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AUDFINBOG-CER2013-1308

March 11, 2013

Mr. Efraín Forero Fonseca
President
Banco Davivienda S.A.
Avenida Eldorado No. 68C-31 Piso 10
Bogotá D.C.

Subject: Review of the translation of Consolidated Financial Statement from Colombian pesos to Dollars of the United States of America

On request of Banco Davivienda S.A., I have reviewed the methodology applied by the Bank to translate the financial statements from Colombian pesos to Dollars of the United States of America.

The consolidated financial statements of Banco Davivienda S.A. at December 31 and June 30, 2012, were prepared in Colombian pesos in conformity with consolidation norms and presentation of the Financial Superintendence of Colombia.

I have audited in accordance to Colombian Generally Accepted Auditing Standards, the balance sheet of Banco Davivienda S.A., at December 31, 2012, and the related statements of income, changes in the shareholders' equity and cash flows for the semester then ended and I have issued my report thereon dated February 6, 2013.

The Bank applied the following methodology to translate the financial statements mentioned in previous paragraph from Colombian pesos to dollars of the United States of America:

The balance sheet and the statement of income accounts were translated to the closing exchanged rate of the corresponding period.

The initial and final balances of the following consolidated financial statements accounts were translated to the closing exchanged rate of each period.

- Changes in the Shareholders' equity
- Cash flow statements
- Allowance (loan, accounts receivable, properties and equipment, foreclosed assets, and other assets)
- Prepaid expenses and deferred charges
- Prepaid income and other liabilities

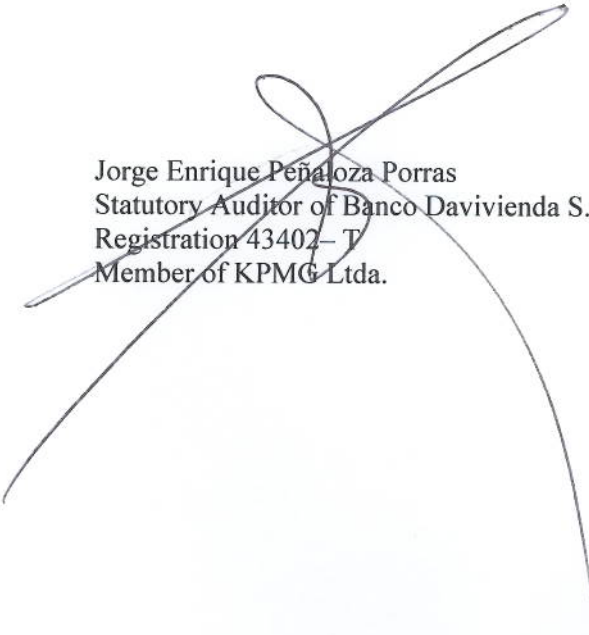


Banco Davivienda S.A.
Review of the Translation of the Consolidated Financial Statements
March 11, 2013

The resulting figures of the translation were reflected in thousands of dollars.

For the translation the closing exchange rates were used, according to the External Circular No. 006 of January, 2004 of the Colombian Superintendence of Finance corresponding to the representative rate of market, it was calculated the last working day and certified by the entity.

In connection with my review, nothing came to my attention that caused me to believe that the Bank failed to apply the methodology defined for the translation.



Jorge Enrique Peñaloza Porras
Statutory Auditor of Banco Davivienda S.A.
Registration 43402- T
Member of KPMG Ltda.



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AUDFINBOG-IES2013-207

**FREE ENGLISH LANGUAGE TRANSLATION
STATUTORY AUDITOR'S REPORT**

To the Shareholders
Banco Davivienda S.A.:

I have audited the consolidated financial statements of Banco Davivienda S.A. and its subsidiaries indicated in Note 1 of the consolidated financial statements, which comprise the consolidated balances sheets at December 31 and June 30, 2012 and the consolidated statements of earnings, changes in equity and cash flows for the half-years ended on those dates and their related notes, which include a summary of significant accounting policies and other explanatory information

The administration is responsible for the preparation and correct presentation for these financial statements according to the generally accepted accounting principles in Colombia and instructions from the Colombian Superintendence of Finance. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation, fair presentation and disclosure of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

My responsibility is to express an opinion on these financial statements based on my audits. I obtained the necessary information and carried out my examination in accordance with auditing standards generally accepted in Colombia. Such standards require that comply with the ethical requirements, plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements. In making this risk assessment, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances. An audit also includes assessing the accounting policies used, the reasonableness amount and estimates made by management, as well as evaluating the overall financial statements presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, based on my audits and the certified financial statements, the mentioned consolidated financial statements, attached to this report, reasonably represent in all the aspects of material importance, the consolidated financial situation of Banco Davivienda S. A. and its subordinates as of December 31 and June 30, 2012, the consolidated results of their operations and their consolidated cash flow by semesters ending on such dates, according to generally



accepted accounting principles in Colombia and instructions from the Colombian Superintendence of Finance, applied on a consistent basis.

My examination was carried out purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in the attachment "Hoja de Trabajo Estados Financieros Consolidados" is presented for additional purposes of analysis and is not required as part of the basic financial statements. Such information has been subject to the procedures applied in the audit of the financial statements and in my opinion is fairly stated in all material respect related to the consolidated financial statements taken as a whole.

Original signed by
Jorge Enrique Peñaloza Porras
Statutory Auditor of Banco Davivienda S.A.
Registration No. 43402 - T
Member of KPMG Ltda.

February 6, 2013

The accompanying financial statements are not intended to present the financial position, the results of operations, and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Colombia. The standards and procedures to audit such financial statements are those generally accepted and applied in Colombia.

BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balance Sheet
As of December 31 and June 30, 2012
(Amounts in thousands of U.S. dollars)

	December 31	June 30
ASSETS		
Cash and due from banks (note 3)	USD 2,321,369.1	1,400,789.5
Interbank and overnight funds (note 4)	79,441.9	429,290.6
Investment securities (note 5)	3,469,309.3	2,834,717.9
Debt securities	2,126,087.4	1,494,965.9
Equity securities	27,898.1	1,048.6
Held to maturity securities	545,595.0	264,328.8
Available for sale debt securities	500,529.7	379,824.7
Available for sale equity securities	75,288.8	65,915.7
Transfer rights, available for sale in debt securities	0.0	512,002.5
Debt securities delivered in guaranty	203,202.2	133,842.1
Allowance for impairment	(9,292.1)	(17,210.4)
Loans and financial leases (note 6)	18,556,109.1	14,808,037.4
Mortgage loans	2,317,761.8	1,448,479.7
Consumer loans	5,925,487.2	4,958,264.7
Microcredit loans	50,165.8	50,672.1
Commercial loans	11,109,398.9	9,080,445.1
Financial Leases	74,407.0	14,310.5
Allowance for loans and financial leases losses	(921,111.7)	(744,134.8)
Bankers' acceptances and derivatives (note 7)	71,630.6	38,683.3
Accrued interest receivable on loans and financial leases, net (note 8)	279,757.4	244,900.5
Accrued interest receivable on loans and financial leases	175,801.3	155,396.7
Commission and fees	3,818.7	2,111.1
Canons of goods given on leasing	100.7	118.5
Payment on behalf of clients	28,833.6	27,743.8
Other receivables	116,159.3	111,380.3
Allowance	(44,956.2)	(51,849.8)
Foreclosed assets, net (note 9)	50,411.2	23,757.1
Premises and equipment under operating leases, net (note 10)	1,974.5	2,774.4
Premises and equipment, net (note 11)	280,814.5	221,566.5
Others assets, net (note 12)	1,214,780.9	879,254.0
Prepaid expenses and deferred charges and goodwill	787,605.6	767,169.1
Excess on cost of investment on book value	301,784.3	0.0
Employee loan portfolio	103,414.7	66,567.1
Others	25,988.9	49,381.4
Allowance	(4,012.7)	(3,863.6)
Reappraisal of assets	323,595.3	295,288.1
Investments (note 5.10)	23,195.3	19,773.9
Reappraisal of property, plant and equipment (note 11)	298,356.3	273,489.2
Other assets	2,043.7	2,025.0
TOTAL ASSETS	USD 26,649,193.7	21,179,059.4
Creditor Contingent Accounts (nota 24)	17,516,956.3	8,675,567.5
Debtor Contingent Accounts (nota 24)	1,827,996.7	2,462,452.8
Debtor Memorandum Accounts (nota 25)	34,263,026.3	30,674,543.7
Creditor Memorandum Accounts (nota 25)	62,024,491.4	47,147,622.5
Total Contingent and Memorandum Accounts	USD 115,632,470.7	88,960,186.6
Memorandum accounts (nota 26)		
Assets	USD 14,032,821.2	4,420,364.9
Market Representative Exchange rate (in colombian pesos)	\$ 1,768.23	\$ 1,784.60

BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balance Sheet (cont.)
As of December 31 and June 30, 2012
(Amounts in thousands of U.S. dollars)

		December 31	June 30
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits (note 13)	USD	16,988,795.6	12,861,656.4
Checking accounts		2,741,196.2	1,892,209.9
Time deposits		5,381,872.0	4,125,167.4
Savings deposits		8,663,908.4	6,728,103.4
Savings Certificates real value		0.0	20,755.5
Other deposits		201,818.9	95,420.2
Interbank and overnight borrowing (note 14)		28,882.8	724,066.0
Bankers' acceptances and derivative instruments (note 15)		111,601.4	50,295.1
Borrowings from financial institutions (note 16)		2,378,420.2	1,616,371.9
Others entities in the country		1,253,197.4	933,084.2
Foreign banks		1,125,222.8	683,287.7
Accounts Payable (note 17)		641,762.0	524,289.5
Accrued interest payable		127,560.1	93,076.4
Commission and fees		1,550.8	1,883.1
Collection performed		35,553.3	79,164.2
Suppliers		162,454.7	52,588.0
Others		314,643.1	297,577.8
Long-term debt (note 18)		3,035,451.1	2,188,003.2
Others liabilities (note 19)		292,227.1	190,731.6
Accrued benefit obligation to employees		26,899.8	18,054.5
Unearned income		9,566.8	3,906.6
Others		255,760.6	168,770.4
Accrued expenses (note 20)		102,492.9	150,467.6
Labor liabilities		3,510.9	2,161.7
Taxes		13,292.8	64,498.5
Others		85,689.2	83,807.4
Non-controlling interest (note 21)		54,736.3	17,917.7
TOTAL LIABILITIES	USD	23,634,369.5	18,323,799.0
Market Representative Exchange rate (in colombian pesos)		\$ 1,768.23	\$ 1,784.60

BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balance Sheet (cont.)
As of December 31 and June 30, 2012
(Amounts in thousands of U.S. dollars)

		<u>December 31</u>	<u>June 30</u>
SHAREHOLDERS' EQUITY			
Capital stock (note 22)	USD	31,402.5	31,090.0
Appropriated retained earnings (note 23)		2,466,675.9	2,273,172.9
Legal Reserve		1,346,641.2	1,284,244.0
Statutory and voluntary reserves		1,120,034.7	988,928.8
Equity Surplus		334,730.8	307,521.0
Unrealized net gains on investments available for sale		26,322.0	14,339.0
Reappraisal of assets		308,408.9	293,182.1
Stockholders' equity revaluation		0.0	0.0
Income (loss) previous years		0.0	33,893.6
Net income		182,014.9	209,582.9
TOTAL SHAREHOLDERS' EQUITY		3,014,824.1	2,855,260.4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			
	USD	26,649,193.7	21,179,059.4
Creditor Contingent Accounts (note 24)		17,516,956.3	8,675,567.5
Debtor Contingent Accounts (note 24)		1,827,996.7	2,462,452.8
Debtor Memorandum Accounts (note 25)		34,263,026.3	30,674,543.7
Creditor Memorandum Accounts (note 25)		62,024,491.4	47,147,622.5
Total Contingent and Memorandum Accounts	USD	115,632,470.7	88,960,186.6
Memorandum accounts (note 26)			
Liabilities	USD	14,032,821.2	4,420,364.9

Market Representative Exchange rate (in colombian pesos)**\$ 1,768.23****\$ 1,784.60**

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

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

BANCO DAVIVIENDA S.A. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the period ended December 31 and June 30, 2012
(Amounts in thousands of U.S. dollars)

	December 31	June 30
Interest income	USD 1,285,182.4	1,053,735.7
Interest on Loans	1,074,203.0	892,932.6
Interest on investment portfolio	136,787.8	86,081.5
Interbank and overnight funds	7,363.7	16,039.7
Financial leases	66,827.9	58,681.9
Interest expense	406,721.8	340,013.2
Checking accounts	5,915.3	5,964.6
Time deposits	136,855.0	106,658.2
Savings deposits	103,112.0	107,450.9
Borrowings from financial institutions	51,297.3	38,622.3
Interbank and overnight funds	880.5	559.3
Repo transaction	10,056.4	2,139.8
Long- term debt	98,605.3	78,618.1
Net interest income	878,460.6	713,722.5
Allowances	267,704.9	213,397.6
Allowance for loans and other receivables	(632,382.0)	(513,180.5)
Recovery of allowances on loans and lease operations		
accounts receivable and other assets	333,496.7	268,050.5
Other recoveries	24,968.7	30,817.0
Allowance against investments and assets received in payment, marketable assets and restored assets	(10,873.9)	(4,580.6)
Recovery of allowance foreclosed assets and investment	17,085.6	5,496.0
Net financial margin	610,755.7	500,324.9
Operating income	300,889.7	232,807.7
Commission and fees	207,175.9	172,702.5
Services	87,770.2	46,246.8
Collaboration contract - Fidudavivienda	5,531.9	5,111.4
Dividends income	411.6	8,746.9
Operating expenses	742,491.6	477,094.8
Payroll	237,028.1	186,773.9
Administrative and operating expenses (Note 27)	505,463.5	290,320.9
Other operating income and expenses net (Note 28)	26,158.9	40,957.3
Operating income	195,312.7	296,995.1
Allowance against other assets	348.6	644.8
Non-operating income and expenses, nets (Note 29)	50,530.2	(18,358.7)
Income before tax and non- controlling interest	245,494.3	277,991.6
Income tax expense (Note 30)	(61,534.1)	(65,901.2)
Non- controlling interest	(1,945.3)	(2,507.6)
Profit for the period	USD 182,014.9	209,582.9

See the notes accompanying the financial statements

OLGA LUCÍA RODRÍGUEZ SALAZAR
Representante Legal

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

BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated statements of cash flow

Shalf years ended on December 31 and June 30, 2012

(Amounts in thousands of U.S. dollars)

	<u>December 31</u>	<u>June 30</u>
Cash flows from operating activities		
Profit for the period	US\$ 182,014.9	209,582.9
Reconciliation of profit for the period with net cashh provided by (used in)		
operating activities		
Allowance for investments	1,434.7	2,066.6
Allowance for loans and financial leases	600,953.7	485,627.0
Provision for financial leases	-	-
Allowance for accounts receivable	29,277.1	26,711.8
Provision for marketable assets, assets received in payment and r	9,439.2	2,514.0
Allowance for premises and equipment	60.3	250.5
Allowance for other assets	151.1	123.9
Provision for severance accrual	7,434.9	6,648.5
Other allowance	2,170.9	843.4
Depreciation	28,793.0	11,853.2
Depreciation and amortization of goods given on lease	757.3	729.2
Amortization	75,785.8	23,021.6
Effect of the confinanciera merger on profits january-june	(6,608.8)	
Re-expression adjustment	(1,321.4)	
Gain on sale of loans and lease assets	(3,232.4)	(6,250.7)
Valuation of investments, net	(128,727.0)	(83,313.5)
Valuation of derivados y operaciones de contado, net	(1,179.1)	(3,598.1)
Profit on sale of investments, net	(19,551.5)	(15,044.7)
Profit on sale of marketable assets, asset received in payment and		
Restored assets	(93.0)	(136.1)
Profit on sale of Property and Equipment, net	(3,673.3)	(817.3)
Recovery of allowance for investments	(9,558.4)	(2,416.2)
Recovery of allowance for loans and lease operations	(296,054.0)	(245,320.2)
Recovery of provisión Accounts Receivable	(18,566.8)	(11,306.0)
Recovery of Allowance against Marketable Assets,		
Assets Received in Payment and Assets Restored	(7,527.2)	(3,079.9)
Recovery of Allowance against Property, Equipment and Goods Gi	(1,383.5)	(504.2)
Recovery of Allowances against Other Assets	(131.8)	(3,454.2)
Reexpression of Property, Plant and Equipment	64.6	(331.4)
Other Recoveries of Estimated Liabilities	(339.7)	(1,638.3)
Effect of variations on consolidation	0.0	0.0
Financial Statements conversion adjustment	0.0	0.0
Increase in deferred income tax, net	11,186.3	8,936.3
Payment of Wealth Tax	10,820.1	6,782.0
Payment of Severance Accrual	(4,963.1)	(4,084.2)
(Decrease) Increase in Equity Surplus	0.0	0.0
Variations in indirect holdings of other shareholders	0.0	0.0
Changes in operating assets and liabilities		
Increase in en ganancia no realizada en Investment	11,850.3	13,169.2
Increase in Loans and Financial Lease Operations	(4,010,865.7)	(930,014.9)
Increase in Accounts Receivable	(43,300.2)	(44,910.8)
Decrease in Assets Received in Payment	-	-
Additions to Assets Received in Payment	(40,303.8)	(6,362.7)
Proceeds of sale of ;Marketable Assets , Assets	11,681.4	4,456.4
Received in Payment and Assets Restored		
Increase in Other Assets	(415,531.0)	(24,553.0)
Increase (Decrease) in Deposits and Demand Accr	4,008,068.0	(39,981.5)
Increase (Decrease) in Accounts Payable	102,163.6	(1,789.7)
Increase (Decrease) in Other Liabilities otros pasivo	86,071.6	(4,794.5)
(Decrease) Increase in Accruals and Provisions pas	(51,784.3)	83,549.9
Increase (decrease) in non-controlling interest	36,652.8	(715.2)
Net cash provided by (used in) operating activiti	US\$ 152,135.7	(547,550.7)

BANCO DAVIVIENDA S.A AND SUBSIDIARIES
Consolidated Statements of Cash Flows (cont.)
Half-years ended on December 31 and June 30o, 2012
(Amunts in millions of Colombian pesos)

	<u>December 31</u>	<u>June 30</u>
Cash flows from investing activities		
Increase in investments	US\$ (451,945.8)	(76,687.8)
(Increase) decrease in acceptances, spot operations and derivatives	(31,410.2)	35,402.1
Increase (decrease) in premises and equipment		-
Addition of premises and equipments	(98,311.2)	(13,315.9)
Proceeds of sale of premises and equipment	17,690.8	1,586.8
Net cash used in investment activities	(563,976.4)	(53,014.8)
Cash flows from financing activities		
Proceeds from sale of loans	98,217.3	203,221.8
(Decrease) increase in interbank and overnight borrowing		
Liability positions	(701,886.5)	682,860.7
Increase (decrease) in bankers' acceptances and derivatives	60,840.8	(4,089.4)
Increase (decrease) in borrowings from financial institutions	747,084.2	(376,845.1)
Increase in debt securities in circulation	827,191.7	114,155.6
Exchange of non-controlling interest in confinanciera merger	2,435.1	0.0
Payment of preference shares receivable	0.0	(334.9)
Donations	(3,301.4)	(2,481.9)
Cash dividends paid	(64,952.2)	(54,672.3)
Net cash provided by financing activities	965,629.0	561,814.5
Increase (Decrease) in net cash and cash equivalents	553,788.3	(38,751.1)
Cash and cash equivalents at beginning of period	1,847,022.7	1,868,831.2
Cash and cash equivalents at end of period	US\$ 2,400,811.0	1,830,080.1

See the notes accompanying the financial statements

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

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

BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Consolidated statements of changes in equity
Half-years ended on December 31 and June 30, 2012
(Amounts in thousands of U.S. dollars except per-share information)

		Capital		Legal Reserve	Statutory and voluntary reserves	Unrealized profit on investments available for sale	Surplus or deficit for		Profit from previous periods	Profit for the period	Share dividends declared	Total equity
		Subscribed and paid	Financial statements conversion adjustment				Positive reappraisals	Negative reappraisals				
Balance at June 30. 2012	US\$	31,377.9	0.0	1,296,133.3	998,084.2	14,471.7	296,180.0	(283.7)	34,207.4	211,523.1		2,881,694.0
Donations					(3,301.4)							(3,301.4)
Suscription of 347.609 shares of minority interest exchange, Confinanciera merger		24.6		2,410.5								2,435.1
Distribution of net profits for the half year ended on June 30, 2012												
Legal reserve				1.1						(1.1)		0.0
Voluntary reserves at the disposal of the General Assembly of shareholders' equity meeting as untaxed profits					79,950.1					(79,950.1)		0.0
Voluntary reserve at the disposal of the General Assembly of shareholders' equity Meeting for future profit distributions					62,915.9					(62,915.9)		0.0
Dividends declared of US\$ 147 per share on 414,214,234 subscribed and paid shares at September 27, 2012										(65,317.1)		(65,317.1)
Movement for the period		(0.0)	0.0	48,096.2	(17,614.0)	11,850.3	12,760.2	(247.6)	(34,207.4)	(3,339.0)		17,298.7
Income for the period										182,014.9		182,014.9
Balance at December 31, 2012	US\$	31,402.5	0.0	1,346,641.2	1,120,034.7	26,322.0	308,940.2	(531.3)	0.0	182,014.9		3,014,824.2

See the notes accompanying the consolidated financial statements

OLGA LUCIA RODRIGUEZ SALAZAR
Legal Representative

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31 and June 30, 2012

(Amounts in thousands of US dollars)

1. Reporting Entity

Banco Davivienda S.A. ("the Bank") is a private company incorporated by Public Deed 3892 of October 16, 1972 at Notary 14, Bogota; its registered offices are in Bogota. The Colombian Superintendency of Finance ("the Superintendency") with Resolution 562 of June 10, 1997 approved the transformation from a Savings and Loan Corporation to a Commercial Bank. The Bank's statutes were established by Public Deed 5145 of October 2003 and expire on October 17, 2053, but the Bank may be dissolved or extended prior to that term. The Bank is part of the *Sociedades Bolivar* Group and its business is to engage in all operations and contracts legally permitted to commercial banks, subject to the requirements and limitations of Colombian Law.

The most representative bylaw reforms are:

- By means of Resolution 562 dated June 10, 1997, the Superintendency approved the transformation from a Savings and Loan Corporation to a Commercial Bank.
- By Public Deed No. 4541 dated August 28, 2000, by Notary 18 in the District of Bogotá, formalized Davivienda's acquisition of 100% of Delta Bolivar S.A. shares. Consequently, Delta Bolívar S.A. was dissolved without liquidation and the company and its stockholders' equity were absorbed by the Bank on September 1, 2000; with this Delta Bolivar S.A. was extinguished as a legal entity.
- By Public Deed No. 2369 dated April 27, 2006, Notary 1 in the District of Bogotá, formalized the Bank's absorption by merger of Bansuperior S.A. Consequently, Bansuperior S.A. was dissolved without liquidation. The company and its stockholders' equity were absorbed by the Bank on May 2, 2006, and Bansuperior S.A. was extinguished as a legal entity.
- By Public Deed No. 7019 dated August 29, 2007, Notary 71 in the District of Bogotá, entered at the Chamber of Commerce on September 3, 2007 formalized the absorption by merger of Granbanco S.A. Granbanco S.A. was dissolved without liquidation and the company and its stockholders' equity were absorbed by the Bank on September 1, 2007, and Granbanco S.A. was extinguished as a legal entity.
- By Public Deed No. 3202 dated April 30, 2010, prepared by Notary 71 in the District of Bogota, entered at the Chamber of Commerce on May 4, 2010 formalized the change of its nominal share value from one thousand pesos (COP 1,000.00) to one hundred twenty-five pesos (COP 125.00). The Bank's authorized capital remains at 480 million shares.
- By Public Deed No. 9557 of July 31, 2012, Notary 29 of the District of Bogota, formalized the absorption by a merger of Confinanciera S.A., as a result of which Confinanciera dissolved without liquidating and the business and its net worth were absorbed by Banco Davivienda S.A. on August 1, 2012; extinguishing Confinanciera as a legal entity.

At December 31, 2012, the Bank operated with 11,563 employees in 572 offices and 21 branches and agencies in Colombia and 1 branch in Miami (USA).

The Bank owns 94.7% of the shares of Fiduciaria Davivienda S. A., 79% of shares of the stockbroker Comisionista de Bolsa Davivalores SA, 99.99% of Bancafé Panamá S.A., 100% of Grupo Istmo (Costa Rica), 96.12% of Inversiones Davivienda El Salvador S.A., 94.22% of Banco Davivienda Honduras S.A. and 88.64% of Seguros Bolivar (Honduras) S.A.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The affiliates operate as follows:

	No. of employees	No. of offices
In Colombia		
Fidudavivienda	180	
Davivalores	65	
Outside Colombia		
Costa Rica	785	31
El Salvador	1,692	61
Honduras – Bank	1,200	53
Honduras – Insurance	164	
Banco Davivienda-Panama	<u>90</u>	<u>3</u>
	4,176	148

The consolidated financial statements of Banco Davivienda S.A. at December 31, 2012, include the following subsidiaries:

IN COLOMBIA

Fiduciaria Davivienda S.A.

This private company was incorporated in Bogota on December 14, 1992 (Deed 7940 Notary 18), and received a Superintendency operating licence in Resolution 5413 of December 30, 1992, valid until December 14, 2043. Its registered offices are in Bogotá.

The Company manages assets for about \$11 billion belonging to 210,700 clients. Its equity has been strengthened and it has a solid organizational structure with 180 staff which enables it to be more competitive in finding new business and continuing to expand in the Trust sector with a wider offer of services.

On December 13, 2012 it merged with Fiduciaria Davivienda S.A. and Fiduciaria Cafetera S.A., and this made Fiduciaria Davivienda S.A. one of the leaders in the Trust market. The Company will maintain its offer of value to clients with a wide portfolio of Investment Fund and Structured Trust products, supported by the knowledge and experience of its staff.

Davivalores S.A. Comisionista de Bolsa

Was incorporated in Bogotá on September 19, 1974 (Deed 5397, Notary 2). Its Superintendency Operating Licence is valid until April 2, 2021. Its registered offices are in Bogotá. Its business is to act as broker in securities trading and provide advisory services in matters related to the capital market.

As of 1994, the Superintendency authorized DAVIVALORES to manage securities for its customers and to collect principal amounts and reinvested yields under instruction.

OUTSIDE COLOMBIA

Banco Davivienda Panamá.

Incorporated on January 15, 1976 in Panama, the Bank initially held a General Licence from the Panamanian Superintendency. Superintendency Resolution 0067 of July 29, 2011 authorized the transfer and consolidation of the activities it held under its International Licence, to be held under the General Licence.

Banking operations in Panama are regulated and supervised by the Superintendency there, in the terms of Law 90 of February 26, 1998 and other relevant regulations. The Registered Office of the Bank is in Panama City.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On November 19, 2012, Bancafe Panama changed its name and logo and became Banco Davivienda, Panama.

Grupo del Istmo Costa Rica S.A.

Grupo Del Istmo was organized as a stock corporation under Costa Rican law .It principal business is to hold shares. The Registered Office is in San José., Costa Rica.

At December 31, 2012, Grupo del Istmo (Costa Rica), S.A. holds 99,92% of the shares of Corporación Davivienda (Costa Rica), S.A. formerly Corporación HSBC (Costa Rica), S.A. an financial group authorized by Consejo Nacional de Supervisión del Sistema Financiero (CONASSIF), on April 15, de 1999, under Article 23 of Minute 86-993.

At December 31, 2012, the financial group is comprised of 100% of Corporación Davivienda (Costa Rica). S.A, a subsidiary of Grupo del Istmo which in turn owns 100%of the shares of the following Costa-Rican companies:

- Banco Davivienda (Costa Rica), S.A. (formerly Banco HSBC (Costa Rica), S.A. (Bank)
- Davivienda Puesto de Bolsa (Costa Rica), S.A. (formerly HSBC Puesto de Bolsa (Costa Rica), S.A.) (Securities)
- Davivienda Sociedad Agencia de Seguros (Costa Rica) S.A. (formerly HSBC Sociedad Agencia de Seguros (Costa Rica) , S.A.) (Insurances)

On November 23, 2012 Banco Davivienda Colombia acquired the affiliate Grupo del Istmo Costa Rica.

Inversiones Financiera Davivienda S.A. – El Salvador

On June 25, 2003, the Financial System Superintendency authorized the company Inversiones Financieras Bancosal S.A. to become e a controlling company solely for the Banco Davivienda Salvadoreño conglomerate formed by The assets, liabilities, equity and profits of the individual parent and subsidiaries at June 30, 2012 and December 31, 2011, without the effects of equivalent treatment, is the following:

Inversiones Financieras HSBC S.A. is in the sole business of investing in the share capital of Salvadorian companies or companies incorporated abroad and engaged in financial intermediation or, complementarily, in the banking and finance businesses allowed under Salvadorian law, subject to approval of the Superintendency of the Financial System.

Banco Davivienda Salvadoreño S.A. was incorporated on January 5, 1885 and Seguros de Personas Bolivar El Salvador S.A. on March 6, 1958.

On November 30, 2012 Banco Davivienda Colombia acquired the affiliate Inversiones Financieras Davivienda El Salvador.

Banco Davivienda Honduras S.A.

Incorporated in Tegucigalpa MDC in Deed 12 of March 31, 1948 under the name Banco La Capitalizadora Hondureña S.A.

In 2004 the Bank became a subsidiary of Primer Banco Del Istmo S.A. (BANISTMO), a Panamanian financial institution. In July 2006 the Board of BANISTMO decided to sign a sale to HSBC Asia Holdings, and sold 99.985% of the parent company's shares.

The Annual and Extraordinary General Meetings of February 27, 2007 approved the change of name from Banco Grupo El Ahorro Hondureño S.A. to Banco HSBC Honduras S.A. by Deed 265 of May 9, 2007, effective as of July 23, 2007.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

On December 7, 2012 Banco Davivienda Colombia acquired the affiliate HSBC Honduras S. A. in Deed 198, changing the name to Banco Davivienda Honduras S.A. registration No., 63.147, item 16.077 at the Business Register, Centro Asociado.

Seguros Bolivar Honduras S.A.

Incorporated by Deed 21 o January 7, 1917 and certified by testimony in a Deed of November 11, 1987 as a stock corporation of indefinite duration with registered offices in Tegucigalpa.

The Extraordinary General Meeting of February 27, 2007 approved the change of name from Seguros El Ahorro Hondureño S.A. to Seguros HSBC Honduras S.A. (Seguros HSBC S.A.) and a capital increase to 3,468,000 shares.

In 2005 the Head Office of the insurance company Primer Banco del Istmo S.A. BANISTMO sold the shares of Seguros El Ahorro Hondureño S.A. (now Seguros Bolivar Honduras S.A.) to another Panamanian subsidiary, HSBC Seguros S.A. formerly Compania Nacional de Seguros S.A. CONASE) which became the owner consolidating the financial statements of the Subsidiary, Subsequently in July 2006, the Board of HSBC Seguros (Panama) S.A. decided to sign a sale agreement with HSBC Asia Holdings, selling 99.98 of the parent company's shares,

In 2009, HSBC Seguros Panama came to be owned by HSBC Bank (Panama) S.A. On January 24, 2012, HSBC Bank Panama S.A. signed a sale agreement for 88.64% of the shares of Seguros HSBC Honduras S.A. with Banco Davivienda S.A.. The operation was completed on December 7, 2012 with Resolution 502-11/2012 of Banco Central de Honduras, authorizing the change of name to Seguros Bolivar Honduras S.A.

Merger with Confinanciera

The General Assembly of Shareholders of Banco Davivienda S.A. and the Assembly of Shareholders of Confinanciera S.A. approved the absorption by merger of Confinanciera S.A. by Banco Davivienda S.A. in their extraordinary meetings held on March 28, 2012, as evidenced in the minutes No. 113 and No. 85 of each of the entities, respectively..

Superintendency Resolution 1013 of July 3, 2012 declared it did not express any objections to the merger by Banco Davivienda S.A. and Compania de Financiamiento Comercial S.A. – Confinanciera- in which the latter would dissolved without being liquidated and the business and its net worth were absorbed by Banco Davivienda S.A. The merger became legally formalized on August 1, 2012.

The balances at the aforesaid date on which the merger was based were as follows:

<u>Balances at August 1, 2012</u>		
ASSETS		
Cash and Banks	US\$	27,819.9
Investments		10,090.5
Loans (net)		238,920.7
Accounts Receivable (net)		3,505.0
Foreclosed and received assets (net))		90.1
Property and equipment (net)		3,821.6
Other assets		<u>7,436.4</u>
	US\$	<u>291,684.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

LIABILITIES		
Deposits and demand accounts		186,600.3
Bank loans and other financial obligations		45,636.0
Accounts payable		6,673.6
Other liabilities		412.7
Accruals and provisions		<u>4,613.1</u>
	US\$	<u>243,935.7</u>
EQUITY		
Capital	US\$	24,638.8
Reserves		14,775.2
Surplus		983.9
Results for the period		<u>7,350.7</u>
	US\$	<u>47,748.6</u>
Income		
Expenses	US\$	39,157.2
		<u>31,806.5</u>
Profit		
	US\$	<u>7,350.7</u>

Acquisition of affiliates in Central America

The following are the balances acquired in the Central American purchase

	<u>Central American purchase (USD)</u>		
	<u>Costa Rica</u>	<u>El Salvador</u>	<u>Honduras</u>
Assets	181,478,318.0	262,114,214.0	922,413,175.3
Liabilities	16,721.9	21,230,868.3	790,726,845.8
Equity	181,461,596.1	240,883,345.8	131,686,329.4

The figures of assets, liabilities, shareholders' equity, and net income in the individual Financial Statements of Banco Davivienda S.A. and its Subsidiaries and in the case of net income at December 31 and June 30, 2012, respectively, were as follows:

<u>December 31</u>							
	<u>Assets</u>	<u>% de part.</u>	<u>Liabilities</u>	<u>% de part.</u>	<u>Equity</u>	<u>% de part.</u>	<u>Profit (Loss)</u>
Banco Davivienda S.A. (Parent)	US\$ 22,427,324.5	90.55%	19,364,242.8	92.39%	3,063,081.7	80.41%	193,881.1
Grupo del Istmo Costa Rica S.A.	173,104.3	0.70%	17.7	0.00%	173,086.6	4.54%	(47,083.1)
Inversiones Financiera Davivienda S.A.	281,716.7	1.14%	21,271.2	0.10%	260,445.5	6.84%	17,351.9
Banco Davivienda Honduras S.A.	826,831.4	3.34%	728,185.2	3.47%	98,646.2	2.59%	4,349.0
Seguros Bolívar Honduras S.A.	74,278.9	0.30%	41,116.5	0.20%	33,162.4	0.87%	2,201.2
Banco Davivienda Panama	907,443.2	3.66%	794,494.2	3.79%	112,948.9	2.97%	8,804.5
Fiduciaria Davivienda S.A.	67,251.5	0.27%	8,865.3	0.04%	58,386.2	1.53%	8,242.4
Davivalores S.A.	<u>9,976.9</u>	<u>0.04%</u>	<u>581.2</u>	<u>0.00%</u>	<u>9,395.7</u>	<u>0.25%</u>	<u>881.7</u>
	US\$ <u>24,767,927.3</u>	<u>100.00%</u>	<u>20,958,774.0</u>	<u>100.00%</u>	<u>3,809,153.3</u>	<u>100.00%</u>	<u>188,628.7</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

				<u>June 30</u>				<u>Profit</u>
		<u>Assets</u>		<u>Liabilities</u>		<u>Equity</u>		<u>(Loss)</u>
Banco Davivienda S.A. (Parent)	US\$	20,205,077.0	94.23%	17,343,361.8	94.49%	2,861,715.2	92.71%	206,274.5
Banco Davivienda Panama		857,307.1	4.00%	755,606.6	4.12%	101,700.5	3.29%	8,181.6
Confinanciera S.A.		292,934.6	1.37%	246,365.7	1.34%	46,568.9	1.51%	6,548.2
Fiduciaria Cafetera S.A		45,506.7	0.21%	5,727.2	0.03%	39,779.5	1.29%	2,629.9
Fiduciaria Davivienda S.A.		32,029.3	0.15%	3,562.6	0.02%	28,466.6	0.92%	4,235.3
Davivalores S.A.		<u>9,271.4</u>	<u>0.0</u>	<u>829.4</u>	<u>0.0</u>	<u>8,442.0</u>	<u>0.0</u>	<u>1,533.1</u>
	US\$	<u>21,442,126.1</u>	<u>99.98%</u>	<u>18,355,453.3</u>	<u>100.00%</u>	<u>3,086,672.7</u>	<u>99.88%</u>	<u>229,402.6</u>

Comparability

The financial statements at June 30, 2012 correspond to Banco Davivienda S.A. and its Colombian subsidiaries, and one affiliate abroad (Panama); at December 31 they correspond to Banco Davivienda S.A., and its subsidiaries in Colombia and five foreign subsidiaries (Grupo del Istmo Costa Rica S.A., Inversiones Financieras Davivienda S.A.- El Salvador, Banco Davivienda Honduras S.A, Seguros Bolívar Honduras S.A y Banco Davivienda Panamá). Result includes figures as of the date of purchase of each investment for the Central America operations.

2. Summary of significant accounting policies and financial statements presentation

2.1. Basic Accounting Policy and consolidation

The Accounting policies and the preparation of the financial statements of Banco Davivienda S.A. and subsidiaries follow accounting standards generally accepted in Colombia and the instructions by the Superintendency.

The financial statements of foreign subsidiaries have been adjusted in order to adopt uniform accounting policies as required by Colombian Banking GAAP.

The consolidated financial statements of Banco Davivienda S.A., as required by the Commercial Code, include the financial statements of Colombian subsidiaries supervised by the Superintendency, and the subsidiaries abroad in which there is a direct or indirect holding of 50% or more. The income, expenses, assets, liabilities and equity of the subsidiaries are included in the consolidated accounts after elimination of intercompany accounts and transactions

The Superintendency's special accounting rules are in some cases not the same as accounting standards generally accepted in Colombia, as described below:

Property and Equipment

The generally-accepted accounting standards require that at the close the net value of any property, plant and equipment with an adjusted cost of more than 20 monthly minimum salaries (approximately US\$6,000) must be adjusted to net market value or present value, recording the valuation gains and losses as appropriate. The special rules do not set such conditions for this type of asset.

Share premium

The special rules require the share premium to be recorded as part of the Legal (Mandatory) Reserve. The generally-accepted accounting rules place this item separately in the equity section.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Financial statements

Decree 2649/1993 (the generally accepted rules) makes the statement of changes in the financial position part of the basic financial statements. The Superintendency does not require it.

2.2. Accounting periods

The Bank closes its books every six months and the subsidiaries once a year, in December.

Superintendency instructions require the accounts to be consolidated whenever the Parent closes its own books.

2.3. Monetary Unit

The monetary unit used by Banco Davivienda S.A. is the Colombian peso.

2.4. Statement of cash flows and cash equivalent

The statement of flows reported is prepared using the indirect method. Money-market asset operations are considered to be cash equivalents for this purpose.

2.5. Asset and Liability Positions in Money Market and Related Operations

Includes all operations of interbank funds, repos, simultaneous operations and temporary transfers of securities.

Interbank Funds

These are operations agreed to a period not longer than 30 days. They include overnight operations with banks abroad.

Interest income from the operation is recorded in the statement of income.

Repo Transactions

Asset Position: These are securities purchased in exchange for cash (at a discount or otherwise), assuming a commitment to retransfer ownership to the counterpart at a given date.

Liability Position: This is a sale of securities in exchange for cash, assuming a commitment to repurchase securities of the same type and characteristics from the counterpart on the same day or at a later date But not more than 1 year ahead) at a predetermined price or amount.

The initial amount will be calculated at a discount to the market price of the securities involved. It may be agreed that in the course of the operation the securities originally delivered can be substituted by others, and restrictions may be agreed on the mobility of securities involved.

Simultaneous Operations

Asset Position: Securities are acquired at market price in exchange for cash and a commitment to retransfer ownership of securities of the same type and characteristics to the counterpart on the same day or at a later date (but not more than 1 year ahead) at a predetermined price.

Liability Position: The ownership of securities is transferred in exchange for cash and a commitment to repurchase securities of the same type and characteristics from the counterpart on the same day or at a later



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

date (but not more than 1 years ahead), at a predetermined price or amount.

The initial amount may not be calculated with a discount on the market price for the securities; it may not be agreed the securities originally delivered may be substituted by others in the course of the operation, and no restrictions may be placed on the mobility of the securities..

Accounting and valuation of repos and simultaneous operations

The seller, originator or the recipient, as applicable, reclassifies the balance sheet values for a repo, simultaneously operation or temporary transfer of securities; and in addition, records them in Memorandum Accounts in order to confirm delivery.

The purchaser, recipient or originator, as the case may be, must record the receipt of the securities in Memorandum Accounts.

All participants in repo or simultaneous operations and temporary transfers of securities must register the cash from these operations within their respective balances sheets as an obligation or a right, depending on the position involved.

When the purchaser, originator or recipient is in a short position, a financial obligation must be recorded in the balance sheet in favour of the initial disposer, originator or recipient at a fair price of exchange for the securities involved.

Yields on repos or simultaneous operations will accrue exponentially for the parties during the term of the operation, and will be income of expense for each of them, as appropriate.

2.6. Investments Securities

This account records investments purchased to maintain secondary liquidity reserve, to acquire direct or indirect control of any financial sector or service company, to, meet legal or regulatory provisions or simply in order to eliminate or reduce the market risk to which assets, liabilities or other balance sheet items are exposed.

The valuation of investments is basically intended to calculate, record and disclose the fair market price at which a security may be traded on a given date, given its particular characteristics and prevailing market conditions,

Investments are classified, evaluated and recorded using Superintendency Circular 100/1995. A summary of these instructions is as follows:

Trading

Characteristics	Valuation	Recording
Acquired to make profits from short-term price fluctuations.	Uses fair prices, reference rates and margins published daily by the Stock Exchange BVC. Or principal market.	<p>The difference between the current and previous market value is charged or credited to the value of the investment and credited or charged to earnings.</p> <p>Investments are valued at market as of the acquisition date and therefore the recording of changes from acquisition to market is made as of that date.</p>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Trading equity securities

Characteristics	Valuation	Recording
Acquired to make profits from price fluctuations.	Equity securities classed as trading investments are valued at market. Uses the value of the unit fund and number of units held, daily.	If dividends or profits are distributed in kind, include those derived from capitalization of equity surpluses, they are not recorded as income and indeed, do not affect the value of the investment. In this case, the only variation is in the number of shares etc. on the books. Dividends and profits distributed in cash are recorded as a reduction in the value of the investment.

Held to maturity securities

Characteristics	Valuation	Recording
Securities that the Bank seriously wishes to hold to maturity, and have the legal, contractual, financial and operational capacity to do so.	Exponentially based on the IRR calculated at the time of purchase. When issue conditions set the value of the indicator at the start of the remuneration period, the IRR has to be recalculated every time the face value of indicator used to pay the next flow changes. For securities that incorporate a prepayment option the IRR is recalculated every time the future flows and payments dates change. The present value at flow recalculation dates is taken as the purchase value. Valuations are made daily	Present value is calculated as an increase to the value of the investment and the difference with the previous value is recording in the earnings statement.

Available for sale debt securities

Characteristics	Valuation	Recording
This category is used for securities not classified in either of the previous categories, and must be held for one year. After a year they can be reclassified as trading or Held to maturity securities.	Using fair prices, reference rates and margins published daily by BVC or main market.	Recorded as follows: -The difference between present value on valuation date and the existing book value is recorded as an increase to the value of the investment, which is credited to earnings. -The difference between market value and present value is recorded as an unrealized accumulated gain or loss in the equity section.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Available for sale – capital investments

Characteristics	Valuation	Recording
<p>Low/minimum turnover or unquoted held by the Bank as controlling interest or parent</p> <p>High-medium turnover. These investments are classified as such by turnover level at valuation date, using calculations authorized by the Superintendency. The turnover indicator represents the degree of liquidity of a share on the exchanges.</p>	<p>Capital investments are valued depending on their turnover indicator at the time of valuation: Low/minimum turnover or unquoted equities are valued monthly and the percentage share of equity variations subsequent to acquisition calculated on the basis of the latest certified financial statements are calculated.</p> <p>If the Bank has a controlling interest, the variation is made on the basis of financial statements at the half-yearly close of each company in which an investment is held</p> <p>Medium turnover equities are valued on the average prices published by the exchanges on which they are traded. The average is the weighted average price for the quantity traded on the last five days on which the share is traded. High-turnover equities are valued on the latest weighted average daily dealing price on the exchange where they are traded.</p>	<p>Low/minimum turnover or unquoted:</p> <ul style="list-style-type: none"> - The difference between market or the updated book value of the investment is recorded as follows: -If higher, the allowance or loss on valuation is reduced until exhausted and any excess is recorded as a surplus or gain. -If lower, the valuation gains are affected until exhausted,, and any further loss is recorded as a valuation loss. - If dividends or profits are distributed in kind (including those arising from the capitalization of the equity revaluation account) this is recorded as income for the portion related to the revaluation surplus and charged to the investment, and the surplus is reversed. -If the dividend or profit is distributed in cash, it is recorded as a valuation surplus, the surplus is reversed and the amount of dividends that exceeds that total is written down against the value of the investment. <p>Low/minimum turnover</p> <ul style="list-style-type: none"> - The updated market value of high/medium turnover securities or those quoted on internationally-recognized foreign exchanges are recorded as accumulated unrealized gains or losses in the equity section and credited or charged to the investment. - Dividends or profits distributed in kind or in cash, including those from the capitalization of the equity surplus account, are recorded as income for up to the amount corresponding to the investor on profits or equity revaluation of the issuer recorded by the issuer from the date of acquisition of the investment and charged to accrued interest receivable on loans and financial leases.

Reclassification of Investments

An investment may be reclassified at any time with appropriate Superintendency authorization as required by Chapter I Section 4 of the Circular; or at annual due dates for investments available for sale

Investment transfer rights

This account records debt or capital investments which the disposer, originator or recipient – as the case may be – has delivered in a repo, simultaneous operation or temporary securities transfer.

This refers to investments in restricted securities or debt or capital investments arising from the transfer of ownership against a cash payment or receipt of securities in support of a transfer operation (one security for another), thereby assuming the commitment to repurchase from the counterpart or acquire securities of the same kind and characteristics on the same day or at a later date at a predetermined price.

Impairment evaluation of investment securities

The prices of debt securities and the securities and those of low/minimum turnover or unquoted capital investments are adjusted at each valuation date based on credit risk classification as follows:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Securities that have one or more ratings from external rating agencies recognized by the Superintendency, and securities of rated issuers, may not be recorded for more than the percentage of their face value net of repayments made to the valuation date.

Long Term Ranking	Short Term Ranking	Max. Amount%
BB+, BB, BB-	3	90
B+, B, B-	4	70
CCC	5 and 6	50
DD, EE	5 and 6	0

- For subsidiaries abroad, the international ratings used there were compatibilized with Colombian classifications shown in the table above.
- For securities not externally rated, debt securities with unrated issuers and capital investments, the amount of allowances are based on an internally-developed method, which must be approved in advance by the Superintendency.
- Chapter I of Circular 100/1995 sets the base value for the calculation of allowances against debt securities as their face value

Internal or external securities or debt securities issued or guaranteed by the Nation, or issued by the Central Bank and for issued or guaranteed by the Fondo de Garantías de Instituciones Financieras FOGAFIN, are not subject to loan risk rating, as specified in Chapter I of Circular 100/1995..

2.7. Loans and financial leases, net

This account records Loans and financial leases, net in all permitted modes. Loans are funded from own resources, public deposits and other sources of external and internal financing

The following are not subject to loan risk rating or recorded for the value disbursed, excluding portfolio purchases which are recorded at cost. The interest rate does not affect the value for which loans are recorded.

Clasificación loan destination

The structure of the loan portfolio includes the following types of loans:

Commercial

Commercial loans are defined as those made to individuals or companies for organized economic activities, other than those made as microloans.

Residential Leases

The Superintendency has ruled that Residential Leasing operations are to be classified as commercial loans.

Property involved in this type of operation is owned by the Bank, and is insured for fire and earthquake. The account records the financed value of residential property leased against payment of regular installments over an agreed period. After that expires, the property is returned to the owner or transferred to the lessee if he exercises the purchase option and pays it.

Financial Leases

Financial leases are recorded for the amount to be financed for each asset in a contract that is delivered for



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

the user to use and enjoy.

The amount to be financed in these operations is amortized upon payment of the regular payments, for the capital amount included in each payment.

For leasing operations, payments are credited first to the longest-outstanding overdue item. Arrears start to be counted from the moment that such payments fall due.

Contracts agreed with regular payments in excess of the number of months required to suspend accruals may only accrue amounts for that number of months. The amounts remain current until the moment at which it becomes payable on demand.

- **Consumer Loans**

Consumer loans, regardless of amount, are made to individuals to finance the purchase of consumer goods or services for non-commercial or non-business purchases, other than those made as microcredit.

- **Mortgage loans**

This account records loans, regardless of amount, made to individuals for the purchase of new or used property, or the building of individual housing units. Terms must be expressed in constant-value units (UVR), or local currency, and collateralized with a first mortgage on the property financed. Repayment is over 5-30 years.

All or part of one of these loans may be prepaid at any time without penalty. If there is a partial prepayment, the debtor is free to choose whether the amount paid decreases the amount of the installments or the term of the debt. These loans attract interest on the UVR or peso balance of the debt.

Interest should be charged in arrears and may not be capitalized. A loan may be made for up to 70% of the property's value. This value will be the purchase price or professional valuation made within six months prior to the granting of the loan. Loans made to finance low-cost housing may be for up to 80% of the property's value.

Properties financed must be insured against fire and earthquake.

- **Micro-credit**

A microbusiness is defined as a rural or urban unit of economic exploitation managed by an individual or corporate person and engaged in entrepreneurial, agricultural, industrial, commercial or service with ten or fewer workers, assets of less than 500 Minimum Salaries (approx. 160,0000) , as defined in Law 590 / 2000

The balance of indebtedness of the debtor may not be more than 120 minimum legal monthly salaries (approximately US\$35,000), at the time of approval of the loan operation. "Balance of indebtedness" means that the amount of current debt for account of the micro-enterprise as registered with credit database sources consulted, excluding mortgage loans but including the new loan applied for.

- **Restructured Loans**

A "restructured loan" is one for which a legal agreement exists with the intention or effect to modify the terms of the credit, to enable the debtor to pay. Before restructuring is approved it must be established that there is a reasonable probability of recovery under the new conditions.

Restructurings do not include statutory credit relief such as that of Law 546/1999 for home mortgage loans.

Rules for recording restructured loans. In cases where the result of restructuring agreements or any other



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

mode of agreement provides for the capitalization of interest recorded in Memorandum Accounts or loan balances written off, including capital, interest and other items, they will be recorded as deferred credits, and amortization to capital will be made in proportion to amounts effectively collected.

Rules for reclassification of restructured loans. Loans may improve their classification after restructuring only when the debtor shows regular and effective payment record.

Where a loan is restructured, the classification held at the time of restructuring is retained, and after three normal payments, it will be considered to be current, and improves its classification to "A". If it again falls into arrears for more than 30 days, it will go back to its initial classification and remain there until up-to-date again, and may return to classification "A". If, after two years a restructured loan is up to date, it is transferred to A-Normal, except for the following:

Insolvency regime-Law 1116/2006.

The insolvency regime is intended to protect credit and recovery and preservation of the a business as an unit of economic exploitation and a source of employment, through processes of reorganization and judicial liquidation, always following criteria of added value.

Fiscal reorganization,-Law 617/2000.

Sovereign guaranties are given to loans contracted by regional agencies with financial institutions supervised by the Superintendency; this occurs when they meet all the requirements of the law, amongst other things, that fiscal adjustment agreements must have been signed prior to June 30, 2001. The guaranty applies to up to 40% of loans current at December 31, 1999, and up to 100% of new loans intended for use in fiscal adjustment.

These restructurings have the feature that the allowances made against the restructurings are reversed for the portion secured, and the unsecured portion of the restructuring does not carry that sovereign guaranty, and maintains the classification, which the account at June 30, 2001.

Restructurings-Law 550

Law 550/1999 and Law 1116/2006 restructurings promote and facilitate business revival and the restructuring of regional agencies. When the negotiations for restructuring begin, interest accruals on outstanding loans are suspended, and the classification which they had at the beginning of the negotiations is maintained.

Flood disasters.

The Bank has restructured loans affected by the flood disasters, in the terms of Circular 051/2010, in which supervised entities are instructed on the situation of national disaster and economic, social and ecological emergency, as a result of a grave public calamity, declared by Decrees 4579/2010 and 4580/2010, respectively.

Suspension of interest accruals

Interest accruals will not be charged interest accruals, monetary correction, exchange adjustment, lease payments and income from other items will not be accrued to not be charged to earnings when the loan is in arrears for the following ageing periods:

Mode	Arrears of more than	
	Banco y Confinanciera S.A	Bancafé Panamá S.A
Commercial	3 months	3 months
Consumer	2 months	3 months
Home mortgage	2 months	3 months
Microcredit	1 month	No business

Accruals are recorded in Contingent Accounts, and do not affect earnings until collection is effectively made.

For cases in which as a result of restructuring agreements or any other mode of agreement, it is agreed that



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

interest recorded in memorandum accounts or the balances of loans written off, including capital, interest and other items will be capitalized, this income is recorded as a deferred credit, and is carried to earnings as and when effective collection is made.

Loans which are in arrears and which on a previous occasion have ceased to accrue interest, monetary correction, exchange adjustment, canons of goods given on leasing and income from other items will cease to accrue income from the first day of arrears. Accruals may resume when the loan is up to date again. Until connection is effective, this will be recorded in memorandum accounts.

Where the accrual of yields, monetary correction, exchange adjustment, lease payments and other items of income is suspended, an allowance must be made against all accruals not collected and corresponding to these items.

The Bank uses the Superintendency's reference model, in which allowances may not be made for more than 100% of the value of these accounts.

Rules for writing off

The writing-off of loans, accrued interest receivable on loans and financial leases and other assets is approved by the Board, taking account of Superintendency Circular 100/1995.

Following internal policies for writing off loans, this action is taken when loans in the different modes reached the following levels of arrears, and 100% allowances have been made against capital, interest and other items.

Loans	Banco Davivienda Days in arrears	Davivienda Panamá
Commercial	570	Individual evaluation
Consumer	180 (other than unsecured vehicle loans)	
Home mortgage	540	
Residential leasing	540 (Commercial loans)	
Commercial vehicles	360	
Consumer vehicles	360	
Microcredit	180	

For the low- income segment, private credit cards and VISA cards, the limit is 120 days arrears. Customers will be written off if a current balance is a 100% probability of default.

Likewise, specific write-offs may be made for small accounts with parameters defined by the Bank and with Board approval. The parameters may be changed at any time, to follow broad policy.

A write-off does not relieve the Bank's management from continuing to attempt collection as appropriate.

Rules for guaranties

A guaranty is an instrument which reduces the expected loss given default. A guaranty represents a right of the Bank if the debtor defaults on payment of his obligations.

Loan approvals must include the guaranty under which the operation is authorized. The guaranty must be formalized prior to disbursement.

The analysis of guaranties includes the following characteristics:

- Suitability. As defined by the law.
- Legality. Documents are duly formalized, offering legal support, which will make it possible to arrange for



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

collection of loans granted.

- Value. Established that on the basis of technical objective criteria.
- Possibility of realization. A reasonably appropriate possibility that the guaranties can be realized.

For commercial and consumer loans the process of valuation of guaranties was applied but no effect was reflected in allowances because the Bank maintains its policy for the application of LGD-unsecured except for leases and payroll installment loans.

In the case of mortgage loans, there must be a first mortgage, and for an indeterminate amount in favour of the Bank, in respect of the property offered in support. Mortgages must be formalized by public deed before a Notary and registered in the Public Records Office.

The updating of the realizable value of guaranties for mortgage-secured loans applies current annual adjustment values for IVIUR and IVP as appropriate.

Criteria for evaluation the classification of credit risk.

The Bank adopted a credit risk management system (SARC), which brings together policies, processes, models and mechanisms to allow credit risk to be identified, measured and appropriately mitigated. This is so, not only from the point of view of coverage through a system of allowances, but also through management of the loan approvals process, and permanent follow-up.

The Bank evaluates and classifies customer loans regardless of the type of credit. There is a monthly update of loan performance, with regard to repayments, cancellations, write-offs and an ageing of accounts in arrears.

There are methods and analytical techniques available to measure the credit risk inherent in a loan operation and potential future changes in conditions of debt servicing for it. These methods and techniques are based on information related to the historical portfolios and loans. It also considers the particular characteristics of debtors and the loans, and guaranties given in support. The credit record of the debtor with other institutions and financial information about the debtor or alternative information which gives adequate knowledge of his financial situation are also examined; along with sector and macroeconomic variables that might affect the normal development of the loan.

In the evaluation of capacity to pay for regional government agencies, the Bank verifies compliance with the indicators of Law 617-Operating Expenses, Law 358-Solvency and Sustainability, and Law 819, Primary Surplus.

The Bank makes its evaluations and reclassifies loans at least every May and November, and records changes by the end of the next month.

Colombian subsidiaries evaluate their receivables in the same way as their commercial loans in terms of ageing, as required by Chapter II of Superintendency Circular 100/1995.

The updating of values for the realization of guaranties loans is effected by applying the annual adjustment values for the IVIUR and IVP indexes, as appropriate.

Rules of alignment

A monthly process of internal alignment is applied to each debtor, in which all operations under the same customer name are carried to the category of highest risk, unless there is good reason for a lower risk classification, as permitted by regulations.

For customers of Bank and its consolidating Subsidiaries, the same classification is given to loans of same mode to the same debtor, except where it can be shown that there is good reason to classify one or more in a lower risk category.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Credit risk rating for reports

For establishing equivalent risk classifications for the purpose of reports to the risk bureaus, indebtedness reports and recording the financial statements uses the following table:

Commercial

Risk Type	Report Category	Group Category	Ageing (days)
Normal	AA	A	0-29
Acceptable	A	B	30-59
Acceptable	BB	B	60-89
Appreciable	B	C	90-119
Appreciable	CC	C	120-149
Significant Risk	D	D	150- 569
Unrecoverable	E	E	More than 569

A commercial loan is considered to be in default when it is more than 150 days or more in arrears, along with treasury loans in arrears.

Consumer loans

In order to determine classification of consumer loans, depending on segment, the reference model makes calculations on a points system, which is the product of particular characteristics of each debtor as laid down in Schedule 5, Chapter 2, and Superintendency Circular 100/1995:

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

A consumer loan is considered to be in default when it is in arrears 90 days or more.

*In order not to affect the indicators, the Superintendency defined an additional classification, in addition to the characteristics of the consumer reference model, for a range of arrears between 0 and 30 days, to be recorded in the books as Category A.

Mortgage and micro credit

The Bank analyzes mortgage loans and micro-credit, and classifies them into one of the following credit categories.

Category	Risk	Home mortgage	Micro-credit
		Months in arrears	
A	Normal	0 to 2	0 - 1
B	Acceptable	Above 2 to 5	Above 1 to 2
C	Appreciable	5 to 12	Above 2 to 3
D	Significant	12 to 18	Above 3 to 4
E	Unrecoverable	above 18	Above 4



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

– Subsidiaries outside Colombia

There is a process for establishing equivalences of loan portfolio classifications to match local classifications in each country and rating system for each type of loan applicable in Colombia (i.e., Colombian rules of classification/rating are used).

Rules on loan allowances.

Allowances are charged to earnings as follows:

General allowance.

At December 31, and June 30, 2012 there was a general allowance for microcredit and mortgage loans equivalent to 1% of total gross loans.

Individual allowances under reference models

According to Superintendency instructions, the Commercial and Consumer Reference Models require individual allowances as the sum of two individual components: one is pro-cyclical and the other counter-cyclical.

The individual pro-cyclical component reflects the credit risk of each debtor today.

The individual counter-cyclical component reflects possible changes credit risk of a debtor over a time in which the deterioration of those assets increases. This portion is set aside in order to reduce the impact on earnings if the situation should arise.

The two components are calculated separately for capital and accrued interest receivable on loans and financial leases, for loans and leasing operations.

There is a monthly evaluation of the following indicators, made to determine the method of calculation to use as of the following month for individual allowances:

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

If for three consecutive months the conditions of these indicators are all met together, the method for calculation to be applied during the following six months will be that for the de-accumulative phase phase.

Method of calculation for the accumulative phase

Individual procyclical component. For Commercial and Consumer loans, this is the expected loss is calculated with Matrix A, that is, the results obtained by multiplying the value of debtor exposure, the probability of default (PI) of matrix A, and the loss given default (LGD).

Individual counter cyclical component. This is the maximum value between the individual countercyclical component for the preceding period affected by exposure, and the difference between the expected loss calculated with Matrix B, and the expected loss calculated with Matrix A at the time of calculating the allowance.

The individual counter cyclical component may in no event be less than zero, and may not exceed the value of the expected loss calculated with Matrix B, and the sum of these two components may not exceed the value of



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

exposure.

Each year the Superintendency publishes the matrices in the first half of the year for application as of July that year.

The countercyclical component will enable lenders to have a reserve (an individual countercyclical allowance), which they will use in times of deterioration in loan quality, in order to face the need for increased allowances, but without the need for a significant impact on profits generated in an unfavorable environment.

At December 31 and June 30, 2012, the Bank applied the method of the accumulative phase.

Individual allowances

In addition to the general allowance, individual allowances are calculated to protect loans classified in all risk categories, using the following parameters at June 30, 2012 and December 31, 2011:

Commercial loans

The Bank adopted the Superintendency's Commercial Reference Model for making the allowances produced by its application.

The minimum monthly salary for the preceding year is used to estimate the level of asset values.

The estimate of expected losses involves differentiated segments, by level of debtor assets, as follows:

<u>Business size</u>	<u>Asset ranges</u>
Large companies	More than 15.000 SMMLV
Medium companies	Between 5.000 and 15.000 SMMLV
Small businesses	Less than 5.000 SMMLV

The model also has a category "individuals", which brings together all personal debts and loans.

The estimated expected loss (allowances) is the result of the following formula:

Expected Loss = [Probability of default] x [Asset exposure at the time of default] x [Loss given default].

Where:

- Probability of default (PD)

This is the probability that in a period of twelve (12) months, the debtor of a certain commercial loan portfolio will go into default.

Individual allowances are calculated using the percentages given in this matrix:

<u>Rating</u>	<u>Large companies</u>		<u>Medium companies</u>		<u>Small businesses</u>		<u>Natural persons</u>	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	1.53%	2.19%	1.51%	4.19%	4.18%	7.52%	5.27%	8.22%
A	2.24%	3.54%	2.40%	6.32%	5.30%	8.64%	6.39%	9.41%
BB	9.55%	14.13%	11.65%	18.49%	18.56%	20.26%	18.72%	22.36%
B	12.24%	15.22%	14.64%	21.45%	22.73%	24.15%	22.00%	25.81%
CC	19.77%	23.35%	23.09%	26.70%	32.50%	33.57%	32.21%	37.01%
Default	100%	100%	100%	100%	100%	100%	100%	100%



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Loss given default (LGD)

This is defined as the economic deterioration incurred is default should occur. LGD for borrowers in default will rise with the passage of time in default. The Bank applies two ranges, for "Unsecured" (*) and "Property leasing assets", as follows:

Type of guarantee	LGD	Days after Default status	New LGD	Days after Default status	New LGD
Unsecured	55%	270	70%	540	100%
Subordinated loans	75%	270	90%	540	100%
Secured	0 – 12%	-	-	-	-
Comercial and residential property	40%	540	70%	1080	100%
Residential lease properties (*)	35%	540	70%	1080	100%
Lease assets other than real property	45%	360	80%	720	100%
Other collateral	50%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
No guaranty (*)	55%	210	80%	420	100%

The allowance for loans in Categories D and E is 100%.

Subsidiaries abroad

In the subsidiaries abroad the LGD applies the same model, taking account of the type of guaranty, except for Panama, as for clients with economic activities in other countries, in addition to the allowances charged in the local model, other factors are considered such as country risk, deterioration due to classification and due to write-offs.

At all events, allowances will not be less than those estimated by the affiliate outside Colombia.

Allowances for moratorium processes in Colombia

Loans for account of borrowers in a moratorium process are immediately classified "E"; allowances are made, accruals are suspended for yields and other items.

If the recovery plan is agreed within one year following admission into moratorium proceedings, the loans may be reclassified to "D".

Consumer loans.

The Bank adopted the Superintendency Reference Model for Consumer loans (MRCO), which is used to make allowances.

It is based on differentiated segments, depending on product: Automobile-general, Other - General, and Credit Cards, in order to preserve the particular features of market niches and products.

Expected losses are calculated, and allowances are made in accordance with the following formula:

$$\text{Expected Loss} = [\text{Probability of default}] \times [\text{Asset exposure at the time of default}] \times [\text{Loss given default}]$$

Where



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Probability of default (PD)

Corresponds to the probability that within 12 months debtors in a given segment and loan classification will go into default.

The probability of default is defined by the following matrix.

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

- Loss given default (LGD)

This is defined as the economic deterioration suffered if a default situation arises. The LGD for debtors will increase with the passage of time in default. The LGD applied by the Bank falls into two ranges of guaranties "unsecured", and "non-admissible guaranty", as described below:

<u>Type of guarantee</u>	<u>LGD</u>	<u>Days after</u> <u>Default status</u>	<u>New LGD</u>	<u>Days after</u> <u>Default status</u>	<u>New LGD</u>
Non-admissible guaranty	60%	210	70%	420	100%
Admissible financial collateral	0 – 12%	-	-	-	-
Commercial and residential property	40%	360	70%	720	100%
Other colateral	50%	270	70%	540	100%
Collections rights	45%	360	80%	720	100%
No guaranty	65%	180	85%	360	100%

The descriptor "non-admissible guaranty" applies as of May 2012, for consumer loans granted with the non-admissible "payroll deduction" guaranty.

- Exposed asset value.

In the MRCO the exposed asset value is the outstanding capital balance, with interest, accrued interest receivable on loans and financial leases for interest and other items, in the consumer loan operations.

Subsidiaries abroad

The subsidiaries abroad use the same Model, taking account of the type of guaranty, except for Panama as follows:

<u>Category</u>	<u>%</u>
A	1,6
B	5,0
C	30,0
D	60,0
E	100,0



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At all events, allowances are not lower than those estimated by the subsidiary abroad

Mortgage loans.

Individual allowances for the protection of loans are made in all risk categories for at least the following percentages at December 31 and June 30, 2012.

Rating	Regulatory minimum %		% Bank's minimum	
	Covered	Not covered	Covered	Not covered
A	1.00%	1.00%	1.00%	3.00%
B	3.20%	100.00%	4.00%	100.00%
C	10.00%	100.00%	10.00%	100.00%
D	20.00%	100.00%	30.00%	100.00%
E	30.00%	100.00%	100.00%	100.00%

(*)The minimum regulatory percentage is applied to the subsidiaries abroad

An allowance must be kept over the secured portion of mortgage loans, as a percentage which corresponds to each Category. The allowance for the unsecured portion will be 100% as of the time of classification as "B"-acceptable.

If for two consecutive years ago remains in category "E", the percentage allowance of secured portion will rise to 60%. After another year in this same condition, the allowance on the secured portion will be 100%.

At all events, allowances will not be lower than those estimated by affiliates abroad, and the value of guaranties is recognized.

Microcredit

Individual allowances for the protection of loans classified in all risk categories must match the following at least the following percentages at June 30, 2012 and December 31, 2011.

Rating	Minimum required by the standard %		Minimum required by the Bank %	
	Balance	Not covered	Balance	Not covered
A	1.00%	0.00%	1.60%	1.60%
B	2.20%	1.00%	4.00%	5.00%
C	0.00%	20.00%	0.00%	30.00%
D	0.00%	50.00%	0.00%	60.00%
E	0.00%	100.00%	0.00%	100.00%

Effect of admissible guaranties on individual allowances.

Guaranties for microcredit and mortgage loans only support the capital value of the loan, with the balances repayable on loans covered with this form of collateral classed as admissible, and allowance is made against in the percentage matching the Category concerned, applying the percentage to the difference between the unpaid balance and 70% of the value of the guaranty.

Depending on the type of guaranty and the length of arrears of the loan, percentages of the total value of the guaranty for the purposes of the allowances apply as follows.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Non-mortgage guaranties:

<u>Past due period</u>	<u>%</u>
0 to 12 months	70%
Between 12 months to 24 months	50%
More than 24 months	0%

Mortgage guaranties:

<u>Past due period</u>	<u>%</u>
0 - 18 months	70%
18 - 24 months	50%
24 - 30 months	30%
30 - 36 months	15%
Over 36 months	0%

2.8. Spot and derivative operations

2.8.1. Spot operations

Financial assets acquired through spot operations are recorded in the balance sheet on the settlement date and not the dealing date, unless the two coincide, as follows:

The seller records financial asset in his balance sheet until delivery affected, and meanwhile records the right to receive cash from the transaction as an asset, and the obligation to deliver the asset sold.

The buyer of the asset does not record the financial asset in his balance sheet and it is delivered, but records the right to receive the asset amount in his assets, with the obligation to deliver the cash agreed for the operation.

Changes in market value of instruments sold must be shown in the earnings statement as of the date of the trade, as appropriate.

If the operation is effectively completed, the buyer and seller of the asset will reverse the right and the obligation recorded at the time the trade took place.

2.8.2. Derivatives

Derivatives are recorded in the balance sheet, from the date of the trade, for a fair market price.

If the initial contract has a value of zero, that is, if no payment or physical delivery is made by the parties, the earnings statement is not affected.

In subsequent valuations, price the variations in the price must be recorded in the earnings statement or in equity accounts, depending on the classification of the derivative.

If the fair price of exchange is positive, i.e. favorable to the Bank, it is recorded as an asset, separating the value of the right from the value of the obligation. If the price is negative, i.e. adverse to the bank, it should be recorded as a liability, with the same separation.

If the fair price of exchange is zero either initially or on some subsequent date, it should be booked as an asset



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

if it is a speculative financial derivative., However, if it is a hedging asset it should be book on whichever side of the balance sheet is appropriate – on the basis that it should be recorded on the other side to that of the primary position hedged.

Positive and negative balances in the balance sheet are not netted out where the derivatives are different financial instruments – or even if they are the same – and each must be in its asset or liability account.

Variations in the fair price if exchange of speculative financial derivatives should be recorded in the earnings statement, using the following rules.

Regardless of the accumulated variation in the price of a derivative for speculative purposes is positive (profit) or negative (loss), the portion of the variation recorded daily in the earnings statement should be booked to the appropriate income or expense account in which the derivative should be recorded, depending on whether it is an accumulated profit or an accumulated loss, depending on related accounting instructions. The same procedure should be used for derivatives negotiated by the supervised institution.

For the recording of hedging financial assets, regardless of whether the accumulated variation in the price of a derivative for speculative purposes is positive (profit) or negative (loss), the valuation must be disclosed daily in the earnings statement in the relevant subaccount for revenues or expenses where the derivative is to be recorded, depending on whether there is an accumulated profit or an accumulated loss, following the relevant accounting instructions.

The portion of the accumulated price variation must be recorded daily in the equity account opened for this item, with a positive or negative sign, as appropriate.

2.8.3. Forwards

Speculative forwards will be booked in the balance sheet from the date of the trade, for the fair price of exchange.

Where the initial value of the contract is zero on that date, that is, there has been no payment or physical delivery of between the parties, the earnings statement is not affected.

In subsequent valuations, the variations in the prices must be recorded in the earnings statement, following the rules given below.

Forwards that have a positive fair price (i.e. favourable to the Bank) are recorded as assets, separating the right and the obligation. If the fair price is negative (i.e. unfavourable to the bank) the operation is recorded as a liability, with the same separation.

Where the price of the derivative is zero, either on the initial date or on some subsequent date, the books must show the asset entry if the derivative is for speculative purposes. But if it is a financial derivative for hedging purposes, the books in this case will show an asset or a liability, as appropriate on the opposite side to that of the primary position hedged.

The balance sheet accounts do not net out favourable and unfavourable balances of Derivatives, even if they are of the same type, but it must be recorded as an asset or a liability, as appropriate.

2.8.4. Futures

Given that futures operations are settled daily, the fair price derivative is zero, and for this reason, it's the recorded in the accounts as an asset, since they are the derivative for speculative purposes.

2.8.5. Options contracts

When the Bank buys call or put options -the premium paid and the variations in day to day valuation to the fair



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

price must be made in the sub accounts for options, on the asset side.

When the Bank sells a call or put option- the premium received and day to day variations in the fair price are recorded in the subaccount for the appropriate option on the liability side (accounts on the cards are recorded in a single account).

Supervised institutions must report the face value agreed, multiplied by the fair price of exchange or the rate agreed by the parties in the Contingent or Memorandum Accounts opened for that purpose.

2.9. Swaps contracts

2.9.1. Hedging swaps.

These are traded operations which are designed to reduce or remove a specific risk which may have an impact on earnings as a consequence in variations in the fair price or on cash flow, or on the exchange rate of one or more items in the "primary positions".

In compliance with current regulations, these derivatives traded for hedging purposes must be clearly identified. From the moment that the deal is struck, and authorized by the plan by the Superintendency.

The accounting of the derivatives for hedging purposes depends on specific type of hedging involved, in our case, the hedging operations correspond to the fair market price.

The hedging of the flows of the fair price must be accounted as follows:

a) Derivatives for hedging purposes: all gains or losses which arise from a valuation of derivatives taken for hedging purposes must be immediately recorded in the earnings statement, using the standard PUC accounts for hedging instruments.

b) Primary positions. All profits or losses attributable to hedging must be recognized for their book value in the primary position, such that that value reflects the fair price of exchange. The matching entries for variations are recorded in the relevant sub account in earnings, including operations in which there is a primary position covered, valued at cost if a firm commitment is made to acquire an asset or take up a liability which is in a primary position, within hedging of a fair price, the initial book value of the asset or liability which arises from the commitment the firm commitment must be adjusted to include accumulated variations in the fair price of a commitment which is attributable to the risk hedged and recognized in the balance sheet.

Derivatives which show a positive fair price (i.e. favourable to the Bank) must record this in the assets, separating the value of the right and the value of the obligation. If the fair price is negative (i.e. unfavourable to the Bank), it must be recorded as a liability, with the same separation. This accounting treatment must be applied both to speculative and to hedging derivatives.

2.9.2. Speculative swaps

These operations aim to obtain profits from some future market movement.

The book entry will isolate the effect of the valuation model used. Therefore, at the end of the day the swap (day 0). The supervised institution, on the one hand, should not affect the earnings statement, and on the other, the resulting profit or loss due to the valuation of the right and the obligation, is recorded in a deferred account.

Between the day following the day that the swap is made and the due date, the supervised institution will take account of the daily value corresponding to linear amortization of the deferred item, increasing or reducing the result of the daily valuation, as appropriate.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2.10. Accounts receivable.

This account records amounts pending collection, such as yields derived from financial intermediation, service commissions, payments for account of customers, and sums produced by the sale of goods and services, rent, sale commitments, dividends and other capital yields, advances for contractors and suppliers, fees, and staff advances.

Allowances are made to protect accrued interest receivable on loans and financial leases with a negative classification, and are charged to earnings, where it is established that there are contingencies of probable and reasonably quantified contingencies of loss, or where the arrears are at more than 180 days.

2.11. Foreclosed assets

Marketable assets and assets received in payment.

This item includes the value of assets received in lieu of payment of unpaid loans due to the Bank and its subsidiaries.

Assets received in payment represented in real property are received on the basis of a professional commercial valuation, and movable assets, vehicles, shares and other interests, on the basis of a reasonable market value.

Assets are recorded taking account of the following conditions:

- The initial amount is that of the court award or as agreed with the debtor, recorded in a public deed and legalized in the Public Records Office.
- If the value for which the asset is received is lower than the balance sheet value, the difference is immediately charged to earnings, as an allowance.
- If the value for which the asset is received is in excess of the value of the loan repayable (i.e. in favour of the debtor) the difference is recorded as an account payable.
- These assets are received on a temporary basis, and must be sold within two years following receipt, unless the Bank's Board has ordered an extension of the term for sale, which may not be for longer than two years.
- Valuations used are not more than three years old at the closing date on which they apply. The result of the valuation is recognized as a valuation gain for foreclosed properties and recorded in Memorandum Accounts, or conversely, a valuation costs appear as an allowance charged to earnings.
- Profits generated as a consequence of the disposal of these assets through loan or term sale operations are deferred over the term agreed for the operation; amortization is charged to earnings, as and when collection is actually made.
- Where the sale is a spot sale, the profit on the operation is recorded as revenue in the earnings statement.

Restored Assets

This account records the value of assets restored to the bank from financial leasing operations, due to default against leasing agreements by the lessee, or the lessee's failure to exercise the purchase option. These assets are not subject to depreciation.

For restored assets, the two-year rule for sales applies, except where the Bank's Board has ordered an extension of the time to make the sale, which may not be for more than a further two years.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Assets not used in the business

This item records of assets which the Bank has ceased to use for its business.

The assets are depreciated until sold, and are recorded as part of fixed assets for the purposes of limits established in Section 1.2, Chapter VII, Title I of the Superintendency's Basic Legal Circular.

Assets not used in the business are also subject to the two year rule for disposal.

2.12. Allowance against marketable assets and foreclosed assets.

The Bank has no internal model to calculate allowances against foreclosed assets. Therefore, they are recorded as required by Chapter 2 of Superintendency Circular 034/2003 as follows:

Period	Movable	Real property
Year 1	30%	35%
Year 2	30%	35%
Total	60%	70%
2 years or more	20%	30%
Bank policy 2 years or more)	100%	100%

*The Bank makes an allowance for 100% of the valuation shortfall

For subsidiaries abroad in Salvador and Costa Rica, the allowance against foreclosed assets was homogenized, passing from 1/48 and 1/24 respectively, and this caused a recovery to be shown in both countries when compared to Colombian regulatory requirements.

Superintendency Circular 043/2011 is not applied to foreclosed assets, since physical valuations are made of the properties.

2.13. Premises and equipment

This account records tangible assets purchased, constructed or in the process of importation, construction or assembly, for permanent use in the normal course of business, with a useful life of more than one year. This includes direct and indirect costs and expenses up to the moment in which the asset becomes fit for use.

With the exception established by Article 6 of Decree 3019, fixed assets, whose acquisition cost is 50 UVT (approx. US\$700 equivalent) or less may be depreciated within the same year.

Additions, improvements and special repairs that significantly increase the useful life of assets are recorded as an increased value of the asset, and disbursements for maintenance and repairs made to conserve these assets are charged to expenses as and when they accrue.

Real property valuations are updated regularly, and professional specialist valuers are used to establish valuation gains or losses, as appropriate.

Real property in Central America is recorded at acquisition cost. The differences between book value and independent valuations, sometimes authorized by the Regulators, is charged or credited to the fixed asset reappraisal account in the equity section. Valuations are not updated as regularly as they are in Colombia. The process has begun, and no significant impacts are expected

For assets acquired up to December 31, 2006, and for office equipment, furniture and fittings and computer equipment, the Bank calculates depreciation on a declining balance basis. Purchases made as of January 1, 2007 are depreciated on his straight-line basis, and their useful lives and annual depreciation rates are:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Useful life</u>	<u>Annual rate</u>
Buildings	20 years	5%
Office equipment, furniture and fittings	10 years	10%
Computer equipment and vehicles	4-5 years	20%

For the subsidiaries abroad in Costa Rica and Honduras, the depreciation on real property is effected in the basis of useful lives of 50 and 40 years, compared to the 20-year life used in Colombia. This causes homogenization adjustments.

Straight-line method

This consists in dividing an asset's value into its useful life. The result of annual depreciation is distributed into monthly installments. The procedure is repeated in each accounting period until the asset is fully depreciated.

Declining balance method

This method allows accelerated depreciation of the asset. The same total time of depreciation is used, but there is a higher monthly expense in the early years. There must be a salvage value

Assets given under operating leases

Assets given under operating leases (vehicles) are recorded at acquisition cost. Their depreciation runs over 60 months on a straight line basis. In addition to normal depreciation and the wear on these assets, there is additional depreciation of 25% and an allowance is charged of 1% of value after depreciation and amortizations.

2.14. Branches and agencies.

This account records the movement of operations between the Head Office, Branches and Agencies.

Balances are reconciled monthly, and pending items are regularized in not more than 30 days.

Net balances are reclassified at each close, reflecting subaccounts branches and agencies, and are assigned to the asset or liability accounts, or credited or charged to earnings.

2.15. Prepaid expenses, deferred charges and intangible assets.

Prepaid expenses correspond to amounts incurred by the Bank in the course of its activities, for which the benefit is received over several periods, but may be recovered, and supposes successive execution of services to be received.

Deferred charges correspond to goods and services received by the Bank, from which it is expected to receive a future economic benefit, and whose amount and nature allow it to be considered amortizable over a defined period of time.

Expenses whose amount is equal to 210 UVT (approx. US\$3,000) are not treated as deferred charges.

Amortization is recognized as of the date on which they contribute to the generation of income, on the following basis:

Prepaid expenses

- Interest, during the period prepaid.
- Insurance, during the life of the policy.
- Other concepts that are amortized during a twelve month - term.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred charges

- Remodelling on own property is amortized over not more than two years, and for leased premises, over the shorter of the life of the contract and probable useful life.
- Deferred income tax generated due to timing differences will be amortized over periods in which the timing differences which gave rise to them are reverted.
- The wealth tax created by Law 1370 of December 2009, accrued on the basis of net assets at January 1, 2011, is amortized over 48 months as of that month.
- Discount on securities placement
- HSBC professional consultancy fees
- Rent
- Uniforms
- Computer programs, over not more than three years.
- Commissions and advisory services, over 60 months, where they correspond to major projects whose expectation of recovery is a long-term matter.
- Other items are amortized over the estimated recovery period of the expense, or the obtaining of expected benefits.

Intangibles

Goodwill is amortized monthly on a straight-line basis over seven years for Confinanciera S.A., by the exponential method at a time of 20 years for Granbanco S. A., Grupo del Istmo Costa Rica S.A., Inversiones Financieras Davivienda S.A., Banco Davivienda Honduras S.A. and Seguros Bolívar Honduras S.A.

2.16. Reappraisal of assets

Assets which are the object of gains:

- **Investments available for sale and equity investments**

Valuation gains and losses on capital investments available for sale are recorded on the basis of variations in the equity of the issue.

- **Real property**

Valuation gains on real property correspond to the excess of the market valuation established by reputable professional independent valuers, over net book cost. The matching entry is a credit to earnings.

If there is a loss on valuation, for each individual property, an allowance is charged to earnings

- **Assets received in payment.**

Valuation gains on assets received in payment are recorded in Memorandum Accounts.

2.17. Deferred tax

The Bank and subsidiaries recognize the effect of tax timing differences generated between the valuation and market price and the straight-line calculation of the investment portfolio in derivatives, and in IFC bonds. Likewise, it recognizes the deferred tax on the turnover tax allowance and the higher value charged as tax allowable in goodwill. Deferred income tax generated by the effect of timing differences will be amortized over the period in which the timing differences which originated them revert.

2.18. Income received in advance and deferred liabilities.

In accordance with the regulations, the profit on sale of foreclosed assets sold at term is amortized in proportion to the amounts collected for capital; the purpose of this is to regularize income.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

UVR adjustment

Law 546/1999, Article 3, created the UVR, as a unit of account, which reflects the purchasing power of the peso, based exclusively on the variation in the Colombian CPI, published by the statistical bureau DANE. The value is calculated in accordance with methods adopted by the Government.

In order to eliminate the distortion generated by seasonal variations in inflation in on operations agreed in UVR, the income from these items is standardized to a one-year period.

2.19. Accruals and provisions.

The Bank records provisions to cover accruals related to fines, litigation, sanctions and claims which may exist and which meet the following conditions.

- a. There is a right acquired and in consequence, an obligation contracted.
- b. The payment is probable, or the amount is payable on demand.
- c. The provision is justifiable, quantifiable and verifiable.
- d. Also, it records estimated values for taxes, contributions and affiliations.
- e. Following principles and standards generally accepted in Colombia, the classification of the possible results of litigation against the Bank, for purposes of provisions, is effected appropriately to a contingency account which is catalogued as probable, eventual or remote, and, depending on that classification, the percentages of provision have been defined as follows:

Probable contingency	100%.
Eventual contingency,	up to 50%.
Remote contingency	0%.

For subsidiaries abroad, the classifications correspond to “probable”, “possible” and “remote” and allowances are charged on the basis of the amount given by the attorney responsible in the stage of the proceedings reached.

- f. Estimated employment liabilities are recorded on the basis of allowances of law and collective agreements in force, estimated on the basis of calculations of amounts to be paid to employees.
- g. To present the financial expense derived from customer strategies such as for example, subsidized rates in low-cost housing loans and points programs for credit cards and mortgage loans

Insurance Companies: Technical reserves

Seguros Comerciales Bolívar S.A. El Salvador and Seguros Bolivar S.A. Seguros de Personas El Salvador make the following technical reserves.

Current risks

Risk reserves are calculated on the basis of premiums accrued net of returns, cancellations and cession from reinsurance or rebonding, damage insurance, decreasing debt, personal accident. Health or hospitalization and medical, short-term life, graded premium, additional life assurance benefits, deduction of mortality from flexible plans and bonds.

For policies of one or more years, the method of the twenty-fourths is used. For those under one year, policy-by-policy is used and for certificate-based marine business 50% of premiums at calculation date is reserved



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Fluctuation reserve

The Company increases these reserves by class of insurance by 3% for damage insurance and 1% for life insurance retained premiums. The reserve is cumulative and may only be affected if retained risks for one or more classes of insurance is higher than 70%-- Retained risks are understood to be the ratio between the net cost of a loss and the net earned premium retained. Also, the increase may only be foregone when its balance is 0.5 times the current risk reserve.

Mathematical reserves

Mathematical reserves in long-term individual life assurance are calculated on the basis a mortality table, technical interest and actuarial formulas in each class of insurance. These reserves are calculated after deducting the median average and deferred premiums. The amount of the reserve is certified by an actuary and the General Manager.

The following technical reserves are made for Seguros Bolivar Honduras S.A.

Unearned premiums

The Company uses the method of deferring 80% of unearned net retained premiums for current policies, except in marine business which defers 50% of individual life at the date of calculation. The calculation of unearned premium uses the proportional method, distributing the premium uniformly over the cover period. The calculation uses the method known as the semimonthly base 0 of the 24ths for annual insurance.

For losses advised (loss estimates)

The company records an expense and the related reserve for claims pending liquidation when it receives a claim.

Claims not advised (occurred, not reported)

The Company makes a reserve for losses that have occurred but not been reported equivalent to a percentage applied to total losses retained over the year. This percentage is the average for the last three years of losses occurred and not reported against net retained losses in each of those years. The reserve is not cumulative.

Reinsurance (ceded)

Premiums for ceded reinsurance are recorded as an expense when the policies are billed.

The conditions of the reinsurance treaties do not relieve the company of its primary obligation to the insured.

Fluctuation reserve

These reserves are recorded on catastrophic risks applying 5% of net reinsurance premiums for fire and related lines and some others for up to a maximum equivalent to the sum of the priority agreed in the treaties plus liability not covered and for account of the ceding company less the solvency margin established for catastrophic risk.

Reserves and loss liabilities

The loss reserve is recorded when the estimated amount of the obligation for the loss is known, up to the maximum sum insured. However, payment is only made after the necessary evidence to show the insured's right to indemnity is provided.

Insurance companies estimate a reserve for losses unreported at the closing date on the basis of the



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

average of unreported losses for the last three years

2.20. Conversion of foreign currency transactions.

Operations and balances in foreign currency are converted to pesos at the market reference rate (TRM) at the relevant dates, as published by the Superintendency. At December 31 and June 30, 2012, 2011 the rates were \$1,768.23 and \$1,784.6 per US\$1, respectively.

2.21. Contingent accounts.

These accounts record operations in which the Bank acquires a right or assumes an obligation whose fulfillment is conditioned on the occurrence (or failure to occur) of some future event depending on future, eventual or remote factors. Among the debtor contingencies, financial yields are recorded from the moment in which accruals cease to be accrued on receivable.

Contingencies for fines and sanctions are analyzed by the Legal Department and their outside counsel. Estimates of the contingency for losses necessarily involves the exercise of judgment. There is an evaluation, amongst other things, of the merits of the claim, the jurisprudence of the courts on the point, and the current status of the case.

Judicial contingency by definition is a condition, situation or set of circumstances which exist and which imply doubts with regard to a possible gain or loss by the Bank in a court case, or in actions pursued against it, which generate a contingent liability. The doubt is finally resolved when one or more of the future events occurs or fails to occur.

2.22. Memorandum Accounts.

These accounts record the operations undertaken with third parties, whose nature does not affect the financial situation of the Bank. There are also fiscal memorandum accounts, which record figures for the preparation of tax filings, or the control of mandatory investments, internal control or management information, and loans by ageing of arrears.

2.23. Trust memorandum accounts.

This account records the trust accounts for operations in loan "universalities".

Following Superintendency Circular 047 of September, 2008, as of January 1, 2009, the Bank updated and established equivalents in the instructions regarding the determination and accounting of the process of securitization.

Since the Superintendency has not enabled the related accounts, the balance sheet transmitted to it differs from the official books of account of the Bank with respect to the bookkeeping of these accounts.

The subsidiaries Fiduciaria Davivienda S.A. and Fiduciaria Cafetera S.A. use these accounts to record balances of cash or assets in trust, kept separately from their own assets and forming independent bodies of assets, as required by the Colombian Commercial Code and Superintendency instructions.

Trust assets are not part of the general guaranty of the trust-company's creditors, and they guarantee only obligations related to the purpose of the trust agreement.

Following Superintendency Resolution 497/2003 as amended by Resolution 02374/2006, Davivalores S.A., uses these accounts to record assets, liabilities and equity and other operations of other entities which by law or contract are under the temporary or permanent management of the supervised institution.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2.24. Excess of cost over book value

This is determined by comparing the cost of the investment with the proportional equity value calculated for each acquisition made by the Parent and Subsidiaries.

2.25. Principal estimates in the balance sheet - Use of Estimates in the preparation of the financial statements

In the preparation of the financial statements, management normally makes estimates and assumptions which affect the amounts reported for assets and liabilities, and for income and expenses. Superintendency regulations state that in the case of items for investments, loans and foreclosed assets, estimates of allowances may be made on the basis of the financial statements of customers up to 12 months old, and on the basis of valuations of guaranties and foreclosed assets made by independent valuers, but not more than three years old.

In the case of judicial contingencies that imply a possible gain or loss for the Bank in court cases or actions against the Bank that generate a contingent liability, an evaluation is made (amongst other things) of the merits of the claim, jurisprudence available and the current state of the case.

2.26. Substantial variations in uniformity

The consolidation followed local legal requirements and equivalences were established as appropriate to make accounting practices uniform as generally-accepted in Colombia.

The balance sheets of the subsidiaries abroad are expressed in the currency of the country concerned, as follows:

Country	Currency
Costa Rica	Colon
El Salvador	Dollar
Honduras	Lempira
Panama	Dollar

As required by Circular 100/1995 Chapter X, the financial statements are re-expressed as follows: Balance Sheet at the closing rate; earnings statement at the average rate and equity at the historic rate. The following are the rates and conversion factors used at December 31, 2012

Conversion of financial statements of subsidiaries outside Colombia				
	Costa Rica*	El Salvador	Honduras*	Panamá
Balance sheet	3.52	1,768.23	88.59	1,768.23
Earnings statement	3.65	1,801.56	91.31	1,801.56
Equity	3.68	1,813.72	90.3	2,160.99

(*) Conversion factor in the currency of origin to Colombian pesos

The Bank established equivalents in the plan of accounts and homogenized the accounting practices generally accepted in the countries where the operation is based to Colombian generally accepted practices as instructed by the Superintendency, principally for items which might affect the structure of the consolidated financial statements such as investments, loan allowances, depreciation of property and equipment and assets received in payment, insurance commissions, technical reserves etc.

The effect of this procedure on the results at December 31 and June 30, 2012, is the following:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>December 31</u>			<u>June 30</u>		
Profit of foreign subsidiary	<u>6,051.4</u>			<u>8,181.6</u>		
<u>Effects of homogenization</u>	<u>Expense</u>	<u>Recovery</u>	<u>Net</u>	<u>Expense</u>	<u>Recovery</u>	<u>Net</u>
Loan allowances	31,897.6	1,530.2	(30,367.4)	4,133.8	1,022.2	(3,111.6)
Transfer of MPP to valuation gains	28,533.1	0.0	(28,533.1)	0.0	0.0	0.0
Depreciation of real property	11,457.2	76.2	(11,381.0)	0.0	9.1	9.1
Foreclosed assets	8,701.6	7,644.4	(1,057.2)	0.0	23.2	23.2
Investments	0.0	3,302.3	3,302.3	0.0	644.1	644.1
Insurance commissions	0.0	3,571.3	3,571.3	0.0	0.0	0.0
Transfer of valuation of investments available for sale to trading	420.3	2,373.9	1,953.6	1,159.6	0.0	(1,159.6)
Provision against premiums receivable	862.4	0.0	(862.4)	0.0	0.0	0.0
Trusts in Panamá	0.0	0.0	0.0	0.0	2,946.6	2,946.6
Other	<u>51.1</u>	<u>455.3</u>	<u>404.2</u>	<u>26.6</u>	<u>0.1</u>	<u>(26.4)</u>
	<u>81,923.4</u>	<u>18,953.6</u>	<u>(62,969.7)</u>	<u>5,320.1</u>	<u>4,645.3</u>	<u>(674.8)</u>
Homogenized profit of foreign subsidiary	<u>(56,918.4)</u>			<u>7,506.7</u>		

Loan allowances

An allowance was made for US\$31,897.4 and a recovery of US\$1,530.2 with a net effect of US\$30,367.4 when applying the terms of Noye 2.7 Loans and Financial Leases – individual allowance.

Transfer of equity method to valuation gains

In El Salvador and Costa Rica they record valuation gains for equity investments available for sale (permanent investments) using the equity method, recording the variation in profits in the earnings statement. For homogenization purposes, the valuation gains were transferred to Surplus accounts.

Depreciation of real property

Since the useful life varies from country to country and is different from Colombia, real property in Note 2.13 was subject to individual calculations for each asset for homogenization purposes. This created an expense of US\$11,381.0.

Foreclosed assets

Because the policies for allowances against foreclosed assets in Central America are different from those of Colombia, homogenization was effected as follows:

In Costa Rica an allowance is made of 1/24 every month for 2 years i.e. the allowances are more severe and therefore homogenization brought a recovery.

El Salvador makes an allowance of 1/48 a month over 4 years. In addition, foreclosed assets in loans written off are recorded as a debit to Foreclosed Assets against a reserve in the equity section. Here, recoveries of allowances are also recorded because allowances are made faster than in Colombia.

Honduras makes foreclosed asset allowances two years after receiving an asset. The Colombian rule is more severe and homogenization generates a further allowance



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Investments

The recovery of US\$3.302.3 million is the entire recovery of investments allowances following an analysis by establish equivalent risk ratings between the foreign systems and the Colombian system. The ratings used in the portfolio do not require any further allowances.

Insurance Commissions

With homogenization, Honduras and EL Salvador recorded a recovery of commissions, because in both countries they record brokers commissions, In Colombia, these are deferred charges and they are amortized over the life of the policy.

Transfer of valuation of investments available for sale to trading

For the Panama subsidiary, investments in the past as available for sale are regularly traded, since internal rules permit this, and to apply Colombian rules, they are reclassified to trading, with an effect on earnings of the amounts recorded by the subsidiary in the equity section as valuation gains.

Allowances against premiums receivable

The allowance due to homogenization is adjusted, since Columbia regulations for allowances in the Colombian allowance system is more severe than that applied in El Salvador in the insurance company, where the allowance is calculated on 100% of earned premiums and issuing expenses pending payment more than 75 days as of the technical validity date of the policy.

Other

Includes homogenization of items which generate small adjustments, such as allowances against cash, insurance reserves, etc.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3. Cash and due from banks

The detail of cash and due from banks in local currency and foreign currency expressed in local currency is the following:

	<u>December 31</u>	<u>June 30</u>
Colombian peso-denominated:		
Cash	US\$ 473,261.7	487,521.3
Colombian Central Bank and Central Banks	743,118.2	425,125.8
Banks and other financial institutions	8,734.7	84,435.8
Clearing	34,147.5	45,478.3
Remittances in transit	8.3	15.2
Allowance for cash and due from banks	<u>(268.7)</u>	<u>(430.2)</u>
	<u>1,259,001.7</u>	<u>1,042,146.3</u>
Foreign currency expressed in local currency:		
Cash	103,409.5	303.8
Colombian Central Bank and Central Banks	32.1	33.0
Banks and other financial institutions	918,656.9	355,957.0
Clearing	40,270.9	0.0
Remittances in transit	18.1	2,349.7
Allowance for cash and due from banks	<u>(20.1)</u>	<u>(0.2)</u>
	<u>1,062,367.4</u>	<u>358,643.2</u>
	US\$ <u>2,321,369.1</u>	<u>1,400,789.5</u>

Local currency cash and balances at Banco de la República are counted as part of the mandatory cash reserve to be held against customer deposits.

These deposits are not remunerated.

3.1. Reconciliation items

The following is the detail of reconciliation items at December 31, 2012:

December 31

<u>Items over 30 days</u>	<u>No.</u>	<u>Amount</u>
Statement Debit notes not in books	35	US\$ (16.8)
Statement credit notes not in books	451	521.7
Book debit notes not in statement	36	(39.3)
Book credit notes not in statement	<u>33</u>	<u>4.4</u>
	<u>555</u>	<u>US\$ 469.9</u>

At December 31, 2012, local bank reconciliations held 135 items under 30 days for a net value of US \$172.6; reconciliation items over 30 days have no significant impact and there are allowances of US \$56.1



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following is the detail of reconciliation items at June 30, 2012:

<u>Items over 30 days</u>	<u>No.</u>	<u>Amount</u>
Statement Debit notes not in books	1,146	227.6
Statement credit notes not in books	421	(162.0)
Book debit notes not in statement	94	50.2
Book credit notes not in statement	404	(56.2)
	<u>2,065</u>	<u>US \$ 59.6</u>

Local bank reconciliations contained 2,504 items less than 30 days for a net value of US \$15,692.3; items at over 30 Days have no significant impact and there are allowances for US \$277.5

3.2. Reconciliation items - Foreign Currency

The following is the detail of reconciliation items at December 31, 2012:

December 31

<u>Items over 30 days</u>	<u>No.</u>	<u>Amount US \$</u>
Statement debit notes not in books	13	26.0
Statement credit notes not in books	57	(16.2)
Book debit notes not in statement	52	7.4
Book credit notes not in statement	39	(29.6)
	<u>161</u>	<u>(12.4)</u>

There are allowances for US \$18.9 against these items.

The following is the detail of reconciliation items at June 30, 2012:

<u>Items over 30 days</u>	<u>No.</u>	<u>Amount US \$</u>
Statement debit notes not in books	0	0.0
Statement credit notes not in books	5	(68.9)
Book debit notes not in statement	0	0.0
Book credit notes not in statement	11	(34.6)
	<u>16</u>	<u>(103.5)</u>

There are allowances for US \$0.2 against these items

There is a restriction on cash in foreign currency at December 31 and June 30, 2012 of US \$4,200,000 and US\$9,020,000, equivalent to US \$7,426.6 and US \$16,097.1 respectively, to attend to mandatory liquidity requirements in the US Branch.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3.3. Allowances against cash

The movement of the allowance against cash is the following:

		<u>December 31</u>	<u>June 30</u>
Opening balance	US\$	434.4	268.6
Plus:			
Reclassifications		0.0	0.0
Allowance expensed		117.5	268.5
Less:			
Recovery allowance charged to expenses		(30.6)	0.0
Allowance recovered		<u>293.6</u>	<u>106.7</u>
Closing balance	US\$	<u>288.9</u>	<u>430.4</u>

3.4. Cash reserve requirement

At December 31 and June 30, 2012, cash reserves were maintained on deposits and demand accounts held in Colombia, as required by Banco de la Republica Resolution 11 of October 2008 (Note 35).

The requirement and average balances in Davivienda, at December 31 and June 30, 2012, were:

	<u>December 31</u>	<u>June 30</u>
Average requirement	US \$1,101,787.6	US \$1,117,590.3
Average reserve held	1,110,612.8	1,128,634.7

4. Interbank and overnight funds

The following is the detail of interbank and overnight funds:

				<u>Date</u>		US\$	
<u>December 31</u>	<u>US\$</u>	<u>Rate</u>	<u>of operation</u>	<u>matured</u>	<u>amount</u>	<u>TRM</u>	<u>*(Pesos)</u>
<u>Foreign Currency</u>							
Overnight Foreign banks	US\$	700.0	0.2%- 1.0%	Nov.30.2012	Feb.27.2013	700.0	1,768.23
Repos		5,909.0	6.0%- 6.29%			<u>5,906.4</u>	1,768.23
<u>Legal Currency</u>						<u>6,606.3</u>	
Simultaneous							
Banco República		4.75%- 4.8%	Dic.04.12	Ener.04.13	13,820.8		
Trust companies		4.40%	Dic.27.12	Ener.02.13	1,583.4		
Stockbrokers		4.40%- 6.0%	Nov.21.12	Feb.21.13	33,313.2		
Insurance Companies		4.50%	Dic.27.12	Ener.02.13	17,594.0		
Capitalización companies		4.50%	Dic.27.12	Ener.02.13	1,999.8		
Interbank funds							
Banks		4.24%	Dic.28.12	Ener.01.13	<u>4,524.3</u>		
						<u>72,835.5</u>	
Total interbank and overnight operations					US\$	<u>79,441.9</u>	



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30

Foreign Currency

	<u>US\$</u>	<u>Rate</u>	<u>Operation</u>	<u>Date of</u> <u>Maturity</u>	<u>US\$</u> <u>Amount</u>	<u>TRM *(Pesos)</u>
	<u>7,475.0</u>	0.1%- 0.45%	Jun.22.2012	Jul.20.2012	<u>7,475.0</u>	1,784.6

Legal Currency

Simultaneous

Banco República	5.6%- 6.10%	Jun.25.12	Jul.06.12	186,283.2
Stockbrokers	5.4%- 7.0%	Jun.04.12	Jul.30.12	204,587.4
Insurance Companies	6.3%	Jun.29.12	Jul.03.12	3,732.3
Trust Companies	5.0%- 5.85%	Jun.04.12	Jul.05.12	17,126.5

Interbank funds

Banks	5.28%- 5.30%	Jun.27.12	Jul.25.12	6,724.2
Public sector	5.3%	Jun.29.12	Jul.03.12	<u>3,362.1</u>
				<u>421,815.6</u>

Total Money market and related operations asset positions US\$ 429,290.6

At December 31 and June 30, 2012, the balance and average monthly yield on assets positions in local and foreign currency was US \$73,368.5 and US \$1,220.8 and US \$428,842.5 and US \$2,672.0 respectively.

There are no restrictions on these funds.

5. Investments

The following is the detail of the investment portfolio at December 31 and June 30, 2012:

<u>December 31</u>		<u>Cost</u>	<u>Allowance</u>
Trading, debt securities	US\$	2,126,087.4	46.4
Trading equity securities		27,898.1	0.0
Held to maturity securities		545,595.0	69.6
Available for sale debt securities		500,529.8	1,452.1
Available for sale equity securities		75,288.9	7,723.9
Debt securities delivered in guaranty		<u>203,202.2</u>	<u>0.0</u>
	US\$	<u>3,478,601.4</u>	<u>9,292.1</u>

<u>June 30</u>		<u>Cost</u>	<u>Allowance</u>
Trading debt securities	US\$	1,494,965.9	8,227.0
Trading equity securities		1,048.6	0.0
Held to maturity securities		264,328.8	165.6
Available for sale debt securities		379,824.7	1,285.2
Available for sale equity securities		65,915.7	7,532.6
Transfer rights on trading debt securities		512,002.5	0.0
Debt securities delivered in guaranty		<u>133,842.1</u>	<u>0.0</u>
	US\$	<u>2,851,928.3</u>	<u>17,210.4</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5.1. Investment portfolio by classification, specie and risk rating

<u>Trading debt securities</u>	<u>December 31</u>	<u>June 30</u>
TES	US\$ 1,404,711.9	388,429.9
TRD	1,149.2	885.4
TIDIS	438.1	0.0
Bonds	166,031.4	283,877.5
TDA Finagro (1)	83,710.1	147,619.8
CDT's	110,016.5	280,213.2
Tips	279,731.2	333,568.7
Debt securities	18,512.8	19,925.2
Foreign government issues	28,367.1	5,336.4
Multilateral issues	3,866.2	4,389.8
Securities of foreign issuers	18,904.5	17,972.2
BCIE bonds	6,602.8	0.0
Other investments	<u>4,045.5</u>	<u>12,748.0</u>
	US\$ <u>2,126,087.4</u>	<u>1,494,965.9</u>
<u>Inversiones trading equity securities</u>		
Collective portfolios	655.5	1,048.6
Fondo de pensiones y cesantias	<u>27,242.6</u>	<u>0.0</u>
	US\$ <u>27,898.1</u>	<u>1,048.6</u>
<u>Held to maturity securities</u>		
TRD	148,908.6	165,175.3
TDA Finagro (1)	41,189.2	23,238.0
CDT	23,155.7	0.0
TIPS	40,801.8	42,955.6
Foreign government issues	144,753.4	0.0
Securities of foreign issuers Cerpanes	0.0	2,303.7
Bonds	57,240.9	30,656.2
Foreign government bonds	682.2	0.0
Eurobonds	1,387.0	0.0
Bonds and Treasury Bills	9,670.5	0.0
Securitization	153.6	0.0
Bank bonds	1,700.0	0.0
Colombian government bonds	927.9	0.0
BCH Local Currency bills	31,061.0	0.0
BCH Foreign Currency bills	397.6	0.0
SEFIN bonds	<u>43,565.7</u>	<u>0.0</u>
	US\$ <u>545,595.0</u>	<u>264,328.8</u>

(1) Corresponds to mandatory investments in Colombia, following Resolution 14/2008.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Investments available for sale, debt securities</u>		<u>December 31</u>	<u>June 30</u>
Tes B	US\$	70,012.2	0.0
TDA Finagro		1,672.4	0.0
Foreign issuers		35,551.5	18,265.0
Foreign government issues		60,134.6	47.0
Other securities –Structured Note		0.0	20,634.4
TIPS		<u>333,159.1</u>	<u>340,878.2</u>
	US\$	<u>500,529.8</u>	<u>379,824.7</u>
<u>Available for sale equity securities</u>			
Low/minimum turnover shares (note 5.10 g)		<u>75,288.9</u>	<u>65,915.7</u>
<u>Debt securities delivered in guaranty</u>			
TES Trading debt securities		<u>0.0</u>	<u>512,002.5</u>
<u>Debt securities delivered in guaranty</u>			
TES Available for sale debt securities		<u>203,202.2</u>	<u>133,842.1</u>
<u>Investment allowances</u>		<u>(9,292.1)</u>	<u>(17,210.4)</u>
Total net investments	US\$	<u>3,469,309.3</u>	<u>2,834,717.9</u>

There are no other restrictions in the conditions of these operations in themselves, for securities delivered in guaranty against interbank liabilities, repos, simultaneous operations and futures.

There are restrictions on the Miami Branch portfolio at December 31 and June 30 de 2012 for US\$17,034.81 and US\$11,133.3 respectively in favor of the Florida OFR, required to meet regulatory liquidity limits.

At December 31 and June 30, 2012, equity investments and debt securities were evaluated for credit risk as required by Superintendency Circular 100. The results are shown in Note 5. 9.

The result of loan securitization operations is shown in Contingent Accounts in relation to residual rights in some issues which, at December 31 and June 30, 2012 represent an estimated valuation gain of US \$52,537.7 and US \$ 45,621.2, respectively.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5.2. Reclassification of Investments

Banco Davivienda Panamá S.A. purchases securities and records them as "Available for sale debt securities", and deals them for terms of less than one year. For the purposes of Colombian accounting regulations (Basic Circular, Chapter I), this equivalence adjustment is made for the trading securities available for sale portfolio, expensing the transfer of the valuation gain on these securities equivalent to US \$1,953.6

5.3. Investment Portfolio by classification

<u>Long-term classification</u>		<u>December 31</u>	<u>% Share</u>	<u>Allowance</u>	<u>June 30</u>	<u>% Share</u>	<u>Allowance</u>
AAA	US\$	584,142.9	17.18%	0.0	705,986.6	25.35%	0.0
AA+		138,118.2	4.06%	0.0	12,611.9	0.45%	0.0
AA		96,568.3	2.84%	0.0	98,776.5	3.55%	0.0
AA-		30,700.9	0.90%	0.0	34,174.1	1.23%	0.0
A+		63,161.8	1.86%	0.0	19,426.6	0.70%	0.0
A-		23,450.9	0.69%	0.0	16,235.7	0.58%	0.0
A		282,849.3	8.31%	0.0	79,551.0	2.86%	0.0
BBB+		137,190.9	4.03%	0.0	42,848.5	1.54%	0.0
BBB		60,728.9	1.78%	0.0	92,967.4	3.34%	0.0
BBB-		94,037.0	2.76%	1.6	76,149.1	2.73%	0.0
BB+		2,061.1	0.06%	131.8	24,050.3	0.86%	3,643.3
BB-		0.0	0.00%	0.0	446.9	0.02%	62.7
BB		6,980.1	0.21%	1,395.9	6,380.9	0.23%	966.9
B+		0.0	0.00%	0.0	7,952.9	0.29%	2,424.6
B		180.2	0.01%	0.0	0.0	0.00%	0.0
CC		55.1	0.00%	38.8	258.1	0.01%	165.5
C		0.0	0.00%	0.0	4,511.8	0.16%	2,414.7
Multilateral		9,581.4	0.28%	0.0	3,027.1	0.11%	0.0
Sovereign		<u>1,724,697.9</u>	<u>50.67%</u>	<u>0.0</u>	<u>1,275,829.1</u>	<u>45.81%</u>	<u>0.0</u>
	US\$	<u>3,254,504.8</u>	<u>95.63%</u>	<u>1,568.1</u>	<u>2,501,184.5</u>	<u>89.81%</u>	<u>9,677.8</u>
<u>Short-term classification</u>							
1	US\$	10,217.2	0.30%	0.0	4,023.1	0.14%	0.0
1+		129,948.5	3.82%	0.0	268,549.2	9.64%	0.0
2		<u>8,641.9</u>	<u>0.25%</u>	<u>0.0</u>	<u>11,207.2</u>	<u>0.40%</u>	<u>0.0</u>
		<u>148,807.6</u>	<u>4.37%</u>	<u>0.0</u>	<u>283,779.5</u>	<u>10.18%</u>	<u>0.0</u>
	US\$	<u>3,403,312.4</u>	<u>100.0%</u>	<u>1,568.1</u>	<u>2,784,964.0</u>	<u>100.0%</u>	<u>9,677.8</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Capital investments

A	US\$	72,056.6	95.71%	7,640.2	66,368.5	99.11%	7,531.5
AAA		80.5	0.11%	0.0	0.0	0.00%	0.0
B+		389.5	0.52%	73.8	0.0	0.00%	0.0
B		5.5	0.01%	1.1	5.5	0.01%	1.1
CCA Immediate Liquidity		0.0	0.00%	0.0	590.3	0.88%	0.0
Not classified		<u>2,756.9</u>	<u>3.66%</u>	<u>9.0</u>	<u>0.0</u>	<u>0.00%</u>	<u>0.0</u>
		<u>75,289.0</u>	<u>100.0%</u>	<u>7,724.0</u>	<u>66,964.3</u>	<u>100.0%</u>	<u>7,532.6</u>
	US\$	<u>3,478,601.4</u>		<u>9,292.1</u>	<u>2,851,928.3</u>		<u>17,210.4</u>

Allowances against unrated investments are made on the basis of an internal classification, following Chapter I of Superintendency Circular 100/1995.

5.4. Investment Portfolio by issuer

<u>Foreign Currency</u>		<u>December 31</u>		<u>June 30</u>	
		<u>Cost</u>	<u>Allowance</u>	<u>Cost</u>	<u>Allowance</u>
Colombian government	US\$	941.5	0.0	4,565.4	0.0
Regional government, local authorities		4,453.2	0.0	0.0	0.0
Financial institutions		42,977.3	73.8	23,332.0	0.0
Banks abroad		175,053.7	(0.0)	156,869.3	1,441.1
Foreign governments		366,934.9	48.4	5,383.4	820.1
Multilateral lenders		5,080.4	0.0	302.1	0.0
Corporate		113,487.7	1.0	85,403.0	1,010.8
<u>Legal currency</u>					
Colombian government		1,704,735.8	0.0	1,219,862.2	0.0
Regional government/local authorities		1,230.8	0.0	6,940.2	0.0
Financial institutions		991,635.8	1,566.5	1,295,676.1	6,405.8
Corporate		71,311.1	7,602.4	45,236.7	7,532.6
Multilateral lenders		<u>759.2</u>	<u>0.0</u>	<u>8,357.8</u>	<u>0.0</u>
	US\$	<u>3,478,601.4</u>	<u>9,292.1</u>	<u>2,851,928.3</u>	<u>17,210.4</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

5.5. Investment Portfolio by currency

		<u>December 31</u>	<u>June 30</u>
Pesos	US\$	2,105,121.9	2,099,057.5
Dollars		298,646.5	275,855.2
UVR		664,550.8	477,015.6
Lempiras		43,251.1	0.0
Colones		<u>367,031.1</u>	<u>0.0</u>
	US\$	<u>3,478,601.4</u>	<u>2,851,928.3</u>

5.6. Investment Portfolio by maturities

<u>December 31</u>		<u>0 - 1 years</u>	<u>1 - 5 years</u>	<u>5 - 10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Trading securities	US\$	523,457.6	803,751.5	253,452.3	573,324.0	2,153,985.5
Available for sale debt securities		203,852.1	164,171.7	171,344.3	164,364.0	703,732.0
Held to maturity securities		<u>268,425.4</u>	<u>172,239.6</u>	<u>73,449.1</u>	<u>31,480.9</u>	<u>545,595.0</u>
	US\$	<u>995,735.1</u>	<u>1,140,162.8</u>	<u>498,245.7</u>	<u>769,168.9</u>	<u>3,403,312.4</u>

<u>June 30</u>		<u>0 - 1 years</u>	<u>1 - 5 years</u>	<u>5 - 10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Trading securities	US\$	551,955.3	675,186.6	410,282.7	370,592.5	2,008,017.1
Available for sale debt securities		3,506.6	165,777.6	203,286.9	141,095.7	513,666.8
Held to maturity securities		<u>63,774.0</u>	<u>128,563.4</u>	<u>55,544.7</u>	<u>16,446.6</u>	<u>264,328.8</u>
	US\$	<u>619,236.0</u>	<u>969,527.6</u>	<u>669,114.3</u>	<u>528,134.8</u>	<u>2,786,012.7</u>

(*)Does not include available for sale equity securities

5.7. Maximum, minimum and average values

The maximum, minimum and average balances of the Fixed-Yield Portfolio at December 31 and June 30, 2012 were:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		<u>December 31</u>		
<u>Investments</u>		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Securities by type				
Government bonds	US\$	1,252.5	3,507.1	2,218.8
BCH Local currency bills		3.6	4,331.9	911.0
BCH Foreign currency bills		397.6	397.6	397.6
SEFIN bonds		1,002.0	15,566.4	3,467.5
RFBCE		11.0	4,303.8	1,257.2
Bonds		73.7	127,155.4	97,926.7
TDs		105,369.2	182,119.9	41,600.5
Institutions abroad		15,407.1	35,135.2	7,811.3
Commercial paper		72,373.4	123,775.4	100,338.1
TDA Finagro		784,753.1	1,403,439.5	1,016,130.6
TES		0.0	1,538.7	329.5
TIDIS		274,323.3	301,309.2	293,241.2
TIPS		14,466.7	19,731.3	13,350.0
Debt securities		675.6	1,203.1	1,097.7
TRD		0.0	0.0	0.0
Multilateral issues		3,866.2	4,164.8	4,041.4
Other investments		7,542.9	18,068.5	12,335.6
BCIE bonds	US\$	4,951.8	9,041.5	5,701.2
Collective portfolios		284.3	27,759.0	4,865.2
Available for sale				
TDA Finagro		132,402.6	138,693.2	136,100.1
TES		0.6	5,124.0	568.2
Tips		333,159.1	350,899.9	342,303.7
Institutions abroad		12,191.7	12,557.9	12,384.0
Shares		0.6	206,158.5	22,567.5
Debt securities		2.1	11,228.4	298.7
Equity securities		0.2	389.3	194.7
Other		114.3	114.3	114.3
Held to maturity				
TDA		23,410.1	41,189.2	32,190.8
TES		0.0	0.0	0.0
TIPS		148.5	27,101.0	10,716.5
TRD		148,908.6	165,381.6	157,879.5
Banks abroad		0.1	1,781.1	464.8
Foreign governments		7.9	2,120.0	303.7
Multilaterals		3.0	4.1	3.2
Other		<u>4.3</u>	<u>299.4</u>	<u>227.4</u>
	US\$	<u>1,937,107.7</u>	<u>3,245,590.3</u>	<u>2,323,338.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Money market and related asset positions

Interbank assets	US\$	3,782.2	357,119.2	121,657.5
Repos and simultaneous assets		<u>57.0</u>	<u>454,103.4</u>	<u>159,312.3</u>
	US\$	<u>3,839.2</u>	<u>811,222.6</u>	<u>280,969.8</u>

Money market and related liability positions

Interbank liabilities		19,536.1	113,602.0	74,222.1
Repos and simultaneous liabilities		<u>0.0</u>	<u>728,176.3</u>	<u>162,962.1</u>
	US\$	<u>19,536.1</u>	<u>841,778.3</u>	<u>237,184.1</u>

The maximum, minimum and average fixed income portfolio was the following at June 30, 2012:

<u>Investments</u>		<u>June 30</u>		
By type		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Bonds	US\$	92,894.0	368,505.6	102,525.1
TDs		8,994.9	253,736.6	50,084.6
Institutions abroad		15,634.0	26,280.8	20,984.7
TDA Finagro		137,553.2	178,223.2	77,772.8
TES		364.0	1,262,878.2	318,738.3
TIDIS		0.0	433.6	72.3
TIPS		11.3	337,482.6	66,343.3
Debt securities		12,225.7	19,562.9	17,850.3
TRD		20.2	2,050.0	745.7
Multilateral issues		108.4	4,481.1	2,264.5
Other investments		7,861.20	15,991.2	12,034.5
BCIE bonds		2,989.80	4,953.5	3,656.9
Collective portfolios		280.6	280.6	280.6
Multilaterals		2,198.6	2,201.5	2,200.1
Available for sale				
TES		132,912.1	137,439.2	135,106.0
TIPS		338,437.4	380,218.3	357,207.1
Institutions abroad		38,218.4	163,096.4	77,963.5
Held to maturity				
TDA		0	23,238.0	9,792.2
TIPS		492.2	28,152.9	23,174.4
TRD		161,924.0	163,808.9	163,198.9
Institutions abroad		<u>29,905.8</u>	<u>31,328.0</u>	<u>30,478.3</u>
		<u>983,025.7</u>	<u>3,404,343.1</u>	<u>1,472,474.2</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Money market and related asset positions

Interbank asset	US\$	17,561.3	147,724.4	95,499.0
Repos and simultaneous assets		<u>333,475.1</u>	<u>975,363.0</u>	<u>585,568.2</u>
	US\$	<u>351,036.4</u>	<u>1,123,087.4</u>	<u>681,067.2</u>

Money market and related liability positions

Interbank liabilities	US\$	19,356.9	100,232.3	47,018.0
Repos and simultaneous liabilities		<u>0.0</u>	<u>5,950.5</u>	<u>991.8</u>
	US\$	<u>19,356.9</u>	<u>106,182.8</u>	<u>48,009.8</u>

5.8. Proportional equity value

This is the result of multiplying subsidiaries' equity by the percentage held by the investor at a given date to determine the excess or shortfall of investment cost against book value in the issuer and thus determine the amount to be eliminated from each of the equity accounts of the subsidiary against the acquisition cost recorded by the investor.

The result of the calculation of equity at acquisition date for the Central American companies was the following:

Subsidiary Acquisition date and holding	Shares			Historic cost	Equity on acquisition date	V P P
	Issued	Acquired	Accumulated			
Grupo del Istmo Costa Rica S.A. 23-Nov-12 100,00%	10	10	10	186,643.1	186,643.1	155,482.6
Inversiones Financieras Davivienda S.A. 30-Nov-12 95,96%	152.000.000	145.852.325	145.852.325	237,525.0	247,080.4	112,417.5
Banco Davivienda Honduras S.A. 07-Dic-12 94,22%	12.800.424	12.060.057	12.060.057	94,467.4	100,266.9	24,786.6
Seguros Bolívar Honduras S.A. 07-Dic-12 88,64%	3.648.000	3.233.659	3.233.659	29,742.3	33,553.3	9,649.1
Total				548,377.8		302,335.8

5.9. Investment Allowances

The movement of investment allowances is the following:

		<u>December 31</u>	<u>June 30</u>
Opening balance	US\$	17,369.8	17,559.9
Plus:			
Allowance Country expense		45.9	0.0
Allowance charged to operating expenses		1,434.7	2,066.7
Less:			
Recoveries		<u>9,558.4</u>	<u>2,416.3</u>
Closing balance	US\$	<u>9,292.1</u>	<u>17,210.4</u>

5.10. Available for sale equity securities

The detail of available for sale equity securities, and their risk classification at December 31 and June 30, 2012 were as follows:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31

<u>Name</u>	<u>% Ownership</u>	<u>Acquisition cost</u>	<u>Adjusted cost</u>	<u>Reapprais als</u>	<u>Allowance</u>	<u>Dividends</u>
Corporación Andina de Fomento	0.004%	185.9	202.2	68.2	0.0	5.1
Lotificadora la Meseta (*)	0.000%	6.7	6.7	0.0	0.0	0.0
Industria Cementera Hondureña S.A. INCEHSA (*)	0.002%	0.5	0.6	0.0	0.0	0.0
Tabacalera Hondureña S.A. (*)	0.000%	1.5	1.5	0.0	0.0	20.4
Compañía Azucarera de Honduras S.A.(*)	0.000%	200.3	200.3	0.0	0.0	0.0
Interbolsa sociedad administradora de fondos de inversión S.A. F.S.A. (*)	1.070%	399.8	389.5	0.0	(73.8)	2.1
Stewart Title Costa Rica (*)	0.000%	80.5	80.5	(80.5)	0.0	0.0
Bolsa Nacional de Valores Costa Rica	0.000%	0.0	21.7	0.0	(9.0)	0.0
Sersaprosa S.A.	25.000%	1,199.7	1,199.7	963.9	(0.7)	0.0
Serfinsa S.A.	0.000%	764.8	764.8	257.5	(0.2)	0.0
ACH de El Salvador S.A.	33.330%	200.0	200.0	(74.0)	(0.1)	0.0
Sociedad de Garantía Reciproca	3.080%	114.3	114.3	0.0	0.0	0.0
Bolsa de Valores de El Salvador	0.000%	0.0	3.6	0.0	0.0	0.0
Bolsa de Valores de El Salvador, S.A. de C.V.	0.500%	0.6	0.6	0.0	0.0	0.0
Cental de Deposito de Valores, S.A. de C.V.	1.320%	23.0	23.0	0.0	0.0	0.0
Zip amarateca	37.854%	1,744.8	1,744.8	0.0	(34.9)	0.0
Bancajero BANET	34.810%	498.1	498.1	0.0	0.0	0.0
La Constancia S.A.	0.050%	4.0	4.0	0.0	(2.9)	0.0
Ceproban	5.000%	45.6	45.6	0.0	0.0	0.0
Compañía Azucarera Choluteca S.A. de C.V. (*)	0.038%	<u>12.7</u>	<u>12.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.4</u>
		<u>5,482.7</u>	<u>5,514.0</u>	<u>1,135.1</u>	<u>(121.5)</u>	<u>28.7</u>
Finagro	12.670%	29,492.6	41,600.5	4,183.5	0.0	0.0
Compañía de Inv. del Café S.A. (***)	29.537%	7,601.2	7,601.2	0.0	(7,601.2)	0.0
Cámara de Riesgo Central de Contraparte	4.681%	884.3	1,058.9	(271.2)	0.0	0.0
Almacafé (*)	0.009%	5.5	5.5	0.0	(1.1)	0.0
Titularizadora Colombiana S.A.	21.120%	9,896.8	8,236.0	8,751.4	0.0	0.0
Redeban Multicolor S.A.	26.039%	4,654.3	4,654.3	5,423.3	0.0	0.0
A.C.H. Colombia S.A.	18.418%	1,045.4	1,045.4	1,027.4	0.0	0.0
Deceval S.A.	11.846%	2,543.8	2,873.7	1,679.4	0.0	3.7
Cámara de Compensación Divisas de Colombia S.A.	6.375%	90.1	90.1	54.9	0.0	0.0
Tecnibanca S.A.	0.941%	48.4	184.4	97.1	0.0	0.0
Central de Información Financiera Cifin	9.170%	311.2	311.2	0.0	0.0	0.0
Multiactivos	21.120%	1,441.5	1,660.8	788.1	0.0	0.0
Bolsa de Valores de Colombia (BVC)	1.410%	270.7	270.7	326.3	0.0	0.0
Fondo de Reposición Fogacol	0.000%	<u>182.1</u>	<u>182.1</u>	<u>0.0</u>	<u>0.0</u>	<u>10.2</u>
		<u>58,467.9</u>	<u>69,774.8</u>	<u>22,060.2</u>	<u>(7,602.3)</u>	<u>13.9</u>
	US\$	<u>63,950.7</u>	<u>75,288.8</u>	<u>23,195.3</u>	<u>(7,723.8)</u>	<u>41.9</u>

(*)All investment balances at December are rated "A", except for:

<u>Name</u>	<u>Classification</u>
Stewart Title Costa Rica	AAA
Interbolsa	B+
Almacafé	B

(**)Compañía de inversiones del Café S.A. in liquidation since May 2012, fully provided against.

Merger with Confinanciera

By Public Deed 9557 of July 31, 2012, the merger with Confinanciera was formalized, and Davivienda held 79% of the capital of that company, in the form of 1,883,138 shares out of 2 383,719 outstanding. The Investment and the valuation gain recorded at the date of the manager totaled US\$37,406.7 and US\$7,908.1 respectively, for a total investment of US\$45,312.9.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Acquisition of the HSBC group in Costa Rica, El Salvador and Honduras

The Bank acquired the operations of HSBC in Honduras, El Salvador and Costa Rica, consolidating itself as a multi-Latin institution. The price of the operation was \$829.7 million, of which \$29 million represent the equity surpluses of these companies. Goodwill acquired totaled \$534,000 million, and the contract stipulates a review of the price for completion should take place, at the latest in April 2013.

June 30

<u>Name</u>	<u>% Ownership</u>	<u>Acquisition cost</u>	<u>Adjusted cost</u>	<u>Reappraisals</u>	<u>Allowance</u>	<u>Rating</u>	<u>Dividends</u>	
							<u>Cash</u>	<u>Shares</u>
Corporación Andina de Fomento	0.004%	184.2	197.1	55.6	0.0	A	0.0	0.0
	0.0000%	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>		<u>0.0</u>	<u>0.0</u>
		<u>184.2</u>	<u>197.1</u>	<u>55.6</u>	<u>0.0</u>		<u>0.0</u>	<u>0.0</u>
Finagro	12.67%	29,222.1	38,095.3	5,326.6	0.0	A	0.0	3,123.7
Compañía de Inv. del Café	29.54%	7,531.5	7,531.5	0.0	7,531.5	A	0.0	0.0
Cámara de Riesgo Central de Contraparte	4.68%	876.2	1,049.2	(281.1)	0.0	A	0.0	0.0
Almacafé	0.009%	5.5	5.5	0.0	1.1	B	0.0	0.0
Titularizadora Colombiana S.A.	21.12%	9,806.0	8,160.5	6,931.1	0.0	A	3,641.6	0.0
Redeban Multicolor S.A.	26.04%	4,611.6	4,611.6	4,932.9	0.0	A	0.0	0.0
A.C.H. Colombia S.A.	18.42%	1,035.8	1,035.8	953.0	0.0	A	206.4	0.0
Deceval S.A.	11.85%	2,520.5	2,847.4	676.3	0.0	A	1,705.4	0.0
Cámara de Compensación Divisas de Colombia S.A.	6.38%	89.3	89.3	34.6	0.0	A	13.4	0.0
Bolsa de Valores de Colombia (BVC)	1.41%	288.1	288.1	329.0	0.0		0.0	0.0
BBVA	0.0000%	0.0	0.0	0.0	0.0		0.0	0.0
Fondo de reposición Fogacol	0.0%	176.2	176.2	0.0	0.0		0.0	0.0
Tecnibanca S.A.	0.94%	48.0	182.7	69.3	0.0	A	56.4	0.0
Multiactivos (2)	21.12%	<u>1,428.3</u>	<u>1,645.5</u>	<u>746.5</u>	<u>0.0</u>		<u>0.0</u>	<u>0.0</u>
		<u>57,639.0</u>	<u>65,718.6</u>	<u>19,718.2</u>	<u>7,532.6</u>		<u>5,623.2</u>	<u>3,123.7</u>
	\$	<u>57,823.3</u>	<u>65,915.7</u>	<u>19,773.8</u>	<u>7,532.6</u>		<u>5,623.2</u>	<u>3,123.7</u>

Davivalores received US\$191 cash dividends from Bolsa de Valores de Colombia.

All investments were classed "A", except, Almacafé, which is classed "B".

(*) Contributions by brokers to Fogacol are contingent, as a consequence of variations in the net asset value of Fogacol by reason of its compliance with its purposes.

(**) Compañía de inversiones del Café S.A. in liquidation since May 2012 fully provided against

Eliminations

The following is the detail of reciprocal investment operations at December 31, 2011 and June 30, 2012:

	<u>December 31</u>	<u>June 30</u>
Available for sale equity securities	US\$ <u>1,024,703.0</u>	<u>108,085.3</u>

**BANCO DAVIVIENDA S.A. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

6. Loans and financial leases**6.1. Loans and financial leases by mode**

		<u>December 31</u>	<u>June 30</u>
<u>Commercial loans:</u>			
Corporate and construction	US\$	6,453,804.0	5,186,706.0
Other commercial lines		2,995,842.6	2,416,299.4
Credit card		181,868.9	175,232.7
Vehicles		131,832.7	154,480.8
Overdrafts		<u>91,102.6</u>	<u>96,173.0</u>
		<u>9,854,450.9</u>	<u>8,028,892.0</u>
Residential leasing		1,321,307.4	1,065,863.7
		<u>11,175,758.3</u>	<u>9,094,755.6</u>
<u>Mortgage loans</u>		2,317,761.8	1,448,479.7
<u>Consumer loans:</u>			
Credit cards		1,656,970.1	1,420,571.6
Other consumer lines		3,565,372.0	2,874,363.9
Vehicles		687,432.8	634,388.2
Overdrafts		<u>22,975.3</u>	<u>28,941.0</u>
		<u>5,932,750.2</u>	<u>4,958,264.7</u>
<u>Microcredit loans</u>		50,950.5	50,672.2
Total Gross Loans	US\$	<u>19,477,220.8</u>	<u>15,552,172.3</u>
Less: Individual allowance		(891,091.5)	(729,099.4)
Sub-total	US\$	<u>18,586,129.3</u>	<u>14,823,072.8</u>
Less: General allowance		(30,020.2)	(15,035.5)
Total net loans	US\$	<u>18,556,109.1</u>	<u>14,808,037.4</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6.2. Low-cost housing

At December 31 and June 30, 2012, the Bank placed US\$301,606.2, with individual loans for US\$190,169.4 and construction loans for US\$111,436.8; and US\$263,775.6, with individual loans for US\$157,071.3 and construction loans for US\$106,704.3 respectively.

The balance and the number of low-cost mortgage loans is the following:

	<u>December 31</u>		<u>June 30</u>	
	No. Loans	Value	No. Loans	Value
Individual	93,579	US\$ 1,181,569.2	81,625	US\$1,033,928.1
Construction	<u>117</u>	<u>122,910.9</u>	<u>178</u>	<u>125,171.4</u>
	<u>93,696</u>	<u>1,304,480.1</u>	<u>81,803</u>	<u>1,159,099.5</u>

Subsidized-rate loans

Decree 1143/2009: Issued by the Government under “conditional cover”. The Bank implemented procedures to apply this mechanism for disbursements of mortgage loans and residential leasing operations for the acquisition of new housing.

This procedure provides for reduced interest rates for the first 7 years of each loan, within certain ranges:

Property value (<u>Minimum salaries</u>)	Rate cover %
Low-cost housing up to 135	5%
>135 – 235	4%
>235 - 335	3%

The cover benefit ends if:

- The loan or leasing contract is prepaid,
- The debtor is in arrears more than 3 consecutive months,
- The debtor requests it,
- The loan is subrogated,
- The leasing contract is assigned, or
- Term is accelerated.

As of July 3, 2012 Decree 1190/2012 came into effect, offering new interest rate cover for debtors of new mortgage loans and residential leasing operations for amounts not exceeding 135 SMMLV (approx US\$40,000) in order to facilitate the financing of new low-cost housing for urban areas.

The benefit provides for cover during the first 7 years after disbursement of the loan or initiation of the residential leasing operation, reducing interest rates as follows:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Property value (Monthly salaries)	Rate cover %
Low-cost housing up to 70	5%
>70 – 135	4%

The Bank has so far disbursed the following loans with this rate cover benefit:

<u>Decree 1190/2012</u>			<u>Decree 1143/2009</u>		
Rate	No. of loans	Amount disbursed	Rate	No. of loans	Amount disbursed
4%	4,688	US\$ 97,613.4	3%	4,831	US\$ 235,852.8
5%	<u>3,104</u>	<u>35,029.9</u>	4%	6,448	221,319.1
			5%	<u>35,649</u>	<u>582,927.0</u>
Total	7,792	132,643.4	Total	46,928	1,040,098.9

Cover provided by the Bank

The Bank offered customers an additional stimulus as of installment 85 and for the next 8 years: the Bank will take up the amount formerly paid by the Government and on the same conditions. At December 31 and June 30, 2012 an estimated provision was made for US\$ 9,915.6 and US\$ 8,353.5, based on a model that calculates the real performance of these loans.

At December 31 and June 30, 2012, the Bank had disbursed 46,928 and 48,853 subsidized-rate housing loans for US\$ 913,091.5 and US\$ 963,791.4, respectively, with cover from Decree 1143/2009.

6.3. Loans and leases classified by credit risk

At December 31 and June 30, 2012, the Bank classified all loans and financial leases, interest and other items as required by Superintendency Circular 100/1995. The result of the classification is the following:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31

		<u>CAPITAL</u>	<u>INTEREST</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>SECURED</u>	<u>CAPITAL</u>	<u>ALLOWANCES</u> <u>INTERESTS</u>	<u>OTHERS</u>
COMMERCIAL SECURED									
A - Normal	US\$	3,287,944.4	26,574.9	1,778.8	3,316,298.1	12,825,026.0	61,569.1	623.8	201.2
B - Acceptable		113,758.3	1,681.1	190.5	115,629.9	333,533.4	13,406.4	148.2	87.1
C - Deficient		24,173.2	464.2	133.0	24,770.4	85,519.8	4,416.3	359.2	122.5
D - Doubtful		36,328.9	1,373.6	360.6	38,063.1	82,438.4	36,328.9	1,373.6	360.6
E - Unrecoverable		<u>44,871.5</u>	<u>297.3</u>	<u>43.7</u>	<u>45,212.5</u>	<u>107,129.1</u>	<u>35,003.1</u>	<u>294.5</u>	<u>43.6</u>
	US\$	<u>3,507,076.3</u>	<u>30,391.1</u>	<u>2,506.7</u>	<u>3,539,974.0</u>	<u>13,433,646.7</u>	<u>150,723.8</u>	<u>2,799.3</u>	<u>815.0</u>
COMMERCIAL UNSECURED									
A - Normal	US\$	7,372,753.6	60,828.9	4,126.4	7,437,708.7	157,808.6	149,003.1	1,447.7	467.6
B - Acceptable		207,780.0	3,260.5	370.5	211,411.1	1,017.0	24,694.4	290.9	169.4
C - Deficient		19,569.3	401.6	115.1	20,086.1	0.0	3,656.4	311.1	106.1
D - Doubtful		49,322.7	1,864.9	489.6	51,677.2	0.0	49,322.6	1,864.9	489.6
E - Unrecoverable		<u>19,256.4</u>	<u>376.5</u>	<u>55.4</u>	<u>19,688.3</u>	<u>242.3</u>	<u>18,832.4</u>	<u>376.6</u>	<u>55.4</u>
		<u>7,668,682.0</u>	<u>66,732.5</u>	<u>5,157.0</u>	<u>7,740,571.4</u>	<u>159,068.0</u>	<u>245,508.8</u>	<u>4,291.2</u>	<u>1,288.1</u>
General Allowance	US\$	<u>11,175,758.3</u>	<u>97,123.6</u>	<u>7,663.7</u>	<u>11,280,545.4</u>	<u>13,592,714.7</u>	<u>396,232.6</u>	<u>7,090.5</u>	<u>2,103.2</u>
CONSUMER SECURED									
A - Normal	US\$	722,938.0	6,866.4	1,759.8	731,564.2	1,680,966.7	18,738.1	238.6	82.5
B - Acceptable		26,001.3	529.8	95.5	26,626.6	64,533.2	2,984.5	124.3	28.6
C - Deficient		13,281.2	261.7	57.9	13,600.8	33,645.1	2,531.1	220.5	44.2
D - Doubtful		11,311.0	301.3	47.2	11,659.4	22,145.8	9,735.3	301.3	47.2
E - Unrecoverable		<u>24,534.2</u>	<u>443.9</u>	<u>157.3</u>	<u>25,135.3</u>	<u>43,183.1</u>	<u>22,049.6</u>	<u>441.5</u>	<u>146.3</u>
	US\$	<u>798,065.7</u>	<u>8,403.1</u>	<u>2,117.5</u>	<u>808,586.3</u>	<u>1,844,473.8</u>	<u>56,038.8</u>	<u>1,326.1</u>	<u>348.8</u>
CONSUMER UNSECURED									
A - Normal	US\$	4,585,124.5	44,542.3	10,641.4	4,640,308.2	18,739.7	128,195.7	1,593.8	537.9
B - Acceptable		194,447.3	4,092.2	646.3	199,185.9	83.6	23,725.3	1,048.3	224.1
C - Deficient		102,454.4	2,116.3	342.8	104,913.5	0.2	19,974.6	1,796.2	318.6
D - Doubtful		150,137.1	3,998.7	626.2	154,762.0	0.0	129,222.9	3,998.7	626.2
E - Unrecoverable		<u>102,521.3</u>	<u>2,159.1</u>	<u>577.8</u>	<u>105,258.2</u>	<u>169.2</u>	<u>97,583.3</u>	<u>2,137.4</u>	<u>577.7</u>
		<u>5,134,684.6</u>	<u>56,908.7</u>	<u>12,834.6</u>	<u>5,204,427.8</u>	<u>18,992.7</u>	<u>398,701.8</u>	<u>10,574.4</u>	<u>2,284.5</u>
Generic Allowance							<u>72.2</u>		
	US\$	<u>5,932,750.2</u>	<u>65,311.8</u>	<u>14,952.1</u>	<u>6,013,014.1</u>	<u>1,863,466.4</u>	<u>454,812.7</u>	<u>11,900.6</u>	<u>2,633.3</u>

*Includes capital, interest and other outstanding items in financial leases



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

MICROCREDIT SECURED

A - Normal	US\$	44,766.6	537.6	220.3	45,524.5	78,880.5	1,835.5	22.1	9.0
B - Acceptable		868.7	9.1	10.1	887.9	1,456.7	68.7	9.1	10.1
C - Deficient		325.7	3.4	8.3	337.3	560.5	97.7	3.4	8.3
D - Doubtful		244.8	3.7	5.7	254.3	336.9	244.8	3.7	5.7
E - Unrecoverable		<u>597.1</u>	<u>7.3</u>	<u>30.8</u>	<u>635.2</u>	<u>952.1</u>	<u>597.1</u>	<u>7.3</u>	<u>30.8</u>
	US\$	<u>46,803.0</u>	<u>561.1</u>	<u>275.1</u>	<u>47,639.2</u>	<u>82,186.8</u>	<u>2,843.7</u>	<u>45.5</u>	<u>63.9</u>

MICROCREDIT UNSECURED

A - Normal	US\$	3,996.6	0.0	0.0	3,996.6	0.0	163.8	0.0	0.0
B - Acceptable		66.8	0.0	0.0	66.8	0.0	66.8	0.0	0.0
C - Deficient		22.0	0.0	0.0	22.0	0.0	22.1	0.0	0.0
D - Doubtful		24.8	0.0	0.0	24.8	0.0	24.8	0.0	0.0
E - Unrecoverable		<u>37.4</u>	<u>0.0</u>	<u>0.0</u>	<u>37.4</u>	<u>0.0</u>	<u>37.4</u>	<u>0.0</u>	<u>0.0</u>
	US\$	<u>4,147.6</u>	<u>0.0</u>	<u>0.0</u>	<u>4,147.6</u>	<u>0.0</u>	<u>314.9</u>	<u>0.0</u>	<u>0.0</u>
Generic Allowance							0.0		
General Allowance							509.5		
							0.0		
	US\$	<u>50,950.5</u>	<u>561.1</u>	<u>275.1</u>	<u>51,786.8</u>	<u>82,186.8</u>	<u>3,158.6</u>	<u>45.5</u>	<u>63.9</u>

**HOME
MORTGAGE**

A - Normal	US\$	2,203,293.9	11,796.6	4,721.0	2,219,811.5	5,168,608.5	21,486.0	679.6	1,310.2
B - Acceptable		67,007.4	389.9	622.0	68,019.3	176,808.6	4,291.9	186.0	619.2
C - Deficient		27,012.3	109.1	367.9	27,489.4	70,186.6	3,919.2	80.1	364.9
D - Doubtful		9,390.5	58.2	182.6	9,631.3	26,061.6	2,699.4	40.1	179.3
E - Unrecoverable		<u>11,057.5</u>	<u>73.8</u>	<u>49.3</u>	<u>11,180.6</u>	<u>14,287.1</u>	<u>4,563.0</u>	<u>36.6</u>	<u>25.6</u>
	US\$	<u>2,317,761.8</u>	<u>12,427.5</u>	<u>5,942.8</u>	<u>2,336,132.2</u>	<u>5,455,952.4</u>	<u>36,959.6</u>	<u>1,022.5</u>	<u>2,499.1</u>
General Allowance							<u>29,438.5</u>		
	US\$	<u>2,317,761.8</u>	<u>12,427.5</u>	<u>5,942.8</u>	<u>2,336,132.2</u>	<u>5,455,952.4</u>	<u>66,398.1</u>	<u>1,022.5</u>	<u>2,499.1</u>
	US\$	<u>19,477,220.8</u>	<u>175,424.0</u>	<u>28,833.7</u>	<u>19,681,478.4</u>	<u>20,994,320.3</u>	<u>921,111.7</u>	<u>20,059.1</u>	<u>7,299.4</u>

*Includes capital, interest and other outstanding items in financial leases.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30

		<u>CAPITAL</u>	<u>INTEREST</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>SECURED</u>	<u>CAPITAL</u>	<u>ALLOWANCES</u> <u>INTERESTS</u>	<u>OTHERS</u>
COMMERCIAL SECURED									
A - Normal	US\$	2,035,799.7	18,799.8	1,376.6	2,055,976.1	8,357,076.7	39,853.7	495.5	162.2
B - Acceptable		104,186.9	1,555.9	279.9	106,022.7	284,698.1	10,244.9	153.4	85.3
C - Deficient		18,217.3	441.1	129.9	18,788.3	51,970.1	3,857.9	353.9	116.3
D - Doubtful		25,619.0	887.3	287.8	26,794.2	70,576.8	24,915.5	883.7	286.8
E - Unrecoverable		<u>10,785.6</u>	<u>175.6</u>	<u>57.3</u>	<u>11,018.6</u>	<u>33,038.2</u>	<u>10,785.6</u>	<u>175.6</u>	<u>57.3</u>
	US\$	<u>2,194,608.4</u>	<u>21,859.8</u>	<u>2,131.6</u>	<u>2,218,599.9</u>	<u>8,797,359.9</u>	<u>89,657.6</u>	<u>2,062.1</u>	<u>707.9</u>
COMMERCIAL UNSECURED									
A - Normal	US\$	6,622,759.1	60,133.6	3,675.7	6,686,568.5	87,481.5	124,293.9	1,428.1	488.2
B - Acceptable		196,480.6	2,945.0	358.6	199,784.2	401.8	18,416.1	291.2	161.2
C - Deficient		18,377.0	446.8	120.0	18,943.8	0.0	3,758.5	359.7	108.8
D - Doubtful		45,587.2	1,623.7	474.8	47,685.6	0.0	45,362.3	1,617.5	462.1
E - Unrecoverable		<u>16,943.2</u>	<u>270.3</u>	<u>75.3</u>	<u>17,288.8</u>	<u>0.0</u>	<u>16,943.2</u>	<u>270.3</u>	<u>75.3</u>
	US\$	<u>6,900,147.1</u>	<u>65,419.4</u>	<u>4,704.4</u>	<u>6,970,270.9</u>	<u>87,883.3</u>	<u>208,774.0</u>	<u>3,966.8</u>	<u>1,295.6</u>
General Allowance		<u>9,094,755.6</u>	<u>87,279.2</u>	<u>6,835.9</u>	<u>9,188,870.8</u>	<u>8,885,243.3</u>	<u>298,431.6</u>	<u>6,028.9</u>	<u>2,003.5</u>

June 30

CONSUMER SECURED									
A - Normal	US\$	530,681.7	5,599.6	1,430.9	537,712.2	1,351,640.2	15,563.9	221.3	83.2
B - Acceptable		25,340.7	547.3	97.0	25,985.0	70,967.1	2,945.1	150.2	35.7
C - Deficient		12,814.9	256.4	52.6	13,123.8	33,866.2	2,464.4	227.9	47.6
D - Doubtful		11,580.8	312.5	67.6	11,960.9	24,680.8	9,934.2	312.1	67.3
E - Unrecoverable		<u>19,195.8</u>	<u>389.1</u>	<u>155.0</u>	<u>19,740.0</u>	<u>36,444.7</u>	<u>18,261.0</u>	<u>389.1</u>	<u>155.0</u>
	US\$	<u>599,613.8</u>	<u>7,104.9</u>	<u>1,803.0</u>	<u>608,521.9</u>	<u>1,517,599.1</u>	<u>49,168.6</u>	<u>1,300.7</u>	<u>388.8</u>
CONSUMER UNSECURED									
A - Normal	US\$	3,809,094.2	40,559.1	10,475.0	3,860,128.2	11,090.6	113,353.0	1,637.0	610.6
B - Acceptable		225,201.5	4,898.3	842.6	230,942.3	281.0	26,526.0	1,374.2	316.8
C - Deficient		100,192.3	2,041.1	371.1	102,604.5	0.0	18,544.2	1,842.8	343.9
D - Doubtful		152,938.9	4,241.9	664.4	157,845.2	0.0	131,411.9	4,241.0	663.3
E - Unrecoverable		<u>71,224.1</u>	<u>1,444.1</u>	<u>494.7</u>	<u>73,162.8</u>	<u>0.0</u>	<u>67,649.7</u>	<u>1,444.1</u>	<u>495.1</u>
	US\$	<u>4,358,650.8</u>	<u>53,184.5</u>	<u>12,847.7</u>	<u>4,424,683.0</u>	<u>11,371.6</u>	<u>357,484.8</u>	<u>10,539.1</u>	<u>2,429.7</u>
General Allowance		<u>44.2</u>					<u>44.2</u>		
	US\$	<u>4,958,264.7</u>	<u>60,289.5</u>	<u>14,650.7</u>	<u>5,033,205.0</u>	<u>1,528,970.7</u>	<u>406,697.5</u>	<u>11,839.8</u>	<u>2,818.4</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30

		<u>CAPITAL</u>	<u>INTEREST</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>SECURED</u>		<u>ALLOWANCES</u>	
								<u>INTERESTS</u>	<u>OTHERS</u>
MICROCREDIT SECURED									
A - Normal	US\$	47,367.0	488.6	212.0	48,067.5	74,768.8	1,962.0	34.9	22.3
B - Acceptable		867.8	10.2	10.2	888.3	1,462.9	104.6	7.5	8.3
C - Deficient		550.6	4.2	14.5	569.3	1,066.7	196.1	3.8	12.9
D - Doubtful		351.2	4.6	7.4	363.2	646.3	351.2	4.4	7.4
E - Unrecoverable		<u>671.5</u>	<u>9.5</u>	<u>42.8</u>	<u>723.7</u>	<u>1,004.8</u>	<u>671.5</u>	<u>9.5</u>	<u>42.8</u>
	US\$	<u>49,808.0</u>	<u>517.2</u>	<u>286.9</u>	<u>50,612.0</u>	<u>78,949.4</u>	<u>3,285.5</u>	<u>60.1</u>	<u>93.7</u>
MICROCREDIT UNSECURED									
A - Normal	US\$	803.2	6.9	1.7	811.7	46.0	32.4	0.4	0.2
B - Acceptable		14.7	0.1	0.1	14.9	0.0	4.4	0.0	0.0
C - Deficient		17.4	0.3	0.3	18.0	0.0	5.2	0.3	0.3
D - Doubtful		9.7	0.1	0.0	9.8	0.0	9.7	0.1	0.0
E - Unrecoverable		<u>19.2</u>	<u>0.3</u>	<u>2.6</u>	<u>22.1</u>	<u>0.0</u>	<u>19.2</u>	<u>0.2</u>	<u>2.6</u>
	US\$	<u>864.2</u>	<u>7.6</u>	<u>4.7</u>	<u>876.5</u>	<u>46.0</u>	<u>70.9</u>	<u>1.0</u>	<u>3.2</u>
Generic Allowance							506.6		
General Allowance		<u>50,672.2</u>	<u>524.8</u>	<u>291.6</u>	<u>51,488.5</u>	<u>78,995.4</u>	<u>3,356.4</u>	<u>61.1</u>	<u>96.9</u>
HOME MORTGAGE									
A - Normal	US\$	1,366,211.0	6,988.3	4,774.4	1,377,973.7	3,640,187.9	13,765.8	545.3	1,388.5
B - Acceptable		54,861.4	125.0	644.0	55,630.4	171,353.1	2,273.7	125.0	644.0
C - Deficient		19,882.7	60.5	357.0	20,300.2	63,263.6	2,019.9	60.5	357.0
D - Doubtful		7,048.9	24.7	173.9	7,247.5	23,147.3	2,122.7	24.7	173.9
E - Unrecoverable		<u>475.7</u>	<u>2.3</u>	<u>16.3</u>	<u>494.2</u>	<u>1,910.9</u>	<u>475.7</u>	<u>2.4</u>	<u>16.1</u>
	US\$	<u>1,448,479.7</u>	<u>7,200.8</u>	<u>5,965.5</u>	<u>1,461,646.1</u>	<u>3,899,862.8</u>	<u>20,657.9</u>	<u>757.9</u>	<u>2,579.5</u>
General Allowance							<u>14,484.8</u>		
	US\$	<u>1,448,479.7</u>	<u>7,200.8</u>	<u>5,965.5</u>	<u>1,461,646.1</u>	<u>3,899,862.8</u>	<u>35,142.6</u>	<u>757.9</u>	<u>2,579.5</u>
	US\$	<u>15,552,172.3</u>	<u>155,294.3</u>	<u>27,743.8</u>	<u>15,735,210.3</u>	<u>14,393,072.2</u>	<u>744,134.8</u>	<u>18,687.7</u>	<u>7,498.4</u>

In June 2012 the Bank implemented Superintendency Circular 043 of October 2011, related to the updating of values of housing in guarantee of loans, applying the annual adjustment values of the IVIUR and IVP indexes as appropriate.

The indexes were applied to the latest valuation of the guarantee obtained by application of this method. The Bank also took new professional valuations on guarantees associated with loans which, at the time of issue of the Circular, had not been professionally valued for three years or more and the effect recorded was US\$1,077,750.1, recorded in Memorandum Accounts, Commercial loans having the largest share.

For subsidiaries abroad, valuations were regularly updated as required by local regulators.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6.4. Loans and financial leases by economic sector

<u>Sectors</u>	<u>December 31</u>		<u>June 30</u>	
	<u>Balance</u>	<u>% Share</u>	<u>Balance</u>	<u>% Share</u>
Family, for acquisition of goods and services	US\$ 5,517,836.5	28.3%	4,929,907.1	31.7%
Family, for housing	3,435,128.1	17.6%	2,545,112.1	16.4%
Business services	879,487.6	4.5%	816,323.7	5.3%
Construction	1,457,908.9	7.5%	1,347,931.8	8.7%
Wholesale and retail trade	1,201,741.3	6.2%	831,847.8	5.4%
Transport and communications	972,621.2	5.0%	784,992.2	5.1%
Agriculture, forestry, fishing and hunting	739,060.1	3.8%	551,165.0	3.5%
Food production	383,049.7	2.0%	325,916.3	2.1%
Health, education, leisure and culture	155,496.7	0.8%	134,762.0	0.9%
Vehicles	207,453.2	1.1%	308,146.1	2.0%
Public administration and defence	499,546.7	2.6%	336,804.6	2.2%
Mfr of textiles, clothing leather and leathergoods	178,630.8	0.9%	166,709.8	1.1%
Electricity, gas and water supplies	709,441.3	3.6%	435,706.9	2.8%
Mfr of based metal and prepared products	131,793.2	0.7%	121,238.2	0.8%
Mfr of non-metal minerals	278,326.9	1.4%	168,457.4	1.1%
Mfr of chemicals, chemicals products and rubber	413,420.1	2.1%	293,304.8	1.9%
Mfr of paper, paper products, printing and publishing	651,899.5	3.4%	127,079.9	0.8%
Mfr of other manufactured products, including wood	120,740.8	0.6%	16,861.0	0.1%
Coal mining, extraction of crude oil and natural gas	353,640.8	1.8%	392,310.7	2.5%
Mfr of transport materials	56,160.1	0.3%	38,755.2	0.3%
Mfr of machinery and equipment	102,632.1	0.5%	69,764.5	0.5%
Hotels and restaurants	98,211.7	0.5%	96,747.1	0.6%
Metal and non-metal minerals extraction	5,516.2	0.0%	2,637.1	0.0%
Mfr of oil and coal by-products	114,100.2	0.6%	135,020.1	0.9%
Beverages and tobacco	10,873.7	0.1%	5,439.7	0.0%
Other	<u>802,503.6</u>	<u>4.1%</u>	<u>569,231.3</u>	<u>3.7%</u>
	US\$ <u>19,477,220.8</u>	<u>100%</u>	<u>15,552,172.3</u>	<u>100%</u>

DANE Resolution No. 066 of January 31, 2012 provides a new classification of IIUC activities, taking effect as of February 1, 2012. At December 31, 2012 subsidiaries' loans by economic sector in the Central American operations acquired were included.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

6.5. Loans and leases by geographical zones

December 31

COMMERCIAL LOANS

							<u>ALLOWANCE</u>		
		<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>SECURED</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	US\$	4,674,854.4	42,570.7	3,073.1	4,720,498.1	6,434,101.3	141,456.8	2,429.5	1,005.1
Antioquia		1,723,526.0	20,085.2	2,070.9	1,745,682.1	2,091,843.4	70,074.8	2,111.9	362.4
Nororiental		1,613,857.0	17,470.4	1,705.0	1,633,032.4	2,229,078.7	85,694.0	1,878.8	539.7
Suroccidental		1,130,532.1	9,307.0	810.8	1,140,649.9	924,525.1	31,173.9	515.3	195.8
Panama		611,996.7	2,286.7	0.0	614,283.4	131,480.5	14,322.9	62.8	0.0
Costa Rica		379,632.7	1,373.8	3.9	381,010.3	254,389.6	10,264.0	26.8	0.2
Salvador		638,577.5	1,868.5	0.0	640,445.9	905,911.7	36,959.6	23.3	0.0
Honduras		261,564.9	1,435.2	0.0	263,000.2	620,430.2	4,494.3	32.6	0.0
Miami		<u>141,217.0</u>	<u>726.1</u>	<u>0.0</u>	<u>141,943.1</u>	<u>954.3</u>	<u>1,792.4</u>	<u>9.7</u>	<u>0.0</u>
	US\$	<u>11,175,758.3</u>	<u>97,123.7</u>	<u>7,663.8</u>	<u>11,280,545.5</u>	<u>13,592,714.7</u>	<u>396,232.7</u>	<u>7,090.6</u>	<u>2,103.3</u>

CONSUMER LOANS

Bogotá	US\$	2,562,576.0	30,366.6	7,717.0	2,600,659.6	843,626.1	219,510.4	6,074.6	1,384.7
Antioquia		886,771.5	9,407.1	2,114.9	898,293.5	264,487.8	59,396.0	1,453.7	303.8
Nororiental		1,104,183.2	13,418.1	3,036.8	1,120,638.0	304,100.1	92,525.1	2,491.4	604.1
Suroccidental		689,871.2	7,611.9	1,856.0	699,339.1	167,218.4	52,539.9	1,372.7	320.8
Panama		18,669.4	183.4	0.0	18,852.8	12,269.2	144.2	1.9	0.0
Costa Rica		121,473.7	1,478.4	227.4	123,179.6	20,260.0	6,422.3	395.4	19.9
Salvador		413,450.9	1,589.5	0.0	415,040.5	129,678.1	16,502.6	73.2	0.0
Honduras		<u>135,754.4</u>	<u>1,256.6</u>	<u>0.0</u>	<u>137,011.0</u>	<u>121,826.5</u>	<u>7,772.2</u>	<u>37.8</u>	<u>0.0</u>
	US\$	<u>5,932,750.2</u>	<u>65,311.8</u>	<u>14,952.1</u>	<u>6,013,014.1</u>	<u>1,863,466.3</u>	<u>454,812.8</u>	<u>11,900.5</u>	<u>2,633.3</u>

MICROCREDIT

Bogotá	US\$	<u>50,950.5</u>	<u>561.1</u>	<u>275.1</u>	<u>51,786.8</u>	<u>82,186.8</u>	<u>3,668.1</u>	<u>45.5</u>	<u>63.9</u>
	US\$	<u>50,950.5</u>	<u>561.1</u>	<u>275.1</u>	<u>51,786.8</u>	<u>82,186.8</u>	<u>3,668.1</u>	<u>45.5</u>	<u>63.9</u>

HOME MORTGAGE LOANS

Bogotá	US\$	1,182,502.2	5,871.7	3,974.6	1,192,348.6	3,034,815.8	16,306.5	579.9	1,649.8
Antioquia		141,406.8	737.9	563.7	142,708.4	456,242.9	1,826.0	64.9	224.3
Nororiental		181,097.3	987.4	936.5	183,021.1	496,191.6	2,574.8	124.7	433.3
Suroccidental		155,229.4	831.5	408.1	156,469.0	396,798.4	2,092.4	82.7	172.1
Panama		2,005.1	7.5	0.0	2,012.6	2,324.5	29.9	0.1	0.0
Costa Rica		274,481.6	1,880.1	60.0	276,421.7	399,063.5	7,650.3	138.9	19.6
El Salvador		209,416.9	659.9	0.0	210,076.8	318,017.0	4,323.7	13.3	0.0
Hoduras		<u>171,622.6</u>	<u>1,451.6</u>	<u>0.0</u>	<u>173,074.2</u>	<u>352,498.7</u>	<u>2,156.0</u>	<u>17.9</u>	<u>0.0</u>
General allowance							29,438.5		
	US\$	<u>2,317,761.8</u>	<u>12,427.5</u>	<u>5,942.8</u>	<u>2,336,132.2</u>	<u>5,455,952.3</u>	<u>66,398.1</u>	<u>1,022.5</u>	<u>2,499.1</u>
	US\$	<u>19,477,220.8</u>	<u>175,424.1</u>	<u>28,833.8</u>	<u>19,681,478.6</u>	<u>20,994,320.2</u>	<u>921,111.7</u>	<u>20,059.1</u>	<u>7,299.5</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30

COMMERCIAL LOANS

							<u>ALLOWANCE</u>		
		<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	US\$	4,345,983.9	40,659.3	2,816.3	4,389,459.5	4,890,041.5	125,976.5	2,244.1	1,061.6
Antioquia		1,769,936.2	19,402.1	1,761.3	1,791,099.7	1,665,009.9	65,185.8	1,440.0	264.8
Nororiental		1,496,920.3	15,711.8	1,565.7	1,514,197.9	1,512,158.0	67,995.2	1,792.3	491.1
Suroccidental		894,315.4	8,749.2	692.6	903,757.2	675,224.3	26,572.7	484.4	186.2
Panama		501,182.4	2,355.8	0.0	503,538.2	141,858.6	11,566.5	62.5	0.0
Miami		<u>86,417.3</u>	<u>401.0</u>	<u>0.0</u>	<u>86,818.3</u>	<u>951.0</u>	<u>1,134.9</u>	<u>5.5</u>	<u>0.0</u>
	US\$	9,094,755.6	87,279.2	6,835.9	9,188,870.7	8,885,243.3	298,431.6	6,028.9	2,003.6

CONSUMER LOANS

Bogotá	US\$	2,447,922.1	30,691.4	7,705.1	2,486,318.6	839,024.1	214,616.3	6,369.6	1,505.8
Antioquia		792,109.0	8,755.4	2,088.8	802,953.2	221,899.2	54,011.1	1,448.1	325.6
Nororiental		1,044,348.5	13,172.7	2,976.1	1,060,497.3	288,288.9	86,013.8	2,542.0	625.0
Suroccidental		658,255.8	7,470.9	1,880.8	667,607.5	166,786.7	51,883.7	1,474.0	362.0
Panama		15,629.3	199.2	0.0	15,828.4	12,971.9	128.5	6.1	0.0
Costa Rica		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Salvador		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Honduras		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
General allowance		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>44.2</u>	<u>0.0</u>	<u>0.0</u>
	US\$	<u>4,958,264.7</u>	<u>60,289.5</u>	<u>14,650.8</u>	<u>5,033,205.0</u>	<u>1,528,970.8</u>	<u>406,697.5</u>	<u>11,839.8</u>	<u>2,818.4</u>

MICROCREDIT

Bogotá	US\$	50,557.7	523.6	288.9	51,370.1	78,838.2	3,317.3	60.6	94.7
Antioquia		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nororiental		<u>114.5</u>	<u>1.3</u>	<u>2.7</u>	<u>118.5</u>	<u>157.2</u>	<u>39.1</u>	<u>0.6</u>	<u>2.3</u>
							<u>506.6</u>		
	US\$	<u>50,672.2</u>	<u>524.8</u>	<u>291.6</u>	<u>51,488.6</u>	<u>78,995.4</u>	<u>3,863.0</u>	<u>61.1</u>	<u>97.0</u>

HOME MORTGAGE LOANS

Bogotá	US\$	1,033,527.7	5,071.6	3,953.5	1,042,552.9	2,714,163.8	14,697.4	528.5	1,688.9
Antioquia		121,159.5	624.9	595.5	122,379.9	382,857.8	1,672.7	67.4	250.6
Nororiental		159,376.1	845.7	1,017.5	161,239.2	451,003.1	2,432.1	102.7	466.2
Suroccidental		133,949.4	656.4	399.0	135,004.8	351,115.2	1,851.0	59.2	173.7
Panama		467.1	2.3	0.0	469.3	722.8	4.7	0.0	0.0
General allowance		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>14,484.8</u>	<u>0.0</u>	<u>0.0</u>
	US\$	<u>1,448,479.7</u>	<u>7,200.8</u>	<u>5,965.5</u>	<u>1,461,646.1</u>	<u>3,899,862.8</u>	<u>35,142.6</u>	<u>757.9</u>	<u>2,579.5</u>
	US\$	<u>15,552,172.3</u>	<u>155,294.4</u>	<u>27,743.8</u>	<u>15,735,210.4</u>	<u>14,393,072.2</u>	<u>744,134.7</u>	<u>18,687.8</u>	<u>7,498.5</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6.6. Loans and leases by monetary unit

<u>December 31</u>					
ITEM		<u>Local currency</u>	<u>Foreign currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	US\$	7,716,155.8	2,820,216.1	639,386.4	11,175,758.3
Microcredit		50,950.5	0.0	0.0	50,950.5
Consumer		5,362,521.9	570,228.2	0.0	5,932,750.2
Home mortgage		<u>1,339,202.3</u>	<u>485,903.6</u>	<u>492,655.9</u>	<u>2,317,761.8</u>
	US\$	<u>14,468,830.4</u>	<u>3,876,347.9</u>	<u>1,132,042.4</u>	<u>19,477,220.8</u>

<u>June 30</u>					
ITEM		<u>Local currency</u>	<u>Foreign currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	US\$	7,184,831.5	1,417,415.3	492,508.8	9,094,755.6
Microcredit		50,672.2	0.0	0.0	50,672.2
Consumer		4,931,165.3	27,099.4	0.0	4,958,264.7
Home mortgage		<u>1,014,593.0</u>	<u>467.1</u>	<u>433,419.6</u>	<u>1,448,479.7</u>
	US\$	<u>13,181,262.0</u>	<u>1,444,981.8</u>	<u>925,928.4</u>	<u>15,552,172.3</u>

6.7. Loans and financial leases by maturity bands

<u>December 31</u>		<u>0-1 years</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Commercial	US\$	2,729,655.6	4,109,431.8	2,921,917.3	1,414,753.5	11,175,758.1
Consumer		1,074,540.7	3,731,143.3	991,917.7	135,148.4	5,932,750.2
Microcredit		3,446.8	47,010.0	493.7	0.0	50,950.5
Mortgage		<u>28,263.1</u>	<u>89,443.5</u>	<u>313,307.0</u>	<u>1,886,748.2</u>	<u>2,317,761.8</u>
	US\$	<u>3,835,906.4</u>	<u>7,977,028.7</u>	<u>4,227,635.7</u>	<u>3,436,650.0</u>	<u>19,477,220.8</u>

<u>June 30</u>		<u>0-1 years</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Commercial	US\$	2,599,257.8	3,159,114.9	2,259,515.3	1,076,867.6	9,094,755.6
Consumer		945,495.3	3,333,959.3	619,912.3	58,897.8	4,958,264.7
Microcredit		3,089.6	47,566.4	16.2	0.0	50,672.2
Mortgage		<u>18,741.1</u>	<u>62,021.0</u>	<u>251,090.7</u>	<u>1,116,626.9</u>	<u>1,448,479.7</u>
	US\$	<u>3,566,583.8</u>	<u>6,602,661.6</u>	<u>3,130,534.6</u>	<u>2,252,392.3</u>	<u>15,552,172.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6.8. Details of restructured loans

<u>December 31</u>		<u>Ordinary Restructurings</u>	<u>Moratorium and other</u>	<u>Allowance</u>	<u>Secured</u>
Commercial	US\$	214,870.8	0.0	40,226.7	444,420.3
Consumer		515,108.3	0.0	131,987.4	65,335.4
Microcredit		471.2	0.0	190.1	787.8
Mortgage		<u>78,448.8</u>	<u>0.0</u>	<u>5,044.4</u>	<u>211,692.5</u>
	US\$	<u>808,899.1</u>	<u>0.0</u>	<u>177,448.7</u>	<u>722,236.1</u>
<u>June 30</u>		<u>Ordinary Restructurings</u>	<u>Moratorium and other</u>	<u>Allowance</u>	<u>Secured</u>
Commercial	US\$	110,964.1	78.8	36,553.7	195,284.5
Consumer		421,285.6	9.5	100,655.1	47,345.8
Microcredit		482.5	0.0	224.4	1,055.4
Mortgage		<u>47,767.8</u>	<u>0.0</u>	<u>3,279.5</u>	<u>164,187.4</u>
	US\$	<u>580,500.0</u>	<u>88.4</u>	<u>140,712.8</u>	<u>407,873.1</u>

6.9. Restructured loans, credit classification

<u>December 31</u>	<u>Commercial</u>		<u>Consumer</u>		<u>Microcredit</u>		<u>Mortgage</u>	
	<u>No. of Loans</u>	<u>Value</u>	<u>No. of Loans</u>	<u>Value</u>	<u>No. of Loans</u>	<u>Value</u>	<u>No. of Loans</u>	<u>Value</u>
A - Normal	1,750	103,815.7	34,575	299,211.3	25	276.3	3,015	45,312.1
B - Acceptable	535	32,632.6	4,996	50,573.8	2	3.9	921	13,450.7
C - Deficient	339	20,925.1	4,514	44,884.1	1	20.9	930	11,292.7
D - Doubtful	766	38,852.8	6,604	72,772.9	3	72.4	360	4,500.3
E - Unrecoverable	<u>152</u>	<u>18,644.6</u>	<u>4,969</u>	<u>47,666.2</u>	<u>6</u>	<u>97.7</u>	<u>110</u>	<u>3,893.0</u>
	<u>3,542</u>	<u>US\$ 214,870.8</u>	<u>55,658</u>	<u>US\$ 515,108.3</u>	<u>37</u>	<u>US\$ 471.2</u>	<u>5,336</u>	<u>US\$ 78,448.8</u>
<u>June 30</u>	<u>Commercial</u>		<u>Consumer</u>		<u>Microcredit</u>		<u>Mortgage</u>	
	<u>No. of Loans</u>	<u>Value</u>	<u>No. of Loans</u>	<u>Value</u>	<u>No. of Loans</u>	<u>Value</u>	<u>No. of Loans</u>	<u>Value</u>
A - Normal	1,484	51,214.1	27,929	251,810.0	18	114.3	2,266	21,611.5
B - Acceptable	500	18,543.5	4,640	41,951.3	14	113.3	930	10,922.3
C - Deficient	365	11,091.2	4,458	41,599.9	14	109.7	962	10,985.3
D - Doubtful	717	25,876.0	5,266	55,853.1	9	101.2	340	3,964.2
E - Unrecoverable	<u>86</u>	<u>4,239.3</u>	<u>2,849</u>	<u>30,071.2</u>	<u>3</u>	<u>44.1</u>	<u>29</u>	<u>284.5</u>
	<u>3,152</u>	<u>US\$ 110,964.1</u>	<u>45,142</u>	<u>US\$ 421,285.6</u>	<u>58</u>	<u>US\$ 482.5</u>	<u>4,527</u>	<u>US\$ 47,767.8</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6.10. Restructured loans by geographic zone

December 31

		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Mortgage</u>
Bogotá	US\$	33,249.7	251,714.2	471.2	38,643.3
Antioquia		29,676.9	65,716.8	0.0	2,537.5
Nororiental		49,006.2	100,450.7	0.0	4,500.9
Suroccidental		11,656.1	67,459.8	0.0	3,421.7
Costa Rica		26,209.2	1,341.6	0.0	10,597.8
Salvador		42,705.6	19,841.0	0.0	11,347.9
Honduras		22,367.1	8,584.2	0.0	7,399.9
	US\$	<u>214,870.8</u>	<u>515,108.3</u>	<u>471.2</u>	<u>78,448.8</u>

June 30

		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Mortgage</u>
Bogotá	US\$	32,080.1	221,392.1	482.5	37,339.0
Antioquia		28,485.2	58,119.1	0.0	2,637.3
Nororiental		40,853.9	83,268.8	0.0	4,367.7
Suroccidental		9,544.8	58,505.5	0.0	3,423.8
	US\$	<u>110,964.1</u>	<u>421,285.6</u>	<u>482.5</u>	<u>47,767.8</u>

6.11. Shareholders and employees loan portfolio

The following loans are included:

		<u>December 31</u>	<u>June 30</u>
Stockholders (*)	US\$	113,296.8	112,216.6
Consumer and commercial employees		<u>102,495.2</u>	<u>72,678.7</u>
	US\$	<u>215,792.0</u>	<u>184,895.3</u>

*Shareholders holding over 5%.

The annual effective interest rates on loans and individual credits to shareholders and employees were the following:

<u>Mode</u>	<u>Jul-Dec.12</u>	<u>Jan-Jun.12</u>
Créditos individuales	Between 0.01% and 32.22%	Between 1.10% and 32.60%

The term for loans to shareholders and employees is between 1 and 15 years.

Staff and shareholder loans are made on market terms.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6.12. Securitization of loans

The securitization process for housing loans fall under the rules of Law 546/1999 and Decree 1719/2001. All underlying assets in the securitization were separated and isolated in terms of equity to form a collective assets ("universality") to operate as a source of payment of the securities.

Securities issued by Titularizadora Colombiana are privileged (TIPS A) awarded by auction; and the subordinated issues (TIPS B, C and Mz) are a safety mechanism for the privileged securities in which the originators of the securitized loans participate, valued in accordance with Chapter of the Basic Finance and Accounting Circular.

The following is the detail and conditions of sale of the loan securitizations made in the first and second halves of 2012 with Titularizadora Colombiana:

December 31

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>	<u>Profit</u>	<u>Proceeds of sale</u>	<u>Gain</u>
US\$ N-6	August-17-2012	<u>1,661</u>	12.50%	<u>88,148.6</u>	<u>496.1</u>	<u>83.2</u>	<u>88,727.9</u>	<u>3,232.4</u>	<u>92,420.1</u>	<u>735.8</u>
		<u>1,661</u>		<u>88,148.6</u>	<u>496.1</u>	<u>83.2</u>	<u>88,727.9</u>	<u>3,232.4</u>	<u>92,420.1</u>	<u>735.8</u>

* "Other includes discounted deferred balances for loans included in the sale (prepayment).

June 30

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>	<u>Profit</u>	<u>Proceeds of sale</u>	<u>Gain</u>
US\$ Pesos N-4	Febr-17-2012	2,123	1321.00%	104,155.2	639.6	119.1	104,913.9	3,397.6	108,688.7	2630.6
US\$ Pesos N-5	May-04-2012	<u>1,875</u>	13.28	<u>90,721.1</u>	<u>479.5</u>	<u>128.3</u>	<u>91,328.9</u>	<u>2,853.2</u>	<u>94,533.1</u>	<u>1809.1</u>
		<u>3,998</u>		<u>194,876.3</u>	<u>1119.1</u>	<u>247.4</u>	<u>196,242.7</u>	<u>6,250.8</u>	<u>203,221.8</u>	<u>4439.7</u>

* "Other includes discounted deferred balances for loans included in the sale (prepayment).

6.13. Sale of write - off loans

The following is the detail of sale of consumer loans written off at December 31, 2012:

<u>Refinanced sales</u>	<u>Date</u>	<u>No. of loans</u>	<u>Capital</u>	<u>Interest</u>	<u>Other items</u>	<u>Total</u>	<u>Sale price</u>
	<u>November</u>	<u>42,487</u>	<u>\$ 83,887.3</u>	<u>2,997.4</u>	<u>994.8</u>	<u>87,879.7</u>	<u>5,797.1</u>

The following is the detail of the sale of written-off consumer loans at June 30, 2012:

<u>Sales</u>	<u>Date</u>	<u>No. of loans</u>	<u>Capital</u>	<u>Interest</u>	<u>Other items</u>	<u>Total</u>	<u>Sale price</u>
Configura	<u>June</u>	<u>42,519</u>	<u>\$ 84,244.9</u>	<u>944.5</u>	<u>3,107.7</u>	<u>88,297.2</u>	<u>7,498.9</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6.14. Loans written off

The following is the detail of loans written off:

		<u>December 31</u>			
		<u>Capital</u>	<u>Interest</u>	<u>Other items</u>	<u>Total</u>
Commercial	US\$	14,316.9	539.7	334.6	15,191.1
Consumer		191,540.2	6,704.4	1,427.0	199,671.6
Mortgage		4,645.2	24.3	331.1	5,000.5
Microcredit		231.4	3.4	24.0	258.8
Other receivables		<u>0.0</u>	<u>0.0</u>	<u>12,482.5</u>	<u>12,482.5</u>
	US\$	<u>210,733.6</u>	<u>7,271.7</u>	<u>14,599.1</u>	<u>232,604.5</u>

		<u>June 30</u>			
		<u>Capital</u>	<u>Interest</u>	<u>Other items</u>	<u>Total</u>
Commercial	US\$	14,400.4	529.5	275.0	15,204.9
Consumer		201,651.5	7,403.0	1,473.9	210,528.4
Mortgage		3,686.8	18.8	199.0	3,904.6
Microcredit		175.9	1.6	17.1	194.6
Other receivables		<u>0.0</u>	<u>0.0</u>	<u>19,848.0</u>	<u>19,848.0</u>
	US\$	<u>219,914.6</u>	<u>7,952.9</u>	<u>21,813.1</u>	<u>249,680.6</u>

The Bank and its subsidiaries did not engage in collector operations.

6.15. Loan purchases

The following is the detail of consumer loan purchases [vehicles], in September, October and November 2013:

<u>Purchase</u>	<u>No. of loans</u>	<u>Capital</u>	<u>Interest</u>	<u>Total</u>	<u>Premium</u>
PLANAUTOS	<u>820</u>	<u>\$ 7,409.8</u>	<u>\$ 50.1</u>	<u>\$ 7,459.9</u>	<u>\$ 558.1</u>

The guarantees produced by this purchase were migrated to the Bank, and received and checked by SETECSA [a Bank supplier], and are in custody.

During the second half of 2012, the Bank transferred loans to the Miami Branch under a participation agreement for \$94, 594.4

The following is the detail of those operations:

<u>Rate</u>	<u>Start date</u>	<u>Date of participation</u>	<u>Participation of Branch</u>	<u>Dollar Balance</u>	<u>\$ Balance</u>
Libor + 2.9%	2012/09/14	2012/09/25	62.50%	USD 36.666.666.6	\$ 36,666.6
Libor + 1.9%	2012/05/22	2012/11/30	100.00%	10.830.000.0	10,829.9
Libor + 2.65%	2012/07/17	2012/11/30	100.00%	<u>6.000.000.0</u>	<u>6,000.0</u>
				USD <u>53.496.666.6</u>	<u>\$ 53,496.6</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6.16. Allowances for loans and financial lease losses

The movement of loan allowances is the following:

		<u>December 31</u>				
		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Home mortgage</u>	<u>Total</u>
Opening balance	US\$	290,496.8	407,576.9	0.1	35,468.0	733,541.9
Opening balance, affiliates		37,761.1	26,787.9	0.0	12,202.3	76,751.3
Opening balance, Confinanciera		10,697.6	2,885.9	3,898.5	0.0	17,482.0
Migration of Confinanciera		(2,008.1)	1,775.2	6.9	0.0	226.0
Plus:						
Allowance expensed		214,470.1	360,733.8	2,919.5	22,830.3	600,953.7
Reexpression of foreign branch prov.		(14.5)	0.0	0.0	0.0	(14.5)
General allowance		0.0	72.2	0.0	20.1	92.2
Less:						
Loans written off		14,316.9	191,540.2	231.4	4,645.2	210,733.6
Loans written off, Confinanciera		211.9	362.5	0.0	0.0	574.4
Foreclosed amount not recovered		0.0	0.0	0.0	111.4	111.4
Reclassified		792.1	4,250.6	0.0	(5,047.2)	(4.5)
Recoveries		139,849.5	148,865.9	2,925.5	4,413.1	296,054.0
Closing balance	US\$	<u>396,232.6</u>	<u>454,812.7</u>	<u>3,668.1</u>	<u>66,398.1</u>	<u>921,563.7</u>

		<u>June 30</u>				
		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Home mortgage</u>	<u>Total</u>
Opening balance	US\$	290,831.1	384,163.0	3,650.4	45,261.9	723,906.3
Plus:						
Allowance charged to operating expenses		115,528.0	360,167.5	1,346.0	8,585.5	485,627.0
Reclassifications		122.9	(18.7)	(107.2)	0.0	(3.0)
Less:						
Loans written off		14,400.4	201,651.5	175.9	3,686.8	219,914.6
Unrecovered from foreclosures		0.0	0.0	0.0	71.9	71.9
Reclassifications		85.0	3.6	0.0	0.0	88.6
Recoveries		<u>93,564.9</u>	<u>135,959.0</u>	<u>850.3</u>	<u>14,946.0</u>	<u>245,320.2</u>
Closing balance	US\$	<u>298,431.6</u>	<u>406,697.7</u>	<u>3,863.0</u>	<u>35,142.6</u>	<u>744,135.0</u>

At December 31 and June 30, 2012, the amounts not recovered in foreclosures for US\$110.4 and US\$71.9, respectively, correspond to the difference between the lower value of the asset and the book balance of the debt, written off against the loan allowance account.

As of May 31, 2012, the LGD for "payroll deduction" loans in the Consumer portfolio was adjusted to classify as "unsecured" with a 60% allowance in the terms of the Superintendency Reference Model, generating a recovery of US\$12,327.7



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Bank, as part of its policy, made additional loan allowances at December 31 and June 30, 2012 por US\$86,496 and US\$52,104.3, respectively.

At December 31 and June 30, 2012 the countercyclical allowance was a follows:

<u>Loans</u>	<u>December 31</u>	<u>June 30</u>
Consumer	US\$ 94,926.9	US\$ 94,709.6
Commercial	<u>66,136.7</u>	<u>64,735.6</u>
Total	<u>US\$ 161,063.6</u>	<u>US\$ 159,445.2</u>

Superintendency Circular 026 of June 22, 2012

For the Bank, and following the six-month rolling averages, there is no need for any additional allowance against consumer loans.

6.17. The effect of homogeneization

The loans of the foreign subsidiaries used equivalent models of control of commercial and consumer loans given in Chapter II of Superintendency Circular 100/1995 and attachments, taking account of the type of guaranty in each operation, except for Davivienda Panamá S.A. with regard to debtors whose business is conducted in a country other than that in which the internal model is applied.

The homogenization model for Central America has uniform criteria for ageing and restructuring. In the first half of 2013 subjective elements of risk analysis will be incorporated to move forward in the measurement of loan risks.

7. Acceptances, spot operations and derivatives

At December 31 and June 30, 2012, the Bank had not issued any bank acceptances

The following is the detail of spot operations and derivatives, by product:

<u>Product</u>	<u>December 31</u>	<u>June 30</u>
Debtors for Bank Acceptances	US\$ 750.9	2,115.6
Spot operations	(3.7)	33.9
Forwards	66,924.3	34,640.6
Swaps	1,716.5	465.2
Options	<u>2,242.6</u>	<u>1,428.0</u>
	US\$ <u>71,630.6</u>	<u>38,683.3</u>

The following is the detail of spot operations:

		<u>December 31</u>		<u>June 30</u>	
	US\$	<u>Right</u>	<u>Obligation</u>	<u>Right</u>	<u>Obligation</u>
Currency purchases		10,825.7	(10,835.2)	5,174.6	(5,118.7)
Currency sales		4,830.6	(4,829.2)	10,439.9	(10,461.9)
Sale on securities		<u>3,212.9</u>	<u>(3,208.4)</u>	<u>0.0</u>	<u>0.0</u>
	US\$	<u>18,869.2</u>	<u>(18,872.9)</u>	<u>15,614.5</u>	<u>(15,580.6)</u>
Total Net	US\$		(3.7)		33.9



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At December 31 and June 30, 2012, the half-year loss on spot operations was (US\$ 2,440.7) y (US\$ 2,383.8), respectively.

The recording of rights and obligations of derivatives takes account of the result of the valuation at the fair price of exchange, as follows:

		<u>Speculative derivatives</u>				
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
<u>December 31</u>						
<u>Currency purchases</u>	Right	164,599.2	207,458.8	0.0	372,058.0	0.0
	Obligation	(164,194.5)	(207,458.8)	0.0	(371,653.3)	0.0
<u>Currency sales</u>	Right	2,845,312.5	288,606.3	0.0	3,133,918.9	0.0
	Obligation	(2,779,654.3)	(288,606.3)	0.0	(3,068,260.7)	0.0
<u>Securities purchases</u>	Right	48,197.2	6,215.5	0.0	54,412.7	0.0
	Obligation	(47,335.8)	(6,215.5)	0.0	(53,551.3)	0.0
<u>Securities sales</u>	Right	0.0	11,282.7	0.0	11,282.7	0.0
	Obligation	0.0	(11,282.7)	0.0	(11,282.7)	0.0
<u>Interest rates</u>	Right	0.0	0.0	22,935.6	22,935.6	0.0
	Obligation	0.0	0.0	(21,219.1)	(21,219.1)	0.0
Options - call	Purchase	0.0	0.0	0.0	0.0	104.2
Options – put	Purchase	0.0	0.0	0.0	0.0	2,138.3
Total Rights		3,058,108.9	513,563.4	22,935.6	3,594,607.9	2,242.6
Total obligations		<u>(2,991,184.6)</u>	<u>(513,563.4)</u>	<u>(21,219.1)</u>	<u>(3,525,967.2)</u>	<u>0.0</u>
Total – net	US\$	<u>66,924.3</u>	<u>0.0</u>	<u>1,716.5</u>	<u>68,640.9</u>	<u>2,242.6</u>

(*) Hedging derivative



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Speculative derivatives

		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
<u>June 30</u>						
<u>Currency purchases</u>	Right	1,360,394.4	328,168.2	0.0	1,688,562.5	0.0
	Obligation	(1,353,945.5)	(328,168.2)	0.0	(1,682,113.7)	0.0
<u>Currency sales</u>	Right	1,826,265.9	529,488.0	0.0	2,355,753.9	0.0
	Obligation	(1,798,445.2)	(529,488.0)	0.0	(2,327,933.2)	0.0
<u>Securities purchases</u>	Right	1,254.9	65,701.7	0.0	66,956.6	0.0
	Obligation	(1,005.3)	(65,701.7)	0.0	(66,707.0)	0.0
<u>Securities sales</u>	Right	103,278.1	0.0	0.0	103,278.1	0.0
	Obligation	(103,156.6)	0.0	0.0	(103,156.6)	0.0
<u>Interest rates</u>	Right	0.0	10,122.9	10,287.4	20,410.4	0.0
	Obligation	0.0	(10,122.9)	(9,822.2)	(19,945.1)	0.0
Options - call	Purchase	0.0	0.0	0.0	0.0	975.0
Options – put	Purchase	0.0	0.0	0.0	0.0	453.0
Total Rights		3,291,193.2	933,480.7	10,287.4	4,234,961.3	1,428.0
Total obligations		<u>(3,256,552.6)</u>	<u>(933,480.7)</u>	<u>(9,822.2)</u>	<u>(4,199,855.5)</u>	<u>0.0</u>
Total – net	US\$	<u>34,640.6</u>	<u>0.0</u>	<u>465.2</u>	<u>35,105.8</u>	<u>1,428.0</u>

(*) Hedging derivative

The following is the detail of derivative maturity periods:

		<u>December 31</u>				
		<u>0 - 3 months</u>	<u>3 - 6 months</u>	<u>6 - 12 months</u>	<u>Over 6 months</u>	<u>Total</u>
Acceptances	US\$	750.9	0.0	0.0	0.0	750.9
Spot operations		(3.7)	0.0	0.0	0.0	(3.7)
Forwards		54,258.6	6,761.9	5,546.5	357.4	66,924.3
Swaps		338.8	641.0	329.9	406.8	1,716.5
Options		<u>1,586.4</u>	<u>551.9</u>	<u>104.2</u>	<u>0.0</u>	<u>2,242.5</u>
	US\$	<u>56,931.0</u>	<u>7,954.8</u>	<u>5,980.7</u>	<u>764.2</u>	<u>71,630.6</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		<u>June 30</u>				
		<u>0 - 3 months</u>	<u>3 - 6 months</u>	<u>6 - 12 months</u>	<u>Over 6 months</u>	<u>Total</u>
Acceptances	US\$	2,115.6	0.0	0.0	0.0	2,115.6
Spot operations		33.9	0.0	0.0	0.0	33.9
Forwards		23,084.7	8,946.3	2,605.3	4.3	34,640.6
Swaps		49.9	20.5	382.7	12.2	465.3
Options		<u>348.7</u>	<u>934.2</u>	<u>145.0</u>	<u>0.0</u>	<u>1,427.9</u>
	US\$	<u>25,632.9</u>	<u>9,900.9</u>	<u>3,132.9</u>	<u>16.5</u>	<u>38,683.3</u>

8. Accounts receivable on loans and financial leases

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

		<u>December 31</u>	<u>June 30</u>
Interest on loans (Note 6.3)	US\$	167,456.1	148,824.1
Financial component of leasing operations (Note 6.3)		7,967.9	6,470.2
Interest on interbank funds and other		<u>377.3</u>	<u>102.4</u>
	US\$	<u>175,801.3</u>	<u>155,396.7</u>
Commissions and fees		3,818.7	2,111.1
Canons of godos given on leasing		100.7	118.5
Payment on behalf of clients:			
Mortgage		5,942.8	5,965.5
Consumer		14,952.2	14,650.8
Microcredit	US\$	275.0	291.6
Commercial		<u>7,663.7</u>	<u>6,835.8</u>
		<u>28,833.6</u>	<u>27,743.8</u>
Other:			
Dividends and other capital yields		0.0	4,077.8
Indemnities, fraud recovery		9,026.7	0.0
Payments on behalf of clients – remittances abroad		3,916.0	1,765.0
Advances for local purchases		9,544.5	8,000.1
Advances on contracts and to suppliers		13,094.3	14,149.7
Sundry:			
Cash and clearing shortages		726.6	1,104.1
Insurance claims		3,541.4	2,333.6
Colombian Treasury		11,798.2	11,490.1
Forwards		1,334.7	7,669.6
Government relief Law 546 de 1999, reliquidation of loans (**)		0.0	8,052.1
National tax collections pending application		2,106.1	2,088.4



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>December 31</u>	<u>June 30</u>
Operations in Treasury, payments office, general business	2,828.4	3,221.2
Receivables, consumer loans written off (Note 6)	0.0	7,969.7
Banco de la Republica –rate hedging	3,524.2	3,803.3
Loans under management	3,598.5	6,946.5
Commercial establishment debtors	450.1	3,060.7
Loan processes pending application	17,977.2	14,367.8
Management and other charges, consumer loans	0.0	0.0
Tax claims (acct. 168795)	1,048.4	0.0
Reinsurers abroad – current account	2,009.1	0.0
Direct business	10,300.0	0.0
Siundry (under 1 5%)	<u>19,334.9</u>	<u>11,280.8</u>
	<u>116,159.3</u>	<u>111,380.3</u>
 Total accounts receivable	 US\$ <u>324,713.6</u>	 <u>296,750.5</u>
 Allowance	 <u>(44,956.2)</u>	 <u>(51,849.8)</u>
 Total accounts receivable - net	 US\$ <u>279,757.4</u>	 <u>244,900.5</u>

****Mortgage loan relief**

Mortgage relief arises from a mass reliquidation of home mortgage loans due to the change in the financing of housing under Law 547/1999. The Bank reliquidated the difference between the local interbank rate DTF and the constant value unit UPAC, in order to compare the comportment of the UPAC with that of the new UVR, so that there would be the same reductions that were related to the UPAC lenders. The Government credited loans with the total difference arising from reliquidation; and to pay these credit amounts it issued and handed over TES-UVR.

Article 1 of Decree 712/2001 amended Decree 2221/2000 and established the causes for returning TES/Law 546 delivered to creditors to the Ministry of Finance:

- Arrears of payment by the beneficiary of the credit.
- Failure of the beneficiary to pay the individual loan.
- Payment of more than one mortgage credit to the same individual.
- Surrender of the credit.
- Excess liquidation.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

8.1. Allowance against receivables

The detail of the allowance receivables is the following:

		<u>December 31</u>	<u>June 30</u>
Loan interest	US\$	20,059.1	18,687.8
Payments on behalf of clients		7,299.4	7,498.5
Government relief		0.0	8,052.1
Treasury debtors		1,359.2	1,628.4
Insurance claims		1,679.8	2,307.1
Daviplan		1,351.4	3,394.8
Other receivables		1,364.3	1,203.1
Loan accounts receivable		1,871.1	3,202.9
Card debtors		2,174.2	1,342.8
Universality receivables		3,095.4	0.0
Sundry		<u>4,702.5</u>	<u>4,532.3</u>
	US\$	<u>44,956.2</u>	<u>51,849.8</u>

The movement of the allowance against receivables is the following:

<u>December 31</u>		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Mortgage</u>	<u>Others</u>	<u>Total</u>
Opening balance	US\$	7,725.6	14,673.6	0.0	3,368.5	25,638.6	51,406.3
Opening balance Confinanciera		391.4	118.1	159.3	0.0	254.7	923.5
Plus:							
Opening balance HSBC		1,646.1	119.8	0.0	31.2	2,128.8	3,926.0
Allowance charged to operating expenses		5,488.6	13,617.3	45.1	1,991.3	8,135.0	29,277.2
Reclassification		0.0	0.0	0.0	0.0	1,078.9	1,078.9
Migration of Confinanciera		0.0	225.4	0.0	0.0	0.0	225.4
Less:							
Loans written off		874.3	8,131.4	27.3	355.4	12,988.2	22,376.6
Loan written of - Confinanciera		24.5	63.5	0.0	0.0	0.0	88.0
Recoveries of receivables- Confinanciera		0.0	0.0	0.0	0.0	24.0	24.0
Migration of Confinanciera		501.3	0.0	8.0	0.0	288.8	798.1
Recoveries		3,094.5	6,432.1	59.7	1,672.6	7,307.8	18,566.7
Reclassification		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>27.8</u>	<u>27.8</u>
Closing balance	US\$	<u>10,757.0</u>	<u>14,127.3</u>	<u>109.4</u>	<u>3,363.0</u>	<u>16,599.4</u>	<u>44,956.2</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>June 30</u>		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Mortgage</u>	<u>Others</u>	<u>Total</u>
Opening balance	US\$	6,700.4	13,753.6	137.5	3,340.5	43,356.7	67,288.7
Plus:							
Allowance charged to operating expenses		4,544.3	15,335.1	103.9	1,803.9	4,924.6	26,711.7
Reclassification		(73.5)	2.8	8.8	0.0	209.5	147.6
Less:							
Loans written off		804.5	8,876.9	18.7	217.8	19,848.1	29,766.0
Reclassification		0.0	0.0	0.0	0.0	1,226.2	1,226.2
Recoveries		<u>2,324.1</u>	<u>5,558.6</u>	<u>73.7</u>	<u>1,588.9</u>	<u>1,760.7</u>	<u>11,306.0</u>
Closing balance	US\$	<u>8,042.6</u>	<u>14,656.0</u>	<u>157.8</u>	<u>3,337.6</u>	<u>25,655.8</u>	<u>51,849.8</u>

9. Foreclosed assets, net

The detail of foreclosed assets is the following:

	<u>December 31</u>	<u>June 30</u>
<u>Marketable assets</u>		
Housing	US\$ <u>21,305.6</u>	<u>0.0</u>
<u>Foreclosed assets:</u>		
Real property	18,940.0	3,049.8
Assets received in auction	5,682.1	263.5
Total for housing	<u>24,622.0</u>	<u>3,313.3</u>
<u>Other than housing</u>		
Real property	36,438.7	11,209.5
Assets received in auction	2,094.8	86.6
Inflation adjustments	<u>0.1</u>	<u>0.1</u>
Adjusted cost	<u>38,533.5</u>	<u>11,296.2</u>
<u>Movable assets (1)</u>		
Rights and securities	780.3	773.2
Movable assets	<u>10,681.1</u>	<u>640.0</u>
	<u>11,461.5</u>	<u>1,413.2</u>
Total, other than housing	<u>49,995.0</u>	<u>12,709.4</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Assets restored from leasing agreements

Residential	<u>2,099.9</u>	<u>1,200.3</u>
	<u>2,099.9</u>	<u>1,200.3</u>

Assets not used in the business

Land	2,116.1	3,697.6
Buidlings	8,752.0	14,702.5
Office equipment and furniture	28.1	0.0
Depreciation	<u>(4,014.1)</u>	<u>(4,309.8)</u>
	<u>6,882.0</u>	<u>14,090.2</u>

Less:

Allowance against assets for housing	26,708.0	1,719.0
Allowance for assets other tan for housing	24,764.5	3,489.6
Allowance against movable assets	1,954.0	946.9
Allowance against assets restored from leases	416.7	207.9
Allowance against assets not used in the business	<u>650.1</u>	<u>1,192.6</u>
	<u>54,493.4</u>	<u>7,556.0</u>

US\$ 50,411.2 23,757.1

(1) The detail of movable assets received in payment is the following:

		<u>December 31</u>		<u>June 30</u>	
		<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Rights securities					
Shares	US\$	15.4	15.4	15.3	15.3
Rights under timeshares		<u>764.9</u>	<u>685.6</u>	<u>757.9</u>	<u>646.8</u>
		<u>780.3</u>	<u>701.0</u>	<u>773.2</u>	<u>662.1</u>
Movable assets:					
Vehicles		1,160.5	322.0	639.5	284.3
Machinery		69.4	31.1	0.0	0.0
Furniture		9,451.2	899.8	0.6	0.5
Works of art		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
		<u>10,681.1</u>	<u>1,252.9</u>	<u>640.0</u>	<u>284.8</u>
	US\$	<u>11,461.5</u>	<u>1,954.0</u>	<u>1,413.2</u>	<u>946.9</u>

The detail of assets received in payment, assets restored and assets not used in the business, by length of time held, is the following:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Under 1 year</u>	<u>1 - 5 years</u>	<u>5 - 10 years</u>	<u>Over 10 years</u>	<u>Total</u>	<u>Allowance</u>
<u>December 31</u>						
Housing	15,869.9	6,206.4	1,772.7	773.0	24,622.0	26,708.0
Other than housing	10,004.9	15,594.4	1,937.5	11,493.1	39,029.9	24,764.5
Movable assets	618.9	492.2	577.9	9,276.1	10,965.1	1,954.0
Assets restored	1,648.7	451.2	0.0	0.0	2,099.9	416.7
Not used in the business, net	3,484.1	3,397.7	0.0	0.0	6,882.0	650.1
Marketable assets	<u>5,513.0</u>	<u>14,552.9</u>	<u>1,085.6</u>	<u>154.1</u>	<u>21,305.6</u>	<u>0.0</u>
US\$	<u>37,139.4</u>	<u>40,694.9</u>	<u>5,373.8</u>	<u>21,696.4</u>	<u>104,904.6</u>	<u>54,493.4</u>

	<u>Under 1 year</u>	<u>1 - 5 years</u>	<u>5 - 10 years</u>	<u>Over 10 years</u>	<u>Total</u>	<u>Allowance</u>
<u>June 30</u>						
Housing	2,088.4	740.5	422.4	62.0	3,313.3	1,719.0
Other than housing	7,602.5	3,081.5	579.1	33.0	11,296.2	3,489.6
Movable assets	584.5	170.2	648.1	10.4	1,413.2	946.9
Assets restored	1,200.3	0.0	0.0	0.0	1,200.3	207.9
Not used in the business, net	<u>0.0</u>	<u>13,744.6</u>	<u>345.6</u>	<u>0.0</u>	<u>14,090.2</u>	<u>1,192.6</u>
US\$	<u>11,475.8</u>	<u>17,736.8</u>	<u>1,995.3</u>	<u>105.3</u>	<u>31,313.2</u>	<u>7,556.1</u>

At December 31 and June 30, 2012, assets received in payment for housing were independently valued, with a reappraisal excess of US\$ 8,257.1 and US\$ 6,049.2, respectively. The reappraisal excesses are recorded in Memorandum Accounts. (Note25)

At December 31 and June 30, 2012, the Bank and its subsidiaries abroad have implemented a range of strategies to sell the assets received in payment, with the following results.

	<u>December 31</u>		<u>June 30</u>	
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Assets received in payment	106	US\$ 4,597.8	80	4,231.5
Assets not used in the business	<u>0</u>	<u>0.0</u>	<u>5</u>	<u>406.5</u>
Total Sales	<u>106</u>	<u>US\$ 4,597.8</u>	<u>85</u>	<u>4,638.1</u>
Total profit on sales		US\$ 1,830.3		826.2
Total loss on sale		<u>1,737.3</u>		<u>690.1</u>
Net effect on earnings		US\$ <u>93.0</u>		<u>136.1</u>

9.1. Allowance against assets received in payment and assets restored

The movement of the allowance against assets received in payment and assets restored is the following:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		<u>December 31</u>	<u>June 30</u>
Opening balance	US\$	7,626.0	10,773.4
Plus:			
Opening balance HSBC		47,420.0	0.0
Allowance charged to operating expenses		9,439.1	2,514.0
Reclassifications		(454.7)	(42.5)
Less:			
Written off		1,955.3	2,596.7
Conversion adjustment		54.5	12.2
Recoveries credited to earnings		<u>7,527.2</u>	<u>3,079.9</u>
Closing balance	US\$	<u>54,493.4</u>	<u>7,556.1</u>

At December 31 and June 30, 2012, the Bank had made full allowances against the following assets received in payment:

	<u>December 31</u>		<u>June 30</u>
<u>Amount</u>	<u>Allowance US\$</u>	<u>Amount</u>	<u>Allowance US\$</u>
226	\$ 18,630.0	122	\$ 2,671.2

In the "universalities", the Bank purchased CCV, CCVII and CCVIII, and will place some of the foreclosed assets in its leasing portfolio.

The Bank did not purchase property from the securitizations of written off loans CCVI, CCVII and CCVIII in either period.

At December 31 and June 30, 2012, there is insurance cover for theft, fire, earthquake, civil disturbance, riot, explosion, volcanic eruption, power failure and loss or damage to property, offices and vehicles.

10. Assets given on operational leases

The following is the detail of assets given on operational leases:

		<u>December 31</u>		<u>June 30</u>	
		<u>Cost</u>	<u>Cost Adjusted</u>	<u>Cost</u>	<u>Cost Adjusted</u>
<u>Assets given on leases</u>	US\$	6,345.6	6,345.6	6,487.6	6,487.6
Less: Accumulated depreciation		(4,350.1)	(4,350.1)	(3,684.1)	(3,684.1)
Less: Allowance		<u>(21.0)</u>	<u>(21.0)</u>	<u>(29.2)</u>	<u>(29.2)</u>
	US\$	<u>1,974.5</u>	<u>1,974.5</u>	<u>2,774.3</u>	<u>2,774.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

11. Property and Equipment

A detail of property and equipment is the following:

		<u>December 31</u>			<u>June 30</u>		
		<u>Cost</u>	<u>Inflation adjustment</u>	<u>Adjusted Cost</u>	<u>Cost</u>	<u>Inflation adjustment</u>	<u>Adjusted Cost</u>
Land, buildings, construction in progress	US\$	302,694.4	18,756.8	321,451.3	227,299.3	19,937.5	247,236.8
Office equipment furniture and fittings, vehicles		92,261.7	5,302.1	97,563.8	53,488.2	5,275.2	58,763.4
Computer equipment		<u>147,736.1</u>	<u>9,904.7</u>	<u>157,640.8</u>	<u>114,062.7</u>	<u>9,884.0</u>	<u>123,946.7</u>
		<u>542,692.3</u>	<u>33,963.7</u>	<u>576,655.9</u>	<u>394,850.2</u>	<u>35,096.7</u>	<u>429,946.9</u>
Less: Accumulated depreciation		(280,038.1)	(11,260.7)	(291,298.8)	(192,783.5)	(11,172.0)	(203,955.6)
Less: Allowance		(4,542.6)	0.0	<u>(4,542.6)</u>	(4,424.8)	0.0	<u>(4,424.8)</u>
	US\$	<u>258,111.6</u>	<u>22,703.0</u>	<u>280,814.5</u>	<u>197,641.8</u>	<u>23,924.7</u>	<u>221,566.5</u>

At December 31 and June 30, 2012, there was insurance to cover theft, fire, earthquake, riot, civil disturbance, volcanic eruption, power failure and loss or damage to premises and vehicles.

The following is the detail of valuations of property and equipment at December 31 and June 30, 2012:

		<u>December 31</u>	<u>June 30</u>
Reappraisal of buildings used in the business	US\$	265,425.5	264,060.7
Reappraisal of buildings not used in the business		<u>32,930.8</u>	<u>9,428.5</u>
	US\$	<u>298,356.3</u>	<u>273,489.2</u>

There are no mortgages or limitations of ownership on these properties, and that have not be delivered on pledge.

Depreciation expensed at December 31 and June 30, 2012, was US\$ 28,793 and US\$ 11,853.2, respectively.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

11.1. Allowance against Property and Equipment and Assets given on Operational Lease

The movement of the allowance against property and equipment for the periods ended on December 31 and June 30, 2012, is the following:

		<u>December 31</u>	<u>June 30</u>
Opening balance	US\$	4,465.8	4,662.9
Opening balance Confinanciera		27.5	0.0
Plus:			
Allowance charged to operating expenses		60.3	250.5
Reclassifications		1,397.7	0.0
Less:			
Reclassifications		4.3	(44.6)
Written back to recoveries		<u>1,383.5</u>	<u>504.1</u>
Closing balance	US\$	<u>4,563.5</u>	<u>4,454.0</u>

12. Other Assets

12.1. Prepaid expenses, deferred charges and intangibles

The detail of prepaid expenses, deferred charges and intangibles at December 31 and June 30, 2012, is the following:

		<u>December 31</u>	<u>June 30</u>
<u>Prepaid expenses:</u>			
Insurance		12,105.3	11,956.0
Other		<u>2,451.4</u>	<u>2,439.4</u>
	US\$	<u>14,556.7</u>	<u>14,395.4</u>
<u>Deferred charges:</u>			
Remodelling		19,060.6	11,782.0
Software, licences, Oracle support		17,173.1	7,439.0
Discount on bond placements		2,662.7	0.0
Deferred income tax (debit) due to timing differences		20,914.3	12,280.8
Wealth tax and surcharge		53,718.1	66,859.5
Uniforms		1,591.1	3,026.2
Professional and advisory services		5,404.3	1,126.0
Other (less than 5%)		<u>10,832.8</u>	<u>1,228.5</u>
		<u>131,357.0</u>	<u>103,742.1</u>
<u>Intangibles</u>			
Goodwill	US\$	<u>641,691.9</u>	<u>649,031.7</u>
Prepaid expenses, intangibles and deferred charges	US\$	<u>787,605.6</u>	<u>767,169.1</u>
Excess of costo ver book value	US\$	301,784.3	0.0

The movement of prepaid expenses, intangibles and deferred expenses at December 31 and June 30, 2012 is the following:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		Balance at <u>June 30</u>	<u>Charges</u>	<u>Amortizations</u>	Balance at <u>December 31</u>
Prepaid expenses	US\$	14,395.4	35,884.4	35,856.4	14,556.7
Deferred charges		103,742.1	113,672.4	87,017.9	131,357.0
Intangibles		<u>649,031.6</u>	<u>793,311.5</u>	<u>806,659.9</u>	<u>641,691.9</u>
	US\$	<u>767,169.1</u>	<u>942,868.3</u>	<u>929,534.1</u>	<u>787,605.6</u>

The following are the prepaid expenses, deferred charges and intangibles pending amortization by terms, at December 31 and June 30, 2012:

		<u>Under 1 year</u>	<u>1 - 5 years</u>	<u>Over 5 years</u>	<u>Over 10 years</u>	<u>Total</u>
<u>December 31</u>						
<u>Prepaid expenses:</u>						
Insurances		12,071.0	34.4	0.0	0.0	12,105.3
Other		<u>1,547.1</u>	<u>904.3</u>	<u>0.0</u>	<u>0.0</u>	<u>2,451.4</u>
		<u>13,618.1</u>	<u>938.7</u>	<u>0.0</u>	<u>0.0</u>	<u>14,556.7</u>
<u>Deferred charges:</u>						
Organization and preoperating		705.9	0.0	0.0	0.0	705.9
Remodeling	US\$	6,501.7	12,558.9	0.0	0.0	19,060.7
Software, licences, Oracle support		8,593.9	8,579.1	0.0	0.0	17,173.1
Discount on bond placements		324.4	1406.2	932.2	0.0	2,662.7
Deferred income tax debit due to timing differences		22.3	20,892.0	0.0	0.0	20,914.3
Wealth tax and surcharge		819.3	52,898.8	0.0	0.0	53,718.1
Contributions and affiliations		640.6	0.0	0.0	0.0	640.6
Uniforms		1,591.1	0.0	0.0	0.0	1,591.1
Professional and advisory services		1,080.9	4,323.4	0.0	0.0	5,404.3
Commissions		259.6	623.2	0.0	0.0	882.9
Rent		0.0	0.0	721.2	0.0	721.2
Otherunder 5%)		<u>7,882.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>7,882.2</u>
		<u>28,491.0</u>	<u>101,607.8</u>	<u>1,258.3</u>	<u>0.0</u>	<u>131,357.0</u>
<u>Intangible Assets</u>						
Goodwill	US\$	<u>38,864.0</u>	<u>169,954.5</u>	<u>343,064.6</u>	<u>89,808.8</u>	<u>641,691.9</u>
	US\$	<u>80,973.0</u>	<u>272,501.0</u>	<u>344,322.9</u>	<u>89,808.8</u>	<u>787,605.6</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30

		<u>Less than 1 year</u>	<u>Between 1 & 5 years</u>	<u>Between 5 & 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
<u>Prepaid expenses:</u>						
Interest	US\$	1.1	0.0	0.0	0.0	1.1
Insurance		932.3	11,023.7	0.0	0.0	11,956.0
Equipment maintenance		0.0	57.2	0.0	0.0	57.2
Other		<u>1,097.9</u>	<u>1,283.3</u>	<u>0.0</u>	<u>0.0</u>	<u>2,381.2</u>
	US\$	<u>2,031.2</u>	<u>12,364.2</u>	<u>0.0</u>	<u>0.0</u>	<u>14,395.4</u>
<u>Deferred charges:</u>						
Remodelaing	US\$	3,686.0	8,127.2	0.0	0.0	11,813.3
Deferred income tax debit due to timing differences		792.4	11,426.4	62.0	0.0	12,280.8
Uniforms		3,026.2	0.0	0.0	0.0	3,026.2
Contributions and affiliations		108.6	0.0	0.0	0.0	108.6
Wealth tax and surcharge		940.2	64,963.9	955.4	0.0	66,859.4
HSBC profesional services		225.2	900.8	0.0	0.0	1,126.0
Commissionsand consultancies		236.1	570.7	0.0	0.0	806.8
Commercial strategy, prepayment of tickets		13.8	0.0	0.0	0.0	13.8
Software licenses and Oracle support		121.1	5,385.1	0.0	0.0	5,506.2
Other (under 5%)		2,200.8	0.0	0.0	0.0	2,200.8
	US\$	<u>11,350.6</u>	<u>91,374.0</u>	<u>1,017.4</u>	<u>0.0</u>	<u>103,742.1</u>
<u>Intangible Assets</u>						
Goodwill	US\$	<u>0.0</u>	<u>0.0</u>	<u>159,228.8</u>	<u>489,802.9</u>	<u>649,031.7</u>
	US\$	<u>13,381.8</u>	<u>103,738.1</u>	<u>160,246.2</u>	<u>489,802.9</u>	<u>767,200.4</u>

Intangibles

Goodwill generated by the purchaseof local and foreign entities. At December 31 and June 30, 2012, totalled US\$ 641,691.9 and US\$ 649,031.7, respectively.

The details of goodwill are as follows:

Crédito Mercantil Granbanco S.A. - Bancafé

Goodwill on the purchase of Granbanco arose on February 16, 2007 for a total of US\$ 776,176.2

Circular 034/2006 also requires that goodwill be written down exponentially over 20 years, as follows:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Year	% amortiz.	Business lines						Annual amortization
		Consumer	Commercial	SME	Credit card	H Mortgage	Subsidi	
1	2.47	US\$3,247.5	6,680.2	1,058.3	2,472.5	1,702.7	97.2	15,258.4
2	5.1	3,459.9	7,117.3	1,127.6	2,634.2	1,814.1	103.6	16,256.6
3	7.92	3,702.8	7,616.7	1,206.7	2,819.1	1,941.4	110.8	17,397.4
4	10.94	3,975.9	8,178.6	1,295.7	3,027.1	2,084.6	119.0	18,680.8
5	14.17	4,249.0	8,740.5	1,384.8	3,235.0	2,227.8	127.2	19,964.3
6	17.61	4,522.2	9,302.4	1,473.7	3,443.0	2,371.0	135.3	21,247.6
7	21.28	4,825.7	9,926.7	1,572.7	3,674.1	2,530.1	144.4	22,673.7
8	25.21	5,159.5	10,613.4	1,681.5	3,928.3	2,705.1	154.4	24,242.2
9	29.41	5,523.7	11,362.7	1,800.2	4,205.6	2,896.1	165.3	25,953.5
10	33.91	5,918.3	12,174.3	1,928.7	4,506.0	3,103.0	177.2	27,807.4
11	38.71	6,312.9	12,985.9	2,057.3	4,806.3	3,309.9	189.0	29,661.2
12	43.86	6,768.1	13,922.4	2,205.7	5,152.9	3,548.5	202.6	31,800.2
13	49.35	7,223.3	14,858.8	2,354.1	5,499.6	3,787.2	216.2	33,939.2
14	55.22	7,709.0	15,857.8	2,512.3	5,869.3	4,041.8	230.7	36,220.9
15	61.5	8,255.3	16,981.5	2,690.4	6,285.2	4,328.3	247.1	38,787.8
16	68.21	8,831.9	18,167.8	2,878.3	6,724.3	4,630.6	264.3	41,497.2
17	75.39	9,438.9	19,416.4	3,076.1	7,186.4	4,948.8	282.5	44,349.2
18	83.06	10,076.3	20,727.5	3,283.8	7,671.6	5,283.0	301.6	47,343.8
19	91.25	10,774.3	22,163.4	3,511.3	8,203.1	5,649.0	322.5	50,623.7
20	100	<u>11,502.8</u>	<u>23,661.7</u>	<u>3,748.7</u>	<u>8,757.7</u>	<u>6,030.8</u>	<u>344.2</u>	<u>54,045.9</u>
		<u>US\$131,477.2</u>	<u>270,456.0</u>	<u>42,847.8</u>	<u>100,101.3</u>	<u>68,933.7</u>	<u>3,935.3</u>	<u>617,751.3</u>

The following are the principal considerations in the evaluation of goodwill:

- The definition and determination of business lines was a process carried out jointly with the directors of Banco Davivienda S.A. and Granbanco S.A., whereby both entities identified the independent cash flow sources of groups of assets.
- According to the foregoing, the merger of the business lines of Davivienda and Granbanco was made, taking into account the synergies that could be found. In this manner, the value of the goodwill was assigned to the following six business lines with valuations at market prices based on the figures as of the close of December 31, 2006 for Davivienda and January 31, 2007 for Granbanco: consumer, commercial, SME, credit card, home mortgage and subsidiaries (Panamá, Miami and Fiducafé).
- The general criteria to define the business lines were: characteristics of the lines (average placement rates, average balance by customer/product, client profile, growth of portfolio and allocation of expenses); feasibility of independent valuation and international accounting rules.
- With the definition of the business lines and their related assets, based on the global balance sheet and earnings statement, and the different information systems of each of the entities, ten-year projections of the earnings statements and balance sheets were determined for each line of business.
- The valuation of the business lines was made using the dividend flows method, discounted at shareholder's cost, which according to experts is the most appropriate way to value financial institutions and is widely used by first-class banks. The method consists of a forecast of the flow of dividends during 10 years plus a final value, all discounted at an appropriate rate.

A summary of goodwill by business line and the balance at December 31, 2012, is the following:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Business line</u>	<u>Share</u>	<u>Goodwill recorded</u>	<u>Accumulated amortization</u>	<u>Balance</u>
Consumer	21.30%	165,195.1	28,622.6	136,572.6
Commercial	43.80%	339,815.5	58,878.1	280,937.4
SME	6.90%	53,836.3	9,328.0	44,508.4
Credit Card	16.20%	125,772.6	21,792.0	103,980.6
Mortgage loans	11.20%	86,612.0	15,006.9	71,605.2
Affiliates	<u>0.60%</u>	<u>4,944.5</u>	<u>856.7</u>	<u>4,087.8</u>
Total	<u>100.00%</u>	<u>776,176.2</u>	<u>134,484.3</u>	<u>641,691.9</u>

The result of the valuation update Pricewaterhouse Coopers Asesores Gerenciales Ltda. made at April 30, 2012, on the audited financial statements of the Bank December 31, 2011 shows that the business lines did not generate any loss due to deterioration.

For tax purposes, the Bank applied Article 143 of the Tax Code, which allows investments to be amortized over not less than 5 years, and is amortizing this account over 7 years on a straight-line basis, with a simple calculation of the total amount divided by the number of months, thus proving a fixed annual amount, similar to the method used for calculating depreciation.

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

Excess of cost over book value

Goodwill was generated in the purchase made by the Bank from HSBC in Central America between November 23 and December 7, 2012 for a total of US\$ 301,784.4 millones.

The amortization of the goodwill will be affected exponentially over 20 years, using the table below

<u>Year</u>	<u>Y</u>	<u>Y%</u>	<u>% Accumulated amortization</u>	<u>Amount of annual amortization</u>	<u>Monthly</u>
1	1.07	2.47	2.47	7,454.1	621.1
2	1.14	2.63	5.1	7,941.7	661.8
3	1.22	2.82	7.92	8,499.0	708.2
4	1.31	3.02	10.94	9,126.0	760.5
5	1.4	3.23	14.17	9,753.0	812.8
6	1.49	3.44	17.61	10,379.9	865.0
7	1.59	3.67	21.28	11,076.6	923.1
8	1.7	3.92	25.21	11,842.9	986.9
9	1.82	4.2	29.41	12,678.8	1,056.6
10	1.95	4.5	33.91	13,584.5	1,132.1
11	2.08	4.8	38.71	14,490.1	1,207.5
12	2.23	5.15	43.86	15,535.1	1,294.6
13	2.38	5.49	49.35	16,580.0	1,381.7
14	2.54	5.86	55.22	17,694.7	1,474.6
15	2.72	6.28	61.5	18,948.6	1,579.0
16	2.91	6.72	68.21	20,272.2	1,689.3
17	3.11	7.18	75.39	21,665.5	1,805.4
18	3.32	7.66	83.06	23,128.4	1,927.4
19	3.55	8.19	91.25	24,730.7	2,060.9
20	<u>3.79</u>	<u>8.75</u>	<u>100</u>	<u>26,402.6</u>	<u>2,200.2</u>
	<u>43.32</u>	<u>100</u>		<u>301,784.4</u>	



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name	Amount originated at November, 2012	Amortization to December, 2012	Balance of excess of costo ver book value at December 2012
Grupo del Istmo Costa Rica S.A.	US\$ 151,582.9	(320.0)	155,162.6
Inversiones Financiera Davivienda S.A.	109,597.9	(231.4)	112,186.0
Honduras	<u>33,572.0</u>	<u>0.0</u>	<u>34,435.7</u>
	<u>US\$ 294,752.8</u>	<u>(551.5)</u>	<u>301,784.3</u>

12.2. Staff loans

The bank evaluated all staff loans and the result of the evaluation at December 31 and June 30, 2012, is the following:

<u>December 31</u>	<u>Housing</u>	<u>Secureds</u>	<u>Allowance</u>
A -Normal	US\$ 102,870.2	221,318.4	691.4
B -Acceptable	131.0	281.7	6.9
C -Deficient	<u>21.5</u>	<u>93.7</u>	<u>2.5</u>
E -Irrecoverable	<u>392.1</u>	<u>0.0</u>	<u>0.0</u>
	US\$ <u>103,414.8</u>	<u>221,693.8</u>	<u>700.9</u>
<u>June 30</u>	<u>Balance</u>	<u>Secureds</u>	<u>Allowance</u>
A -Normal	US\$ 66,484.9	226,966.9	670.0
B -Acceptable	<u>68.2</u>	<u>162.3</u>	<u>3.9</u>
C -Deficient	<u>14.0</u>	<u>59.1</u>	<u>1.6</u>
	US\$ <u>66,567.1</u>	<u>227,188.3</u>	<u>675.5</u>

12.3. Other assets - other

The detail of los otherassetsis the following:

	<u>December 31</u>	<u>June 30</u>
Deferred payment letters of credit	3,763.2	3,138.1
Sureties and guaranty deposits	5,995.3	3,049.1
Trust rights (1)	4,031.4	3,481.2
Withholdings	13.1	17,490.9
Advance income tax paid	3,671.0	14,914.9
Consortia and temporary unions	2,749.8	2,793.1
Remittances bought and pending payment	1,217.9	123.3
Other (under 5%)	<u>4,547.2</u>	<u>4,390.8</u>
	US\$ <u>25,988.9</u>	<u>49,381.4</u>

(1) Trust rights



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At December 31 and June 30, 2012, the following trust rights were held:

	<u>December 31</u>		<u>June 30</u>	
	<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Agropecuaria Molina Vivas	20.9	20.9	20.7	20.7
Textiles Omnes S.A.	263.3	263.3	260.9	260.9
Fiduciaria Superior (*)	580.1	0.0	633.5	0.0
H&L Barú	2,541.2	2,541.2	2,541.2	0.0
Otros	<u>625.9</u>	<u>0.0</u>	<u>24.8</u>	<u>0.0</u>
	<u>4,031.4</u>	<u>2,825.4</u>	<u>3,481.1</u>	<u>281.6</u>

* Corresponds to the remnants of the liquidation of Fiduciaria Superior S.A. of September 2009.

12.4. Allowance against other assets

The movement of the allowance against other assets, is the following:

		<u>December 31</u>	<u>June 30</u>
Opening balance	US\$	3,899.3	7,193.9
Plus:			
Opening balance HSBC		97.9	0.0
Allowance charged to operating expenses		151.1	123.9
Reclassifications		(2.4)	0.0
Less:			
Reclassifications		1.5	0.0
Income written back -. recoveries		<u>131.8</u>	<u>3,454.2</u>
Closing balance	US\$	<u>4,012.7</u>	<u>3,863.6</u>

13. Deposits and Demand Accounts

The following is the detail of deposits and demand accounts:

	<u>Maximum anual rate</u>		<u>December 31</u>	<u>June 30</u>
Checking accounts	0.0% - 1.70%	US\$	2,741,196.2	1,892,209.9
Time deposits				
Less than 6 months	4.35%-5.75%		1,664,569.7	1,041,884.7
Between 6 and 12 months	4.60%-5.95%		1,509,321.1	1,198,269.3
Between 12 and 18 months	4.80%-6.25%		1,060,306.3	584,270.4
Greater than 18 months	4.90%-7.10%		<u>1,147,674.8</u>	<u>1,300,743.0</u>
			<u>5,381,872.0</u>	<u>4,125,167.4</u>
Savings				
Common savings	0.00% - 4.60%		8,640,494.9	6,702,797.3
Special savings			<u>23,413.5</u>	<u>25,306.1</u>
			<u>8,663,908.4</u>	<u>6,728,103.4</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Real-value (UVR) certificates			
Between 6 and 12 months	UVR+ 2.40%	0.0	20,755.5
Other Deposits and Demand Accounts			
Banks and correspondents		698.0	707.4
Special deposits (*)		5,564.9	9,487.6
Demand accounts for banking services		186,023.7	81,570.8
Affiliates		4,358.9	3,654.4
Bank collector services		1,698.5	0.0
Electronic cash deposits		3,475.0	0.0
		<u>201,818.9</u>	<u>95,420.2</u>
	US\$	<u>16,988,795.6</u>	<u>12,861,656.4</u>

The following is the detail of the interest expense for the half years ended on December 31 and June 30, 2012:

<u>Mode</u>		<u>December 31</u>	<u>June 30</u>
Interest on Deposits and Demand Accounts:			
Ordinary deposits	US\$	103,112.0	107,450.9
Time deposits		136,855.0	106,658.2
Checking accounts		5,915.3	5,964.6
Borrowings from financial institutions		51,297.3	38,622.3
Liability positions in operations		880.5	559.3
Bonds outstanding		98,605.3	78,618.1
Transfer commitments in repos and simultaneous operations		<u>10,056.4</u>	<u>2,139.8</u>
	US\$	<u>406,721.8</u>	<u>340,013.2</u>

14. Interbank and overnight borrowing positions

The following is the detail of interbank and overnight borrowing positions:

<u>December 31</u>	<u>Rate</u>	<u>Date of origination</u>	<u>maturity</u>	<u>Market Value</u>
Interbank operations				
Banks:	4.24%- 4.91	Dic.28.12	Ener.02.13	<u>24,386.0</u>
Short positions in simultaneous operations				
Banks:	0.16%	Dic.17.12	Ene.18.13	<u>4,496.8</u>
Total liability positions for interbank and overnight operations				US\$ <u>28,882.8</u>

There are no foreign currency operations pending at the close.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>June 30</u>		<u>Rate</u>	<u>origination</u>	<u>Date of maturity</u>	<u>Market Value</u>
<u>Legal Currency</u>					
Interbank					
	Banks	5.26%- 5.32%	Jun.06.2012	Jul.18.2012	<u>47,069.4</u>
	Finance companies	5.25%	Jun.29.2012	Jul.03.2012	<u>4,482.8</u>
	Liability Repos pasivos:				
	Banks	5.25%	Jun.29.2012	Jul.03.2012	<u>672,513.8</u>
Total liability positions in interbank and overnight operations					<u>724,066.0</u>

In the second and first half of 2012, the average monthly balancer these liability positions (local and foreign currency) was US\$ 1,745.7 and US\$ 451.7 respectively.

There are no restrictions on these funds

15. Bankers' Acceptances and Derivative Instruments

The following is the detail:

<u>Product</u>			<u>December 31</u>		<u>June 30</u>	
Acceptances outstanding		US\$	10,937.1		2,115.6	
Forwards			82,418.9		34,864.6	
Speculative swaps			1,916.0		389.8	
Hedging swaps			13,848.4		11,049.2	
Speculative options			2,481.0		1,875.9	
		US\$	<u>111,601.4</u>		<u>50,295.0</u>	
<u>Speculation Derivatives</u>					<u>Hedging derivatives</u>	
<u>December 31</u>			<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Options</u>
<u>Currency purchases</u>	Right	US\$	(2,481,955.9)	0.0	0.0	0.0
	Obligation		2,554,670.9	0.0	0.0	0.0
<u>Currency sales</u>	Right		(55,898.9)	0.0	0.0	0.0
	Obligation		56,000.4	0.0	0.0	0.0
<u>Currency sales</u>	Right		(68,821.7)	0.0	0.0	0.0
	Obligation		69,419.0	0.0	0.0	0.0
<u>Securities sales</u>	Right		(535,360.6)	0.0	0.0	0.0
	Obligation		544,365.8	0.0	0.0	0.0



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>Interest rate</u>	Right	0.0	0.0	(19,873.1)	0.0	(19,873.1)	0.0
	Obligation	0.0	0.0	21,789.1	0.0	21,789.1	0.0
<u>Currency</u>		0.0	0.0	0.0	0.0	0.0	(165,598.0)
	Sale	0.0	0.0	0.0	0.0	0.0	179,446.4
Options- Calls		0.0	0.0	0.0	301.0	301.0	0.0
	Sale						
Options- Puts		0.0	0.0	0.0	2,180.1	2,180.1	0.0
Total Rights		(3,142,037.2)	0.0	(19,873.1)	2,481.0	(3,159,429.2)	(165,598.0)
Total Obligations		<u>3,224,456.1</u>	<u>0.0</u>	<u>21,789.1</u>	<u>0.0</u>	<u>3,246,245.2</u>	<u>179,446.4</u>
Total – net	US\$	<u>82,418.9</u>	<u>0.0</u>	<u>1,916.0</u>	<u>2,481.0</u>	<u>86,815.9</u>	<u>13,848.4</u>

(*) Corresponds to hedging for the purchase of Granbanco see Note (15.1)

		<u>Speculation Derivatives</u>					<u>Hedging derivatives</u>
<u>June 30</u>		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Options</u>	<u>Total</u>	<u>Swaps</u>
<u>Currency purchases</u>	Right	US\$ (1,799,293.6)	0.0	0.0	0.0	(1,799,293.6)	0.0
	Obligation	1,825,559.4	0.0	0.0	0.0	1,825,559.4	0.0
<u>Currency sales</u>	Right	(1,413,654.9)	0.0	0.0	0.0	(1,413,654.9)	0.0
	Obligation	1,421,316.4	0.0	0.0	0.0	1,421,316.4	0.0
<u>Currency sales</u>	Right	(130,694.5)	0.0	0.0	0.0	(130,694.5)	0.0
	Obligation	131,546.3	0.0	0.0	0.0	131,546.3	0.0
<u>Securities sales</u>	Right	(65,260.1)	0.0	0.0	0.0	(65,260.1)	0.0
	Obligation	65,345.6	0.0	0.0	0.0	65,345.6	0.0
<u>Interest rate CCS</u>	Right	0.0	0.0	(9,609.9)	0.0	(9,609.9)	0.0
	Obligation	0.0	0.0	9,999.7	0.0	9,999.7	0.0
<u>Currency (*)</u>	Right	0.0	0.0	0.0	0.0	0.0	(165,643.2)
	Obligation	0.0	0.0	0.0	0.0	0.0	176,692.4
Options- Calls	Sale	0.0	0.0	0.0	700.9	700.9	0.0
Options- Puts	Sale	0.0	0.0	0.0	1,174.9	1,174.9	0.0



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Total Rights	US\$	<u>(3,408,903.1)</u>	<u>0.0</u>	<u>(9,609.9)</u>	<u>1,875.9</u>	<u>(3,416,637.2)</u>	<u>(165,643.2)</u>
Total obligations	US\$	<u>3,443,767.7</u>	<u>0.0</u>	<u>9,999.7</u>	<u>0.0</u>	<u>3,453,767.4</u>	<u>176,692.4</u>
Total – net	US\$	<u>34,864.6</u>	<u>0.0</u>	<u>389.8</u>	<u>1,875.9</u>	<u>37,130.3</u>	<u>11,049.2</u>

(*) Corresponds to hedging for the purchase of Granbanco see Note (15.1)

The following is the detail of maturity periods for derivatives at December 31 and June 30, 2012:

<u>December 31</u>					
	<u>0-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Forwards	70,222.2	6,273.7	5,923.0	0.0	82,418.9
Speculative swaps	281.7	242.7	862.1	529.5	1,916.0
Hedging swaps	0.0	3,558.4	3,780.1	6,509.8	13,848.3
Speculative options	<u>1,118.7</u>	<u>950.9</u>	<u>411.4</u>	<u>0.0</u>	<u>2,481.1</u>
US\$	<u>71,622.6</u>	<u>11,025.7</u>	<u>10,976.7</u>	<u>7,039.3</u>	<u>100,664.3</u>
<u>June 30</u>					
	<u>0-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Forward Agreements	26,033.4	6,956.8	1,854.0	20.4	34,864.6
Speculative Swaps	42.5	60.7	114.3	172.4	389.8
Hedging Swaps	3,425.6	0.0	3,630.3	3,993.3	11,049.2
Options	<u>705.0</u>	<u>694.3</u>	<u>476.6</u>	<u>0.0</u>	<u>1,875.9</u>
US\$	<u>30,206.6</u>	<u>7,711.7</u>	<u>6,075.1</u>	<u>4,186.0</u>	<u>48,179.5</u>

15.1. Hedging operation- Purchase of Granbanco

At December 31, 2012, the bank was engaged in an IRS swap (Currency Swaps), to hedge the issue of IFC for US\$165,000,000 issued in February 2007, as follows:

				<u>Valuesr US\$</u>		
<u>Period</u>	<u>Item</u>	<u>Term (years)</u>	<u>Initial period</u>	<u>Final period</u>	<u>Right</u>	<u>Obligation</u>
Dic-12	Hedging swap IFC bonds	7	Feb.07.07	Feb.07.14	165,598.0	179,446.4
						(13,848.4)
Jun-12	Hedging swap IFC bonds	7	Feb.07.07	Feb.07.14	165,643.2	176,692.4
						(11,049.2)

Flows generated in the hedging operation for the purchase of Granbanco:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The result of the valuation of the swap was negative at both December 31 and June 30, 2012, and it was therefore recorded as a liability (Note 15).

- Payment of interest coupons on the IFC bonds (Principal for the hedge):

On July 17, 2012, was paid the equivalent of U.S. \$ 6.362.7, international counterparts

On January 17, 2012, was paid the equivalent to US\$6.454.8 international counterparts

No reset payment was generated.

15.2. Recording of the CCS Swap hedging operation

Hedging operations are recorded at the fair Price of exchange.

The effect on earnings due to the valuation of the syndicated loan and subordinated bonds was as follows::

		<u>December 31</u>	<u>June 30</u>
Effect of the CCS swap	US\$	6,161.4	11,306.3
Effect of the IFC bond		<u>1,400.7</u>	<u>(11,764.9)</u>
Net effect	US\$	<u>7,562.1</u>	<u>(458.5)</u>

16. Bank loans and other financial obligations

The following is the detail in local currency and foreign currency expressed in local currency:

		<u>December 31</u>					
<u>Entity</u>		<u>Interest payable</u>	<u>Under 1 year</u>	<u>1.-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total Capital</u>
Other institutions in Colombia:							
Local currency							
Bancoldex	US\$	115.7	2,546.1	14,731.0	10,377.9	0.0	27,655.0
Finagro		1,990.7	4,310.4	76,879.3	42,007.5	22,729.5	145,926.6
Findeter		5,924.9	368.4	195,724.3	446,076.3	201,460.6	843,629.6
Overdrafts		0.0	83.5	0.0	0.0	0.0	83.5
		<u>8,031.3</u>	<u>7,308.4</u>	<u>287,334.6</u>	<u>498,461.6</u>	<u>224,190.1</u>	<u>1,017,294.8</u>
Foreign currency							
Bancoldex		511.9	1,576.4	26,827.0	48,796.4	0.0	77,199.8
Findeter		242.3	0.0	0.0	55,080.0	0.0	55,080.0
Other Banks and financial institutions in Colombia		0.0	9,420.3	0.0	0.0	93,649.4	103,069.6
Overdrafts		0.0	<u>553.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>553.2</u>
		<u>754.2</u>	<u>11,549.9</u>	<u>26,827.0</u>	<u>103,876.4</u>	<u>93,649.4</u>	<u>235,902.7</u>
		<u>8,785.5</u>	<u>18,858.3</u>	<u>314,161.6</u>	<u>602,338.1</u>	<u>317,839.4</u>	<u>1,253,197.4</u>
Institutions abroad:		<u>4,053.4</u>	<u>665,677.8</u>	<u>447,537.3</u>	<u>7,299.3</u>	<u>4,708.4</u>	<u>1,125,222.8</u>
	US\$	<u>12,838.9</u>	<u>684,536.1</u>	<u>761,699.0</u>	<u>609,637.4</u>	<u>322,547.8</u>	<u>2,378,420.2</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30

Entity		<u>Interest payable</u>	<u>Under 1 year</u>	<u>1.-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total Capital</u>
Other institutions in Colombia:							
Local currency							
Bancoldex	US\$	356.9	14,185.8	12,124.9	4,466.3	0.0	30,777.0
Finagro		1,942.1	56,715.1	66,512.1	27,380.3	161.2	150,768.6
Findeter		3,202.1	542,914.0	12,803.8	28,771.3	0.0	584,489.2
Other Banks and financial institutions in Colombia		<u>0.0</u>	<u>35,398.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>35,398.2</u>
		<u>5,501.1</u>	<u>649,213.1</u>	<u>91,440.8</u>	<u>60,618.0</u>	<u>161.2</u>	<u>801,433.0</u>
Foreign currency							
Bancoldex		622.8	2,049.0	25,626.4	62,962.5	0.0	90,637.9
Findeter		173.2	0.0	0.0	0.0	41,000.0	41,000.0
Overdrafts		<u>0.0</u>	<u>13.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>13.3</u>
		<u>796.1</u>	<u>2,062.3</u>	<u>25,626.4</u>	<u>62,962.5</u>	<u>41,000.0</u>	<u>131,651.2</u>
		<u>6,297.2</u>	<u>651,275.4</u>	<u>117,067.2</u>	<u>123,580.5</u>	<u>41,161.2</u>	<u>933,084.2</u>
Institutions abroad:		<u>3,992.3</u>	<u>573,008.6</u>	<u>81,557.7</u>	<u>28,721.4</u>	<u>0.0</u>	<u>683,287.7</u>
	US\$	<u>10,289.5</u>	<u>1,224,284.1</u>	<u>198,624.8</u>	<u>152,301.9</u>	<u>41,161.2</u>	<u>1,616,371.9</u>

17. Accounts payable

The following is the detail of accounts payable:

		<u>December 31</u>	<u>June 30</u>
Interest:			
Deposits and demand accounts	US\$	77,466.1	61,500.2
Bank loans and other financial obligations (Note 16)		12,838.8	10,289.5
Investment securities outstanding		36,718.0	20,977.5
Other		<u>537.2</u>	<u>309.2</u>
	US\$	<u>127,560.1</u>	<u>93,076.4</u>
Commissions and fees	US\$	1,550.8	1,883.1
Collections effected:			
Corporate income tax	US\$	23,842.3	52,839.1
Turnover tax, property tax, vehicle tax		3,404.3	20,963.8
Other		<u>8,306.7</u>	<u>5,361.3</u>
		<u>35,553.3</u>	<u>79,164.2</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		<u>December 31</u>	<u>June 30</u>
Suppliers:			
Accounts payable to suppliers	US\$	43,830.4	9,496.6
Clearing, ACH network		68,982.6	13,271.5
Clearing, Visa, MasterCard networks		21,445.0	14,105.3
Accounts payable for services rendered		16,981.0	6,084.1
Other		<u>11,215.7</u>	<u>9,630.5</u>
	US\$	<u>162,454.7</u>	<u>52,588.0</u>
Others:			
Taxes			
Wealth tax		54,123.2	66,755.7
Income and related taxes		46,961.1	13.7
Turnover tax		9,152.1	173.7
Dividends and other capital yields		2,122.0	1,740.9
Tax payable		4,093.4	3,735.6
Bank transaction tax		10,473.5	10,332.7
Employment withholdings and contributions		35,678.8	31,772.0
Remittances payable		17,113.2	12,717.5
Pension contributions		1,455.6	0.0
Checks drawn and not presented		7,020.8	10,169.1
Accounts payable to the State Law 546/1999		16,458.6	51,539.0
Sundry others:			
Commercial establishments		1,266.8	16,636.4
Forwards		1,348.3	4,133.7
Balances and Commissions in favor		5,607.5	4,542.1
Loan overages		5,331.6	5,511.4
Social security pensions *		127.8	36,847.4
Deposit insurance		9,700.4	0.0
Solidarity Peace Bonds		11,427.1	11,366.0
Balances available, VISA prepayment		6,304.1	8,197.8
Cost of collection management		1,794.5	3,224.2
Disbursements pending payment		12,323.0	2,833.3
Securities exchange operations		8,775.0	0.0
Sundry (under 5%)		<u>45,984.7</u>	<u>15,335.5</u>
		<u>314,643.1</u>	<u>297,577.8</u>
	US\$	<u>641,762.0</u>	<u>524,289.5</u>

(1) Wealth tax



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A tax reform in December 2009 (Law 1370) created a wealth tax, payable by certain individuals and corporate entities for 2011-2014. The tax accrues as of January 1, 2011 and is paid in 8 installments on dates set by the Government, the first being May 2011.

Regulatory Decree 514 of January 2010 subsequently determined the way in which the tax will be recorded, one possibility being an amortization of the equity surplus account for 2011-2014; and if the surplus account is exhausted, the tax is charged to earnings year by year.

The details of this account at December 31, 2012 are as follows:

Tax amount filed	US\$	107,245.4
Equity revaluation		(109.9)
Amount amortized in 2011		(39,460.1)
Amount amortized in 2012		(301.8)
Balance pending amortization in deferred charges	US\$	67,373.7

18. Investment securities outstanding

At December 31 and June 30, 2012, the Bank has investment securities outstanding for US\$ 3,035,450.7 and US\$ 2,188,003.2 respectively, corresponding to ordinary, mortgage and subordinated bond issues

The following is the detail of the bonds por each issue outstanding at December 31 and June 30, 2012:

<u>Issue type</u>	<u>Date</u>	<u>Amount offered</u>	<u>Term</u> (months)	<u>Yield</u>	<u>Maturity</u>		<u>December 31</u>	<u>June 30</u>
<u>Guaranteed subordinated bonds</u>								
First issue IFC – US\$								
<u>Guaranty:</u> Class A Mortgage issues								
and prepayment option for the issuer	07-Feb-07	\$ 368,641.1	84	Libor6 + 2.75	07-Feb-14	US\$	\$ 165,598.0	165,643.1
nevery 3 months – Series G								
<u>Unsecured subordinated bonds</u>								
<u>CPI</u>								
First issue - Series C	19-Feb-08	\$ 147,777.0	84	CPI + 6.65	19-Feb-15		\$ 83,573.4	82,806.8
Second issue – Series C7	24-Feb-10	\$ 138,497.2	84	CPI + 5.25	24-Feb-17		\$ 78,325.3	77,606.9
Second issue first tranche – Series C	25-Abr-12	\$ 181,400.0	120	CPI + 4.37	25-Abr-22		\$ 102,588.5	101,647.4
Second issue first tranche - Series C	25-Abr-12	\$ 218,600.0	180	CPI + 4.56	25-Abr-27		<u>\$ 123,626.5</u>	<u>122,492.4</u>
						US\$	<u>\$ 388,113.7</u>	<u>384,553.5</u>
<u>U.V.R.</u>								
First issue – Series D	19-Feb-08	\$ 151,577.5	84	UVR + 6.65	19-Feb-15		\$ 102,995.1	101,412.6
Second issue - Series U10	24-Feb-10	\$ 111,503.0	120	UVR + 5.50	24-Feb-20		<u>\$ 68,943.7</u>	<u>67,884.5</u>
						US\$	<u>\$ 171,938.8</u>	<u>169,297.0</u>
<u>IN DOLLATRS</u>								
Intynational bonds	09-Jul-12	\$ 895,370.0	120	TF 5.875%	09-Jul-22		\$ 500,000.00	0
Total Subordinated bonds4						US\$	<u>1,225,650.6</u>	<u>719,493.7</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

<u>Issue type</u>	<u>Date</u>	<u>Amount offered</u>	<u>Term (months)</u>	<u>Yield</u>	<u>Maturity</u>	<u>Book value</u>	
						<u>December 31</u>	<u>June 30</u>
Brought forward						<u>US\$ 1,225,650.6</u>	<u>US\$ 719,493.7</u>
<u>Ordinary unsecured bonds</u>							
<u>CPI</u>							
Second issue–Series G	05-Aug-08	\$ 170,570.00	60	CPI + 6.24	05-Aug-13	96,463.7	95,578.8
First issue–Series G	05-Feb-09	123,433.00	84	CPI + 5.50	05-Feb-16	69,806.0	69,165.6
First issueTranche 2 –Series G5	16-Jul-09	215,000.00	60	CPI + 4.79	16-Jul-14	121,590.5	120,475.2
Second issue Tranche 1 –Series C5	12-Feb-10	215,062.00	60	CPI + 3.98	12-Feb-15	121,625.6	120,509.9
Third issue Tranche 2 –Series C5	07-Oct-10	120,150.00	60	CPI + 3.14	07-Oct-15	67,949.3	67,326.0
Third issue Tranche 2 - Series C7	07-Oct-10	196,050.00	84	CPI + 3.63	07-Oct-17	110,873.6	109,856.6
Fourth issue–Series C39	10-Mar-11	86,482.00	39	CPI + 2.80	10-Jun-14	48,908.8	48,460.2
Fourth issue–Series C84	10-Mar-11	76,055.00	84	CPI + 3.88	10-Mar-18	43,011.9	42,617.4
Fourth issue–Series C120	10-Mar-11	193,252.00	120	CPI + 4.19	10-Mar-21	109,291.2	108,288.7
First issue - Secondtranche–Series C120	10-Mar-11	90,000.00	48	CPI + 3.60	10-Mar-15	50,898.4	50,431.5
First issue– Second tranche–Series C120	10-Mar-11	159,230.00	90	CPI + 3.99	10-Sep-18	90,050.5	89,224.5
First issue– Second tranche–Series C120	10-Mar-11	160,770.00	126	CPI + 4.23	10-Sep-21	90,921.4	90,087.4
Third issue–First TrancheSeries C	15-Aug-12	230,050.00	180	CPI +4.23%	15-Aug-27	130,101.9	-
Third issue–First tranche Series C	15-Aug-12	174,147.00	120	CPI +4.07%	15-Aug-22	98,486.6	-
						<u>US\$ 1,249,979.4</u>	<u>US\$ 1,012,021.7</u>
<u>IBR</u>							
Second issueTranche 1 –Serie B3	12-Feb-10	\$ 101,837.00	36	IBR + 1.36	12-Feb-13	57,592.6	57,064.3
Third issueTranche 2 –Serie cB2	07-Oct-10	91,550.00	24	IBR + 1.10	07-Oct-12	-	51,300.0
Third issueTranche 2 –Serie B3	07-Oct-10	92,250.00	36	IBR + 1.31	07-Oct-13	52,170.8	51,692.3
First issue–Serie B30	10-Mar-11	244,211.00	30	IBR + 1.35	03-Sep-13	138,110.4	136,843.6
First issue– Second tranche series B27	10-Mar-11	90,000.00	27	IBR + 1.68	10-Jun-13	50,898.4	50,431.5
						<u>US\$ 298,772.2</u>	<u>US\$ 347,331.6</u>
<u>Rate Fija</u>							
Second issueTranche 1 –Series F5	05-Feb-09	\$ 121,800.00	60	TF 10.40%	05-Feb-14	68,882.4	68,250.6
Second issueTranche 2 –Series E3	16-Jul-09	73,000.00	36	TF 7.89%	16-Jul-12	-	40,905.5
Third issue–First tranche Series F	15-Aug-12	95,803.00	36	TF % 6.5%	15-Aug-15	54,180.2	-
						<u>123,062.6</u>	<u>109,156.1</u>
Total ordinary						<u>US\$ 1,671,814.2</u>	<u>US\$ 1,468,509.5</u>
General guaranty, under 18 months- Costa Rica						9,865.2	-
Otherat 18 months or more - Salvador						126,905.7	-
Mortgage certificates - Honduras						1,215.4	-
Total Current bonds						<u>US\$ 3,035,451.1</u>	<u>US\$ 2,188,003.2</u>

(1) This issue is valued at market, using implied future rates obtained from the zero-coupon rate of the LIBOR dollar swap curve for the terms involved. The present value of the flows was obtained using the same zero-coupon rates for the discount, used to make the dollar valuation of the swap.

The portion of the bonds not covered by the flow hedging from the swaps – that is that which corresponds to the margin agreed over the floating rate - should not be valued on a fair price basis but follow the linear accrual method.

Interest is paid six-monthly in arrears using the LIBOR 6-month rate.

In order to hedge this dollar risk the Bank arranged two peso CCS for US\$ 208,443.2 which enables it to change exposure from LIBOR rates and dollar rates (Note 15)

**BANCO DAVIVIENDA S.A. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

Bonds by monetary unit

		<u>December 31</u>	<u>June 30</u>
Local Currency	US\$	2,059,927.8	1,853,063.0
Foreign Currency		803,584.4	165,643.2
UVR		<u>171,938.8</u>	<u>169,297.0</u>
	US\$	<u><u>3,035,451.1</u></u>	<u><u>2,188,003.2</u></u>

Bonds by maturity periods

		<u>December 31</u>	<u>June 30</u>
Under 1 year	US\$	395,235.9	199,701.3
1-5 years		1,772,112.3	1,256,203.0
5 - 10 years		614,374.5	609,606.4
Over 10 years		<u>253,728.3</u>	<u>122,492.4</u>
Under 1 year	US\$	<u><u>3,035,451.1</u></u>	<u><u>2,188,003.2</u></u>

19. Other Liabilities**19.1. Employment Liabilities**

The detail of long-term employment liabilities is the following:

		<u>December 31</u>	<u>June 30</u>
Accrual	US\$	9,430.3	3,756.5
Interest on severance provision		884.4	223.4
Holidays		9,727.8	9,413.3
Other employment benefits		<u>6,857.3</u>	<u>4,661.2</u>
	US\$	<u><u>26,899.8</u></u>	<u><u>18,054.5</u></u>

The Bank applies the employment regime of Law 50/1990 in Colombia..

The Bank and its subsidiaries have no pension liabilities except those of Davivienda Salvadoreño S.A.

In the second half of 2012 a provision was US\$ 3,119.8, made for a contingent liability to Instituto Colombiano de Bienestar Familiar (ICBF), under Resolution 1683 of September 28 2012 and SENA, now under investigation for payroll taxes pending payment for the years 2008-2012 on amounts that these two entities consider to be part of the base salary for contributions.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

19.2. Income received in advance

The movement of income received in advance at December 31 and June 30, 2012 is the following:

	Balance at June 30	Credits	Charges	Balance at December 31
Interests	87.4	9,156.4	8,983.7	260.9
Commissions	3,707.6	28,285.5	22,998.0	9,029.3
Other	<u>111.7</u>	<u>2,720.0</u>	<u>2,556.2</u>	<u>276.5</u>
US\$	<u>3,906.6</u>	<u>40,161.9</u>	<u>34,538.0</u>	<u>9,566.8</u>

19.3. Other

The movement of other liabilities – other at December 31, 2012, is the following:

	Balance at June 30	Credits	Charges	Balance at December 31
Deferred income (1)	US\$ 20,236.3	35,167.9	34,402.8	21,188.7
Deferred income tax	100,741.9	23,614.4	3,908.3	121,380.6
Credits pending application	21,785.5	10,268,604.9	10,250,684.0	39,908.0
Cancelled accounts	17,826.9	1,199.6	752.4	18,439.1
Mathematical reserve, mandatory	0.0	506,141.6	503,500.4	2,641.2
Other	<u>8,180.0</u>	<u>118,844.0</u>	<u>74,896.7</u>	<u>52,203.1</u>
US\$	<u>168,770.5</u>	<u>10,953,572.3</u>	<u>10,868,144.6</u>	<u>255,760.6</u>

- (1) Corresponds mainly to deferrals under restructured loans with balances at December 31 and June 30, 2012 of US\$ 14,749.4 and \$14,198.5 respectively. The terms of amortization are:

	December 31	June 30
Deferred to amortize restructured loans	15,741.5	14,208.2
Other	<u>5,447.2</u>	<u>6,028.1</u>
US\$	<u>21,188.7</u>	<u>20,236.3</u>

The following are the deferred credits pending term amortization at December 31 and June 30, 2012:

	December 31	June 30
0-1 years	US\$ 2,392.7	4,252.5
1-5 years	3,901.3	1,765.9
Over 10 years	<u>14,894.7</u>	<u>14,217.8</u>
US\$	<u>21,188.7</u>	<u>20,236.2</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

20. Accruals and provisions

The following is the detail of accruals and provisions:

	<u>December 31</u>	<u>June 30</u>
Employment liabilities	US\$ 3,510.9	2,161.7
Taxes:		
Income and related taxes	13,255.2	7,982.5
Wealth tax	0.0	48,957.7
Turnover tax	0.0	7,549.7
Other	37.6	8.6
	<u>13,292.8</u>	<u>64,498.5</u>
Other		
Provision for rate hedging	9,915.6	8,353.5
Fines, penalties, litigation, claims and indemnities	40,352.9	66,410.8
Credit and debit card points redemption	8,031.1	6,006.3
Other provisions (under 5%)	<u>27,389.9</u>	<u>3,036.8</u>
	<u>85,689.4</u>	<u>83,807.4</u>
	US\$ 102,493.1	150,467.6

The 2010 and 2011 income tax filings of the Bank and its Colombian subsidiaries are open to inspection by the tax authority DIAN.

21. Non Controlling Interest

This is the portion of net assets (equity) and the earnings of subsidiaries attributable to entities with ownership rights outside the consolidated companies.

The following is the detail of minority interest at December 31 and June 30, 2012:

<u>December 31</u>	<u>Equity</u>	<u>% Minority Interest</u>	<u>Minority Interest</u>
Fiduciaria Davivienda S.A.	US\$ 58,386.2	5.30%	3,093.8
Davivalores S.A.	9,395.7	21.00%	1,973.1
Davivienda Panamá S.A.	112,948.9	0.0007%	0.8
Corporación Davivienda S.A. - Costa Rica	173,042.3	0.08%	138.7
Inversiones Financieras Davivienda S.A. - Salvador	US\$ 260,445.5	3.88%	10,100.1
Banco Davivienda Salvadoreño S.A.	266,141.1	1.76%	4,682.3
Banco Davivienda Honduras S.A.	98,646.2	5.78%	5,705.6
Seguros Bolívar Honduras S.A.	33,162.4	11.36%	3,766.6
			<u>29,461.0</u>
Preference shares Corporación Davivienda Costa Rica			<u>25,275.4</u>
		US\$	<u>54,736.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>June 30</u>		<u>Equity</u>	<u>% Minority Interest</u>	<u>Minority Interest</u>
Fiduciaria Davivienda S.A.	US\$	28,466.6	40.00%	11,386.7
Davivalores S.A.		8,442.0	21.00%	1,772.8
Confinanciera S.A.		46,568.9	5.10%	2,375.0
Davivienda Panamá S.A.		101,700.5	0.0007%	0.7
Fiduciaria Cafetera S.A.	US\$	39,779.4	5.99%	<u>2,382.5</u>
			US\$	<u>17,917.7</u>

21.1. Fines, penalties and litigation

Legal proceedings generating contingent liabilities as of December 31, 2012 were as follows:

Litigation Covered by Fogafin

These are proceedings related to Granbanco S.A. Fiduciaria Cafetera S.A., Bancafe Panamá S.A. and Bancafé International Corporation, existing at January 31, 2007 and those for which notice was provided after February 16, 2007, which are in effect and specifically guaranteed by Fogafin..

Civil, administrative and special cases covered by the Fogafin contract are the object of a 15% provision, given that the contingency, according to Fogafin's calculations only for ordinary and special cases. For employment cases, the provision is 10%.

Bank's Litigation

These correspond to the remaining proceedings generating contingent liabilities for the Bank and not covered by Fogafin. Following is a summary of the proceedings, as of December 31, 2012 and June 30, 2012:

December 31

<u>Type of case process</u>	<u>No. of cases</u>		<u>Allowance</u>	<u>Amount of claims</u>
Litigation covered by the Guarantee Contract of Fogafin	<u>408</u>	US\$	8,437.0	31,214.1
Bank:				
Fines and sanctions (other administrative authorities)	13		15,241.4	14,384.1
Labor lawsuits	51		794.8	2,227.8
Enforcement claims	0		7,062.7	0.0
Civil cases	<u>924</u>		8,816.8	50,779.1
	<u>1396</u>	US\$	<u>40,352.7</u>	<u>98,605.1</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30

<u>Type of case process</u>	<u>No. of cases</u>		<u>Allowance</u>	<u>Value</u>
Litigation covered by the Guarantee Contract of Fogafin	398	US\$	7,542.6	33,345.3
Bank:				
Fines and sanctions (other administrative authorities)	16		49,100.8	51,917.2
Labor lawsuits	56		777.4	2,006.8
Enforcement claims	947		8,990.0	43,741.3
	<u>1417</u>	US\$	<u>66,410.8</u>	<u>131,010.6</u>

Other legal proceedings to which the Bank and its subsidiaries are party are as follows:

Criminal proceedings

This refers to all criminal proceedings linking the Bank as a civilly liable-third party. As of December 31, and as of June 30, 2012 there was one such case, the amount involved is less than US\$ 39.6.

Ordinary civil, special, administrative and labor

Proceedings these types of proceedings generate contingent liabilities for the Bank regardless of the procedural course required for each case; in general, given its potential civil, contractual or extra-contractual liability, and due to the fines or sanctions applied by the competent bodies in the execution of their duties, each proceeding has an individual rating and provision, if necessary.

Following is a detail of the legal proceedings that might generate the most significant economic impact for the Bank:

a. Tax cases proceedings

Income tax 2003:

The Bank filed its tax return on the basis of "presumed income" and claimed a credit balance of US\$ 3,961.5. The tax authority DIAN rebated this amount.

Subsequently, the Bank corrected the income statement to reduce the base of calculation of "presumed income" and this increased the credit balance by US\$1,722.9

DIAN considered that this was out of order and assessed a higher liability; of US\$ 1,492.3 it also imposed a fine for "falsification", of 160% of that amount, that is, US\$ 2,387.7, giving a total of US\$3,880.0

Thus, the balance claimed by the Bank for US\$5,684.4 was reduced to US\$5,684.4 after subtracting the higher liability and the fine for US\$1,804.3

Since DIAN had initially rebated US\$3,961.5 to the Bank, and which according to them, the credit balance was US\$1,804.3 after applying the higher tax and the fine, DIAN claimed the return of US\$2,157.1 plus interest.

So, at December 31, 2012, the Bank has three cases running, and their status is the following:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1. Action for nullity and restoration of law against the decision of June 2006 and the resolution of August 2005 imposing a fine of US\$ 2,157.1 for a rebate out of order.

In April 2012 the Administrative Tribunal of Cundinamarca handed down a first instance decision unfavourable to the Bank and on June 20, 2012 the Bank entered an appeal, which is now before the court for admission.

The Council of State found for DIAN in the case that claimed a lower credit balance and the contingent liability in this case is high. The Bank is evaluating the possibility of a conciliation based on the tax reform Law 11607/ December 26, 2012.

2. Appeal against the lower court decision (Section 4, Administrative Tribunal of Cundinamarca) confirming the administrative act of DIAN denying the rebate of the credit balance of the 2003 income tax return for US\$ 1,722.6

Final pleadings were entered in June 2012. The case has now been referred to the Procurator for intervention. The Bank awaits the decision.

The result is not expected to be favorable since the Correction has lost its effect with the decision that confirmed the assessment in the 2003 filing.

Adverse actions filed by the DIAN against the Bank – Tax on equity for year 2007

In 2008 DIAN made a proportional rebate of the amount of US\$ 2,536.4 of the Wealth Tax that the Bank had paid for 2007. The basis for this rebate was that, for purposes of the merger that occurred with GRANBANCO S.A. BANCAFE, the Bank enjoyed the protection of the tax stability regime at that time.

DIAN sued for recovery of the proportional rebate. This suit would not in itself attract any penalties, but penalty interest, which at June 30, 2012 amounted to US\$ 3,424.9, giving a total of US\$ 5,961.3. The details of these cases are as follows:

The Tax Administration filed two suits for damages, one for each Resolution granting the rebate.

The first suit was admitted on February 12, 2010, but was only served on June 12, 2010. The Bank contested the claims on July 16, 2010.

On February 17, 2011 the case was ordered to be sent to Dr. Gloria Isabel Cáceres to decide on the accumulation of this case with the other claim for damages. The case was sent on February 28, 2011.

The second suit was admitted on January 22, 2010, and served on February 23, 2010. The Bank contested it on March 25, 2010.

The proceedings were suspended on December 2, 2010, pending a decision on the accumulation with the other suit for damages.

According to the tax advisor, the level of contingency may be “probable”, and therefore an allowance has been made for the full value of the contingency.

Income Tax - 2004

An assessment was issued on December 28, 2007, in which DIAN claims to disallow deductions for loan allowances, Government relief, losses, and investments in productive fixed assets. This produces a higher tax liability of US\$ 7,744.5 and imposes a penalty for “falsity declaration” of 160% for a total of US\$ 11,900.6, plus penalty interest at June 30, 2012 for US\$ 18,689.9, that is, a total of US\$ 38,334.9. On February 28,



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2008, the Bank submitted a claim for reconsideration against the assessment.

Resolution No. 310662008000023, of [December 7, 2008], served on the Bank on November 7, 2008, DIAN made a pronouncement on the appeal filed on February 8, 2008. It confirms the assessment No. 310642007000138; and this exhausted ordinary process.

On March 4, 2009 the Bank lodged with the an action for nullity and restoration of law with the Administrative Tribunal of Cundinamarca, contesting Resolution No. 310662008000023 of October 7, 2008 served on the Bank on November 7, 2008.

Through judgment 2009-00045 of May 20, 2010, the Administrative Tribunal of Cundinamarca ruled against the Bank's action for nullity and restoration of law.

The Bank filed an appeal, which was admitted on December 7, 2010. The next action will be to refer final pleadings to conclude the appeal process.

The Council of State (Decision 18516 of May 31, 2012, served on July 23, 2012) confirmed the decision appealed on May 20, 2010 of the Administrative Tribunal of Cundinamarca declaring partial nullity of the DIAN official assessment of the tax liability for 2004.

The value of the claims was provisioned, and was paid on August 31, 2012 for US\$ 38,277.8, thus ending the proceedings. The Bank nonetheless entered an action for the protection of fundamental rights due to the manifest violations of due process in this administrative action

Bank Transaction Tax (GMF) - 2005

DIAN issued an assessment on January 19, 2007 for 52 weeks filed during 2005, proposing to modify the tax liability. The argument was that overdraft transactions are subject GMF. At present the filings for 25 weeks have exhausted ordinary process, and DIAN is attempting to increase the tax liability by US\$ 1,339.8, plus a fine for falsification of 160% or US\$ 2,142.8, plus penalty interest which at June 30, 2012 amounted to US\$ 3,288.6 million , for a total value of claims of US\$ 6,771.2

DIAN Resolutions of September, October, November and December 2008, and others of January, April and May 2009 decide on the Bank's requests for reconsideration for 31 and 52 weeks. With this decision DIAN confirms the assessments and this exhausts ordinary process.

In January 2009, the Bank challenged the DIAN assessments for weeks 37, 38, 39, 40, 41 and 42, 2005. The Administrative Tribunal of Cundinamarca handed down judgment in May 2010, unfavourable to the Bank. The Bank appealed and awaits the decision of the Council of State. On March 11, 2011 the Bank presented final pleading on appeal.

In February 2009 the Bank challenged the DIAN assessments for weeks 32, 33, 46 and 49, 2005. On February 9, 2011, by judgment of the Administrative Tribunal of Cundinamarca, the acts challenged are partially annulled, the assessment is confirmed and the penalty is annulled. The next action will be a filing on appeal.

Later in June 2009, the Bank filed suit against the assessments for weeks 31, 34, 35 and 36, 2005, a process in which the Administrative Tribunal of Cundinamarca issued its first Instance judgment, unfavourable to the Bank. On June 20, 2011 the Bank presented final pleadings on appeal and the proceedings are pending judgment.

Finally, in September 2010, a suit was brought against the assessments for weeks 43, 44, 45, 47, 48, 50, 51 and 52, 2005. On August 19, 2011 the Administrative Tribunal of Cundinamarca issued a judgment confirming the ruling of the first instance, and dismissing the suit. The next action will be to file an appeal.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In a decision of July 26, 2012 the Administrative Tribunal of Cundinamarca confirmed the finding against the Bank for weeks 3, 4 and 9. Due to this case and the fact that the tax liability was increased with the penalty and interest full payment was made of US\$ 229,280.7, for which provisions had already been made.

At December 31, 2012 provisions totaled US\$ 6,541.6 for this case, and since the Bank's attorney and jurisprudence suggested that the decision was likely to be unfavorable.

Given the foregoing and seeking favorable treatment for the Bank as offered by the tax reform in Law 1607 of December 26, 2012, a document was presented to the Council of State to express the Bank's intention of going to conciliation for the cases involving 22 weeks remaining and final decision. Any further steps in these proceedings require the consent of DIAN, once the related regulations are in place. Guarantee Contract for Contingent Liabilities entered into with Fogafin.

b. Fogafin Guarantee of Contingent Liabilities

Due to the privatization of Granbanco S.A., on December 12, 2006, a guarantee contract for contingent liabilities was entered into with Fogafin; the contract is effective as of February 16, 2007.

Pursuant to such contract, and under the terms and conditions thereof, Fogafin guarantees the Bank payment of certain contingent liabilities expressly set forth in the document. Coverage corresponds to 85%, and exceptionally to 90%, in connection to labor and pension obligations from Banco Cafetero S.A.- in Liquidation. The guarantee envisages the existence of a contingencies account composed of the various allowances that Granbanco S.A. had incorporated previously as at January 31, 2007, and which amounted to US\$ 11,914.2. Any award or other item guaranteed by Fogafin should be deducted from these accounts until reaching the limit covered. If the limit is reached, Fogafin must reimburse the corresponding net economic effect to the Bank within the terms of the contract. The existence of the account referred to with the allowances that existed at that time determines that any possible losses in the litigation covered by the guarantee do not affect the Bank's earnings statement.

At December 31 and June 30, 2012 Fogafin is covering 237 and 293 cases with an provision of US\$ 8,065.6 and US\$ 7,612.4 and claims of US\$ 31,214.1 and US\$ 33,654.0, respectively.

In the light of the above, the Bank structured a number of accounts that reflect not only the reality of its contingent liabilities guaranteed by the Fogafin contract, but also others including items not guaranteed by Fogafin and therefore entirely for account of the Bank.

c. Major-impact contingent liabilities

Cases related directly to banking operations

1. The Bank was sued by Guillermo Alfonso Trujillo basing his claim in that Granbanco had, without consulting him, anticipated a disbursement of a Finagro-approved loan in his name for US\$ 216.0, and applied it improperly to settle other loans in his name. He argues that this act of the Bank caused him damages he rates at US\$ 2,262.1. The case is now before the Bogotá appeal courts, awaiting a decision by the plaintiff against the lower court decision that found for the Bank. The contingency has been described as "possible", since there is evidence to suggest some degree of liability of the Bank, although evidence has not been collected on the amount of damages caused to the plaintiff.
2. Before Civil Court 2, Barranquilla, Mr. Yuri Lora Escorcia initiated ordinary proceedings by which he seeks compensation for the alleged damages caused by improperly opening a current account at the Bank, based on which a cheque was drawn which could not be collected by the plaintiff and which ultimately caused him disciplinary and criminal problems. While the process was in the judgment phase, which ordered the Bank to pay a sum in excess of US\$ 1,979.4, the court nullified all proceedings, and then revoked that decision.. Currently, Bank's appeal against this decision is pending at the Barranquilla court. There are strong arguments that demonstrate the illegality of the sentence against Davivienda.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The criminal investigations are now in progress and the contingency has been rated as probable, given the court's finding against the Bank.

3. Through a class action Mr. Pedro Antonio Chaustre and Mrs. Claudia Patricia Vasquez sued the Bank and Promociones y Cobranzas Beta S.A. on the grounds that Davivienda charges its Diners card user's preliminary recovery costs in an abusive and inconsiderate manner. The process is passing through Civil Court 30, Bogota, and the collection of evidence has begun. The amount was not defined in the claims. The risk is considered remote given that the contracts for opening credit states that collection costs are for account of the debtor. Further, an out-of-court recovery was made with respect to the people now forming the plaintiff group, for being in arrears.

Cases concerning the former UPAC system

- 1 Alberto Botero-Castro brought a class action against the Bank on the grounds that it had over-invoiced the State for Law 548/1999 relief for home mortgage UPAC loan debtors at December 31, 1999 and claiming that the difference should be returned to the treasury. The case is in the evidence-gathering stage. Although the claim does not mention any exact amount, estimates suggest that it would be a large one, in excess of US\$ 2,827.7. The contingency is classed as remote since there is no evidence of the alleged irregularities and inconsistencies that the Bank might have incurred in this process.

Court actions derived from home mortgage loans where there has been structural deterioration.

- 1 Through an action for Direct Reparation, Martha Esperanza Suarez and others sued the Bank and others, who claimed that declaring that Davivienda and other defendants should pay compensation in damages allegedly incurred by the plaintiffs during the construction of urbanization "Parques del Sol II in Soacha", where the faults in the land made the houses uninhabitable. The process is currently in progress at Administrative Tribunal 38, Bogotá pending a decision on the Bank's challenge against admission. The amount of the claim is estimated in US\$ 2,940.8 plus any interest; the contingency is rated as remote.

Other cases

1. Grupo Empresarial Los Andes S.A. sued the Bank for damages caused by the claims for recovery of ownership that Luis Hernando Murcia-Castro made against Los Andes with regard to part of property (Ref. No. 206-33327) that Davivienda sold to it. The case is before the Civil Court 2, Pitalito, in the process of collection of evidence ordered by the court. The claims are estimated at US\$ 5,089.8. The contingency is rated as "remote"

The other cases involving subsidiaries of Davivienda S.A. have been analyzed, and the conclusion is that there is no observable and significant risk to assets

Fiduciaria Davivienda S.A.

The Company has been sued on several occasions and at June 30, 2012 most of them arise because the Company is a member of the Fidufosyga Consortium (9.86% interest) and/or Fisalud (17% interest). There are some 160 of these cases, which can be classified as follows: (i) 100 for direct reparation; (ii) actions for contractual liability; (iii) 2 actions for nullity and restoration of law; (iv) four class actions; (v) 26 enforcement actions, (vi) 11 labour cases and 5 for fiscal responsibility.

Among them, and in line with the interest in Fidufosyga and Fisalud, there are 12 suits for more than US\$ 565.5 million. 93% of the claims are classed as remote contingencies, because the Consortium only manages Solidarity and Guarantee Funds for account of the Ministry of Social protection. However, Fidufosyga 2005 has decided to make a provision depending on the claims, that is, in cases where the EPS request recognition and payment, the provision has been 2%; where there are claims for interest due to alleged delays in payment of claims or collections, the provision is 50% of the value of the claims.

At December 31, 2012 there are 10 cases decided favourably in the first instance, 9 for Fidufosyga and 1 for Fisalud, denying the claims. But 8 cases await decisions on appeal, while 2 are in firm.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Davivienda Panamá S.A.

The cases involving this Company have been analyzed and not of them represent any significant danger to its assets,

Cases of the central American subsidiaries

With the recent negotiations which the bank has made with HSBC Holdings plc, for the acquisition of HSBC Costa Rica, Grupo del Istmo (Costa Rica), HSBC El Salvador, Inversiones Financieras, HSBC SA., HSBC Honduras, Banco HSBC Honduras S. A. and Seguros HSBC Honduras, S.A.. And Honduras Seguros Holdco, purchases made between November 23 and December 7, 2012, a list of cases which may generate contingent liabilities for the Bank that is given below.

Guarantee for the acquisition of Grupo Istmo Costa Rica, Inversiones Financieras Davivienda -El Salvador and Banco Davivienda Honduras and Seguros Bolívar Honduras in Central America.

The total aggregate liability of the sellers with regard to the acquisition of the companies in Costa Rica, Salvador and Honduras from HSBC, with regard to all relevant claims, is limited to 30% of the adjusted purchase price, and this would be reduced by reserves relating to the underlying matters of the relevant claims, still pending completion. For claims arising from events mor circumstances substantially similar, exceeding the sum of US\$ 50 minimum, a "relevant claim" will be considered to be one whose aggregate amount exceeds the global amount of US\$3,498.9 Costa Rica, US\$3,500.0 for El Salvador, and US\$1,510.0 for Honduras. The time limit has been established for the relevant claims, made on or before 12 months from the relevant closing date. A relevant claim, ratified in accordance with the contract, will no longer be effective against the seller in Costa Rica upon expiry of 12 months of the date of notification of the relevant claim.

Under the common sale contract signed with HSBC, the following cases are considered to be "excluded litigation", which, should HSBC lose, HSBC will assume the contingency [as follows [USD millions]

Honduras

1.. Type of case: indemnity for damages

Plaintiff: Green Development Corporation SA [GCD]

Defendants: Banco HSBC Honduras as. A. Banci lafise S.A:

Claim total: US\$159,800.0

Current status [case 0801-2009-03409-CEO, Civil Court of Francisco Morazán. The file is pending a decision under appeal

Amount of the provision: Does not require a provision, since our participation in the trust was not recognized, nor were the return of payments received and in part- payment of a loan related to a trust with HSBC-lafise. HSBC auctioned property which guaranteed loan, due to lack of payments

El Salvador

1. Type of case: summary commercial case and claims for damages

Plaintiff: Soc Ing José Antonio Salaverria y Cia

Defendant: HSBC Salvadoreño S.A.:

Amount claimed: US\$ 22,700.0

current status [Case 34-SM-09, Commercial Court 5]. Declared to be without recourse, and expert evidence required for December 5, 2012

Amount of the provision. None, Classed as remote

2. Type of case. Summary commercial judgment, in claim of damages

Plaintiff. Soc Ing José Antonio Salaverria y Cia

Defendant: Banco HSBC Salvadoreño S. A.

Claim total: US\$22,700.0 that the case was "out of order" mwas not admitted and the order was given for the



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

counterpart to be held on an argument for nullity. The document presented on December 4 was presented by our attorneys, to revoke the order

Amount of the provision. None, classified as remote

3. Type of case: ordinary civil claim for moral damages.

Plaintiff. José Antonio Salaverria

Defendant: Banco HSBC Salvadoreño S. A.

Amount of claim US\$ 45,400.0

Current status: [ref 655-0-09, Civil Court t2], cassation not submitted, awaiting return to the first instance for finding

Amount of provision: None, classified as REMOTE

Aside from these cases, they stood on the classification of probable of each affiliate, the disclose the following cases mentioned in financial statements at December 31, 2012

Honduras

1. Type of case. Outsourcing of priority credit

Plaintiff. Cesar Augusto Garcia-Velázquez [CORDICA]

Defendant. Banco HSBC, now Banco Davivienda

Amount claimed US\$10,185.1

Current status. The appeal court issued a finding quashing the appeal made by us with regard to treconvencion. When the decision is infirm, we will request a summons to the defendant, Mr. Osorio Aquiriano in San Pedro Sular, for him to contest the claims for third-party responsibility

Amount of the provision: US\$4,700.0

2. Type of process. Administrative case for tax adjustments

Plaintiff: Banco HSBC, now Banco Davivienda

Defendant: the tax authority DEI

Value of the claim US\$ 901,499.8

Current Status: The DEI issued three resolutions containing tax adjustments for the Bank's filings for 2001:2002 and 2003, and an assessment for the same tax for the year 2003; and for dividend tax, recorded as numbers DDI-6696-RCS-L-2006, DDI-6697-RCS-L-2006; DDI-6698-RCS-L-2006, and DDI-6699-RCS-L-2006, all dated March 27, 2007, and served on March 28 2007, against which the Bank requested revocation, in order to remove the assessments made. Appeal was made against the resolution, in order to cancel and annul the effect of the additional amounts confirmed by DEI, and a decision is awaited from the Finance Department.

Amount provided: US\$7,799.9

El Salvador

1. Type of case: commercial

Plaintiff. Banco HSBC now Banco Davivienda

Defendant: Soc internacional de Seguros SA now HSBC Seguros S.A.

Amount of claims: US \$822,800.0

Current status: in central files

Amount of provision. None, Classified as POSSIBLE.

Costa Rica

1. Type of process: Administrative tax

Plaintiff: Major Taxpayers Administration, Direct Taxation Division

Plaintiff: Banco HSBC Costa Rica, now Banco Davivienda

Amount claimed US\$15,305.6

Current status: tax assessment for 1999 - 2005, before the Major Taxpayers Administration, Direct Taxation Division. Transfer 27520000-1653. A final decision 545200056571, advised the Bank of the tax assessment. Nullity and revocation was claimed 12/11/07. Amount of the provision US\$ 6,600.0



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Cases generating activities says in which the Bank is plaintiff.

There are several cases in which the bank has sued to defendant's rights. The most important of them are the following.

A. Tax cases

1. Taking into account the fact that the Council of State decided to grant Tax Stability to Bancafé, established that the Bank is entitled to request the reimbursement of amounts paid before that decision became effective, with related indexation and interest for tax purposes, the Bank had requested DIAN to allow US\$19,866.6 of interest. On December 2, 2008, DIAN Resolution No. 09036 decided to recognize US\$4,021.3

As a consequence, the Bank entered a claim for enforcement against the DIAN in February 2009 for it to pay interest ordered by the Council of State ruling that defined the issue of tax stability in favor of Bancafé. The amount in dispute is US\$16,474.7. Cundinamarca Court Section III denied the payment order in April 2009, and an appeal was filed against the aforementioned decision, and was upheld in October 2009. Then, on November 12, 2009, the presiding justice decided to refer the case to Section IV. On March 5, 2010 the appeal was admitted and the decision is now awaited.

2. It was understood that for purposes of the merger of Granbanco S.A. and Banco Davivienda S.A., the latter becomes the holder of the Tax Stability Agreement, and on June 10, 2008 the Bank sought rebates of US\$7,405.7 US\$5,501.5 payment of Wealth Tax not due and Bank Transaction Tax (GMF) not due paid in 2007.

The Bank received the DIAN decisions to rebate US\$2,536.4 of wealth tax on July 23, 2008 and on December 18, 2008 DIAN Resolution No. 6081795 decided that a GMF rebate of US\$149.1 should be made.

Regarding the application for refund of Wealth Tax, the Bank filed an appeal for reconsideration on June 16, 2009 and DIAN Resolutions 1007 and 1008, confirmed the assessment, denying the refund in the amount of US\$4,869.3, and thus exhausted ordinary process. The Bank proceeded to present the claims:

- Action for nullity and restoration of law (2009-210) to annul Resolutions 608-0887/2008 and 001007/2009 (reconsideration) in which DIAN denied the rebate US\$2,434.8 from US\$3,702.9 paid on account of the first installment of the Wealth Tax for 2007. The suit was filed before the Administrative Tribunal of Cundinamarca in October 2009. Due process was followed and in September 2010, the Tribunal delivered a judgment unfavorable to the Bank. Since February 23, 2011 the Bank has been awaiting the Council of State's final decision against the original lower court's finding.
- Action for nullity and restoration of law (2009-210) to annul Resolutions 608-0888/2008 and 001007/2009 (reconsideration). DIAN denied the rebate of US\$2,434.8 from US\$3,702.9 paid on account of the second installment of the Wealth Tax for 2007. The suit was filed with the Administrative Tribunal of Cundinamarca in October 2009 and due process had been followed in September 2010, the Court handed down a judgment against the Bank. There is currently an appeal in progress before the Council of State.

B. Other cases

1. Compañía Suramericana de Seguros was sued under insurance policy No.1999040002 (Fidelity), implemented in a contract between Banco Cafetero S.A. and Compañía Agrícola de Seguros, incident



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

which caused a loss for Granbanco S.A. Bancafé valued at US\$3,128.2 The case is before Civil Court 6, Bogota where a first-instance decision is awaited

22. Shareholders Equity

The authorized capital of the Bank is represented by 480 million shares of US\$70.7 par value each.

The following is the detail of capital at December 31 and June 30, 2012:

		<u>December 31</u>	<u>June 30</u>
Authorized	US\$	33,932.2	33,621.0
Subscribed and paid		31,402.5	31,090.0

- **Share issues:**

On August 1, with the Confinanciera merger, Confinanciera shares were issued for each Davivienda; and as a result 347,609 shares were merged, at the approved Exchange of 799.

23. Reserve

The detail of reserves, is the following:

		<u>December 31</u>	<u>June 30</u>
<u>Legal (mandatory) reserve</u>			
Appropriation of profit	US\$	77,032.1	25,377.1
Ordinary share Premium		633,594.4	628,686.3
Preference share Premium		<u>636,014.7</u>	<u>630,180.6</u>
		<u>1,346,641.2</u>	<u>1,284,244.0</u>
<u>Statutory and voluntary reserves :</u>			
At the disposal of the Directors		23,724.7	8,376.6
Charities and at the disposal of the Directors		1,570.3	4,827.0
Other		1,076,593.5	955,204.3
For tax regulations		18,146.2	20,520.7
		<u>1,120,034.7</u>	<u>988,928.8</u>
	US\$	<u>2,466,675.9</u>	<u>2,273,172.8</u>

At December 31 and June 30 de 2012, donations were made for US\$3,301.4 and US\$2,481.9, respectively, against the appropriate voluntary reserves, as authorized by the Shareholders' Meeting.

The General Meeting of September 19. 2012 approved the release of some of the voluntary reserves from investment reappraisals at market price for US\$1,707.1, to make an untaxed reserve for future distribution

As a result of the Confinanciera S.A. merger the Bank recorded a share Premium of US\$ 2,410.5

**BANCO DAVIVIENDA S.A. AND SUBSIDIARIES**

Notes to the Consolidated Financial Statements

24. Contingent Accounts

A detail of the Contingent Accounts is the following:

	<u>December 31</u>	<u>June 30</u>
<u>Creditor:</u>		
Guarantees	US\$ 114,716.2	0.0
Securities received under repos and similar	68,570.7	412,499.4
Bank guarantees	1,496,707.4	1,003,024.6
Letters of credit	154,867.0	87,476.3
Unused credit limits	3,261,055.7	2,457,625.0
Unused credit card limits	5,198,254.4	4,416,598.3
Repo and similar obligations	121,217.0	126,278.4
Litigation (note 21)	110,559.8	131,010.6
Commitments	6,936,868.1	0.0
Ohert (less than 5%)	<u>54,140.0</u>	<u>41,054.9</u>
	US\$ <u>17,516,956.3</u>	<u>8,675,567.5</u>
<u>Debtor:</u>		
Securities delivered under repos and similar operations	5.0	763,057.1
Loan interest	235,641.0	30,197.0
Option rights	186,484.7	79,997.9
Lease canons receivable	87,694.7	58,979.8
Litigation	43,032.4	45,076.8
Securitization C II	5,777.2	18,997.6
Residual value of securitization	52,537.7	45,621.2
Securities	1,179,702.5	1,386,474.5
Other debtor contingencies (under 5%)	<u>37,121.5</u>	<u>34,050.9</u>
	US\$ <u>1,827,996.7</u>	<u>2,462,452.8</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

25. Memorandum Accounts

A detail of memorandum accounts is the following:

	<u>December 31</u>	<u>June 30</u>
<u>Debtors:</u>		
Securities delivered in custody	US\$ 2,817,094.7	2,430,641.4
Securities delivered in guaranty	1,588,198.0	645,844.6
Reappraisals of assets received in payment – real property	8,257.1	6,049.2
Reappraisals of assets received in payment – movable assets	3,721.2	3,660.4
Valuation gains on real property other than housing	0.0	21.9
Remittances and other outward collections	5,886.0	7,730.8
Cheques purchased and unpaid	0.0	201.2
Assets written off	1,495,085.5	756,630.2
Credits not used	0.0	25,097.5
Asset inflation adjustment	33,471.9	33,164.9
Distribution of subscribed and paid capital	31,402.5	31,090.1
Loans to shareholders, related parties	39,188.3	23,262.0
Loans to parents, affiliates and subsidiaries	113,107.5	121,595.9
New agricultural loans	501,846.8	570,955.2
Property and equipment fully depreciated	83,301.2	115,362.7
Fiscal value of non-monetary assets	19,629,245.2	19,462,911.8
Trading debt investments	1,994,845.6	1,320,355.6
Held to maturity investments	230,751.0	233,497.3
Available for sale debt Investments	417,003.5	352,614.7
Reciprocal asset operations with parents and subsidiaries	753,947.4	234,995.3
Reciprocal operations affecting parent costs and expenses	13,894.0	10,668.5
Capital, interest and insurance, securitization operations	1,162,204.4	1,235,448.4
Capital, intereses, and other ítems, universalities (sales of written-off loans)	44,948.6	47,565.1
Assets, expenses and contingencies on universalities	142,190.7	148,097.5
Interest, UVR and guarantys written off	533,525.7	469,088.5
Taxable base for IVA, purchases	1,493.1	11,853.9
Special litigation	45,290.3	42,897.8
Linear accruals on syndicated litigation and bonds	2,030.0	2,656.0
Indirect depositors DCV	1,249,463.4	1,249,289.6
Other debtors (under 5%)	<u>1,321,632.7</u>	<u>1,081,296.0</u>
	US\$ <u>34,263,026.3</u>	<u>30,674,543.7</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>December 31</u>	<u>June 30</u>
<u>Creditor:</u>		
Assets and securities received in custody	US\$ 283,222.3	263,546.0
Assets and securities received in guaranty	20,765,785.2	14,237,518.9
Assets and securities received as other credit support	1,681,457.8	1,367,446.9
Recoveries of assets written off	37,075.3	42,195.3
Equity inflation adjustment	152,715.1	154,101.9
Capitalization of equity reappraisal	152,715.1	154,101.9
Yield on fixed-yield trading investments	196,266.4	88,029.4
Fiscal value of equity	2,441,268.0	2,432,421.6
Capital, interest and other items, commercial loans	1,412,352.1	1,129,499.4
Capital, interest and other items, secured commercial loans	1,269,700.2	892,285.7
Capital, interest and other items, unsecured commercial loans	8,606,967.5	7,174,114.4
Capital, interest and other items, consumer loans	805,410.0	606,172.9
Capital, interest and other, unsecured consumer loans	5,199,691.6	4,420,764.7
Capital, interest and other items, microcredit	50,846.3	50,556.8
Capital, interest and other items, unsecured microcrédit.	147.2	170.4
Capital, interest and other items, mortgage loans	2,334,302.8	1,464,056.8
Capital, unsecured housing loans	6,271.9	2,179.6
Capital, leasing contracts, commercial	2,096.2	2,922.0
Reciprocal liability operations with parents and subsidiaries	38,732.8	81,220.1
Reciprocal operations affecting parent equity	61,829.4	104,462.6
Reciprocal operations affecting parent income	25,196.4	42,060.9
Guarantías, liabilities and income of universalities	124,531.2	138,363.7
Guaranties, securitized loans	3,677,101.5	4,070,740.7
Subordinated bonds	165,579.4	165,637.0
Computable capital – October 2010	3,645,496.1	2,929,252.8
Computable capital – November 2010	3,640,915.9	2,933,692.5
Base for self-withholdings Decree 700 – Investments	754,303.6	553,206.8
Other creditor accounts (less than 5%)	<u>4,492,513.8</u>	<u>1,646,900.8</u>
	US\$ <u>62,024,491.4</u>	<u>47,147,622.5</u>

26. Trust accounts

26.1. Universalities of mortgage loans written off (CCV)

At December 31 and June 30, 2012, the financial statements of the “universalities” CCV, CCVII and CCVIII were recorded in trust memorandum accounts.

The “universalities” are formed from accounts written off, as approved by the Shareholders’ General Meeting of December 16, 2003, May 11 and November 9, 2004 (Minutes 638, 646, 656). The decision was taken to withdraw a group of home mortgage loans from the balance sheet, due to the particular risks involved - full provision had been made against them – and simultaneously, to issue securities.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The portfolios of written-off home mortgage loans CCV, CCVII and CCVIII were removed from equity and the balance sheet under Article 12 of Law 546/ 1999, regulated by Superintendency Resolution 775/ 2001, forming the "universalities" CCV, CCVII and CCVIII for the sole purpose of creating an instrument to structure the issue of securitized mortgage paper CCV, CCVII and CCVIII on December 29, 2003 and May 25 and December 22, 2004, respectively.

Following Superintendency Resolution 775/2001 CCV, CCVII and CCVIII were registered on the Securities and Intermediaries Register, and full documentation was supplied as required by Article 3 of that Resolution.

This universality fell due on December 30, 2011 and is currently being liquidated.

"Universality" - CCVIII

The following is the detail of the operation of this "Universality" formed on November 9, 2004:

Capital	US\$	52,174.3
Interest		1,205.5
Insurance		1,547.9
Other assets		2,176.1
Deferred		(1,804.9)
Contingency – UVR housing		7,270.1
Contingency – interest, housing		<u>13,479.4</u>
Total	US\$	<u>76,048.5</u>

The portfolio contains 4,641 loans at a weighted average rate of UVR. + 11.99%; 54% of the loans are for low-cost housing and 46% are for other types of property.

The Bank issues and manages CCVIII paper with the sole backing of "Universality" CCVIII" (Home-Mortgages Loans Written Off – Tranche 3) and other guarantees from its own portfolio.

DECEVAL holds and manages the issue under the deposit and issue administration agreement signed with the Bank.

On December 2, 2011 the Fitch Ratings Colombia SCV rated this paper C(Col) for its risk situation

Some Bank shareholders acquired all of these CCVII mortgage issues.

The characteristics of CCVIII mortgage paper are:

						Issued
<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term</u> <u>(Months)</u>	<u>Yield</u>	<u>Face value</u>	
22-Dec-04	22-Dec-12	I	96	Uncertain	<u>US\$ 3,958.3</u>	

- Designation: Títulos Hipotecarios CCVIII.
- Denomination: CCVIII securities will be expressed in UVR.
- No. of securities in the issue: 4.800
- Face value: 10.000 UVR
- Regulatory:: CCVIII securities are freely traded on the secondary market. They are securities To Order.
- Minimum investment: equivalent of 200.000 UVR.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Minimum trading volume on the secondary market: 10.000 UVR.
- Regime: classed as securities, with attendant privileges and those of mortgage paper, subject to rules of Law 546/1999.
- Profitability: uncertain, based on collections on written off loans, net of expenses, over the life of the securities.
- Yield payments: yields on CCVIII securities are paid quarterly in arrears following payment priority ranking.
- Amortization: CCVIII securities holders are entitled to receive from the Universality, subject to priority ranking, quarterly installments for 23 a 32 of issue term. Capital payments not made on a given payment date se will be rolled up for payment at the next payment date, without going beyond Q32 of the issue term.
- Placement: CCVIII securities were placed on the secondary market through the broker DAVIVALORES S.A., on the basis of best efforts underwriting
- Subscription price: Face value plus a premium set in the offer document.

Thus universality fell due on December 21, 2012 and went into liquidation.

“Universality” - CCVII

The following is the detail of the “universality” operation of May 11, 2004:

Capital	US\$	71.420,9
Interest		2.346,2
Insurance		4.612,4
Other assets		1.038,0
Deferred		(1.689,7)
UVR housing contingency		31.001,1
Interest housing contingency		<u>41.874,3</u>
Total “Universality”	US\$	<u>150.603,2</u>

The portfolio contains 5,866 loans at a weighted rate of UVR. + 12.10%. 45% of them are for low-cost housing and the rest for other types of property

The Bank issues and manages CCVIII paper with the sole backing of “Universality” CCVIII” (Mortgage Loans Written Off – Tranche 2) and other guarantees from its own portfolio.

DECEVAL holds and manages the issue under the deposit and issue administration agreement signed with the Bank..

On May,3 2011 Fitch Ratings Colombia SCV rated this paper C(Col) , to match their risk situation.

Some Bank shareholders acquired all the CCVII paper.

The characteristics of CCVII are:

						issued
<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term</u> <u>(Months)</u>	<u>Yield</u>	<u>Face value</u>	
26-May-04	26-May-12	I	96	Uncertain	<u>US\$ 5.679.1</u>	



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Designation: Títulos Hipotecarios CCVII.
- Denomination: CCVII securities will be expressed in UVR.
- No. of securities in the issue: 7.000
- Face value: 10.000 UVR
- Regulatory: CCVII securities are freely traded on the secondary market. They are securities To Order.
- Minimum investment: equivalent of 200.000 UVR.
- Minimum trading volume on the secondary market: 200.000 UVR.
- Regime: classed as securities, with attendant privileges and those of mortgage paper, subject to rules of Law 546/1999.
- Profitability: uncertain, based on collections on written off loans, net of expenses, over the life of the securities.
- Yield payments: quarterly in arrears, subject to priority ranking.
- Amortization: CCVII securities holders are entitled to receive from the Universality, subject to priority ranking, quarterly installments for Q22-Q32 of issue term. Capital payments not made on a given payment date se will be rolled up for payment at the next payment date, without going beyond Q32 of the issue term.
- Placement: CCVII securities were placed on the secondary market through the broker DAVIVALORES S.A., on the basis of best efforts underwriting
- Subscription price: Face value plus a premium set in the offer document.
- As stated in Section 1.5 Chapter IV, the duration and termination of the "Universality" will be equal to the maximum term of issue of CCVII securities, that is, eight years or until the final redemption of CCVII securities which fell due on May 28, 2012. The liquidation process will therefore begin as stipulated in the management contract.

This universality fell due on May 26, 2012 and is in the process of liquidation-

"Universality" - CCVI

The following is the detail of the "universality" operation of December 16, 2003:

Capital	US\$	87.759,5
Interest		4.139,1
Other assets		5.657,2
Deferred		<u>(3.447,1)</u>
Total		
"Universality"	US\$	<u>94.108,7</u>

The portfolio contains 7,811 loans at a weighted average rate of UVR. + 11.98%. 53% of them are for low-cost housing, the remainder for other types of property.

The Bank issues and manages CCVIII paper with the sole backing of "Universality" CCVIII" (Mortgage Loans Written Off – Tranche 3) and other guarantees from its own portfolio.

DECEVAL holds and manages the issue under the deposit and issue administration agreement signed with the Bank.

On December 26, 2003 Fitch Ratings Colombia SCV rated these securities D (Col), to match their risk situation.

Some Bank shareholders acquired all of these securities.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The characteristics of the CCV paper are the following:

						Issued
<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term</u> <u>(Months)</u>	<u>Yield</u>	<u>Face value</u>	
29-Dic-03	29-Dic-11	I	96	Uncertain	<u>US\$ 7,904.7</u>	

- Designation: Títulos Hipotecarios CCV.
- Denominación: los títulos CCV will be expressed in UVR.
- No. of securities in the issue: 10.140
- Face value: 10.000 UVR
- Regulatory: The CCV securities are freely traded on the secondary market. They are securities To Order.
- Minimum investment: equivalent of 200.000 UVR.
- Minimum trading volume on the secondary market: 200.000 UVR.
- Regime: classed as securities, with attendant privileges; and mortgage paper is subject to other legal regulations.
- Profitability: uncertain, based on collections on written off loans, net of expenses, over the life of the securities.
- Yield payments: yields on CCV securities are paid quarterly in arrears following payment priority ranking.
- Amortization: CCV h securities holders are entitled to receive from the Universality, subject to priority ranking, quarterly installments for 25 a 32 of issue term. Capital payments not made on a given payment date se will be rolled up for payment at the next payment date, without going beyond Q32 of the issue term.
- Placement: CCV securities were placed on the secondary market through the broker DAVIVALORES S.A., on the basis of best efforts underwriting
- Subscription price: Face value plus a premium set in the offer document.

The Shareholders' Meeting of June 15, 2012, approved the liquidation of the "Universality" CCV, the realization of the asset, the donation of foreclosed assets of Parques del Sol; once the assets are realized, debts for account of "Universality" CCV will be paid, or failing that the investors will pay.

This universality fell due on December 30, 2011 and is currently in the process of liquidation

The following is the detail of trust accounts at December 31 and June 30, 2012:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>December 31</u>		CCV	CCVII	CCVIII	Total
<u>Balance</u>					
Cash	US\$	0.0	123.1	382.0	505.0
Loans		9,888.9	5,005.2	2,454.9	17,349.1
Debtors		<u>3,504.6</u>	<u>52.1</u>	<u>122.0</u>	<u>3,678.8</u>
Total Assets		<u>13,393.6</u>	<u>5,180.4</u>	<u>2,958.9</u>	<u>21,532.9</u>
Creditors		3,504.6	0.0	0.0	3,504.6
Sundry		0.0	175.1	504.0	679.2
Investment securities outstanding		<u>9,888.9</u>	<u>5,005.3</u>	<u>2,454.9</u>	<u>17,349.2</u>
Total liabilities	US\$	<u>13,393.6</u>	<u>5,180.4</u>	<u>2,958.9</u>	<u>21,532.9</u>
<u>Results</u>					
Operating income	US\$	0.0	0.0	0.3	0.3
UVR adjustment		61.8	31.3	20.0	113.1
Loan recoveries		1,610.1	1,371.6	1,179.0	4,160.7
Recovery on sale of foreclosed		<u>856.3</u>	<u>306.5</u>	<u>158.0</u>	<u>1,320.8</u>
Total operating income		<u>2,528.2</u>	<u>1,709.3</u>	<u>1,357.3</u>	<u>5,594.9</u>
Other Interest		841.0	770.4	966.9	2,578.3
Commissions		148.1	89.8	66.8	304.8
Fees		68.3	57.7	28.9	154.8
Insurance		1,216.2	588.0	259.8	2,064.0
Sundry		<u>254.7</u>	<u>203.4</u>	<u>35.0</u>	<u>493.0</u>
Total operating expenses	US\$	<u>2,528.2</u>	<u>1,709.3</u>	<u>1,357.3</u>	<u>5,594.9</u>
<u>Contingents</u>					
Loans		104,261.5	49,732.4	17,329.0	171,322.9
Other contingencies		<u>11,215.3</u>	<u>10,297.3</u>	<u>6,577.8</u>	<u>28,090.5</u>
Total Contingencies		<u>115,476.9</u>	<u>60,029.7</u>	<u>23,906.8</u>	<u>199,413.4</u>
<u>Debtor</u>					
Loans		<u>10,205.6</u>	<u>8,922.6</u>	<u>6,765.4</u>	<u>25,893.6</u>
<u>Creditor</u>					
Loans		<u>44,397.9</u>	<u>37,612.4</u>	<u>32,742.2</u>	<u>114,752.5</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30
Balance

	CCV	CCVII	CCVIII	Total
Cash	US\$ 0.0	0.0	67.0	67.0
Loans	9,737.0	4,928.3	3,121.7	17,787.0
Debtors	<u>4,305.8</u>	<u>589.8</u>	<u>183.6</u>	<u>5,079.1</u>
Total Assets	<u>14,042.8</u>	<u>5,518.1</u>	<u>3,372.2</u>	<u>22,933.1</u>
Accounts payable	102.2	0.0	0.0	102.2
Creditors	4,203.6	589.8	0.0	4,793.3
Miscellaneous	0.0	0.0	250.5	250.5
Securities outstanding	<u>9,737.0</u>	<u>4,928.3</u>	<u>3,121.7</u>	<u>17,787.0</u>
Total Liabilities	<u>14,042.8</u>	<u>5,518.1</u>	<u>3,372.2</u>	<u>22,933.1</u>

Results

Operating income	US\$ 0.0	0.1	0.1	0.2
UVR adjustment	214.9	108.8	68.9	392.6
Loan recoveries	1,221.6	1,393.7	1,564.5	4,179.8
Recovery on sale of foreclosed assets	<u>447.2</u>	<u>291.9</u>	<u>158.4</u>	<u>897.5</u>
Total operating income	<u>1,883.7</u>	<u>1,794.5</u>	<u>1,791.9</u>	<u>5,470.1</u>
Other Interest	188.7	721.7	1,298.2	2,208.6
Commissions	273.3	167.8	129.2	570.3
Fees	73.2	50.1	17.0	140.3
Insurance	1,191.1	601.8	261.0	2,053.9
Sundry	<u>157.3</u>	<u>253.1</u>	<u>86.6</u>	<u>497.0</u>
Operating Expenses Total	US\$ <u>1,883.7</u>	<u>1,794.5</u>	<u>1,791.9</u>	<u>5,470.1</u>

Contingents

Loans	105,172.5	50,889.9	17,771.1	173,833.5
Other contingencies	<u>12,477.8</u>	<u>11,216.7</u>	<u>6,737.7</u>	<u>30,432.2</u>
Total contingencies	<u>117,650.2</u>	<u>62,106.7</u>	<u>24,508.8</u>	<u>204,265.7</u>

Debtors

Loans	<u>11,614.8</u>	<u>9,807.1</u>	<u>7,620.7</u>	<u>29,042.5</u>
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Creditor

Loans	<u>50,069.4</u>	<u>40,094.7</u>	<u>37,583.5</u>	<u>127,747.6</u>
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BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Following Superintendency Circular 047/2008, as of January 1, 2009 the Bank records the “universality” balances as Trust Memorandum Accounts; At June 30, 2012 and December 31, 2011, however, the Superintendency did not authorize transmission and therefore the Balance Sheet transmitted to the Superintendency contains differences with the Bank’s books for these accounts.

The following is the detail of assets in trust:

		<u>December 31</u>	<u>June 30</u>
Real property trusts	US\$	821,156.2	784,474.4
Management trusts		6,592,108.8	1,169,775.3
Pension trusts		250,659.1	991,583.1
Collective loans		1,045,866.9	914,880.5
Voluntary pension trusts		483,474.0	0.0
Consortia		2,952,196.6	0.0
Trusts in guaranty		694,219.1	536,718.4
Securities under management		1,171,607.5	0.0
Universalities		<u>21,532.9</u>	<u>22,933.1</u>
	US\$	<u>14,032,821.20</u>	<u>4,420,364.84</u>

27. Administrative and Operating Expenses

The detail of administration and operating expenses is as follows

		<u>December 31</u>	<u>June 30</u>
Fees	US\$	48,550.7	23,311.9
Contributions and membership		17,081.2	13,695.2
Maintenance and Repairing		15,287.6	6,177.2
Office Arrangements		5,635.4	4,337.6
Cleaning and security service		12,670.4	8,408.3
Advertising		36,225.1	16,786.8
Public relations		932.3	283.1
Public services		23,906.7	16,627.1
Stationery		7,058.4	5,694.9
Insurance		20,862.5	17,364.3
Rent		24,072.9	16,353.5
Electronic data processing		20,219.5	13,222.5
Travel expense		4,317.1	4,170.7
Transport		16,803.3	15,711.1
Other		40,039.6	5,457.9
Operating risk		1,200.1	3.4
Commissions and fees		40,755.1	26,741.7
Amortization and depreciation		41,249.8	22,511.3
Amortization of goodwill		65,700.8	13,092.8
Taxes		42,495.5	40,283.3
Deposit insurance		18,790.5	18,795.4
Sundry minor expenses <5%		<u>1,608.9</u>	<u>1,290.7</u>
	US\$	<u>505,463.5</u>	<u>290,320.9</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

28. Other operating income and expenses - net

The following is the detail of other operating and income and expenses, net:

		<u>December 31</u>	<u>June 30</u>
Exchange	US\$	657.4	(51.4)
Derivatives		7,394.4	17,281.9
Other (Repos, simultaneous, spot operations, investments)		22,684.5	20,256.9
Valuation of subordinated bonds		23,027.6	46,797.4
Valuation of swaps		(6,161.5)	(11,306.4)
Valuation of IFC bonds		<u>(21,443.6)</u>	<u>(32,021.1)</u>
	US\$	<u>26,158.9</u>	<u>40,957.3</u>

29. Non-operating income and expenses, net

The following is the detail of non-operating income and expenses, net:

<u>Non-operating income</u>		<u>December 31</u>	<u>June 30</u>
Gains on sales of assets received in payment and restored		1,830.3	826.2
Gains on sales of property and equipment	US\$	3,960.4	960.7
Rent		973.6	466.9
Income from assets received in payment		1,991.1	0.0
Recovery of allowances against other assets		0.0	2,946.6
Recovery of allowances against property and equipment		1,382.2	458.2
Recovery of other allowances		2,573.1	4,329.8
Proportional equity adjustment		41,806.1	0.0
Other recoveries		26,570.0	7,651.0
Sundry	US\$	<u>11,589.9</u>	<u>3,070.9</u>
		<u>92,676.7</u>	<u>20,710.2</u>
 <u>Non-operating expenses</u>			
Loss on sale of assets received in payment and restored	US\$	1,737.3	690.1
Loss on sale of property and equipment		287.1	143.4
Insured losses – operating risk		11,644.5	4,944.7
Fines and penalties, litigation, indemnities, claims – operating risks		6,478.4	20,608.6
Expenses of assets received in payment		12,412.5	550.2
Operating risk		376.2	345.5
Accounts condoned		1,286.5	879.3
Legal action		1,279.5	572.4
Expenses of previous periods		1,568.4	14.9
Other		<u>5,076.0</u>	<u>10,319.8</u>
		<u>42,146.4</u>	<u>39,068.8</u>
	US\$	<u>50,530.2</u>	<u>(18,358.7)</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

30. Income tax

Colombian tax law does not permit the consolidation of tax returns and therefore the losses of one consolidated company may not be used to offset the profits of another.

Under Law 863/ 2003, the consolidating entity is subject to transfer price regulations for operations with related parties abroad. It is not considered that any additional tax will be payable as a result of the transfer price study.

Tax on the Bank and its subsidiaries is the following at December 31 and June 30, 2012

	<u>December 31</u>	<u>June 30</u>
Banco Davivienda S.A.	US\$ 49,527.7	57,982.3
Grupo del Istmo Costa Rica S.A.	1,982.7	0.0
Inversiones Financiera Davivienda S.A.	2,454.1	0.0
Banco Davivienda Honduras S.A.	2,310.2	0.0
Seguros Bolívar Honduras S.A.	509.3	0.0
Banco Davivienda Panamá	693.1	827.0
Fiduciaria Davivienda S.A.	3,899.4	1,947.0
Davivalores S.A.	157.5	231.2
Confinanciera S.A.	0.0	3,700.8
Fiduciaria Cafetera S.A.	<u>0.0</u>	<u>1,212.8</u>
US\$	<u>61,534.1</u>	<u>65,901.2</u>

31. Transactions with related parties

The following are considered related parties to the Bank:

- Sociedades Bolívar S.A. its subsidiaries and subordinates.
- Shareholders or actual beneficiaries of 10% or more of the equity of the Bank (Inversora Anagrama S.A.S. and Inversiones Financieras Bolívar S.A.S.)
- Legal entities in which the Bank is a real beneficiary of 10% or more of the equity. (., Davivalores S.A.,, Fiduciaria Davivienda S.A., Inversiones Financieras Davivienda S.A., Grupo del Istmo Costa Rica, Banco Davivienda Honduras S.A., Seguros Bolívar Honduras S.A., ACH Colombia S.A., Compañía Promotora Inversiones del Café S.A., Deceval S.A., Finagro, Redeban Red Multicolor S.A., Titularizadora Colombiana S.A., Multiactivos S.A.). Note 6 discloses the holdings. For purposes of comparison with the preceding period, capital investments are excluded from the Note at June 2012.
- The directors of the Bank and Grupo Empresarial Bolívar where the Bank's managers have a direct or indirect (less than ten percent (10%) of the outstanding shares or its parts) social interest..
- Other shareholders with less than ten percent (10%) and greater than or equal to five percent (5%) of the Bank's capital (Investments Cusezar S.A. and Investments Meggido S.A.).

The Bank may engage in transactions, agreements or contracts with related parties, provided that any such transactions are carried out with reasonable values, addressing, among others, the following criteria:

- Conditions and prevailing market rates in the area where the operation is performed
- The activity of the companies involved; and
- Growth prospects of the respective business

All operations were carried out at t market prices. Placement rates vary from 0.01% and 32.22%, a deposit rates between 0.0% and 7.10%.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At the close of December 31, 2012, there is a loan operation for \$272,824.3 with a shareholder holding less than 10% of the Bank's capital, and although the holding does not exceed 5% of computable capital, for comparison purposes at June 30, 2012 the operation is recorded for \$272,837.8 specifically disclosed to represent 5.12% of computable capital.

Empresas Públicas de Medellín E.S.P	<u>December 31</u>	<u>June 30</u>
Loan portfolio	US\$ 154,299.9	US\$ 153,445.0
Computable capital limit (5%)	4.16%	5.12%

Regulations require that the Bank make and maintain mandatory investments in Fondo para el Financiamiento del Sector Agropecuario –FINAGRO. The following are the holdings in Títulos de Desarrollo Agropecuario (TDA):

Assets – investments	<u>December 31 (US\$)</u>	<u>June 30 (US\$)</u>
Trading debt securities	83,710.1	140,333.3
Held to maturity	41,189.2	23,238.0
Available for sale	1,672.4	0.0
Total Assets	126,571.6	163,571.3

P&L – Valuation of investments	<u>December 31 (US\$)</u>	<u>June 30 (US\$)</u>
Profit on valuation of investments	3,353.2	-1,734.6
Loss on valuation of investments	-2.0	-161.5
Net result of valuation of investments	3,351.3	-1,896.1

The principal balances at December 31 and June 30, 2012 are the following:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

31.1. Operations with related parties

December 31

		Shareholders holding 10% or more of the Bank's capital	Corporate entities in which the Bank holds 10% or more	Other Grupo Bolívar companies	Administrators of Grupo Bolívar	Other shareholders holding 10% or less but 5% or more of the Bank's capital	Total
		(1)					
Assets	US\$	32.598,7	3.133,8	180.187,6	14.406,3	-	230.326,4
Cash and Banks		32.561,1	1.001,1	25.285,7	-	-	58.847,9
Investments		-	-	7.661,9	-	-	7.661,9
Loans		37,6	2.105,9	137.452,7	14.245,3 (2)	-	153.841,6
Accounts receivable		-	9,2	907,0	157,3	-	1.073,4
Other assets		-	17,5	8.880,3	3,7	-	8.901,6
		-	-	-	-	-	-
Liabilities	US\$	39.801,5	199.479,3	125.663,6	31.082,2	12.306,5	408.333,1
Liabilities		36.299,9	33.870,4	109.196,4	9.975,2 (3)	12.306,5 (4)	201.648,5
Bank borrowings and other financial obligations		3.501,2	145.926,6	10.000,0	21.000,0	-	180.427,8
Accounts payable		0,3	18.551,2	4.043,6	73,1	-	22.668,1
Investment securities outstanding		-	1.131,1	2.422,8	33,9	-	3.587,8
Other liabilities		-	-	0,8	-	-	0,8
		-	-	-	-	-	-
Income	US\$	171,2	30.584,9	34.040,0	691,8	0,1	65.488,0
Operating		14,8	30.538,8	32.001,9	680,1	0,1	63.235,6
Non-operating		156,5	46,1	2.038,1	11,8	-	2.252,5
		-	-	-	-	-	-
Expenses	US\$	306,3	29.752,2	23.871,9	702,9	192,0	54.825,3
Operating		306,3	29.062,1	23.713,8	601,1	192,0	53.875,2
Non-operating		-	690,2	158,1	101,8	-	950,1

(1) Legal Representatives and Directors of Grupo Bolívar, Bank Branch Managers and Deputy Managers, Legal Representatives for judicial purposes and companies of Bank Administrators

(2) Includes mortgage loans for Administrators on favourable staff rates of UVR or UVR+2% approved by the Board at 15 years secured; and consumer loans at market rates up to 31.22%.

(3) Checking accounts at 0% and Savings accounts at 0.1% and TDs at 4.35% - 6%.

(4) Savings account at 5.5% of Investments Meggido S.A. and Investments Cusezar S.A.

The following are operations with companies in which the Bank holds 10% or more of the capital.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31

		Redeban Red Multicolor S.A.	Finagro	Titulariza-dora Colombia S.A.	Deceval S.A.	A.C.H. Colombia	Other	Centroamérica	TOTAL
		(a)							
Assets	US\$	1.068,5	0,0	59,1	17,5	0,1	0,0	1.988,7	3.133,8
Cash and banks		0,0	0,0	0,0	0,0	0,0	0,0	1.001,1	1.001,1
Loans		1.066,1 (1)	0,0	59,0	0,0	0,0	0,0	980,9	2.105,9
Accounts receivable		2,4	0,0	0,1	0,0	0,1	0,0	6,7	9,2
Other assets		0,0	0,0	0,0	17,5	0,0	0,0	0,0	17,5
		0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Liabilities	US\$	16.461,8	176.574,0	3.693,7	1.229,7	8,7	70,0	1.441,4	199.479,3
Deposits and demand accounts (2)		0,0	28.656,6	3.693,7	0,0	8,7	70,0	1.441,4	33.870,4
Bank borrowings and other financial obligations		0,0	145.926,6 (4)	0,0	0,0	0,0	0,0	0,0	145.926,6
Accounts payable		16.461,8 (3)	1.990,7	0,0	98,6	0,0	0,0	0,0	18.551,2
Investment securities outstanding		0,0	0,0	0,0	1.131,1	0,0	0,0	0,0	1.131,1
		0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Income	US\$	19.403,5	31,3	9.474,3	0,0	1.603,3	1,0	71,7	30.584,9
Operating		19.403,5 (3)	31,3	9.474,3 (5)	0,0	1.557,2 (7)	1,0	71,7	30.538,8
Non-Operating		0,0	0,0	0,0	0,0	46,1	0,0	0,0	46,1
		0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Expenses	US\$	16.102,8	4.218,9	691,8	627,4	4.955,0	3,6	3.152,9	29.752,2
Operating		16.102,8 (3)	4.130,9 (4)	115,1	627,4 (6)	4.929,4 (7)	3,6	3.152,9	29.062,1
Non-Operating		0,0	88,0	576,7 (5)	0,0	25,5	0,0	0,0	690,2

(a) Includes operations with related parties acquired in Central America except operations undertaken with Davivienda eliminated on consolidation

(1) Unsecured loans at 8.12% -- 8.48%, 48 - 60 monthds.

(2) Checking accounts at 0.1%, Savings accounts at 0.1% - 5.3%, TDs at 4.35% - 6.54%.

(3) Payable balances in compensation account

(4) Loans and interest on rediscounts up to 15 years

(5) Profit on sale of loans and portfolio management expenses

(6) Commissions for portfolio management

(7) Commissions received and paid to and by other Banks for the use of network services.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The following are operations with other Grupo Bolívar companies.

December 31

	Capitalizadora Bolívar S.A.	Seguridad Compañía Administradora de Fondos de Inversión S.A.	Leasing Bolívar S.A.	Compañía de Seguros Bolívar S.A.	Seguros Comerciales Bolívar S.A.	Sociedades Bolívar S.A.	Construcción y Desarrollo Bolívar S.A.S.	Promociones y Cobranzas Beta S.A.	Constructora Bolívar Cali S.A.	Other	TOTAL
Assets	US\$ 12.5	0.0	5,793.2	640.3	8,498.4	113,700.5	0.0	18.4	13,436.8	1,291.0	143,391.2
Investments	0.0	0.0	5,661.9 ⁽¹⁾	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5,661.9
Loans and financial leases	1.1	0.0	11.3	155.5	33.8	113,107.5 ⁽³⁾	0.0	0.1	13,396.5 ⁽⁴⁾	1,279.8	127,985.4
Accounts receivable	11.5	0.0	120.0	85.8	117.9	458.4	0.0	18.3	40.4	11.3	863.5
Other assets	0.0	0.0	0.0	398.9	8,346.8 ⁽²⁾	134.7	0.0	0.0	0.0	0.0	8,880.4
Liabilities	US\$ 6,142.7	4,166.6	8,689.3	13,646.9	4,598.7	25,549.3	30,614.1	6,784.0	1,487.7	7,976.3	109,655.5
Deposits and demand accounts	6,142.7	1,839.8	8,689.3	12,703.0	2,608.7	25,549.3	30,614.1	6,000.3	1,487.2	7,564.5	103,198.7
Accounts payable	0.0	17.2	0.0	943.9 ⁽⁷⁾	1,989.2 ⁽⁷⁾	0.0	0.0	783.7 ⁽⁸⁾	0.5	298.7	4,033.1
Investment securities outstanding	0.0	2,309.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	113.1	2,422.8
Income	US\$ 1,827.9	0.2	466.6	15,386.3	6,604.8	5,332.6	0.0	38.4	319.5	328.2	30,304.5
Operating	1,817.0 ⁽⁹⁾	0.2	272.6	15,317.8 ⁽⁹⁾	5,015.9 ⁽⁹⁾	5,327.2 ⁽¹⁰⁾	0.0	8.3	319.5	290.3	28,368.8
Non-Operating	10.8	0.0	194.1	68.5	1,588.8 ⁽¹¹⁾	5.4	0.0	30.1	0.0	37.9	1,935.6
Expenses	US\$ 0.0	43.3	379.4	4,451.8	8,273.0	476.5	245.3	4,442.1	0.3	1,616.9	19,928.5
Operating	0.0	43.3	379.4	4,451.8	8,273.0 ⁽¹²⁾	476.5	245.3	4,442.1 ⁽¹⁴⁾	0.3	1,616.9	19,928.5

- (1) Trading long-term debt securities
- (2) Amortization of insurance
- (3) Corporate loans at 8.93%, 84 months, unsecured
- (4) Treasury loans at 0.01% -6.78%, 24 months, secured.
- (6) Checking accounts at 0% and Savings accounts at 0.1% - 4.7%, TDSat IPC+0.8% - 5.8%.
- (7) Accounts payable insurance policies.
- (8) Accounts payable for collection management.
- (9) Commissions on Bank-Insurance placement agreements
- (10) Interest received on corporate loan
- (11) Insurance policy returns.
- (12) Fidelity, power failure, fire, motor vehicle, third party general insurance
- (13) Health, occupation hazard, group life and accident insurance
- (14) Collection management expense.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30

Shareholders holding 10% or more of the Bank's capital	Corporate entities in which the Bank holds 10% or more	Other Grupo Bolívar companies	Administrators of Grupo Bolívar	Other shareholders holding 10% or less but 5% or more of the Bank's capital	Total
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(1)

Assets	US\$	-	8.773,0	133.695,4	13.788,1	-	156.256,5
Interbank and overnight asset positions		-	3.362,1	-	-	-	3.362,1
Investments		-	-	5.588,5	-	-	5.588,5
Loans		-	1.312,5	120.233,3	13.654,4	(2)	135.200,2
Accounts receivable		-	4.081,1	1.006,8	133,3	-	5.221,2
Other assets		-	17,3	6.866,9	0,4	-	6.884,6
		-	-	-	-	-	-
Liabilities	US\$	711,9	185.799,0	85.775,9	3.879,3	1.429,3	277.595,5
Deposits and demand accounts		711,9	25.177,0	75.983,4	3.813,3	(3) 1.429,3	(4) 107.114,9
Bank borrowings and other financial obligations		-	150.768,6	-	-	-	150.768,6
Accounts payable		-	8.732,7	7.401,4	66,0	-	16.200,2
Investment securities outstanding		-	1.120,7	2.386,2	-	-	3.506,9
Other Liabilities		-	-	4,8	-	-	4,8
		-	-	-	-	-	-
		-	-	-	-	-	-
Income	US\$	-	42.331,4	27.143,4	841,3	-	70.316,1
Operating		-	42.280,9	26.794,1	841,3	-	69.916,3
Non-Operating		-	50,5	349,3	-	-	399,8
		-	-	-	-	-	-
Expenses	US\$	66,7	19.152,0	13.528,1	377,9	38,1	33.162,8
Operating		66,7	18.609,9	13.515,9	314,7	38,1	32.545,3
Non-Operating		-	542,1	12,3	63,2	-	617,6

(1) Legal Representatives and Directors of Grupo Bolívar, Bank Branch Managers and Deputy Managers, Legal Representatives for judicial purposes and companies of Bank Administrators



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- (2) Includes mortgage loans to Administrators at favourable staff rates UVR or UVR+2% approved by the Board at 15 years, secured. Consumer loans at market rates, maximum 31.22%.
- (3) Checking accounts at 0.0%, Savings accounts at 0.01% and TDs at 4.6% - 6.15%.
- (4) Savings accounts at 5.25%. of Investments Meggido S.A. and Investments Cusezar S.A.

The following are operations with corporate entities in whichb the Bank holds 10% or more of the capital.

		A.C.H. Colombia S.A.	Deceval S.A.	Finagro	Redeban Red Multicolor S.A.	Titularizadora Colombia S.A.	Otras	Total
Assets	US\$	103,2	868,2	6.486,2	1.304,4	10,9	-	8.773,0
Interbank and overnight asset positions		-	-	3.362,1 (1)	-	-	-	3.362,1
Loans and financial leases		-	-	-	1.301,6	10,9	-	1.312,5
Accounts receivable		103,2	850,9	3.124,1	2,8	-	-	4.081,1
Other assets		-	17,3	-	-	-	-	17,3
		-	-	-	-	-	-	-
Liabilities	US\$	142,9	1.120,7	174.218,2	6.703,8	3.370,7	242,7	185.799,0
Deposits and demand accounts (2)		56,0	-	21.507,5	-	3.370,7	242,7	25.177,0
Bank borrowings and other financial obligations		-	-	150.768,6 (3)	-	-	-	150.768,6
Accounts payable		86,9	-	1.942,1 (3)	6.703,8 (4)	-	-	8.732,7
Investment securities outstanding		-	1.120,7	-	-	-	-	1.120,7
		-	-	-	-	-	-	-
Income	US\$	4.610,9	1.701,8	3.127,8	16.496,1	16.394,7	0,2	42.331,4
Operating		4.560,3 (6)	1.701,8 (5)	3.127,8 (5)	16.496,1 (4)	16.394,7 (5)	0,2	42.280,9
Non-Operating		50,5	-	-	-	-	-	50,5
		-	-	-	-	-	-	-
Expenses	US\$	921,3	589,2	3.975,5	13.118,7	540,1	7,3	19.152,0
Operating		921,3	589,2	3.975,5 (3)	13.118,7 (4)	540,1	7,3	19.152,0

- (1) Interbank funds at 5.31%.
- (2) Checking accounts at 0.0% , Savings 0.01% - 5.3%, and TDs at 4.3% - 7.5%.
- (3) Rediscounted loans at up to 15 years
- (4) Balance payable on compensation account.
- (5) Dividends received.
- (6) Commissions received and paid by and to other Banks for the use of network services.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

June 30

		Capitalizadora Bolívar S.A.	Leasing Bolívar S.A.	Compañía de Seguros Bolívar S.A.	Seguros Comerciales Bolívar S.A.	Sociedades Bolívar S.A.	Promociones y Cobranzas Beta S.A.	Constructora Bolívar Cali S.A.	Otras	TOTAL
Assets	US\$	0,3	6.200,1	965,5	5.970,0	112.522,0	0,6	6.524,0	1.512,9	133.695,4
Investments		-	5.588,5 (1)	-	-	-	-	-	-	5.588,5
Loans financial leases		0,3	4,1	97,3	49,3	112.069,9 (2)	0,6	6.510,1 (3)	1.501,5	120.233,3
Accounts receivable		-	435,4	34,7	59,2	452,1	-	13,9	11,4	1.006,8
Other assets		-	172,0	833,4	5.861,5 (4)	-	-	-	-	6.866,9
		-	-	-	-	-	-	-	-	-
Liabilities	US\$	2.957,9	23.453,2	12.601,2	10.045,7	21.476,9	2.089,4	294,5	12.857,1	85.775,9
Deposits and demand accounts (5)		2.957,9	23.453,2	11.886,3	4.292,9	21.476,9	1.511,4	294,5	10.110,4	75.983,4
Accounts payable		-	-	714,5	5.748,5 (6)	-	578,0 (10)	-	360,5	7.401,4
Investment securities outstanding		-	-	-	-	-	-	-	2.386,2	2.386,2
Other Liabilities		-	-	0,4	4,3	-	-	-	-	4,8
		-	-	-	-	-	-	-	-	-
Income	US\$	2.452,4	249,5	14.225,8	3.911,7	5.523,1	37,8	387,6	355,5	27.143,4
Operating		2.452,4 (7)	40,4	14.225,8 (7)	3.837,8 (7)	5.523,1 (7)	9,1	387,6	317,8	26.794,1
Non-Operating		-	209,1	-	73,9	-	28,6	-	37,7	349,3
		-	-	-	-	-	-	-	-	-
Expenses	US\$	2,3	188,3	5.888,3	3.427,8	417,3	2.579,0	0,1	1.025,0	13.528,1
Operating		2,3	188,3	5.888,3 (8)	3.427,8 (9)	417,3	2.579,0 (10)	0,1	1.025,0	13.528,1

- (1) Trading investments in debt securities at DTF+1.6% , 18 months
(2) Corporate loans at 8.93%, 84 months, unsecured.
(3) Construction loans at UVR+6.7% - 30.29%, 24 - 36 months, secured.
(4) Amortization of insurance
(5) Checking accounts at 0.0% , Savings at 0.1% - 5.25%, and TDs at IPC+0.8% - 5.6%.
(6) Accounts payable, insurance policies.
(7) Interest and commissions, Bank-Insurance and premium collections.
(8) Health, occupational risks, group life, accident and credit cards.
(9) Fidelity, power failure, fire, motor vehicle, third party general insurance
(10) Accounts payable and collection management expense.

32. Risk management

The management and control are based on a structure of government which is designed to achieve strategic objectives, based on the management, administration and control of risks, supporting business growth and the taking of opportunities. On this basis, the focus is on efforts to implement strategy and to control associated risks.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Risk management is achieved a number of areas, which is which have specialized functions by lines specific segments, such as credit risk, market risk and liquidity; and some focus their efforts transversely, such as in the functioning of the operating risk system or internal control.

The implementation of strategy is the responsibility of Strategic Committee.

The fundamental principle of comprehensive risk management is the maintenance of business over time, and on that definition, policies and principles which regulate risk management at all levels of the organization are constructed.

32.1. Organizational structure of risk management in the Bank and affiliates.

Following the basic guidelines for security and professionalism, the risk and commercial operating areas of the Bank function separately from each other. Nonetheless, in order to take advantage of synergies between Grupo Bolívar companies, the transverse support programs provide assistance in the development of tools for risk management.

The risk management and control of the Bank's and its subsidiaries is a shred structure involving several divisions, each of which manages its risks comprehensively in the Organization. Business credit risks managed by Corporate Banking; mass lending portfolios, SMEs and business loans are under Financial Risk and Control. Market and Liquidity Risk follows Grupo Bolívar guidelines under the Bank's Investment Risk Division and Financial Risk Control Division.

Risk management and control of the Central American subsidiaries is managed by the International Executive Division with the support of the Regional Unit; and part of its duties refers to the oversight, monitoring and control of policies set for local portfolios of those subsidiaries.

Risk management and control includes the definition, valuation and control of policies, limits and authority levels for risk-taking, amongst other matters evaluated and approved by the Directors.

32.2. Consolidated Credit risk

Risk management and control are based on a structure of government which is designed to achieve strategic objectives through policies designed to encourage lending with a defined appetite for risk in harmony with the risk-return policy for the Bank and its subsidiaries. It also seeks to support lending quality for each of its credit products in order to optimize the portfolio.

In addition to supplying a complete, broad-based range of financial services, the Bank aims to satisfy the credit needs of clients and to identify potential clients in support of the basic financial needs of the communities where it offers services by providing solid, profitable and collective credit to meet objectives of profitability in the interests of its shareholders and investors.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The composition of loans in the consolidated total at June and December 2012 is the following:



The composition of loans in the consolidated total at June and December 2012 is the following:

	Quality J Jan-Jun 2012	Quality Jul-Dec 2012	Cover Jan-Jun 2012	Cover Jul-Dec 2012
Mortgage**	1,7%	1,8%	164%	169%
Consumer	7,4%	6,8%	111%	113%
Commercial***	1,5%	1,8%	220%	201%
Total	3,4%	3,3%	140%	143%

*Loan cover includes allowances made as an equivalent in Central America and Panama

*Cover measured as total allowance loan balances over total CDE loans

**Mortgage Includes residential leasing

***Commercial includes microcredit

Central American credit risk

The International Credit Division is responsible for the presentation of lending recommendation, with powers from the Parent. There are exceptions, and limits are defined for each portfolio, segment or economic sector. This activity comprises the generation of schemes of follow-up and control in the origination, administration and recovery of the various loan portfolios.

In order to obtain a homogeneous and standardized analysis of risk profiles of clients, the Bank is in the process of constructing and calibrating a loan classification model for its subsidiaries outside Colombia. As part of the principal application of this model, there is the determination of individual and overall portfolio knowledge of the risk to which the Bank is exposed, in local and foreign operations.

The model is formed by a subjective model using expert knowledge developed by the bank, and a statistical model with internal Bank information and information from the financial sector for its Consumer and Mortgage portfolio. With respect to the statistical model, this is being constructed based on variables of internal and external behavior, demographic, financial and indebtedness variables. The model is supported by a logistical and segmented regression model by modules. In order to construct the internationally correct model, the concepts of LIP and unexpected loss and country risk are included. Finally, the Bank seeks to ensure that this exercise resolves the following concerns a) Determination of individual risk in relation to the totality of Bank clients in a system of international classification, B) Determination of the expected loss associated with this distribution and of classifications for the totality of the Bank and the allowances required to monitor this risk; C)

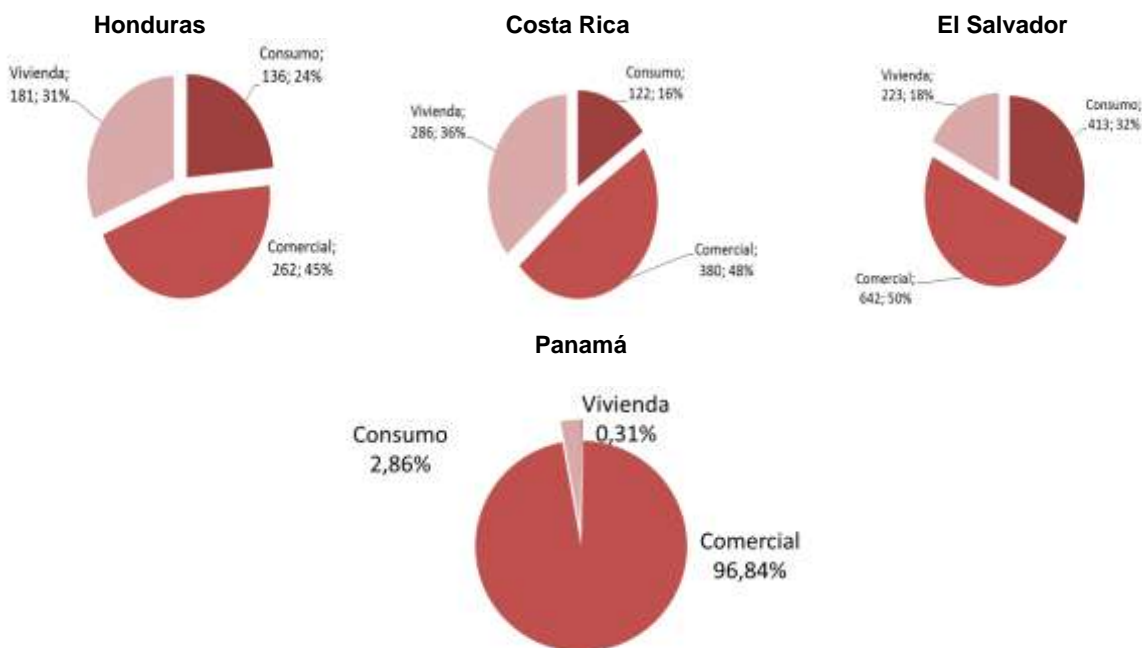


BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Quantification of credit risk as a function of expected flow items, unexpected losses and country risk, and D] Monitoring of the credit risk in the various financial institutions within the organization on an equivalent

Composition of loans in Central America – December 2012 – US\$ million



The following are quality indicators by category:

December 2012	Loan quality by category	Cover*
Honduras	1,6%	157%
Costa Rica	1,8%	171%
El Salvador	4,2%	119%
Panamá	0,01%	30321%**

*Cover measured as total provisions over total CDE loans

**Total provisions in Panama at December control equals 25,000 326 million passers, CDE legends Panama equals passers 83 million

32.3. Liquidity Risk

Liquidity risk is understood to be the possibility that present and future expected and unexpected cashflows may not be able to be satisfied fully, promptly and efficiently without affecting the normal course of operations or financial situation. This contingency (funding liquidity risk) is manifested in the lack of liquid assets available to it and/or the need to take unusual funding costs. In turn, the ability of banks to generate or break financial



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

positions at market prices is limited, either because there is no proper market depth or because there are dramatic changes in rates and prices (market liquidity risk)¹.

The risk is managed attending parameters to be met by supervised entities, as given in the guidelines set out in Chapter VI - Rules for the Management System of Liquidity Risk in the Superintendency's Basic Accounting and Financial Circular.

The liquidity of the Bank and its subsidiaries is an essential ingredient to guarantee the sustainability of operations and is therefore a cornerstone of the administration of their individual financial activities. The companies have the greatest interest in maintaining availability of customer funds when required, and in securing the funds they need to meet obligations to suppliers, creditors and shareholders and any other persons with whom the companies do their regular business.

The scheme of identification, measurement, follow-up and control of the Bank's liquidity risk includes the possibility of contingencies in the subsidiaries; each subsidiary has implemented its own system of liquidity risk management, which is independently monitored by the various designated Committees and Boards and by the Market and Liquidity Risk Department.

32.4. Internal Control System

As part of the process of quality checks for performance in internal control, the heads or leaders of each process have developed ongoing supervision of risks and controls for which they are responsible, and this has allowed them to identify weaknesses at an early stage, defining actions for any improvement required in accordance with changes of circumstance. This situation evidences a strengthening of the internal control system.

Likewise, the Bank continues to strengthen its culture of control, through continuous development of action plans which secure appropriate and effective control environments, risk management, information management, communications channels, monitoring systems, support for accounting and technology, through the principles of self-control, self-regulation and self-management. All of this is achieved in harmony with Superintendency Circular 038/2009.

32.5. Financial Consumer Service system (SAC).

As part of its principles, the bank has been developing a range of strategies which have allowed it to consolidate its financial consumer service system, and to comply with the requirements of Law 1328/2009 and Superintendency Circular 015/2010, in particular in respect of the following.

- Due diligence; Compliance with high standards of quality, with prompt and pleasant service.
- Financial education. Development of a number of elements of education and industry integration, through the Banking Association (Asobancaria), which allows the financial consumer to acquire skills, and to be able to provide adequate management of financial products and services.
- Dissemination of information. The Bank has developed and implemented a website, which brings together all the information related to each of its products and services, so that the financial consumer can have to hand all the elements he requires to take decisions.
- **Attention to complaints and claims.** The mechanisms for attention to complaints and claims continues to be strengthened, seeking to ensure quality and promptness of response for financial consumers, and developing action plans to ensure that complaints and claims to not recur.

¹ Definition of Liquidity Risk, Chapter VI - Rules Relating to the System of liquidity Risk Management, in the Superintendency's Basic Financial and Accounting Circular.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

32.6. Management system for the financing for asset-laundering and the financing of terrorism (SARLAFT).

The Bank has and its subsidiaries have implemented its management system for the risk of asset-laundering and the financing of terrorism - SARLAFT - based on the premise that this area of risk management includes the knowledge of customer and of his operations with the Bank, the definition of market segments, customers, products, distribution channels and jurisdictions, monitoring of transactions, and reports of operations to the competent authorities, to avoid the Bank being used to give the appearance of legality to assets which are the proceeds of illegal activities, or to finance terrorist activities, as described in Superintendency Circular 026 of June 2008.

SARLAFT is supported by an organizational culture, policies, controls and procedures which are known to all its members, applied by it, and bringing together the entire regulatory framework in force in Colombia, together with recommendations and international best practices on the matter, particularly those of the International Financial Action Group – IFAG.

The procedures and rules of conduct for the application of all mechanisms and instruments of control are contained in the SARLAFT Compliance Manual and the Code of Conduct, which is known to and accessed by all Bank officers.

Banco Davivienda S.A. and its subsidiaries regularly provide training programmes for its officers, seeking to create awareness and commitment in all of them.

Likewise, there have been reviews of control mechanisms designed and implemented by the Compliance Unit and other areas of the Bank, as part of the processes of Statutory Audit and Internal Audit.

In compliance with regulations, the Board has appointed a Compliance Officer and his Deputy, who have been sworn in by the Superintendency.

Banco Davivienda S.A. has three new regions in operation: Costa Rica, Honduras and El Salvador. They all have Compliance Programs.

32.7. Operating Risk Management System (SARO).

SARO continues to move towards optimization, in particular, through the monitoring system for the following elements, which support the mitigation of risk.

- Follow-up to the effectiveness of controls. This ensures that the necessary controls are in place, and that they are adequate for the effective mitigation of risks, and if necessary, develop action plans to bring about a reaction to changes of circumstance.
- Generation of indicators. Indicators have been defined and established to identify and follow up trends and the comportment in the materialization of risk, and its causes, so that effective actions may be taken in mitigation.
- Follow-up to the operating risk profile. Following policies established by the board, operating risks are controlled within levels of tolerance set.

Operating risk management has been consolidated as part of the organizational culture, and has become a tool which allows the processes owners to manage the system appropriately, and improve the efficiency of areas in achieving corporate objectives, all in accordance with the terms of Superintendency Circular 041/2007.

33. Information Security Strategies - Circular 052/2007

In the context of the observance of regulatory requirements the Bank has used the Projects Method to validate all regulatory matters, especially those related to security, as expressed in Circular 052,



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The techniques of the cyber-raiders continue to make advances and we find that they are designed or created particularly to attack financial institutions. In order to discover the controls they manage to prevent them from hosting Phishing and Pharming attacks and to set up new controls which will reduce the airtime of the attacks.

As part of the EMV Project and as a way of increasing the use of chip cards, the Bank has been analyzing and optimizing its ATM network and the use of pinpads to operate with these cards, in order to reduce levels of fraud from the copying of the magnetic strip; the Bank has controls to ensure that there has been no copying of information within our own infrastructure. The Bank also continues with the changeover to chip cards for designated customers.

During Superintendency visit in April the Bank was able to demonstrate compliance with the main requirements of Circular 052; as a result of the report on that visit, adjustments and optimizations will be introduced to keep compliance levels up to date.

We await confirmation of the latest changes (Circular 022/2010) in order to coordinate compliance levels internally and develop plans for the work required.

The Bank and its subsidiaries work to maintain security levels appropriate to the services offered and are constantly evaluating threats to which the Organization is exposed in order to optimize controls implemented in the various environments, principally those for transactions.

As part of the process of checking internal control performance quality, the heads or leaders of each process have developed ongoing supervision of the risks and controls for which they are responsible. This makes it possible to identify weaknesses quickly and set up actions for improvement to match changing circumstances, and this demonstrates the strengthening of the internal control system.

Likewise, the culture of control is being constantly reinforced, developing action plans to secure an adequate and effective control environment, risk management, information management, communications channels, monitoring systems, support from accounting functions and technology, thorough principles of self-control, self regulation and self-management, all as required by Superintendency Circular 038/2009

34. Corporate Governance

The Bank's Directors made changes to the Code of Good Government and adopted Board Regulations, following guidelines in the Best Corporate Practice Code – Country Code – and on the basis of the principles of transparency, respect for shareholders' rights, disclosure of information, due diligence and loyalty of consultants and administrators; it also decided on the regime to be followed by the Bank's organs of management in order to promote participation by shareholders.

In the same vein, the Shareholders' Meeting adopted Shareholders' Meeting Regulations and implemented the means of disseminating notices of meetings and held on-line meetings through the webpage.

Further, the Bank has strengthened communications channels for shareholders and investors, including financial and other information on the webpage where all the documents in the Corporate Government system can be consulted, including the bylaws, the guide to shareholder rights and obligations the corporate Code of Good Government, the regulations of the Board and Shareholders' Meetings, information related to financial performance, administrative performance, management, control bodies, shares, etc Further, the Bank's Code of Corporate Government has defined the policy of disclosures of information to shareholders and investors, in order to guarantee the timely supply of accurate and reliable information.

The Corporate Government Code presents the Bank's policies on:

Evaluation and control of the activities of management, senior executives and directors

The disclosure of information to shareholders and investors on matters related the Bank's institutional policy, structure of government and share composition, handling of conflicts of interest, risks to which the bank ,may



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

be exposed in the course of business, the relevant findings of the Statutory Auditor, financial information and significant events

Internal control system

With regard to the structure of government and risk management, the Board has created the committees required by law and others which are not mandatory but equally, support the actions of the Board and keep it informed of processes, the structure and management of risk in each business line, providing an appropriate flow of information and monitoring and regular follow-up. Under this scheme, the Board and senior management are aware of risk positions and intervene actively in risk management, defining the methods of measurement to be used in identifying exposure by product, policies, profiles and limits, amongst other matters. Further the Board decides on strategies guidelines for the Bank and exercises oversight on implementation and follow-up

The following diagram illustrates the organs of support for the Board and its work:



Functions of the organs

a) Audit Committee

Supervises the internal control structure, verifies that transactions are being properly authorized and recorded, supervises the functions of internal audit, checks on the transparency of financial information and appropriate disclosures, evaluates internal control reports from the Internal Auditor and Statutory Auditor, checks that management has acted on their suggestions and recommendations, conforms or challenges the Statutory Auditor's opinion as to the sufficiency and suitability of internal control measures, establishes policy, criteria and practices used by the Bank in the construction, disclosure and dissemination of financial information and mechanisms to consolidate the information for the regulators and supervisors for presentation to the Board.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

b) Corporate Government Committee

The Committee supports the Board in relation to the implementation of good corporate practices ABD COMPLIANCE WITH Bank policies in that area. It also works to ensure that shareholders, and the market in general, have access to complete, truthful and timely information that the issuer is required to provide.

c) Strategy Committee

Manages the business, strategy, human talent and risk of the Bank and its affiliates. Analyzes progress in the strategy and associated risks, exercising follow-up of the strategic indicators of the Bank and its business lines.

d) Risk Committee

This is the instance whose purpose is to evaluate policies, mechanisms and procedures related to risks and implemented in the Bank, and to make a comprehensive analysis of the risks to which the bank and its affiliates are exposed.

e) Specific Risk Committees

The Specific Risk Committees are defined as a function of the types of risk to which the Bank and its affiliates are exposed. Some of them are: Credit Risk, Operating Risk, SARLAFT. Asset and Liability Management, Financial and Investment Risks (CRFel) etc.

The Bank also has an internal audit function and a Compliance Officer, with the following functions:

f) Internal Audit

Analyzes and follows up the Bank's internal control system, supplying each of the areas audited, and the Audit Committee and the Board, with recommendations to strengthen the internal control system to meet the Bank's needs.

g) Compliance Officer

Ensures that specific procedures are adopted to prevent money-laundering and the financing of terrorism in the Bank, verifying that all mechanisms required to obtain adequate knowledge of clients and the market have been implemented. Along with those that enable suspect or unusual operations to be detected and to control cash operations, and in particular, to promote the development of training programs for all Bank staff with instructions on compliance with current regulations to prevent asset-laundering.

With regard to reporting and dissemination required to keep by the Board and Senior Management informed on the Bank's risk positions, we consider that the structure described here shows that the Bank has mechanisms that ensure an adequate flow of information to provide support monitoring and follow-up.

Further, the methods and results of risk measurement are explained in Note 32, Risk management, where there is also an account of the methods used to identify types of risk and measurement systems.

The staff of the Risk area are well qualified and trained and with professional experience taken into account in the selection process for their employment; the Bank also seeks individuals who match the principles and values of the institution, so that our human resources will be ideal from a personal moral and professional point of view also.

The Risk Area has technological infrastructure, tools and systems required to obtain an effective, efficient and timely service in Treasury Risk Management; it has technological support to match the size, nature,



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

complexity and volumes of operations, and processes to implement timely controls and monitoring of established policies and limits.

The Internal Audit makes random checks on Bank operations, analyses risks to determine whether processes, limits and controls match the policies and responsibilities that appear in the Manuals. It also takes part in projects developed to advise users on the definition of controls so that this will be incorporated into applications. As a result, Audit provides Management with analyses and recommendations to strengthen internal control.- It also fosters a culture of self-control among staff at all levels, with an emphasis on information security and compliance with rules and procedures.

The Board decided on the segregation of functions between Front, Middle and Back Offices as independent from each other in order to avoid conflicts of interest. The Front Office is accountable to the treasury Division and is directly responsible for dealing, client relations and commercial matters; the Middle Office has amongst other things responsible for risk measurement and checking that established policies and limits are being observed and for analyzing risks: it is accountable to the Financial Risk and Control Division and is supervised by the Grupo Bolívar Financial Risks Division; and finally, the Back Office is responsible for the operational side of the business, such as closing, recording and giving final authorization to operations; and is accountable to the Operations Division.

Information on portfolios of loans and investments is used for risk management and is stored in robust platforms and in applications that allow it to be handled in generating reports. At the same time, it follows information security policies and has sufficient capacity for the size for the databases required for each different type of business.

In addition to the models, the organizational structure and appropriate technology, there are administrative and operational processes which are documented and audited. In the prevention of asset-laundering and the financing of terrorism, procedures such as Know-Your-Client have been strengthened along with those for exchange operations, the general liability of the Compliance Officer and the personal responsibility of the Directors as described in the new regulations.

For information for third parties and minority shareholders, the Bank is subject to an annual rating. Its financial statements for each half-year closing are public, as is the Report to Shareholders.

35. Controls of Law

At December 31 and June 30, 2012 the Bank and its subsidiary complied with the requirements of mandatory reserves, foreign exchange position, minimum capital, solvency ratio and mandatory investment.

Own position

	<u>Limits</u>	<u>December 31</u>	<u>June 30</u>
Bank's Average Position (PP)	USD	18.3	6.9
Maximum permitted:	20% PT	710.8	586.7
Minimum permitted: -5% Computable capital	-5% PT	(177.7)	(146.7)
Bank's average cash position (PPC)		344.6	310.8
Maximum permitted: 50% of computable capital	USD 50% PT	1,777.0	1,466.8
Average Gross Leverage position (PBA)		6,164.3	7,437.5
Maximum permitted: 550% of Computable Capital	550% PT	19,547.3	16,135.3

*PT (Computable Capital)



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At December 31 and June 30, 2012, the Bank complied with own position limits..

Minimum capital and Solvency

The following are the Bank's minimum capital ratios and Solvency, at December 31 and June 30, 2012:

		<u>December 31</u>	<u>June 30</u>
Tier 1 capital	US\$	2.458.054,9	2.177.308,8
Tier 2 capital		<u>1.253.967,5</u>	<u>762.385,7</u>
		0,0	0,0
Computable capital	US\$	<u>6.563.709,3</u>	<u>2.939.694,6</u>
		0,0	0,0
Market risk VaR		119.599,9	98.146,4
Weighted average assets by risk level	US\$	23.095.681,9	17.169.975,3
Solvency index (1)		15.20%	16.10%
(Minimum permitted 9%)			

(1) $(PT/(APNR+((100/9)*VeR)))$

Compliance is checked monthly..

Mandatory cash reserves

The Bank complied with mandatory cash reserve requirements deposits and demand accounts under 18 months, 11% and TDs under 18 months at 4.5% (Note 13):

		<u>December 31</u>	<u>June 30</u>
Reserve required	US\$	1,200,046.8	1,084,501.2
Reserve held	US\$	1,227,308.4	1,092,503.6

Mandatory investments

Following Banco de la Republica Resolution 3/ 2000, 37% must be invested in Class A TDAs and 63% in Class B TDAs.

The following is the detail of the value of the investments of the Bank in FINAGRO at December 31 and June 30, 2012.

		<u>December 31</u>	<u>June 30</u>
TDA A (37%)	US\$	201,111.7	190,074.0
TDA B (63%)		342,433.5	323,639.5
Total requirement		<u>543,545.2</u>	<u>513,713.5</u>
Substitute loans		(311,485.5)	(288,012.3)
Investment in TDA A and B:		<u>232,059.5</u>	<u>225,701.1</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

TDA A (37%)	194,639.0	182,724.1
TDA B (63%)	37,420.5	42,976.9

36. Highlights

Contingency: Fondo Ganadero del Cáqueta

This case was the object of a settlement and we received payment of US\$19,228,3 for a claim initiated in 2007 for a loss in the cattle-farming development program for embryo implants for improved breeding implemented by Bancafé in 2005. US \$9,026,7 was received from AIG Seguros Colombia S.A. and US\$10,201,6 from Liberty Seguros S.A., in December 2012.

Income tax filing 2004

The Council of State issued a pronouncement received in August to inform that it had found against the Bank in this case.

The risk was classed as "possible" and the provision had been adjusted to meet 100% of the value in the financial statements at June 30, 2012. Payment of US\$37,970,2 was made in August.

Issue and placement of subordinated dollar bonds:

In order not to affect the Bank's liquidity or solvency by the effects of the purchase of HSBC subsidiaries in Central America, and to comply with legal limits for Own Position and Spot Position regulated by Banco de la República, 10-year ordinary subordinated bonds were issued on July 9, 2012 for US\$500 million maturing in July 2022.

37. Subsequent events

Ordinary bond issue - Davivienda – US Dollars

In order to optimize resources used to finance Bank operations, related to its lending activity in Colombia and abroad and with the main purpose of obtaining a share in a number of pieces of business at home and final consolidation in Latin America, ordinary bonds were issued for US\$500.0 million on the international market due in 5 years, i.e. January 2018.

The issue of bonds abroad was designed to hedge a liability not exposed to Colombian market interest rates; and the purpose is strategic, not speculative.

38. Reclassifications

Some figures at December 31 and June 30, 2012 in the cash flow and earnings statement have been reclassified for presentation purposes.



BANCO DAVIVIENDA S.A. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AND STATEMENTS OF INCOME
December 31 at 2012
(Thousands of U.S. dollars)

BALANCE GENERAL		Davivienda	Fiduciaria Davivienda	Davivalores	Bancafé Panamá	Grupo del Istmo Costa Rica S.A.	Inversiones Financieras Davivienda S.A.	Banco Davivienda Honduras S.A.	Seguros Bolívar Honduras S.A.	Standardisation and eliminations	Consolidated
Assets											
Cash and due from banks	US\$	1,447,643.1	2,369.3	1,028.5	94,788.8	310,451.4	402,548.3	138,064.7	2,331.4	(77,856.4)	2,321,369.1
Interbank and overnight funds		73,368.5	0.0	57.0	0.0	5,906.4	110.0	0.0	0.0	0.0	79,441.9
Investment securities, net		3,340,795.7	56,935.5	5,410.3	151,843.2	426,822.1	390,858.7	78,212.6	56,717.4	(1,038,286.2)	3,469,309.3
Bankers' acceptances and derivatives		70,879.7	0.0	0.0	750.9	0.0	0.0	0.0	0.0	0.0	71,630.6
Loans and financial leases, net		15,451,340.9	0.0	0.0	648,056.0	768,298.3	1,233,863.2	559,651.5	0.0	(105,100.9)	18,556,109.1
Accrued interest receivable on loans and financial leases, net		239,088.9	781.1	589.9	3,995.1	7,573.7	12,691.6	5,707.3	12,481.5	(3,151.7)	279,757.4
Foreclosed assets, net		19,607.3	0.0	0.0	138.9	6,234.8	11,703.4	16,061.1	262.2	(3,596.6)	50,411.2
Premises and equipment, net		226,052.2	551.0	146.6	1,802.5	4,902.1	45,791.0	13,962.1	1,093.7	(11,512.1)	282,789.0
Other Assets		1,558,548.3	6,614.6	2,744.7	6,067.7	157,958.8	71,437.7	15,172.0	1,392.7	(281,560.3)	1,538,376.2
Total Assets	US\$	22,427,324.5	67,251.4	9,977.0	907,443.2	1,688,147.6	2,169,003.8	826,831.4	74,278.9	(1,521,064.1)	26,649,193.7
Liabilities and shareholders' equity											
Deposits	US\$	13,578,831.5	0.0	0.0	712,578.8	885,094.2	1,305,797.0	596,954.4	0.0	(90,460.3)	16,988,795.6
Interbank and overnight borrowing		12,441.8	0.0	0.0	70,000.0	16,441.0	0.0	0.0	0.0	(70,000.0)	28,882.8
Bankers' acceptances and derivatives instruments		100,664.3	0.0	0.0	750.9	10,186.2	0.0	0.0	0.0	0.0	111,601.4
Borrowings from financial institutions		1,939,051.1	0.0	0.0	0.0	176,905.5	118,699.8	408,269.3	0.0	35,494.4	2,378,420.2
Accounts Payable		562,218.6	6,304.9	443.0	6,041.3	22,034.7	24,715.1	13,536.4	5,420.6	1,047.6	641,762.0
Long-term debt		2,897,464.8	0.0	0.0	0.0	9,865.2	128,905.7	1,215.4	0.0	(2,000.0)	3,035,451.1
Others liabilities		221,626.3	2,248.6	138.2	1,500.1	5,485.0	22,148.0	2,475.5	35,176.4	1,429.0	292,227.1
Accruals and provisions		51,944.4	311.8	0.0	3,623.1	45,601.4	19,582.9	5,734.3	519.5	29,912.0	157,229.3
Total Liabilities		19,364,242.8	8,865.2	581.2	794,494.2	1,171,613.3	1,619,848.5	728,185.2	41,116.5	(94,577.4)	23,634,369.5
Shareholders' equity		3,063,081.7	58,386.2	9,395.7	112,948.9	516,534.3	549,155.4	98,646.2	33,162.4	(1,426,486.6)	3,014,824.1
Total Liabilities and shareholders' equity	US\$	22,427,324.6	67,251.5	9,976.9	907,443.2	1,688,147.6	2,169,003.8	826,831.4	74,278.9	(1,521,064.0)	26,649,193.6
Consolidated Statement of Earnings											
Interest income	US\$	1,136,595.0	2,886.3	802.2	18,367.3	53,675.8	52,564.5	42,719.4	2,370.4	(23,680.6)	1,286,300.3
Interest on loans		1,021,895.5	0.0	0.0	14,087.0	8,709.9	49,147.0	37,182.7	0.0	(24,366.3)	1,106,655.8
Interest on investment securities		113,456.4	2,886.3	802.2	4,280.3	44,965.9	3,417.5	5,452.4	2,370.4	691.3	178,322.6
Interbank and overnight funds		1,243.1	0.0	0.0	0.0	0.0	0.0	84.3	0.0	(5.5)	1,321.9
Interest expense		367,322.8	0.0	0.0	5,888.5	15,829.8	12,242.5	13,360.6	0.0	(7,922.3)	406,721.8
Checking accounts		5,915.3	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	0.0	5,915.3
Saving deposits		96,033.6	0.0	0.0	1,109.4	980.3	1,376.7	4,161.4	0.0	(549.2)	103,112.0
Time deposits		112,539.1	0.0	0.0	4,712.5	13,714.1	7,495.8	5,559.9	0.0	(5,797.1)	138,224.2
Borrowings from financial institutions		43,777.8	0.0	0.0	66.6	679.2	3,369.9	3,639.4	0.0	(1,570.4)	49,962.6
Long term debt		98,602.5	0.0	0.0	0.0	2.0	0.0	0.0	0.0	0.0	98,604.5
Repo transaction		9,568.6	0.0	0.0	0.0	454.2	0.0	0.0	0.0	0.0	10,022.8
Interbank and overnight funds		886.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(5.6)	880.5
Net interest income		769,272.2	2,886.3	802.2	12,478.8	37,846.0	40,322.1	29,358.8	2,370.4	(15,758.2)	879,578.5
Allowance, Net		229,222.8	104.5	5.8	1,474.5	(1,756.1)	5,646.3	3,970.9	112.4	17,949.0	256,730.1
Net interest income after allowance		540,049.5	2,781.8	796.3	11,004.3	39,602.1	34,675.8	25,387.9	2,258.0	(33,707.2)	622,848.5
Operating incomes		209,892.8	15,762.9	1,998.6	918.3	37,110.5	48,281.9	6,071.5	26,284.8	(25,212.4)	321,108.9
Fees and commission		166,072.5	12,540.4	0.0	918.3	35,031.8	17,271.4	6,065.0	0.0	(5,406.1)	232,493.1
Services income		43,815.3	3,218.9	1,988.3	0.0	1,880.7	11,027.0	6.5	26,263.9	(192.4)	88,008.3
Dividends income		5.1	3.7	10.2	0.0	198.0	19,983.6	0.0	20.8	(19,613.8)	607.5
Operating expenses		540,947.2	6,845.7	1,959.2	5,928.5	121,783.8	55,320.3	25,259.7	26,084.7	(6,208.3)	777,920.7
Others Income and expenses, Net		18,787.8	5.9	175.0	3,293.4	3,122.9	238.4	(1,070.7)	0.0	261.0	24,813.6
For conversion income		0.0	0.0	0.0	0.0	1,755.9	0.8	0.0	554.4	0.0	2,311.0
For conversion expenses		0.0	0.0	0.0	166.0	413.9	500.5	133.5	520.6	0.0	1,734.5
Operating income		227,782.8	11,705.0	1,010.8	9,121.5	(40,606.5)	27,376.3	4,995.5	2,491.8	(52,450.4)	191,426.8
Non operating, net		19,361.1	436.8	28.4	376.1	6,616.6	1,585.5	1,663.8	220.7	23,620.7	53,909.5
Non operating incomes		45,343.2	504.7	28.5	376.1	15,145.6	2,855.6	3,534.1	225.5	30,622.5	98,635.8
Non operating expenses		25,982.1	67.9	0.2	0.0	8,528.9	1,270.1	1,870.3	4.8	7,001.8	44,726.2
Income before income taxes and non controlling interest		247,143.9	12,141.8	1,039.2	9,497.6	(33,989.9)	28,961.7	6,659.2	2,712.5	(28,829.7)	245,336.4
Non controlling interest		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,945.3	1,945.3
Income tax expense		53,262.8	3,899.4	157.5	693.1	1,821.1	2,454.2	2,310.2	511.3	(3,733.4)	61,376.2
NET INCOME	US\$	193,881.1	8,242.4	881.7	8,804.5	(35,811.0)	26,507.6	4,349.0	2,201.2	(27,041.6)	182,014.9
ROE (Tasa E.A.)		27.8%	69.6%	43.2%	35.0%	-25.0%	20.8%	18.8%	29.3%		26.4%
ROA (Tasa E.A.)		3.5%	58.8%	40.3%	3.9%	-8.2%	5.0%	2.1%	12.4%		2.8%

BANCO DAVIVIENDA S.A.
The Financial Statements Homologation Effect Foreign Subsidiaries Davivienda Panamá
December 31 at 2012
(Thousands OF U.S. dollars)

BALANCE SHEET		Panamá	Standardisation	Panamá Standardisation
Assets				
Cash and due from banks	US\$	94,788.8	0.0	94,788.8
Investment securities, net		151,843.2	0.0	151,843.2
Bankers' acceptances and derivatives		750.9	0.0	750.9
Loans and financial leases, net		648,056.0	(8,902.0)	639,154.0
Accrued interest receivable on loans and financial leases, net		3,995.1	(64.8)	3,930.3
Foreclosed assets, net		138.9	0.0	138.9
Premises and equipment, net		1,802.5	(150.4)	1,652.1
Other Assets		6,067.7	(2,541.2)	3,526.5
Total Assets	US\$	907,443.2	(11,658.5)	895,784.7
Liabilities and shareholders' equity				
Deposits	US\$	(712,578.8)	0.0	(712,578.8)
Interbank and overnight borrowing		(70,000.0)	70,000.0	0.0
Bankers' acceptances and derivatives instruments		(750.9)	0.0	(750.9)
Borrowings from financial institutions		0.0	(70,000.0)	(70,000.0)
Accounts Payable		(6,041.3)	0.0	(6,041.3)
Others liabilities		(1,500.1)	0.0	(1,500.1)
Accruals and provisions		(3,623.1)	0.0	(3,623.1)
Total Liabilities		(794,494.2)	0.0	(794,494.2)
Shareholders' equity		(112,948.9)	11,658.5	(101,290.5)
Total Liabilities and shareholders' equity	US\$	(907,443.2)	11,658.5	(895,784.7)
Consolidated Statement of Earnings		Panamá	Standardisation	Panamá Standardisation
Interest income	US\$	18,367.3	1,953.6	20,320.9
Interest on loans		14,087.0	0.0	14,087.0
Interest on investment securities		4,280.3	1,953.6	6,233.9
Interest expense		5,888.5	0.0	5,888.5
Checking accounts		0.0	0.0	(0.0)
Saving deposits		1,109.4	0.0	1,109.4
Time deposits		4,712.5	0.0	4,712.5
Borrowings from financial institutions		66.6	0.0	66.6
Net interest income		12,478.8	1,953.6	14,432.4
Allowance, Net		1,474.5	(2,346.0)	(871.5)
Net interest income after allowance		11,004.3	4,299.7	15,303.9
Operating incomes		918.3	0.0	918.3
Fees and commission		918.3	0.0	918.3
Operating expenses		5,928.5	(22.4)	5,906.1
Others Income and expenses, Net		3,293.4	0.0	3,293.4
For conversion expenses		166.0	0.0	166.0
Operating income		9,121.5	4,322.0	13,443.5
Non operating, net		376.1	9.7	385.9
Non operating incomes		376.1	9.7	385.9
Income before income taxes and non controlling interest		9,497.6	4,331.7	13,829.4
Income tax expense		693.1	0.0	693.1
NET INCOME	US\$	8,804.5	4,331.7	13,136.3

BANCO DAVIVIENDA S.A.
The Financial Statments Homologation Effect Foreign Subsidiaries Grupo del Istmo S.A.
December 31 at 2012
(Thousands OF U.S. dollars)

BALANCE SHEET		Costa Rica	Standardisation	Costa Rica Standardisation
Assets				
Cash and due from banks	US\$	310,451.4	(11.7)	310,439.7
Interbank and overnight funds		5,906.4	0.0	5,906.4
Investment securities, net		426,822.1	0.0	426,822.1
Loans and financial leases, net		768,298.3	(19,908.7)	748,389.7
Accrued interest receivable on loans and financial leases, net		7,573.7	(600.7)	6,973.0
Foreclosed assets, net		6,234.8	5,130.3	11,365.0
Premises and equipment, net		4,902.1	75.6	4,977.7
Other Assets		157,958.8	11,696.3	169,655.1
Total Assets	US\$	1,688,147.6	(3,618.8)	1,684,528.8
Liabilities and shareholders' equity				
Deposits	US\$	(885,094.2)	(0.0)	(885,094.2)
Interbank and overnight borrowing		(16,441.0)	0.0	(16,441.0)
Bankers' acceptances and derivatives instruments		(10,186.2)	0.0	(10,186.2)
Borrowings from financial institutions		(176,905.5)	0.0	(176,905.5)
Accounts Payable		(22,034.7)	0.0	(22,034.7)
Long-term debt		(9,865.2)	0.0	(9,865.2)
Others liabilities		(5,485.0)	0.8	(5,484.2)
Accruals and provisions		(45,601.4)	120.2	(45,481.2)
Total Liabilities		(1,171,613.3)	121.1	(1,171,492.2)
Shareholders' equity		(516,534.3)	3,497.7	(513,036.5)
Total Liabilities and shareholders' equity	US\$	(1,688,147.6)	3,618.8	(1,684,528.8)
Consolidated Statement of Earnings		Costa Rica	Standardisation	Costa Rica Standardisation
Interest income	US\$	53,675.8	0.0	53,675.8
Interest on loans		8,709.9	0.0	8,709.9
Interest on investment securities		44,965.9	0.0	44,965.9
Interest expense		15,829.8	0.0	15,808.7
Saving deposits		980.3	0.0	980.3
Time deposits		13,714.1	0.0	13,714.1
Borrowings from financial institutions		679.2	0.0	679.2
Long term debt		2.0	0.0	2.0
Repo transaction		454.2	0.0	433.1
Net interest income		37,846.0	(0.0)	37,867.1
Allowance, Net		(1,756.1)	3,694.4	1,938.4
Net interest income after allowance		39,602.1	(3,694.4)	35,928.7
Operating incomes		37,110.5	0.0	37,110.5
Fees and commission		35,031.8	0.0	35,031.8
Services income		1,880.7	0.0	1,880.7
Dividends income		198.0	0.0	198.0
Operating expenses		121,783.8	(22.4)	121,761.4
Others Income and expenses, Net		3,122.9	227.9	3,329.7
For conversion income		1,755.9	0.0	1,755.9
For conversion expenses		413.9	0.0	413.9
Operating income		(40,606.5)	(3,444.1)	(44,050.6)
Non operating, net		6,616.6	(9,132.0)	(2,515.4)
Non operating incomes		15,145.6	(11,052.1)	4,093.5
Non operating expenses		8,528.9	(1,920.1)	6,608.8
Income before income taxes and non controlling interest		(33,989.9)	(12,576.0)	(46,565.9)
Income tax expense		1,821.1	3.6	1,824.7
NET INCOME	US\$	(35,811.0)	(12,579.7)	(48,390.7)

BANCO DAVIVIENDA S.A.
The Financial Statments Homologation Effect Foreign Subsidiaries Inversiones Financiera Davivienda S.A.
December 31 at 2012
(Thousands OF U.S. dollars)

BALANCE SHEET		EI Salvador	Standardisation	EI Salvador Standardisation
Assets				
Cash and due from banks	US\$	402,548.3	0.0	402,548.3
Interbank and overnight funds		110.0	0.0	110.0
Investment securities, net		390,858.7	0.0	390,858.7
Loans and financial leases, net		1,233,863.2	(34,851.5)	1,199,011.7
Accrued interest receivable on loans and financial leases, net		12,691.6	(980.4)	11,711.2
Foreclosed assets, net		11,703.4	293.7	11,997.1
Premises and equipment, net		45,791.0	(9,224.0)	36,567.0
Other Assets		71,437.7	17,134.9	88,572.6
Total Assets	US\$	2,169,003.8	(27,627.3)	2,141,376.6
Liabilities and shareholders' equity				
Deposits	US\$	(1,305,797.0)	0.0	(1,305,797.0)
Borrowings from financial institutions		(118,699.8)	0.0	(118,699.8)
Accounts Payable		(24,715.1)	0.0	(24,715.1)
Long-term debt		(128,905.7)	0.0	(128,905.7)
Others liabilities		(22,148.0)	(376.4)	(22,524.4)
Accruals and provisions		(19,582.9)	0.0	(19,582.9)
Total Liabilities		(1,619,848.5)	(376.4)	(1,620,224.9)
Shareholders' equity		(549,155.4)	28,003.7	(521,151.7)
Total Liabilities and shareholders' equity	US\$	(2,169,003.8)	27,627.2	(2,141,376.6)
Consolidated Statement of Earnings				
Interest income	US\$	52,564.5	0.0	52,564.5
Interest on loans		49,147.0	0.0	49,147.0
Interest on investment securities		3,417.5	0.0	3,417.5
Interest expense		12,242.5	0.0	12,242.5
Saving deposits		1,376.7	0.0	1,376.7
Time deposits		7,495.8	0.0	7,495.8
Borrowings from financial institutions		3,369.9	0.0	3,369.9
Net interest income		40,322.1	0.0	40,322.1
Allowance, Net		5,646.3	19,219.3	24,865.6
Net interest income after allowance		34,675.8	(19,219.3)	15,456.5
Operating incomes		48,281.9	(19,385.2)	28,896.7
Fees and commission		17,271.4	0.0	17,271.4
Services income		11,027.0	228.6	11,255.6
Dividends income		19,983.6	(19,613.8)	369.7
Operating expenses		55,320.3	7,737.4	63,057.7
Others Income and expenses, Net		238.4	0.0	238.4
For conversion income		0.8	0.0	0.8
For conversion expenses		500.5	0.0	500.5
Operating income		27,376.3	(46,342.0)	(18,965.7)
Non operating, net		1,585.5	1,000.6	2,586.1
Non operating incomes		2,855.6	1,000.6	3,856.2
Non operating expenses		1,270.1	0.0	1,270.1
Income before income taxes and non controlling interest		28,961.7	(45,341.4)	(16,379.6)
Income tax expense		2,454.2	0.0	2,454.2
NET INCOME	US\$	26,507.6	(45,341.4)	(18,833.8)

BANCO DAVIVIENDA S.A.
The Financial Statments Homologation Effect Foreign Subsidiaries Banco Davivienda Honduras S.A.
December 31 at 2012
(Thousands OF U.S. dollars)

BALANCE SHEET		Banco Davivienda Honduras S.A.	Standardisation	Banco Davivienda Honduras S.A. Standardisation
Assets				
Cash and due from banks	US\$	138,064.7	0.0	138,064.7
Investment securities, net		78,212.6	0.0	78,212.6
Loans and financial leases, net		559,651.5	(6,937.4)	552,714.1
Accrued interest receivable on loans and financial leases, net		5,707.3	(88.3)	5,619.0
Foreclosed assets, net		16,061.1	(9,020.6)	7,040.5
Premises and equipment, net		13,962.1	(2,213.3)	11,748.8
Other Assets		15,172.0	11,737.1	26,909.1
Total Assets	US\$	826,831.4	(6,522.5)	820,308.9
Liabilities and shareholders' equity				
Deposits	US\$	(596,954.4)	(0.0)	(596,954.4)
Borrowings from financial institutions		(108,269.3)	0.0	(108,269.3)
Accounts Payable		(13,536.4)	0.0	(13,536.4)
Long-term debt		(1,215.4)	0.0	(1,215.4)
Others liabilities		(2,475.5)	0.0	(2,475.5)
Accruals and provisions		(5,734.3)	(571.2)	(6,305.5)
Total Liabilities		(728,185.2)	(571.2)	(728,756.5)
Shareholders' equity		(98,646.2)	7,093.8	(91,552.4)
Total Liabilities and shareholders' equity	US\$	(826,831.4)	6,522.5	(820,308.9)
Consolidated Statement of Earnings				
Interest income	US\$	42,719.4	0.0	42,719.4
Interest on loans		37,182.7	0.0	37,182.7
Interest on investment securities		5,452.4	0.0	5,452.4
Interbank and overnight funds		84.3	0.0	84.3
Interest expense		13,360.6	0.0	13,360.6
Saving deposits		4,161.4	0.0	4,161.4
Time deposits		5,559.9	0.0	5,559.9
Borrowings from financial institutions		3,639.4	0.0	3,639.4
Net interest income		29,358.8	0.0	29,358.8
Allowance, Net		3,970.9	(1,326.1)	2,644.8
Net interest income after allowance		25,387.9	1,326.1	26,714.0
Operating incomes		6,071.5	0.0	6,071.5
Fees and commission		6,065.0	0.0	6,065.0
Services income		6.5	0.0	6.5
Operating expenses		25,259.7	2,213.3	27,473.0
Others Income and expenses, Net		(1,070.7)	(0.0)	(1,070.7)
For conversion expenses		133.5	0.0	133.5
Operating income		4,995.5	(887.2)	4,108.3
Non operating, net		1,663.8	(9,020.6)	(7,356.9)
Non operating incomes		3,534.1	0.0	3,534.1
Non operating expenses		1,870.3	9,020.6	10,891.0
Income before income taxes and non controlling interest		6,659.2	(9,907.8)	(3,248.6)
Income tax expense		2,310.2	0.0	2,310.2
NET INCOME	US\$	4,349.0	(9,907.8)	(5,558.8)

BANCO DAVIVIENDA S.A.
The Financial Statements Homologation Effect Foreign Subsidiaries Seguros Bolívar Honduras S.A.
December 31 at 2012
(Thousands OF U.S. dollars)

BALANCE SHEET	Seguros Bolívar Honduras S.A.	Standardisation	Seguros Bolívar Honduras S.A. Standardisation
Assets			
Cash and due from banks	US\$ 2,331.4	2,384.5	4,715.9
Investment securities, net	56,717.4	0.0	56,717.4
Accrued interest receivable on loans and financial leases, net	12,481.5	(69.9)	12,411.5
Foreclosed assets, net	262.2	0.0	262.2
Premises and equipment, net	1,093.7	0.0	1,093.7
Other Assets	1,392.7	7,053.5	8,446.2
Total Assets	US\$ 74,278.9	9,368.1	83,646.9
Liabilities and shareholders' equity			
Accounts Payable	(5,420.6)	(2,384.5)	(7,805.0)
Others liabilities	(35,176.4)	(1,053.4)	(36,229.8)
Accruals and provisions	(519.5)	0.0	(519.5)
Total Liabilities	(41,116.5)	(3,437.8)	(44,554.3)
Shareholders' equity	(33,162.4)	(5,930.2)	(39,092.6)
Total Liabilities and shareholders' equity	US\$ (74,278.9)	(9,368.1)	(83,646.9)
Consolidated Statement of Earnings	Seguros Bolívar Honduras S.A.	Standardisation	Seguros Bolívar Honduras S.A. Standardisation
Interest income	US\$ 2,370.4	24.8	2,395.2
Interest on investment securities	2,370.4	24.8	2,395.2
Interest expense	0.0	0.0	0.0
Net interest income	2,370.4	24.8	2,395.2
Allowance, Net	112.4	69.9	182.3
Net interest income after allowance	2,258.0	(45.1)	2,212.9
Operating incomes	26,284.8	66.6	26,351.3
Services income	26,263.9	66.6	26,330.5
Dividends income	20.8	0.0	20.8
Operating expenses	26,084.7	(504.0)	25,580.7
For conversion income	554.4	0.0	554.4
For conversion expenses	520.6	0.0	520.6
Operating income	2,491.8	525.4	3,017.3
Non operating, net	220.7	0.0	220.7
Non operating incomes	225.5	0.0	225.5
Non operating expenses	4.8	0.0	4.8
Income before income taxes and non controlling interest	2,712.5	525.4	3,237.9
Income tax expense	511.3	(1.9)	509.3
NET INCOME	US\$ 2,201.2	527.4	2,728.6

BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Main results

at december 31 at 2012

(Thousands of U.S. dollars)

Entity	Assets	Liabilities	Equity	Profit
Banco Davivienda	22,427,325	19,364,243	3,063,082	193,881
Costa Rica- 100%	1,313,939	1,140,853	(13,553)	(44,943)
El Salvador - 96.12%	1,848,524	1,590,456	13,428	7,122
Honduras - Banco - 94.22%	826,831	728,185	98,646	4,349
Honduras -Seguros - 88.64%	74,279	41,117	33,162	2,201
Davivienda Panamá - 99.99%	907,443	794,494	112,949	8,805
Fiduciaria Davivienda - 94.70%	67,251	8,865	58,386	8,242
Davivalores -79%	9,977	581	9,396	882
Banco and subsidiaries	27,475,569	23,668,794	3,375,496	180,539
Eliminations	(786,317)	(38,688)	(316,349)	35,928
Standardisation	(40,059)	4,264	(44,323)	(34,453)
Consolidated	26,649,194	23,634,370	3,014,824	182,015
June 30 at 2012	21,179,059	18,323,799	2,855,260	209,583
Variation	25.8%	29.0%	5.6%	-13.2%
Banco Davivienda over total consolidated	84.2%	81.9%	101.6%	106.5%