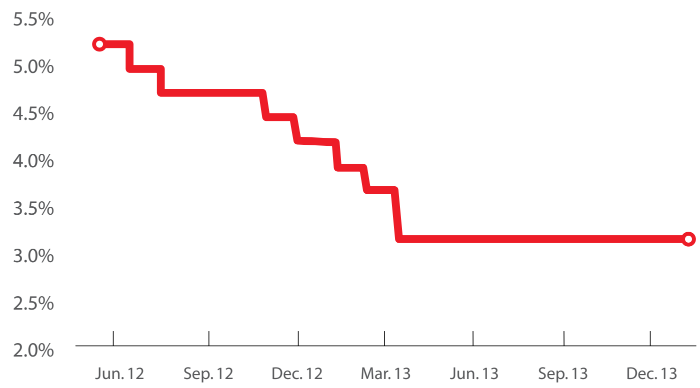
In general, this trend is explained by the absence of extreme weather conditions and good harvests. On the other hand, the price of goods and services other than food showed a more stable trend, although it was strongly affected by major variations in the price of regulated goods (mainly electricity and transportation).

With regard to the legal minimum wage, the Commission of Labor Negotiations failed to reach agreement on the 4.5% increase for 2014.

Monetary Policy and Interest Rates

The Central Bank began the year by applying an expansionary monetary policy in order to counteract the slower world growth and its impact on the economy. At the start of the year, the policy rate stood at 4.25% and decreases were observed in January, February and March, taking the policy rate to 3.25%. While this rate remained stable throughout the rest of the year as a result of good inflation results and the weakness of several productive sectors, the Board was divided on several occasions regarding the advisability of further decreases.

Central Bank intervention rate



As a result of the Central Bank's lowering in the intervention rates, the FTD rate dropped from 5.67% in the first week of January 2013 to 4.07% in the third week of July. The absence of transactions at the intervention rates during the second half of the year, was reflected in the stability of the FTD rate, which ranged between 3.92% and 4.11% in the second half of the year.

Notwithstanding the above, as a result of the increase of interest rates of Colombian public debt that were a consequence of FED policies, the attraction rates of TDs for longer terms increased, and the interest rate on 360-day TDs rose from 4.3% in mid-July to 4.9% the last week of the year.

Active consumer loan rates dropped at a more moderate pace throughout the year. The consumer loan rate - without credit cards - at commercial banks dropped from 19.73% in January 2013 to 17.48% in mid-December. The reduction was widespread, but the rate downturn for loans for less than one year was significant, dropping from 23.61% to 20.55%.

Ordinary commercial loan rates went from 11.54% in January 2013 to 10.1% in mid-December.

Fiscal Policy

Over the course of 2013, several changes took effect in taxation. The main changes being that the collection of consumption tax began and several social fund contributions were replaced by the fair tax (CREE). With this in mind, for the period between January and October of 2013, tax collections amounted to COP 90.4 trillion, COP 0.9 trillion and COP 2 trillion of which are from the collection of consumption tax and CREE, respectively.

Congress approved a budget of COP 203 trillion for the 2014 fiscal year. It also approved the bill submitted by the current administration that postpones the start of the removal of the tax on financial transactions for a year. This is meant to raise COP 3.1 trillion in funds to be used to strengthen the agricultural sector.

Finally, the Ministry of Finance and Public Credit released the financial plan for 2014. It ratified 2013 fiscal targets as a deficit of 2.4% GDP for the Central National Government (CNG) and a deficit of 1.0% GDP for the Consolidated Public Sector (CPS). For 2014, a deficit of 2.3% GDP for the CNG and 1.0% GDP for the CPS have been established as targets.

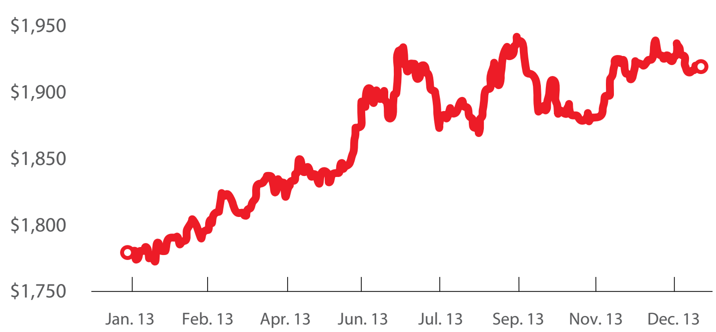
Exchange Rate

During the year 2013, the USD exchange rate began a devaluation trend, which took it from COP 1,797 per USD 1 in 2012 to COP 1,869.1 on average in 2013. The devaluation trend was reported practically the entire year with a couple of periods of appreciation in July and September.

COP 1,869.1

The exchange rate against the dollar showed a devaluation trend.

Exchange Rate
Colombian pesos per dollar



Source: Colombian Financial Superintendence

The evolution of the exchange rate was due both to specific factors of the Colombian situation as well as movements of the US Dollar at the global level. During the first part of the year, and at the request of the Minister of Finance, several steps were taken to avoid excessive revaluation of the peso. These steps included the approval of an aggressive plan to purchase dollars on the part of the Central Bank, which led to daily purchases of dollars of up to USD 50 million per day, disbursements of external credit were reduced and Ecopetrol was urged to replace foreign debt with domestic borrowing.

However, since the above-mentioned changes in the monetary policy by the FED resulted in lower capital flows to emerging countries, the US dollar at the global level appreciated and the currencies of emerging countries depreciated. As a result, the US dollar rose from COP 1,825.8 in early May to COP 1,941 at the end of July. The value of the dollar went up again in September in view of the expectation that the FED would begin to reduce the purchase of assets. In the last part of the year, the value of the US dollar rose again with the cutback of asset purchases on the part of that agency.

The higher devaluation of the peso in the second half of the year made it possible to reduce central bank intervention. At the September meeting of the Board of Directors of the Central Bank, it was decided that the purchasing program would be extended to accumulate up to an additional USD 1 billion in the period from October to December of 2013. Based on that, an average of 11 million dollars a day was accumulated, compared to the 35 million purchased on average during the first quarter of the year.

USD 16.8 billion
Foreign investment in Colombia in 2013.

On the other hand in 2013, Colombia received USD 16,822 million from foreign investment, which demonstrated a growth of 0.87% compared to the funds that entered the country in 2012. The oil and hydrocarbons sector, the main beneficiary of this type of investment, received 81% of these funds. The flows of foreign portfolio investment grew at an annual rate of 43.6%, reaching USD 4,702 million.

Foreign Trade

Similar to what was observed in 2012, Colombian foreign trade activities continued to slow down over the course of 2013. Based on figures at the end of October, exports totaled USD 48,603 million FOB, and showed an annual drop of 3.5%. This trend was primarily due to the decrease in sales of fuels, products from the extractive industry and agricultural and food products, which reported declines of 2.6% and 1.3%, respectively. On the other hand, manufactured exports showed a positive trend that resulted in an annual growth of 0.9%.

Imports totaled USD 49,429 million CIF, keeping them at a level very similar to that reported in 2012. However, upon reviewing the performance thereof by product group, we found that foreign purchases of manufactured products, and agricultural and food products showed annual drops of 0.7 and 0.3%, respectively. On the other hand, imported fuels and products from the extractive industry showed an annual increase of 4.8%.

As a result of the above, the Colombian economy reported a trade surplus of USD 1,502 million FOB in the period from January to October 2013.

As regards the formalization of trade agreements with other countries, on August 1, 2013 the provisional application of the Free Trade Treaty with the European Union began while the process to obtain the approval of the Constitutional Court is completed. On the other hand, negotiations came to a close and agreements were signed with Korea, Costa Rica, Panama and Israel.

Trade agreements with South Korea, Panama, Costa Rica and Israel, were signed with Colombia in 2013.

Banking System

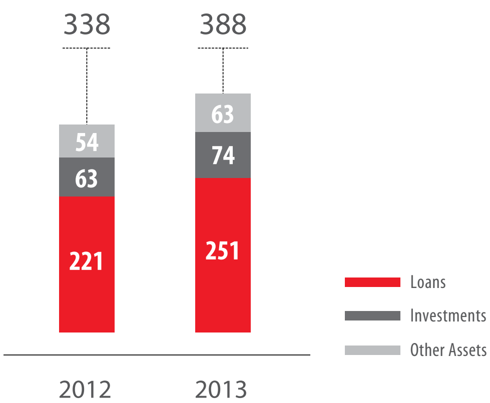
The performance of the Colombian banking sector in 2013 showed positive results in indicators of liquidity, capitalization, and provisioning. However, there is still the challenge to improve the efficiency of the operation and to continue diversifying the loan portfolio, keeping the portfolio quality indicators under control.

The Colombian banking sector showed positive results in liquidity, capitalization, and provisioning.

Assets

In regard to the composition of the assets of banks, it has remained stable over the past year; the loan portfolio represents 64.6% of the assets and investments represent 19.1%. While the assets of the banking sector grew by 15%, net investments did so at 17.2% and the loan portfolio at 13.7%.

Detailed Assets
(in trillions of COP)



Breakdown of Assets			
	Var. Annual 2012-2013	Shares Dec 12	Shares Dec 13
Assets	15.0%	100.0%	100.0%
Loans	13.7%	65.3%	64.6%
Investments	17.2%	18.7%	19.1%
Other assets	17.6%	16.0%	16.3%

Source: Asobancaria

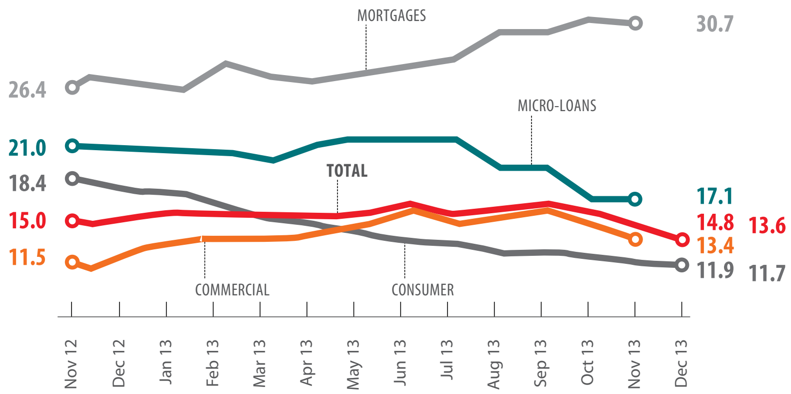
Loan Portfolio

The net portfolio of the banking system had an annual growth rate of 13.7%, following a slowdown that began in late 2011. The growth is still higher than GDP growth, which confirms an improvement in financial depth[5] in the country, going from 38% in 2012 to 39% in 2013.

In particular, housing was the fastest growing segment this year with a growth rate of 30.7% in November 2013. The loan portfolio in this segment was driven by the lower long-term interest rates, low inflation and the National Government's subsidy programs for mortgage interest rates since 2009 that have been focused on financing the acquisition of low-income urban housing since June 2012.

The Consumer loan and Micro-loan portfolios showed a slowdown in the growth rate as illustrated below, while the Commercial Loan Portfolio went from a growth of 11.5% in November 2012 to 13.4% in November 2013.

Annual Growth of the Gross Loan Portfolio by Segment



Source: Colombian Financial Superintendence.
Mortgages + Residential Leasing (non-securitized)

5 Financial depth is a measure of the share of the loan portfolio in economic activity, and it is measured as the ratio between gross portfolio and GDP.

Portfolio Quality

The portfolio quality indicator rose from 3.6% to 3.8% in the last year. This is mainly due to the decline of the commercial loan portfolio and micro-loans as shown in the table below. The sector's best consumption indicator stands out due to the strategy of banking institutions to strengthen their policies of loan origination, granting and monitoring. Finally, the housing indicator improved, mainly due to a significant increase in the gross balance.

Portfolio Quality by Rating
(Nonperforming Loans due to Ratings of C,D and E / Total Portfolio)

	Nov 12	Nov 13
Total Portfolio	3.6	3.8
Consumer	5.0	4.9
Commercial	3.1	3.5
Micro-loans	5.4	6.8
Mortgages + Residential Leasing	2.2	1.9

Source: Colombian Financial Superintendence.
Davivienda Calculations

Coverage decreased from 123.2% to 116.7% during the period of analysis. This is a result of the coverage of the commercial loan portfolio, which reported a lower indicator in 2013 compared to 2012, due to the slight decline of this portfolio. In view of the growth observed due to the nonperforming mortgage loans in the year, the balance of provisions (associated with the portfolio) has reported significant increases.

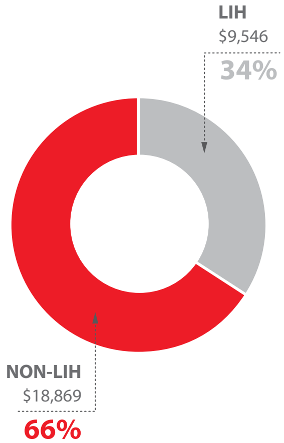
Coverage by segment (provisions / nonperforming loans)

	Nov 12	Nov 13
Total Portfolio	123.2	116.7
Consumer	126.6	126.6
Commercial	118.7	107.0
Micro-loans	97.9	86.3
Mortgages + Residential Leasing	156.2	172.2

Source: Colombian Financial Superintendence.
Davivienda calculations

Mortgages

LIH and Non-LIH Balances - November 2013 (Billions of COP)



Source: Financial Superintendence

Home loans (non-securitized) had the most growth in 2013, with an annual variation greater than 30%. This is explained by the good current situation of the construction sector in the country and the interest rate subsidies of the National Government that have driven Colombians to purchase homes. This is reflected in the 15% growth of the low-income housing portfolio (LIH) and 29% of the non-LIH balances in the year so far. As illustrated below, 66% of the the banking sector portfolio consists of non-LIH loans (a year ago, this percentage was 64%).

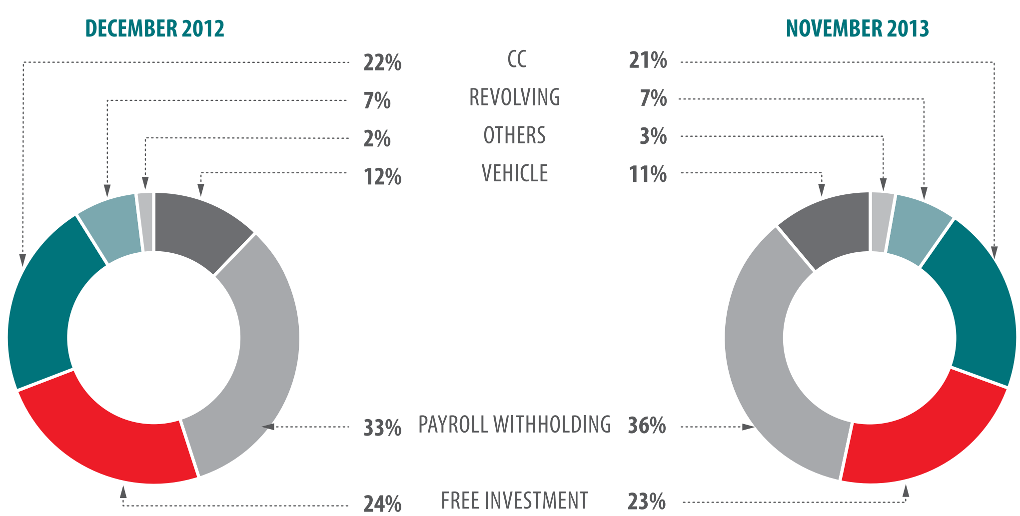
The number of new homes sold in the country between January and November 2013 was 137,337, a growth of 14% compared to 2012.

In Colombia, the relationship between the mortgage portfolio and the GDP (about 3%) is low in relation to other countries in the region (Panama 21%, Mexico 8%, Brazil 5%). Also, the National Government announced that the Program to subsidize interest rates on mortgages will grant 12,600 loans in 2014, in addition to the 19,000 delivered in 2013. This suggests that the dynamics of home loans from the banking sector will continue this year.

Consumer Loan Portfolio

The strategy of banks is focused in offering payroll loans. This is attractive because of the low levels of delinquency reported and the lower costs associated with collection, since installments of the loan are deducted from payroll. Over the past two years, these payroll loans have been gaining importance in the total consumer loan portfolio, going from 33% in December 2012 to 36% in November 2013.

Consumer Loan Portfolio Composition



Source: Financial Superintendence

Liabilities

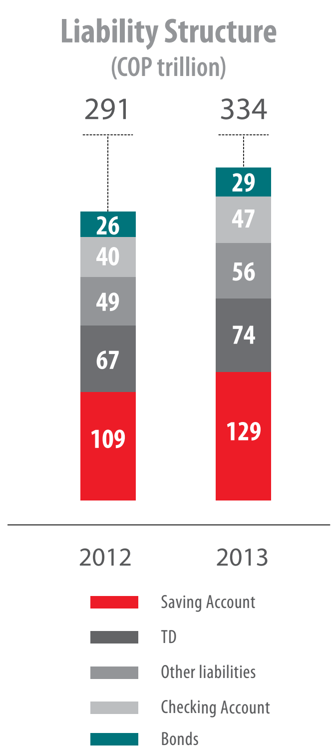
The trend of liquidity pressures triggered by the growth of the portfolio on the system in 2011 has reversed, and, on the contrary, there is now an excess of funds from the banks. In 2013, bank liabilities increased to 15%. The high proportion of demand deposits is a factor that allowed banks to maintain the low cost of the liabilities. In December 2013, there was an annual variation of 18% for checking and savings accounts, which as a whole represents 53% of total liabilities.

Furthermore, an 11% increase was observed in the balance of term deposits (TDs), reducing their share of liabilities from 23% in 2012 to 22% in 2013.

Liability Structure

	Annual Var 2012-2013	Shares Dec 12	Shares Dec 13
Total liabilities	15%	100%	100%
Saving Accounts	18%	38%	39%
TDs	11%	23%	22%
Other liabilities	14%	17%	17%
Checking Accounts	**18%**	**14%**	**14%**
Bonds	11%	9%	9%

Source: Asobancaria



The capital market has become an important source to obtain funds for banks that enables them to achieve the right balance between the duration of assets and liabilities. Bonds represent 9% of the total liabilities and showed moderate growth over the last year (11%), which is lower than 2012, which was 18.6%. The moderation of bond issuance has been offset by capital contributions from banks through share issuances.

Equity and Solvency

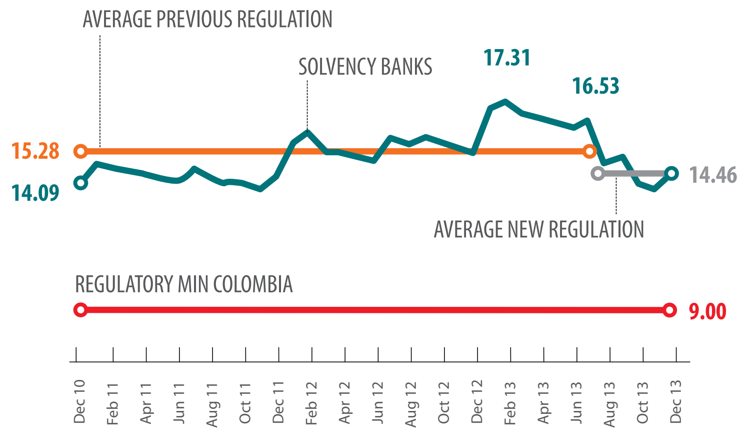
COP 54.2 trillion

Equity of the financial sector in 2013.

As at December 2013, sector equity stood at COP 54.2 trillion, with an annual increase of 15.4%. Thanks to banks' capitalization efforts, which began in 2009 and continued during the following years, the individual solvency ratio remained well above the level required by regulations (9%). It had an average indicator of 15.28% in the past two years up to August 2013, when Decree 1771 / 2012 took effect.

This new regulation is meant to bring local norms closer to the international Basel III standards. To calculate the new solvency, some of the entries [6] calculated in the past are no longer considered technical capital. Due to the increased capital requirements, some banks had to resort to capitalization processes to keep solvency levels above the minimum required by the Financial Superintendence: 4.5% in core capital and 9% in the Solvency Indicator.

Solvency Ratio (%)



Source: Financial Superintendence

6 Reserve funds, Valuation of fixed assets, profits of the current financial year. In order to be a part of the core capital, occasional reserves must be capitalized or moved to legal reserves. As of August 2012, Goodwill is deducted from Core Capital.

Davivienda Results

Individual Results of the Bank

In 2013, Davivienda achieved important results at both the local and regional levels; it thus maintained leadership in different products for Colombian families, becoming a pioneer in products of financial inclusion and supporting major sectors of the Colombian economy such as housing, construction and business.

During this period, it is important to point out the mortgage portfolio's positive trend. We helped more than 42,000 Colombian families obtain their own home. In the low-income housing sector, COP 800 billion was disbursed and 21,500 families were funded. The mortgage portfolio increased 46.1% while the cumulative disbursements of the year rose 51.1%, reaching COP 3.5 trillion. This figure shows the Bank's commitment to promote the construction of equity in Colombian homes.

We helped **42 thousand** Colombian families obtain their own home in 2013.

The construction sector continues to be one of the main engines of our corporate business, reaching a portfolio balance of COP 1.7 trillion at the close of 2013, which represents a growth of 55% compared to the previous year. This growth is due to the Davivienda's assistance in the Government's proposal to boost housing with the Free Home project, which generated disbursements for more than COP 2 trillion and a growth of more than 60% in this segment.

DaviPlata was one of the major actors in 2013. Our financial inclusion product reached 1.9 million clients, 1.1 million new clients during the year, driven largely by the share in the payment of subsidies in the "*Más Familias en Acción*" (More Families in Action) Program since last March. We covered more than 835 municipalities, and as at December 2013, there were already 5,293 DaviPlata points of service where all types of transactions can be carried out. In fact, at the end of the year, nearly 14 million transactions had been carried out throughout 2013 for an amount of approximately COP 2 trillion pesos. That represents a COP 1.6 trillion increase in the amount of transactions, or nearly 500%, from 2012 to 2013 and a 455% increase in the number of transactions.

46.1% increase in the mortgage portfolio and **51.1%** for accumulated disbursements of the year.

Performance of Davivienda Assets (in trillions of COP)

Asset Structure and Analysis

At the end of 2013, Davivienda was still the third largest bank based on assets in Colombia at COP 46.9 trillion, and a growth of 18.3% over the last year. This increase is explained by the COP 5.3 trillion portfolio growth. Furthermore, investments, interbank deposits and cash increased 22.5% by nearly COP 1.9 trillion. The portfolio represents 69.5% of the total assets while investments represent 15.3%.

Loan Portfolio

In December 2013, there was a 19.3% increase in the loan portfolio mainly due to the growth of the mortgage and commercial loan portfolios, which meant an increase of COP 2.4 trillion and COP 2.5 trillion or 46.1% and 17.8%, respectively. This was mainly driven by the residential mortgages, leasing and construction segments, which showed a sustained growth of more than 50%. The consumer loan portfolio grew at a rate of 4.9%, which corresponds to the loans deducted from employee payrolls, closing at COP 3.3 trillion with a growth of 24.2%, while the vehicle segment increased by 2.4% and the credit card segment dropped by 1.7%.

46.9 million

Davivienda, bank with the third most assets in Colombia.

(COP trillion)

Banco Davivienda - Net Portfolio

	2012	Particip.	2013	Particip.	Var. $	Variation
Mortgages*	5.3	19.3%	7.7	23.6%	2.4	46.1%
Commercial Loans**	14.1	51.6%	16.6	50.9%	2.5	17.8%
Consumer Loans	9.3	33.9%	9.7	29.8%	0.5	4.9%
Allowances	-1.4	5.2%	-1.5	4.6%	-0.1	5.9%
Net Portfolio	27.3		32.6		5.3	19.3%

*Includes Residential Leasing
**Includes Micro-loans

The Bank has maintained its coverage for nonperforming loans

>250%

The portfolio quality indicators of delinquency[7] have been declining mainly due to the improvement in standards and adjustments to the policies for granting loans in the consumer segments since mid 2011, dropping from 3.85% in 2012 to 3.1% in 2013, with a decrease of 75 basis points. The delinquency indicator for the commercial loan portfolio increased, reaching 1.2% in December 2013. This is mainly due to the decline in corporate banking, which went from 0.27% to 0.79%, while the mortgage portfolio decreased by 36 basis points, ending the year at 1.22%.

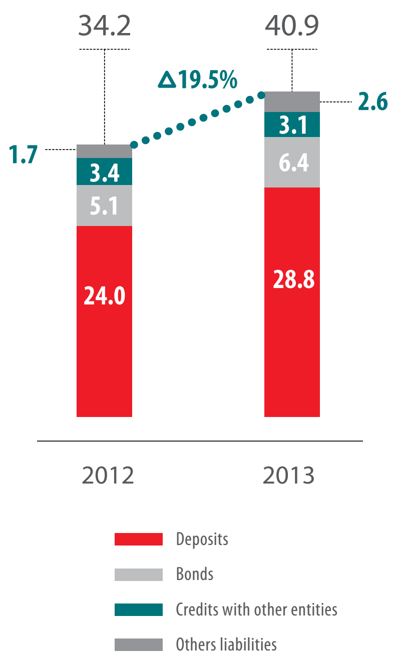
In relation to coverage and as part of its risk management, the Bank has maintained its levels of coverage[8] for the nonperforming loan portfolio above 250% for the last 2 years, ending 2013 with a coverage of 251%.

Banco Davivienda - Portfolio Indicators (%)
Non-performing Loans and Coverage

	2011	2012	2013
Consumer Quality	3.79	3.85	3.10
Commercial Quality	0.71	0.91	1.20
Mortgage Quality	1.84	1.58	1.22
Total Quality	1.84	1.93	1.74
Total Coverage	265.1	254.4	251.1

The Commercial Loan Portfolio includes Micro-loans and Residential Leasing.
Quality: Non-performing loan portfolio quality based on delinquency (Consumer loans > 60 days; Commercial, Micro-loans, Residential Leasing > 90 days; Home loans > 120 days) / Total.
Coverage: Provisions / Non-performing Loans x Delinquency

Banco Davivienda - Performance of Liabilities[9]
(in trillions of COP)



Liability Structure and Analysis

Deposits showed a growth of COP 4.8 trillion, which is 20% of those reported on the same date in 2012; total liabilities grew 19.5%, reaching COP 40.9 trillion. This growth was driven primarily by the increase in time deposits, which increased by COP 3.7 trillion, 32% more than in 2012, while demand deposits increased by 13%, ending the year at COP 19.6 trillion.

7 Delinquent portfolio quality (Consumer loans > 60 days; Commercial, Leasing and Micro-loans > 90 days; Home loans > 120 days).
8 Coverage: Provisions / (Nonperforming loan portfolio based on delinquency).
9 Other Liabilities include Repos and Interbank Deposits.

Savings deposits represent 41.7% of the deposits, payables and bonds, while checking accounts represent 13%, TDs 26.1% and financing activities, such as bonds, represent 18.1%.

(COP billion)

Banco Davivienda - Sources of funding

	Dec 12	Particip.	Dec 13	Particip.	Growth
Saving Accounts	13,468	46.2%	14,677	41.7%	9.0%
Checking Accounts	3,545	12.2%	4,559	13.0%	28.6%
TDs	6,698	23.0%	9,170	26.1%	36.9%
Bonds	5,123	17.6%	6,398	18.2%	24.9%
Others	300	1.0%	386	1.1%	28.8%
Deposits from the public	29,134		35,190		20.8%

The net portfolio to funding sources ratio increased to 85.1%[10],compared to 83.9% in 2012.

Equity Structure

12,6%
Davivienda solvency ratio
(according to the measurement change as of August 2013[12])

The Bank's equity ended December 2013 at COP 6.0 trillion, COP 581 billion more than December 2012. This is explained by the profits generated.

A special Shareholders Meeting was held in June 2013, in which the payment of dividends in shares was decreed through the capitalization of reserves that were freely available to the Meeting. Consequently, the nominal value of bank shares increased from COP 125 to COP 140.

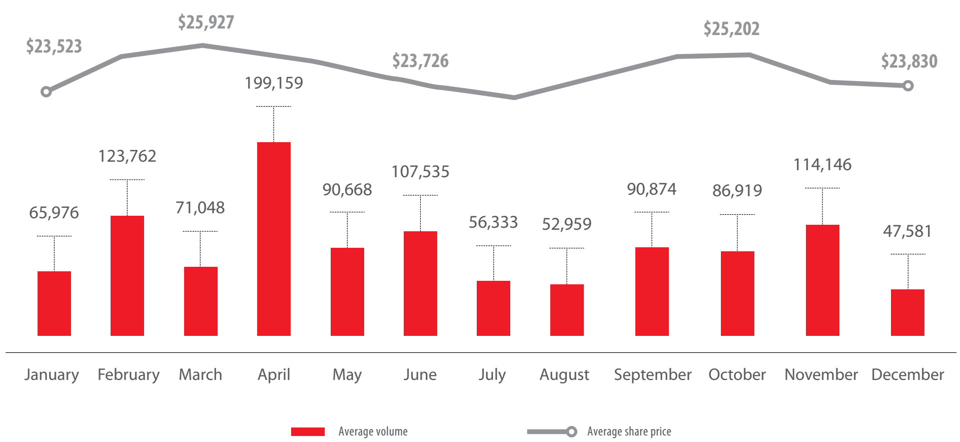
As at December of 2013, technical capital amounted to COP 5.2 trillion, while assets weighted by risk level totaled COP 38.5 trillion. Considering a market risk equal to COP 253 billion, these figures indicate a solvency ratio[11] for the Bank of 12.6% for the total indicator and 7.85% for core capital. This is compared to a regulatory 9% for the total indicator and a minimum level of core capital of 4.5%, according to the change in the measurement[12] that took effect in August 2013, approaching the requirements of international standard of Basel III.

10 Calculated as Net Loan Portfolio / (Deposits and payables + Bonds + Loans with other institutions).
11 Technical Capital / (Assets weighted by Risk Level + (100/9)*Value at Risk)).
12 This is in reference to Decree 1771 / 2012 of the Colombian Financial Superintendence.

Performance of Shares in 2013

Davivienda has 444,214,234 outstanding shares, 22.6% of which are preferred shares on the local securities market. Of these shares, 35.4% are in the hands of foreign investors, 32.4% belong to local pension funds, 19.5% correspond to companies from other sectors and the remaining 12.7% to individuals, at the end of 2013.

This year, the average monthly volume traded of the share was COP 92 billion, ending the year at a price of COP 23,660.



Average volume in millions of COP
Average price of the share in COP
Source: BVC and Deceval

COP 92 billion

Average monthly trading volume of Davivienda shock.

Statement of Income

Cumulative results as at December 2013 amounted to COP 730 billion. This represents a 2.6% increase compared to the cumulative results in December 2012, which reached COP 711 billion.

COP 730 billion

Accumulated Results to December 2013.

(COP billion)

Banco Davivienda - Results as at December 2013

	December 2012	December 2013	Growth	
			Value	Percentage
Portfolio Income	3,442	3,579	137	4.0%
Investment Income	331	267	-64	-19.4%
Int'l & Overnight Funds	41	15	-26	-63.1%
Financial Expenses	1,232	1,219	-13	-1.1%
Allowances	-775	-751	24	-3.2%
Net Financial Margin	**1,807**	**1,891**	**84**	**4.6%**
Operating Income	796	841	45	5.6%
Operating Expenses	1,777	1,877	100	5.7%
Other Net Income and Expenses	101	54	-47	-46.5%
Operating Profit	**927**	**908**	**-19**	**-2.1%**
Other provisions	2	21	19	950.0%
Non-operating, net	-16	29	45	-281.2%
Income before taxes and minority in	**909**	**916**	**7**	**0.8%**
Taxes and others	198	186	-12	-5.7%
Net income	**711**	**730**	**19**	**2.6%**

The net financial margin at the end of the 2013 had a growth of 4.6% compared to the aggregate of 2012, due to the good behavior of the portfolio whose income grew 4.0% while provisions decreased by 3.2%.

Portfolio growth was due primarily to the increase in income from the mortgage portfolio both in the LIH and non-LIH segments, given the increase in portfolio balances.

The income from the consumer loan portfolio reported no growth compared to 2012, partly because the vehicle segment did not grow in 2013. Income from other personal loans decreased by COP 43 billion, 4.6% less than in 2012 and also due to its sensitivity to market rates where the utilization rate dropped 156 basis points, from 31.3% in December 2012 to 29.8% in December 2013.

Income from investments dropped COP 64 billion compared to 2012 due to the crisis in fixed income markets in May and June. This result includes the appreciation of residual rights of COP 135 billion.

Financial expenses decreased despite the increased proportion of term products with comparatively higher rates within the funding sources such as bonds and TDs, mainly due to the decrease in market rates.

The operating margin decreased by 2.1% percent, because, despite the 5.6% increase in operating income of COP 44 billion, the operating expenses increased 5.7% of COP 100 billion. This is mainly due to the rise in technology expenses (23%), along with DaviPlata operating expenses (COP 65 billion,) representing a growth of COP 45 billion, mainly explained by the increase in the number of banking transactions and the new goodwill expenses that increased by COP 15,500 million, equivalent to 28%. Accumulated net profits ended December 2013 at COP 730 billion, which represents a growth of 2.6%.

Performance of Subsidiaries Abroad

The following is a summary of the management of our subsidiaries abroad during 2013. At the end of 2013, Davivienda had 805 thousand clients outside Colombia, serviced by 4,113 employees through a network of 140 branches and 414 ATMs in 51 different cities.

Davivienda El Salvador

Davivienda owns 96.12% of Inversiones Financieras Davivienda in El Salvador. This holding company of the financial conglomerate in turn owns 98.24% of Davivienda El Salvador and 100% of the insurance company. At the end of 2013, the Salvadorian Davivienda bank was in second place in the system in El Salvador based on assets with a 14% share, after being in fourth place in 2012. The bank has assets of USD 2,058 million and a portfolio of USD 1,404 million comprised of 31% consumer loans, 18% mortgages and 51% commercial loans. The portfolios that grew the most were the commercial loan portfolio with around USD 81 million, 12% growth, and the consumer loan portfolio with 15% growth, equivalent to USD 58 million.

805 thousand

Davivienda customers outside Colombia.

Banco Davivienda Salvadoreño:

second place in the system based on assets.

The profits of Inversiones Financieras Davivienda during the year were USD 27 million, showing a growth of 57% compared to the preceding year. This growth is explained by the higher portfolio income compared to 2012, which increased by 12%, and the 9% decrease in operating expenses. These results were achieved because portfolio growth was greater than market growth (13% vs. 10% of the system average).

Assets showed a variation of USD 187 million, which is reflected in the loan portfolio that increased USD 174 million. Cash grew by USD 34 million, and investments decreased by USD 25 million.

(in millions of USD)

Main Figures of Inversiones Financieras Davivienda El Salvador*

	2012	2013	Var. value	Variation
Assets	1,871	2,058	186.5	10.0%
Loans	1,230	1,404	174.1	14.2%
Liabilities	1,611	1,772	160.8	10.0%
Equity	261	286	25.7	9.9%
Net Income	17	27	9.8	56.6%

*Note: Figures based on local accounting

Equity had a USD 26 million increase, mainly due to the profits of the annual period.

Banco Davivienda Costa Rica:

assets increased 12.8% in 2013.

Davivienda Costa Rica

Davivienda owns 99.96% of Corporación Davivienda through Grupo del Istmo holding. Said Corporation in turn owns 100% of Davivienda Costa Rica, 100% of Puesto de Bolsa and 100% of the Insurance Agency.

Davivienda Costa Rica ranks fifth in the country's financial system with a 4.9% share and USD 1,483 million in assets. The total portfolio balance at the end of 2013 was USD 864 million, out of which 52% is commercial, 15% of consumer and 32% of mortgages. The fastest growing portfolio in 2013 was commercial, ending at USD 463 million, with a growth of 22%. The profits of Corporación Davivienda in 2013 were USD 14 million.

(in millions of USD)

Main Figures Corporación Davivienda Costa Rica*				
	2012	2013	Var. value	Variation
Assets	1,315	1,483	168.8	12.8%
Loans	769	864	95.3	12.4%
Liabilities	1,141	1,300	158.9	13.9%
Equity	173	185	11.4	6.6%
Net Income	(39)	14	53.2	136.9%

* Note: Figures based on local accounting
Exchange Rate as at December 2013: USD 1 / 501.41 Colones
Profits for 2012 include total depreciation of the goodwill held for USD 50 million

Davivienda Panamá

At the end of December 2013, the Davivienda Panama bank reached USD 1,193 million in total assets, which represents a growth of USD 286, equivalent to a variation of 32% compared to the previous year. In turn, the equity ended with USD 121 million, with a 7% increase compared to the same period of the previous year. Liabilities ended at USD 1,072 million, with a variation of 35% compared to December 2012. This allowed the bank to generate a yearly profit of USD 15 million.

The portfolio of Davivienda Panama is mainly commercial (approximately 95%), and closed at USD 707 million. a 9% variation from the USD 648 million recorded at the end of 2012.

This growth is due to the bank's commercial strategy, which is focused on providing loans to companies in Panama as well as in countries where Davivienda operates, including Colombia and Central America.

Due to the high volatility of global money markets, reflected in the increase in interest rates in dollars, the bank had a decrease in the result of its investments over the year. This was reflected in its lower profits as well as in the devaluation of its equity.

Davivienda Panamá:

31.5% growth of assets over the year.

(in millions of USD)

Main Figures Davivienda Panama*

	2012	2013	Var. value	Variation
Assets	907	1,193	286.0	31.5%
Loans	648	707	59.1	9,1%
Liabilities	794	1,072	277.7	34.9%
Equity	113	121	8,4	7.4%
Net Income	17	15	-1.8	-10.5%

* Note: Figures based on local accounting

Banco Davivienda Honduras:

portfolio grew 15.3% over the year.

Davivienda Honduras

Davivienda owns 94.22% of Davivienda Honduras and 88.64% of the Insurance Company. At the end of 2013, the Bank's assets amounted to USD 913 million, and the portfolio reached USD 645 million. Of this portfolio, 48% is commercial, 21% is consumer and 31% is mortgage. Portfolio growth in 2013 was mainly due to the USD 57 million growth of the commercial portfolio, which represents a variation of 22%. The growth in the consumer loan portfolio was 17% and 2% in the mortgage portfolio. Davivienda Honduras ranks sixth in the country with a 6.4% share.

Profits amounted to USD 5 million, decreasing USD 1.7 million compared to the same period the previous year, mainly due to a reduction in profits from the sale of immovable property received as payment.

The insurance company sold USD 31 million in premiums and obtained a profit of USD 3.7 million.

(in millions of USD)

Main Figures Davivienda Honduras*

	2012	2013	Var. value	Variation
Assets	827	913	86.6	10.5%
Loans	560	645	85.4	15.3%
Liabilities	728	813	84.8	11.6%
Equity	99	101	1.9	1.9%
Net Income	7	5	-1.7	-25.8%

* Note: Figures based on local accounting
Exchange Rate as at December 2013: USD 1 / 20.6 lempiras

These are the consolidated results of Davivienda subsidiaries abroad as at December 2013, reaching a return on equity of 9.3%.

(in millions of USD)

Subsidiaries Abroad - Main Figures

Company	Share	Costa Rica	El Salvador	Honduras	Panamá	Total
Costa Rica - Corporation	99.9%	15,224				15,224
Costa Rica - Banking	100%	14,127				14,127
El Salvador - Financial Investments	96%		27,288			27,288
Honduras - Banking	94%			4,922		4,922
Honduras - Insurance	89%			3,719		3,719
Panama	99.9%				15,211	15,211
Total profits by country		**43,177**	**56,607**	**8,641**	**15,211**	**123,636**
Costa Rica - Grupo de Istmo		-12,898				-12,898
Costa Rica - Corporation		-15,069				-15,069
El Salvador - Financial Investments			-28,138			-28,138
El Salvador - Banking			-854			-854
Total Equity Method		**-27,967**	**-28,993**	**0**	**0**	**-56,960**
Minority interest		-7	-433	-707	0	-1,147
Sub-consolidated Total		**15,204**	**27,182**	**7,934**	**15,211**	**65,530**
Deletions by company		**-1,293**	**-809**	**-137**	**2,068**	**-171**
Other unifications		**-3,186**	**6,744**	**-5,816**	**7,132**	**4,873**
Total Unified Central America		**10,726**	**33,116**	**1,980**	**24,410**	**70,232**

Exchange Rate as of December 2013: 1USD/ COP 1,926.83

USD 65.5 million

Profit of subsidiaries abroad

Performance of Subsidiaries in Colombia

Corredores Asociados:
new Davivienda subsidiary as of September 2013.

The management of Davivienda's subsidiaries in Colombia was strengthened by the acquisition of Corredores Asociados in September. This is a company with extensive experience on the Colombian market, which allows us to offer new products besides the ones already offered with Davivalores Comisionista de Bolsa and Fiduciaria Davivienda. Along these lines, Corredores Asociados complements the strategy in the line of business of third party portfolio management.

(COP trillion)

Subsidiaries in Colombia - Managed Assets

	2012	2013	Value	Variation
Fiduciaria Davivienda	13,114	15,742	2,627	20,0%
Corredores Asociados	N/A	8,280	N/A	N/A
Davivalores	2,092	1,511	(581)	-27,8%
Total	15,207	25,533	10,326	67,9%

Fiduciaria Davivienda

The end of 2013 marked the first year anniversary of the merger between Fiduciaria Davivienda and Fiduciaria Cafetera; therefore, the figures incorporate the effect of the consolidation in the administration of the lines of business and show the strengthening of the products and the expansion of the operations of the trust company.

20%
Growth of assets managed by the Trust.

The value of the assets managed by Fiduciaria Davivienda amounts to COP 15.7 trillion, exceeding the value at the end of 2012 by 20%. The trusts managed in consortium amount to COP 7.0 trillion, with a 34% increase and a share of 45%. The administration of trusts, whose value amounted to COP 2.9 trillion, had an 18% share thanks to a 17% increase in amount compared to the previous year. Real estate trusts came in third place at COP 1.7 trillion, which is a 14% increase compared to last year and a share of 11%.

Collective portfolios amounted to COP 1.9 trillion, a 3% increase compared to the previous year, and a total share of 12%. In this last line, Fondo Superior stood out, contributing 56% of the value, followed by Cartera Colectiva Abierta Consolidar, which contributed 16%.

Even though the Trust Assets showed important growth in the period, the income generated by Fiduciaria Davivienda was impacted by the market situation that affected the securities of the State and consequently, the portfolios of the most import third parties, along with its own. In addition, the modification of commissions of the FONPET Consortium (4% in 2012 - 0.9% in 2013) was an important factor in the Structured Trust outcome. The following are the main results at the level of income:

The income from trust commissions totaled COP 72 billion, which is 8% less than the previous year. Fondo Voluntario de Pensiones Dafuturo, generated commissions of COP 26.7 billion and had a growth of 12.1%. Cartera Colectiva Abierta Superior generated income of COP 16.5 billion, 22% higher than the previous year. The management business came in third place, contributing COP 6.3 billion, with a growth of 5%. Other lines that had a share in this revenue were the consolidated real estate business, business managed in consortium, which had earnings of COP 3.9 billion, the Structured Trust through guaranty trusts and pensions with revenues of COP 2.1 billion.

Commissions from the Collective Portfolios Rentacafé, Consolidar, Rentalíquida, Daviplus and the new equity funds Daviplus Acciones Colombia and Daviplus Acciones Ecopetrol, went from COP 12.6 billion to COP 13.4 billion, a 6% increase.

After deducting expenses for COP 47.3 billion and income tax and complementary taxes for 33% of the profit, and adding other revenues for COP 6.4 billion, the profit of Fiduciaria Davivienda amounted to COP 21.1 billion, 21% less than the result of 2012. The drop in the returns of its own portfolio (COP 5.7 billion) played an important role in this outcome, resulting in a decrease in final profit.

(COP billion)

	2012	2013	Variation	
			$	%
Assets	118.9	138.6	19.7	16.5%
Liabilities	15.7	14.9	-0.8	-5.3%
Equity	103,2	123.7	20.5	19.8%
Managed Assets	13,114.5	15,709.9	2,595.4	19.8%
Income	64.4	79.1	14.7	22.8%
Expenses	37.6	58.0	20.4	54.3%
Net income	26.8	21.1	-5.7	-21.3%

DAVIVALORES

COP 1.5 trillion

of assets managed.

Davivalores

At the close of 2013, the operating revenue of Davivalores showed a decrease of 19% compared to 2012; 54% of this revenue was a product of commission contracts on fixed-income securities and equities, with a contribution of COP 3,554 million pesos. Securities management generated COP 2,698 million pesos, collective portfolio management generated COP 234 million and the placement of initial issuances, COP 139 million pesos.

Managed assets stand at COP 1.5 trillion; shares make up COP 1.4 trillion thereof.

The COP 1,456 million in profit represent a 66% decrease compared to 2012, mainly due to the development of the Premium Banking strategy, which has enabled our sales force to offer Davivienda products and those of its subsidiaries as a whole, thus achieving significant contributions in the Collective Portfolios of the Trust Company.

Thus, 2013 was a year of significant progress in the consolidation of the long-term Premium Banking strategy and in the specialized training of the Davivalores sales force.

Davivalores came in 8th place in the Colombian securities market among the brokerage firms that belong to a financial group according to the level of retained earnings.

(COP billion)

	2012	2013	Value	Variation
Assets	18	19	1.1	6.2%
Liabilities	1	1	0.1	7.8%
Equity	17	18	1.0	6.0%
Net income	4	1.5	-2.8	-66.1%
Managed Assets	2,072	1,501	-571.0	-27.6%

Corredores Asociados

CORREDORES ASOCIADOS
Comisionista de Bolsa

Corredores Asociados S.A. ended the year with a net operating income of COP 76,579 million, of which it is important to mention:

- **Commission Contract:** The income for this concept amounted to nearly COP 15,807 million, basically from commissions derived from the purchase and sale of shares.
- **Fund Management:** As at the end of 2013, income from management fees amounted to more than COP 17,000 million, and the total value of managed funds was nearly COP 1.7 trillion. In this regard, it is important to point out the outstanding performance of the Interest and Multi-share Funds, with values that increased by 18% and 29% respectively compared to December 2012.
- **Income related to the management of own position:** The income from profits from the sale of investments, which for last year exceeded COP 22.6 billion, were mainly derived from income for transactions of fixed-income instruments that are carried out with the firm's clients.
- **Income from Consulting:** This income, originating from Investment Banking, amounted to more than COP 2,800 million in 2013.

With respect to the performance of subsidiary Corredores Asociados S.A. in Panama, it is important to point out the considerable increase in profits, which went from USD 179,000 in 2012 to USD 276,000 in 2013.

COP 8.3 trillion

Assets managed by Corredores Asociados.

(COP billion)

	2012	2013	Value	Variation
Assets	145	142	-3.2	-2.2%
Liabilities	87	97	9.4	10.8%
Equity	58	45	-12.6	-21.7%
Net income	7	2	-5.3	-73.6%
Managed Assets	9,328	8,280	-1,047.4	-11.2%

In terms of results, the firm reported a net profit of approximately COP 1,894 million, standing lower than expected levels as a result of the marked decrease in equity and fixed market activity in 2013, as well as the modest volume of initial issuances in shares and debt instruments in the year so far.

Risk Analysis

Risk administration and management at Davivienda follows the guidelines of Grupo Bolivar and is carried out based on a strategy of synergy between the companies that optimizes technological and academic resources to develop tools to measure, analyze and control risks taken. Note 30 of the Financial Statements includes the detailed indicators for each of them.

COP 1.49 trillion

Provisions for the Davivienda loan portfolio at the close of 2013.

Credit Risk Management System (SARC in Spanish)

The Bank has continued the process of strengthening the credit risk management model aimed at controlling and managing all the stages of the cycle: origination, monitoring, collection and administration of securities. Throughout 2013, consumer loan policies were relaxed in different ways (free investment and rotary mainly), while maintaining the desired level of risk for the products. New optimizations are expected in the lending policies in 2014 to promote the healthy growth of the portfolio, in line with the Bank's strategic objectives.

The provisions of Davivienda's loan portfolio amounted to COP 1.49 trillion at the end in December 2013, which represents a 5.9% increase with respect to the provision of December 2013. The coverage of the nonperforming portfolio rated at C, D and E is 142%, and corresponds to 168% coverage in commercial banking and 129% coverage in retail banking.

Market Risk (SARM in Spanish)

The Bank's Accounting Department carries out its duties in accordance with the definitions, guidelines and strategies defined by the Board of Directors, the Asset and Liability Management Committee, and the Investment and Financial Risk Committee. The control and monitoring of value creation of the various lines of business and/or portfolios is carried out by Grupo Bolivar's Investment Risk VP in coordination with the Bank's Financial Risk and Control VP, along with the identification, measurement, control and monitoring of market risk. As at December 31, 2013 the regulatory value at risk (VaR), calculated according to the methodology of the Colombian Financial Superintendence, was COP 252.7 billion. The summary of the internal model used to calculate the value at risk is in Note 32 of the Financial Statements, along with the main results of the standard methodology.

Liquidity Risk (SARL in Spanish)

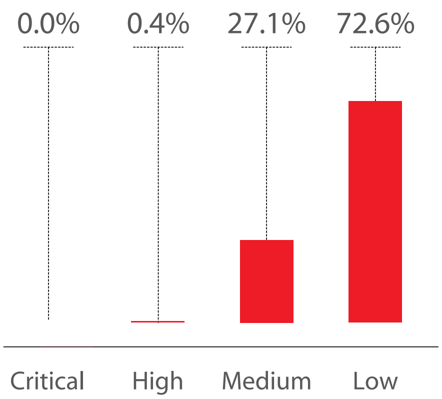
The management of liquidity risk is carried out in accordance with the definitions, guidelines and strategies defined by the Board of Directors and the Asset and Liability Management Committee, and as per the guidelines established by the Colombian Financial Superintendence, which establish the rules relating to the Liquidity Risk Management System and define the indicator thereof (LRI). Said indicator was positive as at December 31, 2013 at COP 6.03 trillion on the first range and COP 2.88 trillion on the third range, reflecting prudent management by the Bank. The guidelines of the Liquidity Risk Management System (SARL) are explained in Note 33 of the Financial Statements.

Operating Risk Management System (SARO in Spanish)

The Bank has continued to develop different models and systems to ensure the effective and timely management of the various risks that may affect its normal development and have an impact on its business processes. In addition, it controls and defines action plans so that the events that occur will not cause economic, legal or reputation effects that can soil the entity's good name, aiming to ensure the quality and reliability of the transaction management of our clients and users.

The Bank's operating risk profile as at December 2013 reflects appropriate risk control. In this regard, the risks identified are controlled appropriately in accordance with the guidelines and tolerance levels established by the Board of Directors and the legal requirements set forth in External Circular 041 / 2007 of the Colombian Financial Superintendence.

SARO residual risk profiles



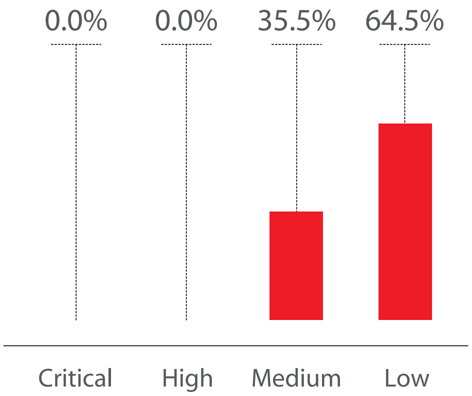
SARO residual risk profiles		
Level	**# Risks**	**Share**
Critical	0	0,0%
High	6	0,4%
Medium	409	27,1%
Low	1.097	72,6%
Total	1.512	100,0%

Internal Control System (ICS)

As part of the process to verify the performance quality of internal control, the supervisors or leaders of each process monitor the risks and controls under their responsibility on a continuous basis, to identify weaknesses early on and establish the necessary actions for improvements consistent with changes in the environment. This proves the strengthening of the internal control system.

At the same time, it continues to strengthen the culture of control, through the continuous development of action plans to ensure a proper, effective control environment, risk management, information management, communication channels, monitoring systems, and support for accounting and technology management, through principles of self-control, self-regulation and self-management, all in accordance with the provisions of External Circular 038 / 2009 of the Colombian Financial Superintendence.

SAC residual risk profiles



SAC residual risk profiles		
Level	**# Risks**	**Share**
Critical	0	0,0%
High	0	0,0%
Medium	264	35,5%
Low	479	64,5%
Total	**743**	**100,0%**

Financial Consumer Service System (SAC in Spanish)

The Bank and its subsidiaries have continued integrating different strategies aimed at strengthening the culture of service, respect and assistance for financial consumers, as well as the procedures to handle their complaints, requests and claims.

For the appropriate management of risks, action plans are evaluated and carried out based on past events, along with monitoring systems for the continuous improvement of processes, in accordance with the provisions of Law 1328 / 2009 and External Circular 015 / 2010 of the Colombian Financial Superintendence.

As shown in the risk profile, they are adequately controlled.

Money Laundering and Terrorism Financing Risk Management System (SARLAFT in Spanish)

Banco Davivienda S.A. has adopted and implemented a Compliance Program to prevent Money Laundering and the Financing of Terrorism (AML-CFT) based on the premise of risk management that includes knowledge of customers and their operations with the entity; the definition of market segments, clients, products, distribution channels and jurisdictions; monitoring of transactions and reporting of operations to the competent authorities to prevent the Bank from being used to make assets derived from illegal activities and/or financing terrorist activities appear legal, in accordance with External Circular 026 / June 2008 of the Colombian Financial Superintendence and the updates thereof.

The AML-CFT Compliance Program is supported by an organizational culture, policies, controls and procedures that are known and applied by the entire Organization and include the entire Colombian regulatory framework, as well as recommendations and international best practices in this area, especially those of the Financial Action Task Force "FATF".

The procedures and rules of conduct on the application of all the control mechanisms and instruments are included in the Compliance Manual and the Code of Conduct and Ethics which are known and consulted by all Bank employees.

The Bank conducts training programs for its employees on a regular basis in order to build their awareness and commitment.

At the same time, the AML-CFT Compliance Program has been included in the periodic assessment processes conducted by the External Auditor and the Internal Auditor.

In compliance with the established rules, the Board of Directors appointed a Compliance Officer and the alternate thereof, who have been duly appointed before the Colombian Financial Superintendence.

Information Security

To ensure the constant fulfillment of External Circular 052 /2007 issued by the Colombian Financial Superintendence, the Bank has included the verification of compliance with the regulatory requirements of this standard in the planning stage of the Project Development Methodology. This validation ensures that these requirements are taken into account in all new projects or adjustments made at any point in the Organization.

In recent times, types of internet fraud have led all the organizations at the global level to model new processes and implement additional security tools to mitigate risk. The Bank has been no stranger to this situation; consequently it has strengthened its internal processes for monitoring security on internet channels and provided clients with new tools to prevent them from becoming fraud victims.

The security services offered by third parties have been expanded including the monitoring of the behavior of criminal networks and their tools on the Internet, making it possible to take appropriate action in the event of situations that could compromise the information of clients and their products.

The Bank has developed a series of projects aimed at ensuring the ATM Channel to mitigate new threats that, although they do not affect this channel of the Bank, are being analyzed in order to assess their potential impact and take preventive measures to avoid the materialization of new risks.

Administrative Aspects Retail Banking

11,497 Bank employees
as of December 2013

(excluding subsidiaries)

Legal Situation

The Bank currently has no proceedings against it that may pose a risk to its situation of solvency or stability. The most important proceedings are listed in Note 21 of the Financial Statements.

Administrative Situation

As at December 2013, the Bank had 10,795 permanent employees, 87 fixed-term employees, 457 apprentices and 158 temporary employees for a total of 11,497.

Intellectual Property and Copyrights

Davivienda has established internal awareness programs for employees to enforce compliance with the laws of Intellectual Property and Copyright through self-regulation. In addition, these programs are reinforced by regular visits by Auditors to different departments of the Bank, in order to evaluate this aspect, among others.

Operations with Partners and Managers

The transactions performed by Davivienda with its partners and managers are in line with the entity's general policies. These transactions are listed in Note 32 of the Financial Statements.

Loans and deposits with related parties (shareholders, board members, legal representatives and others) amount to COP 235,660 million and COP 401,040 million, respectively.

A total of COP 469 million have been paid for attending Board of Directors meetings as member and consultant fees.

Relationship Strength within the Business Group

Traditionally, Davivienda has maintained business relationships with companies from the same group, seeking greater joint efficiency based on the expertise of each company in the activities in which it has competitive advantages.

Below is a summary of the major transactions with related parties as at December 31, 2013. The details of which are listed in Note 32 of the Financial Statements:

(COP million)	
Assets	417,392
Liabilities	432,713
Income	270,144
Expenses	124,634

There were no significant transactions completed during the year ended on December 31, 2013, between Davivienda and other entities, by influence or in the interests of Sociedades Bolivar S.A., or Sociedades Bolivar S.A. and other entities in the interest of Davivienda.

There were no important decisions made by or overlooked by Davivienda due to influence or in the interest of Sociedades Bolivar S.A., or decisions made or overlooked by Sociedades Bolivar S.A. in the interest of the Bank.

Expenditures of Company Executives

Outlays to executives amounted to COP 9,799 million.

Expenditures of advisors or related managers

Board of Director Fees	COP 288 million.

Donations

Donations of COP 7,104 million were made during 2013.

Advertising and Public Relations Expenses

Advertising expenses amounted to COP 80,925 million, and public relations expenses reached COP 2,144 million.

Assets Abroad

Cash and other company assets abroad amounted to COP 515,949 million, and borrowings in foreign currency added up to COP 4,666,023 million.

Domestic and/or Foreign Investments

The details of investments in equity securities are set out in Note 6.9 of the Financial Statements. They amounted to COP 1,354,377 million as follows:

(COP million)

Domestic Investments:	COP 279,594
International Investments	COP $1.074.783

Implementation of International Standards

In accordance with the provisions of Decree 2784 / 2012, Davivienda belongs to Group 1 of consolidators of financial information, and as at February 28, 2013 it submitted to the Colombian Financial Superintendence the Plan for the Implementation of the International Financial Reporting Standards (IFRS).

According to the plan, as of January 1, 2014, the Bank started the transition period; the issue of the first financial statements based on the International Financial Reporting Standards will be in 2015.

In compliance with the provisions of Circular Letter 112 / 2013, on January 30, 2014, the Bank submitted to the Colombian Financial Superintendency a summary of the main preliminary policies provided for the preparation of the opening statement of financial position as at January 1, 2014, noting the exceptions and exemptions in the application to the technical regulatory framework and a preliminary calculation with the main qualitative and quantitative impacts that have been established.

The Circular stipulates that the opening statement of financial position is to be submitted to the Colombian Financial Superintendence no later than June 30, 2014, taking into account that it will serve as a starting point for accounting based on international accounting standards.

COP 7.1 billion

in donations in 2013.

Significant Developments Following the End of the Accounting Period

There were no significant developments following the end of the accounting period.

Forecast Development of Davivienda

Davivienda will carry on with its process for the integration of the operations of El Salvador, Honduras and Costa Rica, by bringing fundamental elements of the culture to these new subsidiaries. Locally, it will continue to focus on strengthening its retail banking strategies, and expects continued growth in mortgages, partly due to the increase in the amounts of the PIPE program, and companies, now including the products of Corredores Asociados. In addition, it will continue to develop its DaviPlata platform for more Colombians to enter the financial system through this service.

Certification and Reliability of Financial Information

We certify to shareholders that:

The individual financial statements and other relevant reports, for the period from January 1 to December 31, 2013, do not contain errors, inaccuracies or flaws that would prevent them from knowing the true financial situation or the operations of the Bank.

The Bank has appropriate systems for the disclosure and control of financial information, with procedures to ensure that it is presented in an appropriate manner.

Likewise, we inform shareholders that there are no significant deficiencies in the design and operation of the internal controls that would have prevented the Bank from recording, processing, summarizing or adequately presenting its financial information as stated in the report of the Internal Control System.

We appreciate the commitment of all employees and the support of our shareholders, with whom we have achieved the results disclosed.

Carlos Arango Uribe
Chairman Board of Directors

Efraín E. Forero Fonseca
President