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AUDFINBOG-IES2013-208

FREE ENGLISH LANGUAGE TRANSLATION
STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco Davivienda S.A.:

I have audited the financial statements of Banco Davivienda S.A. which comprise the balances sheets at December 31 and June 30, 2012 and the 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.

Management´s Bank is responsible for the preparation and fair presentation of these financial statements according to generally accepted accounting principles in Colombia, and instructions by the Financial Superintendence of Colombia. 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 examinations 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 statutory 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 consider that the evidence that I contained provided me with a reasonable basis for the opinion which I express below.

In my opinion, the above mentioned financial statements, taken accurately from books and attached to this report, present fairly, in all significant respects, the financial position of Banco Davivienda S.A. at December 31 and June 30, 2012 the results of its operations and its cash flows for the six months ended on that date, in local currency (Colombian pesos), in conformity with generally accepted accounting principles in Colombia, and instructions by the Financial Superintendence of Colombia, applied on a consistent basis.

Without qualifying my opinion, I draw attention to Note 26 to the Financial Statements, which states that according to the terms of Superintendency Circular 047/2008, as of January 1, 2009, the Bank recorded balances of its consolidated written-off loans ("universalities") in Trust

Memorandum Accounts. However, on December 31 and June 30, 2012 the Superintendency has not authorized transmission and therefore the Balance Sheet transmitted to the Superintendency differs from the Bank´s official books in the recording of those account.

Based on the results of my examination, I believe:

a. The Bank's bookkeeping has been performed in conformity with legal rules and accounting pronouncements.

b. The operations recorded in the books and management performances are in conformity with the bylaws and decisions of General Stockholders' Meeting.

c. The correspondence, the vouchers of accounts and the minute and record of shares books have been properly maintained.

d. There are adequate measures of: internal control that include risk management systems implemented, maintenance and custody of its and third parties' assets in its possession.

e. It has been applied the rules and instructions by the Financial Superintendence of Colombia related to the management and accounting of the foreclosed assets received as payment and the implementation and impact in the balance sheet and in the statement of income of applicable Risk Management Systems.

f. The information contained in the documents supporting payments of Social Security contributions, in particular, those related to employees and their base salary for those contributions, has been taken from the records and the accounting supporting documents. The Bank is up to date in payment of contributions to the Social Security System.

g. The administration report prepared by management agrees with the accompanying financial statements.

I carried out monitoring to the answers about the recommendation letters addressed to the Bank's management and there are not issues of significant importance pending that can affect my opinion.

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

February 4, 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.
Balance Sheet
December 31 and June 30 , 2012
[Amounts in millions of Colombian pesos]

ASSETS		December 31	June 30
Cash and due from banks (Note 4)	$	2,559,765.9	2,329,936.0
Interbank and overnight operations (Note 5)		129,732.3	765,312.4
Investments (Note 6)		5,907,295.1	4,706,311.6
Trading debt securities		3,501,864.3	2,257,171.0
Held to maturity		381,852.2	382,377.7
Available for sale debt securities		737,358.1	629,276.2
Available for sale equity securities		1,189,924.1	309,684.4
Investment transfer rights		0.0	913,719.6
Available for sale delivered in guaranty		112,440.3	238,854.7
Less: Allowance		(16,143.9)	(24,772.0)
Loans and financial leases (Note 7)		27,321,524.5	25,118,137.7
Mortgage loans		2,935,678.4	2,584,123.4
Consumer loans		9,258,697.7	8,730,789.0
Microcredits		88,704.6	24.8
Commercial Loans		16,316,567.2	15,053,766.3
Financial Leases		131,568.7	25,538.6
Less: Allowance		(1,409,692.1)	(1,276,104.4)
Other		3,965.3	2,548.1
Accounts Receivable (Note 9)		422,764.1	419,499.9
Interest receivable		282,847.4	268,449.4
Commissions and Fees		2,263.4	2,389.6
Payments under operating leases		178.1	0.0
Payments for account of borrowing clients		50,469.3	47,593.3
Other		158,002.6	190,928.4
Less: Allowance		(70,996.7)	(89,860.8)
Foreclosed assets		34,670.3	42,318.5
Property and Equipment, neto (Note 11)		396,220.9	390,742.1
Goods given on operating leases (Note 12)		3,491.4	0.0
Other Assets (Note 13)		2,020,443.3	1,547,947.6
Prepaid Expenses , Deferred Charges and Intangibles		1,875,400.4	1,366,740.0
Staff loans		121,587.9	118,792.8
Other		25,886.1	64,774.5
Menos : Allowance		(2,431.1)	(2,359.7)
Reappraisals netas		735,428.6	672,516.0
Investments (Note 6)		247,302.2	186,978.3
Property and Equipment (Note 11)		484,512.6	481,924.0
Works of art and culture		3,613.8	3,613.7
TOTAL ASSETS	$	39,656,668.0	36,057,980.4
Contingent Accounts - Creditor - per contra (Note 24)	$	16,764,834.3	15,200,449.9
Contingent Accounts - Debttor - (Note 24)		784,154.8	1,838,022.2
Memorandum Accounts - Debttor - (Note 25)		56,123,177.5	53,800,751.7
Memorandum Accounts - Creditor - per contra (Note 25)		**90,076,398.7**	**76,162,924.3**
Total Contingent Accounts and Memornadum Accounts	**$**	**163,748,565.3**	**147,002,148.1**
Trust Accounts (Note 26)			
Assets	$	38,075.2	40,926.4
Contingent Accounts - Debttor -		352,608.7	364,532.6
Memorandum Accounts - Debttor -		45,785.8	51,829.3
Memorandum Accounts - Creditor - por contra		202,908.9	227,978.4

BANCO DAVIVIENDA S.A.
Balance Sheet (Cont.)
December 31 and June 30 , 2012
(Amounts in millions of Colombian pesos)

LIABILITIES AND EQUITY		**December 31**	**June 30**
Liabilities			
Deposits and Demand Acocunts (Note 14)	$	24,010,497.2	21,341,062.2
Checking Accounts		3,544,762.9	3,229,934.6
Time Deposits		6,697,965.7	6,111,535.0
Savings Deposits		13,467,832.1	11,803,082.3
UVR Certificates		0.0	37,040.2
Other Deposits and Demand Accounts		299,936.5	159,470.1
Interbank and Overnight Operations (Note 15)		22,000.0	1,308,898.8
Bankers´ Acceptances and Derivatives (Note 16)		177,997.7	85,981.1
Specualtive Derivatives		153,510.5	66,262.7
Hedging Derivatives		24,487.2	19,718.4
Bank Borrowings and Other Financial Obligations (Note 17)		3,428,688.3	2,821,256.6
Other Colombian Institutions		2,032,863.6	1,601,861.4
Institutions Abroad		1,395,824.7	1,219,395.2
Accounts Payable (Note 18)		994,131.7	907,155.0
Interest		199,079.3	150,991.3
Commissions and Fees		2,439.5	3,123.7
Tax Collections		58,358.8	141,276.4
Suppliers		278,237.4	93,709.8
Other		456,016.7	518,053.8
Investment Securities Outstanding (Note 19)		5,123,384.1	3,904,710.5
Other Liabilities (Note 20)		391,886.3	334,219.5
Long-Term Employment Liabilities		38,381.2	31,169.9
Other		353,505.1	303,049.6
Accruals and Provisions (Note 21)		91,849.7	247,679.8
Taxes		0.0	100,843.1
Other		91,849.7	146,836.7
TOTAL LIABILITIES	**$**	**34,240,435.0**	**30,950,963.5**

BANCO DAVIVIENDA S.A.
Balance Sheet (Cont.)
December 31 and June 30, 2012
(Amounts in millions of Colombian pesos)

Equity		**December 31**	**June 30**
Capital I (Note 22)	$	55,526.8	55,483.3
Reserves (Note 23)		4,239,202.5	3,988,155.9
Legal Reserve		2,277,051.9	2,272,787.6
Statutory and Voluntary Reserves		1,962,150.6	1,715,368.3
Surplus		778,677.3	695,260.2
Unrealized gains (losses) on Securities Available for Salet		43,248.8	22,744.2
Reappraisals (net) (Notes 6 and 11)		735,428.5	672,516.0
Profit for the Period		342,826.4	368,117.5
TOTAL EQUITY		**5,416,233.0**	**5,107,016.9**
TOTAL LIABILITIES AND EQUITY	**$**	**39,656,668.0**	**36,057,980.4**
Contingent Accounts - Creditor - (Note 24)	**$**	16,764,834.3	15,200,449.9
Contingent Accounts - Debttor - per contra (Note 24)		784,154.8	1,838,022.2
Memorandum Accounts - Debttor - per contra (Note 25)		56,123,177.5	53,800,751.7
Memorandum Accounts - Creditor - (Note 25)		90,076,398.7	76,162,924.3
Total Contingent Accounts and Memorandum Accounts	**$**	**163,748,565.3**	**147,002,148.1**
Trust Accounts (Note 26)			
Liabilities	**$**	38,075.2	40,926.4
Contingent Accounts - Debttor - por contra		352,608.7	364,532.6
Memorandum Accounts - Debttor - por contra		45,785.8	51,829.3
Memorandum Accounts - Creditor -		202,908.9	227,978.4

See the notes accompanying the Financial Statements

BANCO DAVIVENDA
Statement of Earnings
Half-years ended on December 31 and June 30, 2012
(Amounts in millions of Colombian pesos except profit per share)

		December 31	June 30
Interest and reappraisal income	$	2,009,761.5	1,804,702.4
Loans		1,688,779.2	1,530,702.2
Investments		190,139.1	140,773.2
Interbank and overnight asset positions		12,676.0	28,503.3
Lfinancial leases		118,167.1	104,723.7
Interest expense		649,511.0	581,174.2
Checking accounts		10,459.6	10,644.4
TDs		198,995.0	168,034.8
Savings accounts		169,809.4	190,337.9
Bank borrowings and other financial obligations		77,409.1	67,018.5
Interbank and overnight liability positions		1,566.7	1,018.0
Repo and msimultaneous operations transfer commitment yields		16,919.4	3,818.7
Investment securities outstanding		174,351.8	140,301.9
Gross financial margin		**1,360,250.5**	**1,223,528.2**
Allowances and recoveries		404,806.1	371,446.1
Allowance aginst loans and other receivables		(1,031,566.1)	(891,995.4)
Recoveries in operations and from assets written off		621,434.7	519,946.5
Allowance against investments and foreclosed assets		(8,733.1)	(7,993.6)
Recoveries of allowances against loans and foreclosed assets		14,058.4	8,596.4
Net financial margin		**955,444.4**	**852,082.1**
Operating income		**380,920.5**	**415,393.8**
Commissions and Fees		293,654.3	282,455.8
Services		87,257.2	83,578.2
Dividends		9.0	49,359.8
Operating expenses		**956,519.2**	**820,497.2**
Payroll		332,805.3	316,100.9
Administration and operating expenses		623,713.9	504,396.3
Other operating income and expenses (net) (Nota 28)		33,220.8	66,157.9
Exchange and deriavtives (net)		33,220.8	66,157.9
Operating profit		**413,066.5**	**513,136.6**
Allowances and provisions for other assets and liabilities		512.4	977.7
Cash and Other Assets		466.7	529.8
Property and Equipment		24.6	444.8
Other accruals		21.1	3.1
Operating leases		0.0	0.0
Non-operating income and expenses (net)		24,453.2	(40,566.1)
Non-operating income		70,395.5	28,743.8
Non-operating expenses		45,942.3	69,309.9
Net profit before tax		**437,007.3**	**471,592.8**
Income and related taxes (Nota 30)		(94,180.9)	(103,475.3)
Profit for the period	**$**	**342,826.4**	**368,117.5**
Net profit per share (pesos)		771.86	829.34

BANCO DAVIVIENDA S.A.
Statement of Changes in Eqiuty
Half-years ended on December 31 and June 30, 2012
(Amounts in millions of Colombian pesos)

	Capital	Legal reserve	Voluntary reserves	SUPERAVIT: Unrealized gains (losses) on investments available for sale	SUPERAVIT: Reappraisals (net)	Profit for the period	Total equity
Balance at December 31, 2011	$55,479.6	2,269,996.3	1,526,983.0	(2,559.1)	669,991.9	292,662.5	4,812,554.2
Donations			(4,429.2)				(4,429.2)
Payment of 29.886 preference shares receivable	3.7	594.0					597.7
Distribution of net profit for the half-year ended on December 31, 2011:							
Legal Reserve		2,197.3				(2,197.3)	0.0
			171,150.4			(171,150.4)	0.0
Voluntary reserve at the disposal of the General Meeting for future distributions			21,664.1			(21,664.1)	0.0
Cash dividends declared at $220 pesos per share on 443,866,625 paid shares. March 15 , 2012						(97,650.7)	(97,650.7)
Movement in the period				25,303.3	2,524.1		27,827.4
Profit for the period						368,117.5	368,117.5
Balance at June 30 , 2012	55,483.3	2,272,787.6	1,715,368.3	22,744.2	672,516.0	368,117.5	5,107,016.9
Donations			(5,837.7)				(5,837.7)
Subscription of 347,609 shares - exchange of minoiroty interest in Confinanciera merger	43.5	4,262.4					4,305.9
Distribution of net profit for the half-.year ended on June 30, 2012							
Legal Reserve		1.9				(1.9)	0.0
Voluntary reserve at the disposal of the General Meeting as taxed reserves			141,370.2			(141,370.2)	0.0
Voluntary reserve at the disposal of the General Meeting for future dividend distributions			111,249.8			(111,249.8)	0.0
Cash dividends declared at $260 pesos per share on 414,214,234 paid shares. September 27 , 2012						(115,495.7)	(115,495.7)
Movement in the period				20,504.6	62,912.5		83,417.1
Profit for the period						342,826.4	342,826.4
Balance at December 31, 2012	$55,526.8	2,277,051.9	1,962,150.6	43,248.8	735,428.5	342,826.4	5,416,233.0

See the notes accompanying the financial statements

BANCO DAVIVIENDA S.A.
Statement of Cash Flows
Half-yesars ended on December 31 and June 30, 2012
(Amounts in millions of Colombian pesos)

		December 31	June 30
Cash flows from operating activities			
Profit for the period	$	**342,826.4**	**368,117.5**
Reconciliation of profit and net cash generated by (used in) operating activities			
Allowance against Investments		2,400.4	3,621.7
Allowance against Loans and Financial Leases		979,201.5	845,335.9
Allowance against Accounts Receivable		52,364.6	46,184.3
Allowance against Foreclosed Asssets		6,332.7	4,371.9
Allowance against Property and Equipment		24.6	444.8
Allowance against Other Assets		308.7	221.2
Provision for severance accrual		13,146.6	12,163.1
Other provisions		319.4	478.3
Depreciation		22,584.1	20,745.0
Depreciation and amortinzations of assets given on leases		2,640.5	0.0
Amortizations		45,049.8	44,577.2
Profit on sale of loans		(5,715.6)	(11,155.0)
Valuation of Investments, net		(185,860.6)	(137,009.0)
Valuation of derivatives and spot operations, net		(2,107.3)	(6,421.2)
Profit on sale of investments, net		(26,913.9)	(19,175.7)
Loss (profit) on sale of foreclosed assets		290.7	(138.2)
Profit on sale of property and equipment, net		(999.9)	(1,458.6)
Recovery of allowance against investments		(11,028.5)	(3,141.6)
Recovery of allowance against loans and leases		(523,010.3)	(428,414.0)
Recovery of allowance against accounts receivable		(33,023.6)	(19,733.6)
Recovery of allowance against foreclosed assets		(3,029.9)	(5,455.0)
Recovery of allowance against property and equipment		(684.6)	(807.8)
Recovery of allowance against other assets		(233.0)	(906.1)
Re-expression of property and equipment		114.2	849.5
Other recoveries of accruals		(600.7)	(2,923.8)
Increase to deferred income tax, net		17,634.0	16,114.1
Payment of Wealth Tax		19,132.3	11,166.9
Payment of severance		(6,615.2)	(4,809.8)
Effect of the Confinanciera merger			
Investments		(17,842.3)	0.0
Loans		(422,466.8)	0.0
Accounts receivable		(6,197.7)	0.0
Foreclosed assets		(159.4)	0.0
Property and equipment		(6,757.5)	0.0
Other assets		(11,409.5)	0.0
Deposits and demand accounts		329,952.2	0.0
Bank borrowings and other financial obligations		80,694.9	0.0
Accounts payable		11,800.5	0.0
Other liabilities		729.7	0.0
Accruals and provisions		8,157.1	0.0
Changes in operating assets and liabilities			
Increase in unrealized gain on investments		20,504.8	25,303.2
Increase in loans and financial leasesc		(2,404,856.6)	(1,548,528.1)
Increase in accounts receivable		(16,407.5)	(77,406.9)
Additions to foreclosed assets		(16,072.9)	(10,822.0)
Proceeds of sale of foreclosed assets, marketable assets and and assets restored		14,151.9	7,514.7
Increase in other assets		(506,211.8)	(33,970.8)
Increase (Decrease) in deposits and demand accounts		2,339,482.7	(365,720.5)
Increase in accounts payable		55,861.9	9,230.8
Increase(Decrease) in other liabilities		29,227.4	(9,577.2)
Increase (Decrease) in accruals and provisions		(163,705.7)	138,943.5
Increase in property and equipment		0.0	-
Net cash provided by (used in) operating activities	$	**23,022.8**	**(1,132,191.2)**

BANCO DAVIVIENDA S.A.

Statement of Cash Flows (cont.)

Half-years ended on December 31 and June 30, 2012

(Amounts in millions of Colombian pesos)

		December 31	June 30
Cash flows dfrom investment activities			
Increase in investments	$	(961,738.6)	(61,581.6)
(Increase) Decrease in Bankers´ acceptances, spot operations and deivatives		(57,965.7)	66,481.8
Additions to property and equipment		(30,708.1)	(23,751.9)
Proceeds of sale of property and equipment		14,495.9	2,646.5
net cash used in investment activities		**(1,035,916.5)**	**(16,205.2)**
Cash flows from financing activities			
Proceeds of sale of loans		173,461.0	362,669.6
(Decrease) Increase in Interbank liability and overnight operations		(1,286,898.8)	1,227,447.3
Increase (Decrease) in derivatives		92,016.6	(10,601.2)
Increase(Decrease) in bank borrowings and other financial obligations		526,736.8	(645,564.2)
Increase in investment securities outstanding		1,218,673.6	203,722.1
Donations		(5,837.7)	(4,429.2)
Exchange of minority interest, Confinanciera merger		4,305.9	0.0
Payment of preference shares receivable		0.0	597.7
Cash dividends paid		(115,313.9)	(97,568.0)
Net cash provided by financing activities		**607,143.5**	**1,036,274.1**
Decrease in cash and cash equivalent (net)		**(405,750.2)**	**(112,122.3)**
Cash and cash equivalent at the beginning of the period		**3,095,248.4**	**3,207,370.7**
Cash and cash equivalent at the end of the period	**$**	**2,689,498.2**	**3,095,248.4**

See the notes accompanying the financial statements

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. Financial Superintendency ("the Superintendency") Resolution 562 of June 10, 1997 granted its operating licence. 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 important changes to articles have been:

- Superintendency Resolution 562 of June 10, 1997 approved the transformation from a Savings and Loan Corporation to a Commercial Bank.

- Public Deed. 4541 of August 28, 2000, Notary18 Bogotá, formalized Davivienda´s acquisition of 100% of Delta Bolivar S.A. shares. As a consequence, Delta Bolívar S.A. was dissolved (but not liquidated) and the company and its equity were absorbed by the Bank on September 1, 2000; with this Delta Bolivar S.A. was extinguished as a legal entity.

- Public Deed No. 2369 of April 27, 2006, Notary 1 Bogotá Circle, formalized the Bank´s absorption by merger of Bansuperior S.A. Consequently, Bansuperior S.A. was dissolved (but not liquidated). The company and its equity were absorbed by the Bank on May 2, 2006, and Bansuperior S.A. was extinguished as a legal entity.

- Public Deed No. 7019 of August 29, 2007, Notary 71, Bogotá, entered at the Bogotá Chamber of Commerce on September 3, 2007 formalized the Bank´s takeover through merger of Granbanco S.A. Granbanco S.A. was therefore dissolved (but not liquidated). The company and its equity were absorbed by the Bank on September 1, 2007, and Granbanco S.A. was extinguished as a legal entity.

- Public Deed No. 3202 of April 30, 2010 Notary 71, Bogota, entered at the Chamber of Commerce on May 4, 2010 formalized the Bank´s the of the par value of its share from $1000 to $125. The authorized capital remained unchanged 480,000,000 shares.

- Public Deed 9557 of July 31, 2012, Notary 29 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 equity were absorbed by Banco Davivienda S.S. on August 1, 2012; and Confinanciera disappeared as a corporate person.

At December 31, 2012, the Bank operated with 11,563 employees in 572 offices and 21 branches and agencies in Colombia and 1 branch abroad, in Miami. The Bank owns 94.7% of the shares of Fiduciaria Davivienda SA,. 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.
(see details in Note 6.9).

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

2. Merger with Confinanciera

Extraordinary General´ Meetings of Banco Davivienda S.A. and Confinanciera were held on March 28, 2012 to approve the merger by absorption of the two companies, recorded in Minute 113 of Davivienda and Minute 85 of Confinanciera.

Superintendency Resolution 1013 0of July 3, 2012 declared No Objection to the merger by Banco Davivienda S.A. and Compania de Financiamiento Comercial S.A. – Confinanciera- in which the latter would dissolve and its assets, liabilities and equity would be absorbed by Banco Davivienda S.A. The merger became legally formalized on August 1, 2012.

The Bank absorbed all the assets, liabilities and results of Confinanciera as they stood at August 1, 2012:

		Balances at August 1, 2012
ASSETS		
Cash and Banks	$	49,191.9
Investments		17,842.3
Loans (net)		422,466.8
Accounts Receivable (net)		6,197.7
Foreclosed and received assets (net))		159.4
Property and equipment (net)		6,757.5
Other assets		13,149.3
	$	515,764.9
LIABILITIIES		
Deposits and demand accounts		329,952.2
Bank loans and other financial obligations		80,694.9
Accounts payable		11,800.5
Other liabilities		729.7
Accruals and provisions		8,157.1
	$	431,334.5
EQUITY		
Capital	$	43,567.1
Reserves		26,125.9
Surplus		1,739.8
Results for the period		12,997.7
	$	84,430.5
Income	$	69.238.9
Expenses		56.241.2
Profit	$	12.997.7

Comparability

The financial statements at June 30, 2012, correspond to Banco Davivienda S.A. alone: the financial statements at December 31, 2012, correspond to Banco Davivienda S.A.merged with Confinanciera.

3. Summary of Principal Accounting Policies

3.1 Basic Accounting Policy

The Accounting policies and the preparation of Bank´s financial statements follow accounting standards generally accepted in Colombia and the instructions by the Superintendency.

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.

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.

3.2 Statement of cash and cash equivalent flows

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

3.3 Asset and Liability Positions in interbank and overnight 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 earnings statement.

Repo Operations

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 counterparty on the same day or at a later 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.

3.4 Investments

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 on that date

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

Trading debt securities

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.	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. 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. .

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

Securities that the Bank seriously wishes to hold to maturity, and has 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

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.

Available for sale – capital investments

Low/minimum turnover or unquoted held by the Bank as controlling interest or parent	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. 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	Low/minimum turnover or unquoted: - 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.
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. .	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 rice on the exchange where they are traded.	**Low/minimum turnover** - 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.

Credit Risk Allowances or Losses

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:

- 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 Rating	Short Term Rating	Maximum %
BB+, BB, BB-	3	90%
B+, B, B-	4	70%
CCC	5 and 6	50%
DD, EE	5 and 6	0%

- For securities not externally rated, debt securities with unrated issuers and capital investments, the amount of allowances is based 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 tor issued or guaranteed by the Fondo de Garantias de Instituciones Financieras FOGAFIN, are not subject to loan risk rating, as specified in Chapter I of Circular 100/1995..

3.5 Loans and financial leases

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 of 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.

Modes of loan

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.

<u>Residential Leases</u>

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..

<u>Financial Leases</u>

Financial leases are recorded for the amount to be financed for each asset in a contract that is delivered for 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 n 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. US$160,0000), as defined in Law 590 / 2000.

The balance of indebtedness of the debtor may not be more than120 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 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	More than
Commercial	3 months
Consumer	2 months
Home mortgage	2 months
Microcredit	1 month

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 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	Arrears
Commercial	570
Consumer	180 (other than vehicle with guaranty)
Mortgage and residential lease	540
Commercial/consumer vehicle	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 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.

The guarantee valuation process was applied to the valuation of commercial and consumer loans. There was no effect on allowances because the Bank consistently applied as a policy the LGD for “unsecured” except for leasing and payroll installment operations

In the case of mortgage loans, there must be a first mortgages, 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 realization value of loan guaranties where the guaranty is a mortgage, is effected by taking the initial recorded value of the guaranty, adjusted by the house price index, published by the National Planning Department DNP.

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.

Classification of credit risk 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:

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
Default	D	D	150- 569
Unrecoverable	E	E	More than 569

A commercial loan is considered to be in default when it is more than it is 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, 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 - 2	0 - 1
B	Acceptable	2 - 5	1-2
C	Appreciable	5 -12	2-3
D	Significant	12 - 18	3-4
E	Unrecoverable	Over 18	Over 4

Classification of loans to regional government.

The classification of loans to regional government is reviewed and checked for compliance with the conditions of Law 358/1997.

3.6 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 using 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 Threshhold
1. Increase of allowance in risk category B,C,D,E	>= 9%
2. Net allowance expensed as % of portfolio revenue	>= 17%
3. Net allowance expensed as % of Adjusted Gross Financial Margin	<= 0% ó >= 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 phrase 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 exposure.

Each year the Superintendency will send out the matrices for the first half-year, to become effective as of July of 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.

Allowances in residential leasing operations follow the commercial lending policy of “an individual in business".

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

Business size	Asset ranges
Large	Over 15.000 SMMLV
Medium	5.000 - 15.000 SMMLV
Small	under 5.000 SMMLV

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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:

Rating	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%

- 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 guaranty	LGD	Days´in arrears	New LGD.	Days in arrears	New LGD
Unsecured	55.00%	210	80.00%	420	100.00%
Goods given on real property lease	35.00%	540	70.00%	1.080	100.00%

The allowance is 100% for loans classed D and E

- Exposed asset value

  This is understood to be the exposed value of the asset on the balance sheet for capital, interest receivable and other items in the commercial loan portfolio.

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:

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

Where

- Probability of default (PI)

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.

Category	General Automobiles		General Other		Credit Card	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
AA	0.97%	2.75%	2.10%	3.88%	1.58%	3.36%
A	3.12%	4.91%	3.88%	5.67%	5.35%	7.13%
BB	7.48%	16.53%	12.68%	21.72%	9.53%	18.57%
B	15.76%	24.80%	14.16%	23.20%	14.17%	23.21%
CC	31.01%	44.84%	22.57%	36.40%	17.06%	30.89%
Default	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:

Guaranty type	LGD	Days´arrears	New LGD.	Days´arrears	New LGD
Unsecured	75.00%	30	85.00%	90	100.00%
	60.00%	210	70.00%	420	100.00%

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

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.

Category	Regulatory mínimum %		% Bank´s minimum	
	Covered	Not covered Descubierta	Covered	Not covered Descubierta
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%

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.

Category	Regulatory minimum%		Bank´s minimum%	
	Capital balance	Not covered Covered	Capital 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.

Non-mortgage guaranties:

Time in arrears	%
0 - 12 months	70%
12 - 24 months	50%
Over 24 months	0%

Mortgage guaranties:

Time in arrears	%
0 - 18 months	70%
18 - 24 months	50%
24 - 30 months	30%
30- 36 months	15%
Over 36 months	0%

(1) At December 31 and June 30, 2012, the calculation of expected loss for consumer products under Payroll Installment Loans applies the terms of Superintendency Circular 043/2011as of May, 2012.

3.7 Spot and derivative operations

3.7.1 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.

3.7.2. 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 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.

3.7.3 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.

3.7.4 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.

3.7.3 Options

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

3.8 Swaps.

3.8.1 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 commit 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 t separation. This accounting treatment must be applied both to speculative and to hedging derivatives.

3.8.2 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 the 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.

3.9 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.

3.10 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.

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.

Assets not used in the business

This item records 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.

3.11 Allowance against marketable assets and assets received in payment.

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

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

3.12 Property 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.

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:

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

Straight-line method

This consists of 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.

3.13 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.

3.14 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 items, over a period of 12 months.

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.

3.15 Reappraisals

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.

3.16 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.

3.17 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.

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.

3.18 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%.

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

3.19 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, the rates were 1,768.23 and $1,784.6 per US$1, respectively.

3.20 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.

3.21 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.

3.22 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.

3.2 Net profit per share

In order to determine the net profit per share the Bank used the weighted average method at June 30 and December 31, 2012 applied to subscribed and paid shares for the time that they had been outstanding, that is $771.86 and $829.34 (pesos) respectively

3.24 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.

4. 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:

		December 31	June 30
Local currency:			
Cash	$	836,835.3	868,128.4
Banco de la República		1,314,000.6	743,867.9
Banks and other financial institutions		9,130.1	6,040.5
Clearing		60,380.5	72,381.9
Remittances in transit		14.9	27.3
Allowance		(164.7)	(541.0)
		2,220,196.7	1,689,905.0
Foreignl currency expressed in local currency:			
Cash		1,365.6	542.2
Banco de la República		56.7	54.8
Banks and other financial institutions		338,162.1	635,240.8
Remittances in transitt		0.0	4,193.2
Allowance		(15.2)	0.0
		339,569.2	640,031.0
		$2,559,765.9	2,329,936.0

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.

4.1 Reconciliation items

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

Ítems over 30 days	No.		Amount
Statement debit Notes not in books	6	$	29.2
Statement credit notes not in books	76		(898.2)
Book debit notes not in statement	13		61.0
N Book credit notes not in statement	1		(1.2)
	96	$	(809.2)

At December 31, 2012, there were 51 items under 30 days for a net amount of $(314.8). Items pending over 30 days have no significant impact and an allowance of $90.2 has been made.

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

Ítems over 30 days	No		Amount
Statement debit Notes not in books	68	$	227.4
Statement credit notes not in books	90		(296.6)
Book debit notes not in statement	14		66.4
Book credit notes not in statement	1		(1.2)
	173	$	(4.0)

Al June 30, 2012,local bank reconciliations contained 96 items under 30 days for a net value of $(862.6), reconciliation items over 30 days have no significant impact. And an allowance of $293.8 has been made.

4,2 Reconciliation items in foreign currency

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

Partidas mayores de 30 días	Cantidad	Valor miles de USD
Notes débito en extracto no registradas en libros	7	5.3
Notes crédito en extracto no registradas en libros	4	(20.4)
ND contabilizadas en libros no registradas en extracto	4	3.3
NC contabilizadas en libros no registradas en extracto	18	(51.0)
	33	(62.7)

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

Ítems over 30 days	No.	Amount US$000
Statement credit notes not in books	5	(68.9)
Book credit notes not in statement	11	(34.6)
	16	(103.5)

There is a restriction on foreign currency cash at December 31and June 30, 2012 for US$4.200.000 and US$9.020.000, equivalent to $7.426.6 and $16.097.1 respectively, to attend to regulatory cash requirements in the US branch.

4.3 Allowance against cash

The movement of the allowance against cash is the following:

		December 31	June 30
Opening balance	$	541.0	368.6
Plus:			
Allowance charged to operating expenses		158.0	308.6
Less:			
Recovery of allowance		519.1	136.2
Closing balance	$	179.9	541.0

4.4 Cash reserve

At December 31and 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:

	December 31	June 30
Average requirement	$1,948,213.8	1,979,652.6
Average reserve held	1,963,818.8	1,999,347.7

5. Interbank and overnight funds

The following is the detail of interbank and overnight funds:

Entities	US$	December 31 Rate Min, Max.	Date of operation	Maturity	Amount pesos	TRM (Pesos)
Foreign Currency						
Overnight Banks abroad	USD$700.000.0	0.2% - 1.0%	Nov.30.2012	Nov.29.2013	$ 1,237.7	1,768.23
Local currency						
Simultaneous						
Banco República		4.75% - 4.8%	Dec.04.12	Jan.04.13	24,438.4	
Trust companies		4.4%	Dec.27.12	Jan.02.13	2,799.9	
Stock exchange brokers		4.5% - 6.0%	Dec.26.12	Jan.03.13	58,610.0	
Insurance companies		4.5%	Dec.27.12	Jan.02.13	31,110.2	
Capitalization companies		4.5%	Dec.27.12	Jan.02.13	3,536.1	
					120,494.6	
Interbank operations						
Banks		4.24%	Dec.28.12	Jan.01.13	8,000.0	
					128,494.6	
					$ 129,732.3	

Entities	US$	June 30o Rate Min. Max	Date of Operation	Date of Maturity	Amount pesos	TRM (Pesos)
Foreign currency						
Overnight Banks abroad	USD$7.475.000.0	0.01% - 0.45%	Jun.22.2012	Jul.20.2012	$ 13,339.8	1,784.60
Local currency						
Simultáneous						
Banco República		5.6% - 6.1%	Jun.25.12	Jul.06.12	$332,441.0	
Stock exchange brokers		5.4% - 6.5%	Jun.27.12	Jul.05.12	364,307.0	
Insurance companies		6.25%	Jun.29.12	Jul.03.12	6,660.6	
Trust companies		5.6% - 5.85	Jun.27.12	Jul.05.12	30,564.0	
Interbank operations						
Banks		5.28% - 5.3%	Jun.27.12	Jul.25.12	12,000.0	
Public entities		5.31%	Jun.29.12	Jul.03.12	6,000.0	
					751,972.6	
					765,312.4	

At December 31and June 30, 2012, the balance and monthly average of local and foreign currency positions were $129.732.3 and $2.125.9and $765.312.4 and $4.768.5 respectively.

There are no restrictions on these funds.

6. Investments

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

December 31		Cost	Allowance
Trading debt securities	$	3,501,864.3	13.4
Held to maturity securities		381,852.2	120.2
Available for sale debt securities		737,358.1	2,567.7
Available for sale equity securities		1,189,924.1	13,442.6
Inversiones Disponibles para la sale entregados en garantía		112,440.3	0.0
	$	5,923,439.0	16,143.9
June 30			
Trading debt securities		2,257,171.0	8,740.3
Held to maturity securities		382,377.7	295.5
Available for sale debt securities		629,276.2	2,293.6
Available for sale equity securities		309,684.4	13,442.6
Trading debt securities transfer rights		913,719.6	0.0
Debt securities delivered in guaranty		238,854.7	0.0
	$	4,731,083.6	24,772.0

6.1 Portfolio of investments by class, type and credit rating

- Trading debt securities		December 31	June 30
TES	$	2,481,603.9	674,375.9
TRD		2,032.1	1,580.0
TIDIS		774.6	0.0
Bonds		117,899.2	199,114.0
TDA Finagro (1)		148,018.7	250,483.8
CDT		186,316.9	452,818.3
TIPS		485,066.7	580,583.1
Debt securities		32,734.9	35,558.6
Forigan issues		33,427.5	32,073.1
Multilateral issues		6,836.4	7,834.1
Other investments		7,153.4	22,750.1
	$	3,501,864.3	2,257,171.0
Held to maturity securities			
TRD		263,304.7	292,333.3
TDA (1)		72,831.9	41,470.5
TIPS		45,715.6	48,573.9
	$	381,852.2	382,377.7

(1) Applies to mandatory investments that are made in compliance with laws in terms of Resolution 14 of 2008:

		December 31	June 30
- Available for sale debt securities			
TES B	$	123,797.6	0.0
TIPS		589,045.8	608,256.3
TDA Finagro		2,957.1	0.0
Foreign issues		21,557.6	21,019.9
	$	737,358.1	629,276.2
- Available for sale equity securities			
Low/minimum turnover (Note 6.9)	$	1,189,924.1	309,684.4
- Securities delivered in guaranty			
Trading debt securities			
TES	$	0.0	913,719.6
Available for sale debt securities			
TES	$	112,440.3	238,854.7
- Allowance against investments		(16,143.9)	(24,772.0)
Total net investments	$	5,907,295.1	4,706,311.6

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 portfoli0o at December 31 and June 30, 2012 for US$17.034.816.2, equivalent to $30,121.5 and US$11.133.375.2, equivalent to $19,868.6, respectively in favor of the Florida OFR, required to meet regulatory liquidity limits.

A December 31and 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 31and June 30, 2012 represent an estimated valuation gain of $92.898.7 and $81.415.6, respectively.

6.2 Reclassification of investments

At December 31and June 30, 2012, no investments were reclassified.

Investment classification

	December 31	% share	Allowance	June 30	% share	Allowance
Long-term rating						
AAA	$855,754.8	18.08%	$0.0	1,174,662.7	26.57%	0.0
AA+	33,956.9	0.72%	0.0	22,423.3	0.51%	0.0
AA	170,708.3	3.61%	0.0	176,203.4	3.99%	0.0
AA-	41,579.6	0.88%	0.0	50,775.3	1.15%	0.0
A+	46,679.6	0.99%	0.0	33,621.3	0.76%	0.0
A-	9,078.1	0.19%	0.0	9,078.7	0.21%	0.0
A	127,555.6	2.69%	0.0	123,878.1	2.80%	0.0
BBB+	48,838.3	1.03%	0.0	47,114.8	1.07%	0.0
BBB	55,587.4	1.17%	0.0	56,816.0	1.29%	0.0
BBB-	58,395.7	1.23%	0.0	44,464.3	1.01%	0.0
BB+	1,770.9	0.04%	233.1	4,029.7	0.09%	662.6
BB-	0.0	0.00%	0.0	637.8	0.01%	86.7
BB	12,342.4	0.26%	2,468.2	11,387.4	0.26%	1,725.6
B+	0.0	0.00%	0.0	14,192.7	0.32%	4,327.0
CC	0.0	0.00%	0.0	351.1	0.01%	218.3
C	0.0	0.00%	0.0	8,051.7	0.18%	4,309.2
Sovereign	3,012,115.2	63.63%	0.0	2,155,779.2	48.76%	0.0
	4,474,362.8	94.53%	2,701.3	3,933,467.5	88.96%	11,329.4
Short-term rating						
1	18,066.3	0.38%	0.0	7,179.6	0.16%	0.0
1+	225,804.9	4.77%	0.0	460,751.8	10.43%	0.0
2	15,280.9	0.32%	0.0	20,000.3	0.45%	0.0
	259,152.1	5.47%	0.0	487,931.7	11.04%	0.0
	4,733,514.9	100.00%	2,701.3	4,421,399.2	100.00%	11,329.4
Equity securities						
A	1,189,914.3	100.00%	13,440.7	309,674.6	100.00%	13,440.7
B	9.8	0.00%	1.9	9.8	0.00%	1.9
	1,189,924.1	100.00%	13,442.6	309,684.4	100.00%	13,442.6
	$ 5,923,439.0	100.00%	16,143.9	4,731,083.6	100.00%	24,772.0

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

6.3 Investments by issuer

		December 31		June 30	
		Gross value	Allowance	Gross value	Allowance
Foreign currency					
Financial institutions	$	999,334.9	0.0	64,905.7	0.0
Banks abroad		48,801.0	0.0	60,739.6	0.0
Multilateral lenders		7,193.9	0.0	539.2	0.0
Real sector issuers		6,184.2	0.0	9,775.8	0.0
Local currency					
Central Government		3,012,115.2	0.0	2,155,711.5	0.0
Regional and local authorities		2,176.4	0.0	12,385.5	0.0
Financial institutions		1,769,776.0	2,701.3	2,346,349.7	11,329.4
Real Sector Issuers		77,857.4	13,442.6	80,676.6	13,442.6
	$	5,923,439.0	16,143.9	4,731,083.6	24,772.0

6.5 Investment portfolio by currency

		December 31	June 30
Pesos	$	3,700,927.8	3,763,987.9
Dollars		1,061,513.9	135,960.3
UVR		1,160,997.3	831,135.4
	$	5,923,439.0	4,731,083.6

6.6 Investments by maturity

December 31		0-1years	1-5 years	5-10 years	Over 10 years	Total
ITrading investments	$	872,153.7	1,248,254.0	371,829.2	1,009,627.4	3,501,864.3
Available for sale debt securities		127,286.0	132,746.7	299,334.6	290,431.2	849,798.5
Held to maturity securities		153,273.1	182,899.3	16,316.2	29,363.5	381,852.1
	$	1,152,712.8	1,563,900.0	687,480.0	1,329,422.1	4,733,514.9

June 30		0-1 years	1-5 years	5-10 years	Over 10 years	Total
Trading investments	$	954,335.6	998,564.8	566,090.1	651,900.1	3,170,890.6
Available for sale debt securities		0.0	259,914.5	356,417.0	251,799.4	868,130.9
Held to maturity investments		113,321.8	220,562.9	19,142.5	29,350.5	382,377.7
	$	1,067,657.4	1,479,042.2	941,649.6	933,050.0	4,421,399.2

(*)Available for sale equity securities not included

6.7 Maximum, minimum and average values

The Maximum, minimum and average balances of the fixed-yield investment portfolio at December 31, 2012 were:

Inversiones		December 31		
Securities by type		Minimum	Maximum	Average
Bonds	$	93,428.4	224,840.0	160,021.5
TDs		186,316.9	322,029.8	270,635.6
Entities abroad		27,243.3	62,127.2	41,436.6
Commercial paper		127,972.8	218,863.4	177,420.8
TDA Finagro		1,387,624.0	2,481,603.9	1,796,752.6
TES		0.0	2,720.8	582.6
TIDIS		485,066.7	532,784.0	518,517.9
TIPS		25,580.5	34,889.5	32,406.3
Debt securities		1,194.7	2,127.3	1,941.0
Multilateral lender issues		6,836.4	7,364.4	7,146.1
Other investments		13,337.6	31,949.2	21,812.1
Available for sale				
TDA Finagro		234,118.2	245,241.5	240,656.2
TIPS		589,045.8	620,362.1	605,194.1
Issuers abroad		21,557.7	22,205.3	21,897.8
Held to maturity				
TDA		41,394.4	72,831.9	56,920.8
TIPS		45,715.6	47,920.8	46,851.4
TRD		263,304.7	292,432.7	279,167.2
	$	3,549,737.7	5,222,293.8	4,279,360.6
Interbank and overnigjht asset positions				
Interbank asset operations		6,687.8	631,468.8	215,118.4
Repos and simultaneous positions		120,494.6	802,959.3	281,700.8
	$	127,182.4	1,434,428.1	496,819.2
Interbank and overnight liability positions				
Interbank liability operations		34,544.4	200,874.5	131,241.7
Repos and simultaneous positions		0.0	1,287,583.1	288,154.4
	$	34,544.4	1,488,457.6	419,396.1

The mínimum, maximum and average amounts at June 30, 2012 were

Investments		June 30		
By type		Minimum	Maximum	Average
Bonds	$	169,614.3	207,524.2	189,829.3
CDT		244,226.8	452,818.3	309,133.4
Entities abroad		27,900.4	46,900.8	37,449.3
TDA Finagro		245,477.5	318,057.2	277,285.2
TES		1,423,275.9	2,253,732.5	1,687,314.4
Tidis		0.0	773.8	129.0
TIPS		534,906.1	602,271.5	559,115.0
Debt securities		21,817.9	34,911.9	31,855.6
TRD		1,574.5	3,658.5	2,604.9
Multilateral lender issues		193.4	7,996.9	4,041.3
Other investments		14,029.1	28,537.9	21,476.8
Available for sale				
TES		237,195.0	245,274.0	241,110.1
TIPS		603,975.4	678,537.6	637,471.8
Entities abroad		20,761.5	21,362.8	21,101.3
Held to maturity				
TDA		0.0	41,470.5	17,475.2
TIPS		878.4	50,241.7	41,357.0
TRD		288,969.5	292,333.3	291,244.8
	$	3,834,795.7	5,286,403.4	4,369,994.4
Interbank and overnight asset positions				
Interbank asset operations		31,339.9	263,628.9	170,427.6
Repos and simultaneous asset operations		595,119.6	1,740,632.8	1,045,005.0
	$	626,459.5	2,004,261.7	1,215,432.6
Interbank and overnight liability positions				
Interbank liability operations		34,544.4	178,874.5	83,908.4
Repos and simultaneous liability operations		0.0	10,619.3	1,769.9
	$	34,544.4	189,493.8	85,678.3

6.8 Allowances against investments

The movement of allowances against investments is the following:

		December 31	June 30
Opening balance	$	24,772.0	24,291.9
Plus:			
Allowance charged to operating expenses		2,400.4	3,621.7
Less:			
Allowances recovered		11,028.5	3,141.6
Closing balance	$	16,143.9	24,772.0

6.9 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:

Name	Capitall	% Share	Acquisition cost	Adjusted Cost	Reappraisals	Allowances	Share Dividends
			December 31				
Banco Davivienda Panamá S.A.	USD$29,100,000	99.999%	62,884.3	51,455.1	148,263.1	0.0	
Grupo del Itsmo Costa Rica S.A.	USD$178.628.370	100.000%	330,292.8	315,856.0	(9,635.7)	0.0	
Inversiones Financieras Davivienda S.A.	USD$152.000.000	96.122%	419,222.5	409,417.4	33,251.0	0.0	
Banco Davivienda Honduras S.A	USD$92.670.212	94.216%	167,040.1	163,862.2	463.5		
Seguros Bolívar Honduras S.A.	USD$29.176.439	88.642%	52,591.2	51,590.7	356.4		
Corporación Andina de Fomento	3,484.1	0.004%	328.8	357.5	120.6	0.0	9.0
			1,032,359.7	992,538.9	172,818.9	0.0	9.0
Finagro	156,606.6	12.670%	52,149.7	73,559.3	7,397.4	0.0	
Compañía de Inv. del Café S.A. *	8,024.0	29.537%	13,440.7	13,440.7	0.0	13,440.7	
Cámara de Riesgo Central de Contraparte	40,000.0	4.681%	1,563.7	1,872.4	(479.5)		
Almacafé	14,472.4	0.009%	9.8	9.8	0.0	1.9	
Davivalores S.A.	2,384.0	79.000%	2,405.7	2,981.5	10,143.5	0.0	
Fiduciaria Davivienda S.A.**	58.588.9	94.700%	381.0	71,835.5	25,934.2	0.0	
Titularizadora Colombiana S.A.	59,855.0	21.120%	17,499.8	14,563.2	15,474.5	0.0	
Redeban Multicolor S.A.	10,120.0	26.039%	8,229.8	8,229.9	9,589.6	0.0	
A.C.H. Colombia S.A.	6,595.0	18.418%	1,848.5	1,848.5	1,816.6	0.0	
Deceval S.A.	12,051.0	11.846%	4,488.9	5,072.1	2,944.7	0.0	
Cámara de Compensación Divisas de Colombia S.A.	2,500.0	6.375%	159.4	159.4	97.0	0.0	
Tecnibanca S.A.	16,410.0	0.941%	85.6	326.1	171.7	0.0	
Cifin		9.170%	550.2	550.2	0.0		
Multiactivos	12,070.0	21.120%	2,548.9	2,936.6	1,393.6	0.0	
			105,361.7	197,385.2	74,483.3	13,442.6	0.0
		$	1,137,721.4	1,189,924.1	247,302.2	13,442.6	9.0

*Compañía de inversiones del Café S.A. in liquidation since May 2012: allowance made for 100%

**On December 14, , 2012 there was a merger and spinoff of Fiduciaria Davivienda S.A. y Fiducafé S.A. ;the latter absorbed by Fidudavivienda, in Deed No. 5540 of December 11, , 2012.

Dividends received in the period July-December totalled $9.0.

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

Confinanciera merger

Deed 9557 of July 31, 2012 formalized the merger with Confinanciera. Davivienda held 79% of its capital, represented in 1,883,138 shares out of the 2,383,719 shares outstanding. The investment and the valuation gain recorded up to the merger date totalled $66.140.6 and $13.983.0, respectively, for a total investment of $80.123.6.

Acquisition of the HSBC Group in Costa Rica, Salvador and Honduras

The Bank acquired the HSBC operations in Honduras, El Salvador and Costa Rica, to cement its position as a multi-Latin bank. The Price was US$829,7 million of which US$29 million was represented in the valuation gains in company capital. Goodwill totalled $534,000 million, and a Price review clause was included in the contract, to be completed by April 2013.

BANCO DAVIVIENDA S.A.

Notes to the financial statements

June 30

Name	Capital	% share	Acquisition Cost	Adjusted cost	Reappraisals	Allowances	Cash dividends	Share Dividends
Bancafé Panamá S.A.	USD$29.100.000	99.999%	62,884.3	51,931.5	105,262.6	0.0	0.0	
Corporación Andina de Fomento	3,484	0.004%	328.8	351.8	99.2	0.0	0.0	
			63,213.1	52,283.3	105,361.8	0.0	0.0	
Finagro	$156,607	12.670%	52,149.7	67,984.8	9,505.8	0.0		5,574.5
Fiduciaria Cafetera S.A.	33,462	94.011%	44,586.9	55,631.0	11,107.8	0.0	4,700.5	
Compañía de Inv. del Café *	8,024	29.537%	13,440.7	13,440.7	0.0	13,440.7	0.0	
Cámara de Riesgo Central				0.0	0.0			
de Contraparte	40,000	4.681%	1,563.7	1,872.4	(501.6)	0.0	0.0	
Almacafé	14,472	0.009%	9.8	9.8	0.0	1.9	0.0	
Confinanciera S.A.	38,052	94.900%	31,880.4	66,140.6	12,727.8	0.0	10,517.1	11,339.0
Davivalores S.A.	2,384	79.000%	2,405.7	2,981.5	8,920.3	0.0	0.0	
Fiduciaria Davivienda S.A.	27,475	60.000%	381.0	16,204.6	14,276.4	0.0	7,200.0	
Titularizadora Colombiana S.A.	59,855	21.120%	17,499.8	14,563.2	12,369.2	0.0	6,498.8	
Redeban Multicolor S.A.	10,120	26.039%	8,229.8	8,229.9	8,803.3	0.0	0.0	
A.C.H. Colombia S.A.	6,595	18.418%	1,848.5	1,848.5	1,700.8	0.0	368.4	
Deceval S.A.	12,051	11.846%	4,488.9	5,072.1	1,189.2	0.0	3,037.0	
Cámara de Compensación Divisas				0.0	0.0		0.0	
de Colombia S.A.	2,500	6.375%	159.4	159.4	61.7	0.0	23.9	
Tecnibanca S.A.	16,410	0.941%	85.6	326.1	123.6	0.0	100.6	
Multiactivos	12,070	21.120%	2,548.9	2,936.5	1,332.2	0.0	0.0	
			181,278.8	257,401.1	81,616.5	13,442.6	32,446.3	16,913.5
		$	244,491.9	309,684.4	186,978.3	13,442.6	32,446.3	16,913.5

*Compañía de inversiones del Café S.A.in liquidation since May, 2012: an allowance of 100% has been made

Cash dividends for the period January-June totaled $49.359.8.

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

7 Loans and financial leases

7.1 Loans and financial leases by mode

		December 31	June 30
Commercial			
Corporate and construction	$	9,155,812.9	9,256,195.6
Other commercial lines		4,252,067.7	3,449,571.9
Credit cards		317,257.0	312,233.8
Vehicles		233,110.6	1,900.4
Overdrafts		139,282.2	157,262.9
		14,097,530.4	13,177,164.6
Residential leases		2,336,375.1	1,902,140.3
		16,433,905.5	15,079,304.9
Mortgage loans		2,935,678.4	2,584,123.4
Consumer loans			
Credit cards		2,852,427.5	2,534,219.4
Other consumer lines		5,184,652.8	5,104,187.8
Vehicles		1,197,718.8	1,042,290.9
Overdrafts		36,741.3	50,090.9
		9,271,540.4	8,730,789.0
Microcredit		90,092.3	24.8
Total Gross Loans	$	28,731,216.6	26,394,242.1
Less: individual allowances i		(1,379,434.4)	(1,250,263.2)
Sub-total	$	27,351,782.2	25,143,978.9
Less: General allowances		(30,257.7)	(25,841.2)
Total Net Loans	$	27,321,524.5	25,118,137.7

7.2 Low-cost housing

At December 31and June 30, 2012, the Bank placed $533,309.2, with individual loans for $336,263.3 and construction loans for $197,045.9;and $470,733.9, with individual loans for $280,309.5 and construction loans for $190,424.5 respectively.

	December 31		June 30	
	No. Loans	Value	No. Loans	Value
Individual	93,579	$2,089,286.1	81,625	$1,845,148.0
Construction	117	217,334.8	178	223,380.9
	93,696	2,306,620.9	81,803	2,068,528.9

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 (Minimum salaries)	Rate cover %
Low-cost housing up to135	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 1190/2012came 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:

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:

	Decree 1190/2012	
Rate	**No. of loans**	**Amount disbursed**
4%	4,688	172,603
5%	3,104	61,941
Total	**7,792**	**234,544**

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 June 30, 2012 and December 31 and June 30, 2012 an estimated provision was made for $17,533.0 and $14,907.7, 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 48,853subsidized-rate housing loans for $1,614,555.7and $1,719,982.1, respectively, with cover from Decree 1143/2009.

7.4 Loans and leases classified by credit risk

At December 31and 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:

December 31

	CAPITAL	INTEREST	OTHER	TOTAL	SECUREDA	ALLOWANCE CAPITAL	ALLOWANCES INTEREST	ALLOWANCES OTHER
*COMMERCIAL SECURED								
A - Normal	$ 4,698,113.4	42,834.0	3,139.1	4,744,086.5	19,766,602.0	91,381.6	1,037.6	355.7
B - Acceptable	183,801.5	2,920.0	336.9	187,058.4	552,926.9	22,209.3	254.0	154.1
C - Deficient	39,320.2	819.2	234.9	40,374.3	115,928.7	7,355.1	634.6	216.5
D - Doubtful	64,237.9	2,428.8	637.6	67,304.3	145,770.1	64,237.9	2,428.8	637.6
E - Unrecoverable	21,788.6	516.1	77.0	22,381.7	72,587.8	21,788.5	516.1	77.0
	5,007,261.6	49,518.1	4,425.5	5,061,205.2	20,653,815.5	206,972.4	4,871.1	1,440.9
*COMMERCIAL UNSECURED								
A - Normal	10,920,291.5	99,563.4	7,296.5	11,027,151.4	0.0	212,407.3	2,411.7	826.9
B - Acceptable	357,349.5	5,677.2	655.1	363,681.8	0.0	43,179.6	493.8	299.6
C - Deficient	34,082.6	710.1	203.6	34,996.3	0.0	6,375.4	550.1	187.6
D - Doubtful	87,213.7	3,297.6	865.7	91,377.0	0.0	87,213.7	3,297.6	865.7
E - Unrecoverable	27,706.6	656.2	97.9	28,460.7	0.0	27,706.6	656.2	97.9
	11,426,643.9	109,904.5	9,118.8	11,545,667.2	0.0	376,882.6	7,409.4	2,277.7
	$ 16,433,905.5	159,422.6	13,544.3	16,606,872.4	20,653,815.5	583,855.0	12,280.5	3,718.6
*CONSUMER SECURED								
A - Normal	$ 1,069,350.2	10,999.3	2,812.1	1,083,161.6	2,533,919.1	30,433.7	403.3	142.1
B - Acceptable	38,790.9	785.4	134.4	39,710.7	98,281.0	4,651.9	207.6	46.6
C - Deficient	21,722.2	423.1	75.0	22,220.3	55,869.5	4,167.5	379.8	69.7
D - Doubtful	20,000.4	532.7	83.4	20,616.5	39,158.8	17,214.3	532.7	83.4
E - Unrecoverable	37,895.3	775.5	243.2	38,914.0	65,571.4	36,222.3	775.5	243.2
	1,187,759.0	13,516.0	3,348.1	1,204,623.1	2,792,799.8	92,689.7	2,298.9	585.0
*CONSUMER UNSECURED								
A - Normal	7,154,726.8	73,593.2	18,815.2	7,247,135.2	0.0	203,623.6	2,698.3	951.1
B - Acceptable	329,550.6	6,672.5	1,142.2	337,365.3	0.0	39,520.2	1,763.4	396.1
C - Deficient	175,302.7	3,414.7	605.2	179,322.6	0.0	33,632.6	3,064.9	562.9
D - Doubtful	265,476.9	7,070.6	1,107.3	273,654.8	0.0	228,495.8	7,070.6	1,107.3
E - Unrecoverable	158,724.4	3,248.1	1,018.6	162,991.1	0.0	151,717.2	3,248.1	1,018.6
	8,083,781.4	93,999.1	22,688.5	8,200,469.0	0.0	656,989.4	17,845.3	4,036.0
	$ 9,271,540.4	107,515.1	26,036.6	9,405,092.1	2,792,799.8	749,679.1	20,144.2	4,621.0

December 31

	CAPITAL	INTEREST	OTHER	TOTAL	SECURED	ALLOWANCE CAPITAL	ALLOWANCES INTEREST	OTHER
*MICROCREDIT SECURED								
A - Normal	79,157.7	950.6	389.5	80,497.8	139,478.9	3,245.5	39.0	16.0
B - Acceptable	1,536.1	16.1	17.8	1,570.1	2,575.7	121.4	16.1	17.8
C - Deficient	575.8	6.0	14.6	596.4	991.1	172.8	6.0	14.6
D - Doubtful	432.9	6.5	10.1	449.6	595.8	432.9	6.5	10.1
E - Unrecoverable	1,055.8	12.9	54.5	1,123.2	1,683.6	1,055.8	12.9	54.5
A - Normal	82,758.4	992.2	486.5	84,237.1	145,325.1	5,028.4	80.5	113.0
*MICROCREDIT UNSECURED								
A - Normal	$7,066.8	0.0	0.0	7,066.8	0.0	289.7	0.0	0.0
B - Acceptable	118.1	0.0	0.0	118.1	0.0	118.2	0.0	0.0
C - Deficient	39.0	0.0	0.0	39.0	0.0	39.0	0.0	0.0
D - Doubtful	43.8	0.0	0.0	43.8	0.0	43.8	0.0	0.0
E - Unrecoverable	66.1	0.0	0.0	66.1	0.0	66.1	0.0	0.0
	7,333.8	0.0	0.0	7,333.8	0.0	556.8	0.0	0.0
Prov. General						900.9		
	90,092.3	992.2	486.5	91,571.0	145,325.1	6,486.1	80.5	113.0
MORTGAGE LOANS								
A - Normal	2,787,384.5	14,495.6	8,333.7	2,810,213.8	7,312,409.5	28,047.8	1,098.8	2,316.2
B - Acceptable	97,070.3	245.7	1,093.0	98,409.0	285,133.2	3,972.3	245.9	1,093.0
C - Deficient	37,740.1	99.3	641.9	38,481.3	112,073.6	3,805.3	99.3	641.9
D - Doubtful	12,855.8	61.1	315.3	13,232.2	39,993.8	3,862.1	61.1	315.3
E - Unrecoverable	627.7	1.8	18.3	647.8	2,396.2	627.6	1.9	18.0
	2,935,678.4	14,903.5	10,402.2	2,960,984.1	7,752,006.3	40,315.1	1,507.0	4,384.4
Prov. General						29,356.8		
	$2,935,678.4	14,903.5	10,402.2	2,960,984.1	7,752,006.3	69,671.9	1,507.0	4,384.4
	$ 28,731,216.6	282,833.4	50,469.6	29,064,519.6	31,343,946.7	1,409,692.1	34,012.2	12,837.0

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

June 30

	CAPITAL	INTEREST	OTHER	TOTAL	SECURED	ALLOWANCE CAPITAL	ALLOWANCES INTEREST	ALLOWANCES OTHER
COMMERCIAL SECURED								
A – Normal	$ 3,376,388.4	31,747.6	1,999.6	3,410,135.6	14,496,385.0	61,894.4	747.7	266.4
B – Acceptable	142,740.9	2,193.3	253.8	145,188.0	424,007.9	13,422.5	217.0	121.2
C – Deficient	29,987.0	731.8	190.0	30,908.8	84,233.3	6,151.6	592.3	176.4
D – Doubtful	42,832.6	1,521.0	397.5	44,751.1	118,678.1	42,832.6	1,521.0	397.5
E – Unrecoverable	18,772.3	299.6	78.5	19,150.4	57,930.3	18,772.3	299.6	78.5
	3,610,721.2	36,493.3	2,919.4	3,650,133.9	15,181,234.6	143,073.4	3,377.6	1,040.0
COMMERCIAL UNSECURED								
A – Normal	10,993,735.2	103,372.1	6,510.7	11,103,618.0	0.0	201,532.1	2,434.7	867.4
B – Acceptable	331,822.4	5,098.6	590.0	337,511.0	0.0	31,202.6	504.5	281.8
C – Deficient	32,471.7	792.4	205.7	33,469.8	0.0	6,661.3	641.3	191.0
D – Doubtful	80,339.0	2,852.8	745.5	83,937.3	0.0	80,339.0	2,852.8	745.5
E – Unrecoverable	30,215.4	482.3	126.3	30,824.0	0.0	30,215.3	482.3	126.3
	11,468,583.7	112,598.2	8,178.2	11,589,360.1	0.0	349,950.3	6,915.6	2,212.0
	$ 15,079,304.9	149,091.5	11,097.6	15,239,494.0	15,181,234.6	493,023.7	10,293.2	3,252.0
CONSUMER SECURED								
A – Normal	$ 870,964.7	9,266.5	2,404.5	882,635.7	2,293,129.1	25,992.0	375.1	140.2
B – Acceptable	43,341.4	944.2	162.5	44,448.1	123,769.4	5,105.0	264.6	61.1
C – Deficient	21,329.2	434.8	78.6	21,842.6	57,584.1	3,942.7	392.2	72.8
D – Doubtful	19,483.2	540.5	84.6	20,108.3	42,278.6	16,740.9	540.5	84.5
E – Unrecoverable	33,218.2	673.3	228.5	34,120.0	63,493.2	31,549.9	673.3	228.5
	988,336.7	11,859.3	2,958.7	1,003,154.7	2,580,254.4	83,330.5	2,245.7	587.1
CONSUMER UNSECURED								
A – Normal	6,763,396.7	71,958.1	18,671.9	6,854,026.7	0.0	201,838.3	2,912.9	1,088.9
B – Acceptable	400,841.8	8,732.3	1,502.7	411,076.8	0.0	47,213.3	2,447.4	565.0
C – Deficient	178,421.7	3,637.0	657.9	182,716.6	0.0	32,981.3	3,284.9	609.3
D – Doubtful	272,781.4	7,567.4	1,184.8	281,533.6	0.0	234,386.2	7,567.4	1,182.8
E – Unrecoverable	127,010.7	2,574.4	873.6	130,458.7	0.0	120,632.0	2,574.4	873.6
	7,742,452.3	94,469.2	22,890.9	7,859,812.4	0.0	637,051.1	18,787.0	4,319.6
	$ 8,730,789.0	106,328.5	25,849.6	8,862,967.1	2,580,254.4	720,381.6	21,032.7	4,906.7

June 30

	CAPITAL	INTEREST	OTHER	TOTAL	SECURED	ALLOWANCE CAPITAL	ALLOWANCES INTEREST	ALLOWANCES OTHER
MICROCREDIT SECURED								
A – Normal	24.8	0.0	0.1	24.9	82.1	0.2	0.0	0.0
	24.8	0.0	0.1	24.9	82.1	0.2	0.0	0.0
MORTGAGE LOANS								
A – Normal	2,437,306.6	12,467.3	8,520.4	2,458,294.3	6,494,989.4	24,558.1	973.1	2,478.0
B – Acceptable	97,905.6	223.1	1,149.3	99,278.0	305,796.8	4,057.6	223.1	1,149.3
C – Deficient	35,482.7	108.0	637.1	36,227.8	112,900.2	3,604.8	108.0	637.1
D – Doubtful	12,579.5	44.1	310.3	12,933.9	41,308.6	3,788.2	44.1	310.3
E – Unrecoverable	849.0	4.1	29.0	882.1	3,410.2	849.0	4.2	28.9
	2,584,123.4	12,846.6	10,646.1	2,607,616.1	6,958,405.2	36,857.7	1,352.5	4,603.6
Prov. General						25,841.2		
	$2,584,123.4	12,846.6	10,646.1	2,607,616.1	6,958,405.2	62,698.9	1,352.5	4,603.6
	$ 26,394,242.1	268,266.6	47,593.4	26,710,102.1	24,719,976.3	1,276,104.4	32,678.4	12,762.3

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 on the latest updated value of the guaranty obtained from the previous method. The Bank took new professional valuations associated with current loans which, at the time the Circular was issued, had not been professionally valued for three years or more. Then effect is de $1.905.710.1 recorded in Memorandum Accounts , mostly in the Commercial Loan portfolio.

7.5 Loans and financial leases by economic sector

	December 31		June 30	
Sectors	Balance	% share.	Balance	% share.
Family, for acquisition of goods and services	$9,271,540.4	32.27%	8,730,789.1	33.08%
Family, for housing	5,272,053.6	18.35%	4,486,263.7	17.00%
Business services	1,421,319.7	4.95%	1,215,907.2	4.61%
Construction	2,396,139.0	8.34%	2,203,811.5	8.35%
Wholesale and retail trade	1,728,052.2	6.01%	1,234,384.9	4.68%
Transport and communications	1,573,336.0	5.48%	1,323,460.9	5.01%
Agriculture, forestry, fishing and hunting	1,045,543.7	3.64%	968,139.8	3.67%
Food production	613,598.4	2.14%	563,354.0	2.13%
Health, education, leisure and culture	265,560.6	0.92%	232,828.2	0.88%
Vehicles	266,314.4	0.93%	265,066.7	1.00%
Public administration and defence	569,647.4	1.98%	600,976.8	2.28%
Mfr of textiles, clothing leather and leathergoods	234,968.4	0.82%	292,584.8	1.11%
Electricity, gas and water supplies	1,071,409.2	3.73%	776,984.5	2.94%
Mfr of based metal and prepared products	197,112.1	0.69%	186,794.3	0.71%
Mfr of non-metal minerals	205,575.3	0.72%	300,629.1	1.14%
Mfr of chemicals, chemicals products and rubber	674,554.2	2.35%	506,301.7	1.92%
Mfr of paper, paper products, printing and publishing	247,917.8	0.86%	226,184.7	0.86%
Mfr of other manufactured products, including wood	22,182.3	0.08%	23,263.0	0.09%
Coal mining, extraction of crude oil and natural gas	610,740.0	2.13%	681,005.0	2.58%
Mfr of transport materials	60,888.1	0.21%	69,162.6	0.26%
Mfr of machinery and equipment	136,156.9	0.47%	118,828.2	0.45%
Hotels and restaurants	172,350.0	0.60%	172,294.2	0.65%
Metal and non-.metal minerals extraction	7,985.6	0.03%	2,843.9	0.01%
Mfr of oil and coal by-products	201,755.4	0.70%	240,956.9	0.91%
Beverages and tobacco	9,941.7	0.03%	8,045.6	0.03%
Other	454,574.2	1.57%	963,380.8	3.65%
	$ 28,731,216.6	100.00%	$ 26,394,242.1	100.00%

DANE Resolution No. 066 of January 31, 2012 provides a new classification of IIUC activities, taking effect as of February 1, 2012

7.6 Loans and leases by geographical zones

COMMERCIAL

December 31	CAPITAL	INTEREST	OTHER	TOTAL	GSECURED	ALLOWANCE CAPITAL	ALLOWANCES INTEREST	OTHER
Bogotá	$ 8,283,899.9	75,274.8	5,433.9	8,364,608.6	11,376,970.9	250,128.1	4,295.9	1,777.2
Antioquia	3,047,590.3	35,515.3	3,661.8	3,086,767.4	3,698,860.2	123,908.3	3,734.3	640.8
Nororiental	2,853,670.4	30,891.6	3,014.9	2,887,576.9	3,941,523.8	151,526.7	3,322.1	954.4
Suroccidental	1,999,040.7	16,457.0	1,433.7	2,016,931.4	1,634,773.1	55,122.6	911.1	346.2
Miami	249,704.2	1,283.9	0.0	250,988.1	1,687.5	3,169.3	17.1	0.0
	$ 16,433,905.5	159,422.6	13,544.3	16,606,872.4	20,653,815.5	583,855.0	12,280.5	3,718.6
CONSUMER								
Bogotá	4,531,223.7	53,695.2	13,645.5	4,598,564.4	1,491,725.0	388,144.9	10,741.3	2,448.4
Antioquia	1,568,015.9	16,634.0	3,739.6	1,588,389.5	467,675.3	105,025.8	2,570.4	537.2
Nororiental	1,952,449.8	23,726.3	5,369.7	1,981,545.8	537,718.9	163,605.7	4,405.3	1,068.2
Suroccidental	1,219,851.0	13,459.6	3,281.8	1,236,592.4	295,680.6	92,902.7	2,427.2	567.2
	9,271,540.4	107,515.1	26,036.6	9,405,092.1	2,792,799.8	749,679.1	20,144.2	4,621.0
MICROCREDIT								
Bogotá	90,092.3	992.2	486.5	91,571.0	145,325.1	6,486.1	80.5	113.0
	90,092.3	992.2	486.5	91,571.0	145,325.1	6,486.1	80.5	113.0
MORTGAGE LOANS								
Bogotá	2,090,935.9	10,382.6	7,028.0	2,108,346.5	5,366,252.4	28,833.7	1,025.4	2,917.3
Antioquia	250,039.7	1,304.8	996.7	252,341.2	806,742.3	3,228.7	114.8	396.6
Nororiental	320,221.6	1,745.9	1,655.9	323,623.4	877,380.8	4,552.9	220.5	766.1
Suroccidental	274,481.2	1,470.2	721.6	276,673.0	701,630.8	3,699.8	146.3	304.4
	2,935,678.4	14,903.5	10,402.2	2,960,984.1	7,752,006.3	69,671.9	1,507.0	4,384.4
	$ 28,731,216.6	282,833.4	50,469.6	29,064,519.6	31,343,946.7	1,409,692.1	34,012.2	12,837.0

COMMERCIAL

June 30	CAPITAL	INTEREST	OTHER	TOTAL	SECURED	ALLOWANCE CAPITAL	ALLOWANCES INTEREST	OTHER
Bogotá	$ 7,499,349.4	70,099.4	3,927.7	7,573,376.5	8,304,993.8	205,917.4	3,650.5	1,574.5
Antioquia	3,158,628.2	34,625.0	3,143.3	3,196,396.5	2,971,376.7	116,330.5	2,569.9	472.5
Nororiental	2,671,111.6	28,037.8	2,790.6	2,701,940.0	2,698,161.7	121,328.7	3,198.5	872.9
Suroccidental	1,595,995.3	15,613.8	1,236.0	1,612,845.1	1,205,005.3	47,421.7	864.5	332.1
Miami	154,220.4	715.5	0.0	154,935.9	1,697.1	2,025.4	9.8	0.0
	$ 15,079,304.9	149,091.5	11,097.6	15,239,494.0	15,181,234.6	493,023.7	10,293.2	3,252.0
CONSUMER								
Bogotá	4,278,727.7	53,863.2	13,454.9	4,346,045.8	1,372,170.3	377,901.5	11,281.5	2,564.2
Antioquia	1,413,597.8	15,624.9	3,727.6	1,432,950.3	396,001.4	96,388.2	2,584.3	581.0
Nororiental	1,863,740.2	23,507.8	5,310.8	1,892,558.8	514,435.1	153,500.3	4,536.5	1,115.4
Suroccidental	1,174,723.3	13,332.6	3,356.3	1,191,412.2	297,647.6	92,591.6	2,630.4	646.1
	8,730,789.0	106,328.5	25,849.6	8,862,967.1	2,580,254.4	720,381.6	21,032.7	4,906.7
MICROCREDIT								
Bogotá	24.8	0.0	0.1	24.9	82.1	0.2	0.0	0.0
	24.8	0.0	0.1	24.9	82.1	0.2	0.0	0.0
MORTGAGE LOANS								
Bogotá	1,844,433.6	9,050.8	7,055.5	1,860,539.9	4,843,696.8	26,229.0	943.2	3,014.1
Antioquia	216,221.2	1,115.2	1,062.7	218,399.1	683,248.0	2,985.1	120.3	447.2
Nororiental	284,422.5	1,509.2	1,815.8	287,747.5	804,860.2	4,340.3	183.3	832.3
Suroccidental	239,046.1	1,171.4	712.1	240,929.6	626,600.2	3,303.3	105.7	310.0
General allowance						25,841.2		
	2,584,123.4	12,846.6	10,646.1	2,607,616.1	6,958,405.2	62,698.9	1,352.5	4,603.6
	$ 26,394,242.1	268,266.6	47,593.4	26,710,102.1	24,719,976.3	1,276,104.4	32,678.4	12,762.3

7.7 Loans and leases by monetary unit

ITEM	December 31 Local Currency	Foreign Currency	UVR	Total
Commercial	$ 13,242,436.9	2,060,886.4	1,130,582.2	16,433,905.5
Microcredit	90,092.3	0.0	0.0	90,092.3
Consumer	9,242,127.2	29,413.2	0.0	9,271,540.4
Mortgage loans	2,064,549.4	0.0	871,129.0	2,935,678.4
	24,639,205.8	2,090,299.6	2,001,711.2	28,731,216.6

ITEM	June 30 Moneda Legal	Moneda Extranjera	UVR	Total
Commercial	$ 12,565,264.5	1,635,109.2	878,931.2	15,079,304.9
Microcredit	24.8	0.0	0.0	24.8
Consumer	8,710,319.4	20,469.6	0.0	8,730,789.0
Mortgage loans	1,810,642.8	0.0	773,480.6	2,584,123.4
	23,086,251.5	1,655,578.8	1,652,411.8	26,394,242.1

7.8 Loans and leases by maturity bands

December 31		0-1 years	1-5 years	5-10 years	Over 10 years	Total
Commercial	$	3,828,828.5	5,578,470.9	4,688,586.6	2,338,019.5	16,433,905.5
Consumer		1,873,412.6	6,083,743.1	1,189,701.5	124,683.2	9,271,540.4
Microcredit		6,094.7	83,124.6	873.0	0.0	90,092.3
Mortgage loans		29,643.5	135,687.8	469,529.6	2,300,817.5	2,935,678.4
	$	5,737,979.3	11,881,026.3	6,348,690.8	4,763,520.1	28,731,216.6

June 30		0-1 years	1-5 years	5-10 years	Over 10 years	Total
Commercial	$	4,573,857.8	4,634,329.3	3,971,665.9	1,899,452.0	15,079,304.9
Consumer		1,684,042.1	5,843,344.3	1,100,404.0	102,998.5	8,730,789.0
Microcredit		24.8	0.0	0.0	0.0	24.8
Mortgage loans		33,445.5	110,682.6	447,789.8	1,992,205.5	2,584,123.4
	$	6,291,370.2	10,588,356.2	5,519,859.6	3,994,656.0	26,394,242.1

7.9 Details of restructured loans

December 31	Ordinary restructurings	Allowances	Guaranty
Commercial	$ 218,533.6	55,875.3	388,012.6
Consumer	858,195.5	227,953.5	78,297.8
Microcredit	833.2	336.1	1,393.1
Mortgage loans	86,825.9	5,694.1	293,788.7
	$ 1,164,388.2	$ 289,859.0	$ 761,492.2

June 30	Reestructurados Ordinarios	Provisión	Garantía
Commercial	$ 190,643.1	63,145.0	326,866.7
Consumer	751,032.5	179,171.7	82,594.7
Mortgage loans	85,246.5	5,852.6	293,008.8
	$ 1,026,922.1	248,169.3	702,470.2

Restructured loans by classification

	Commercial		Consumer		Microcredit		Mortgage loans	
December 31	No. Loans	Amount	No. Loans	Amount	No. Loans	Amount	No. Loans	Amount
A - Normal	1,571	$106,185.7	29,474	493,547.9	25	488.5	2,452	41,776.3
B - Acceptable	517	36,262.4	4,626	86,047.3	2	6.9	877	18,416.4
C - Deficient	319	18,285.2	4,298	77,932.6	1	37.0	917	19,031.2
D - Doubtful	720	50,014.0	6,020	124,784.3	3	128.0	342	7,217.2
E - Unrecoverable	80	7,786.3	3,847	75,883.4	6	172.8	20	384.8
	3,207	$ 218,533.6	48,265	858,195.5	37	833.2	4,608	$ 86,825.9

	Commercial		Consumer		Microcredit		Mortgage loans	
June 30	No. Loans	Amount	No. Loans	Amount	No. Loans	Ordinary . Restruct.	No. Loans	Amount
A - Normal	1,395	$89,429.5	27,892	449,148.7	0	0.0	2,266	38,567.9
B - Acceptable	425	31,378.8	4,638	74,855.6	0	0.0	930	19,491.9
C - Deficient	310	18,332.4	4,435	74,014.6	0	0.0	962	19,604.4
D - Doubtful	644	44,185.6	5,246	99,472.5	0	0.0	340	7,074.6
E - Unrecoverable	80	7,316.8	2,837	53,541.1	0	0.0	29	507.7
	2,854	$ 190,643.1	45,048	751,032.5	0	0.0	4,527	$ 85,246.5

Restructured loans by geographical area

December 31

	Commercial	Consumer	Microcredit	Mortgage loans
Bogotá	$ 58,793.1	445,088.6	833.2	68,330.2
Antioquia	52,475.5	116,202.4	0.0	4,486.8
Nororiental	86,654.3	177,620.0	0.0	7,958.6
Suroccidental	20,610.7	119,284.5	0.0	6,050.3
	218,533.6	858,195.5	833.2	86,825.9

June 30

	Commercial	Consumer	Microcredit	Mortgage loans
Bogotá	$ 49,866.8	394,302.7	0.0	66,635.2
Antioquia	50,834.7	103,719.4	0.0	4,706.6
Nororiental	72,907.9	148,601.5	0.0	7,794.6
Suroccidental	17,033.7	104,408.9	0.0	6,110.1
	190,643.1	751,032.5	0.0	85,246.5

7.10 Loans to shareholders and staff

Loans include the following items:

		December 31	June 30
Shareholders*	$	200,334.8	200,261.8
Staff consumer and commercial loans		146,647.3	129,699.6
	$	346,982.0	329,961.4

*Shareholders holding more than 5%.

The effective annual interest on shareholder and staff loans is the following:

Mode	Jul-Dec.12	Jan-Jun.12
Individual loans	Between0.01%-32.22%	Between1.10%-32.60%

The term of shareholder and staff loans is between 1 and 15 years.

Staff loans are made on market terms

7.11 Loan Securitizations

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

Issue	Date	No.	Rate	Capital	Interest	Other	Total	Profit	Proceeds of sale	Recovery of allowances
Pesos N-6	August-17-2012	1,661	12.5%	$155,867.0	877.2	147.2	156,891.4	5,715.6	163,420.0	1,301.1
		1,661		$155,867.0	877.2	147.2	156,891.4	5,715.6	163,420.0	1,301.1

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

June 30

Issue	Date	No.	Rate	Capital	Interest	Other *	Total	Profit	Proceeds of sale	Recovery of allowances
Pesos N-4	Febr-17-2012	2,123	13.21	$185,875.4	1,141.4	212.6	187,229.4	6,063.3	193,965.8	4,694.5
Pesos N-5	May-04-2012	1,875	13.28	161,900.8	855.7	228.9	162,985.5	5,091.8	168,703.8	3,228.5
		3,998		$347,776.2	1,997.1	441.5	350,214.8	11,155.1	362,669.6	7,923.0

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

7.12 Sale of loans written off

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

Date	No. of loans	Capital	Interest	Other items	Total	Sale price
November	42,487	$148,332.1	5,300.2	1,759.2	155,391.6	10,250.7

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

Date	No. of loans	Capital	Interest	Other items	Total	Sale price
Junio	42,519	$150,343.6	1,685.6	5,546.0	157,575.2	13,382.6

7.13 Loans written off

The following is the detail of loans written off:

	December 31			
	Capital	IInterest	Other items	Total
Commercial	$17,401.3	954.3	591.6	18,947.2
Consumer	321,524.8	11,854.9	2,523.3	335,903.0
Vivienda	7,400.4	42.9	585.4	8,028.7
Microcredit	409.2	6.0	42.4	457.6
Other receivables	0.0	0.0	22,071.9	22,071.9
	$ 346,735.7	12,858.1	25,814.6	385,408.4

	June 30			
	Capital	Interest	Other items	Total
Commercial	$24,257.6	913.9	358.6	25,530.1
Consumer	358,787.6	13,191.6	2,538.3	374,517.5
Vivienda	6,579.5	33.6	355.1	6,968.2
Microcredit	4.2	0.0	0.1	4.3
Other receivables	0.0	0.0	35,420.8	35,420.8
	$ 389,628.9	14,139.1	38,672.9	442,440.9

The Bank did not undertake any collector operations.

7.14 Loan purchases

The following is the detail of vehicle loan purchases conducted in September, October and November 2013:

Purchase	No. of loans	Capital	Interest	Total	Premium
PLANAUTOS	823.0	$ 13,162.1	88.8	13,250.9	987.0

The guaranties on this purchase were migrated to the Bank, received and verified by SETECSA (the Bank´s supplier) and are held in custody

During the second half of 2012 the Bank sold and transferred loans to the Miami Branch under a participation agreement, for $94.594.4.

The following is the detail of these operations:

Rate	Date closed	Date of participation	Branch paricipation	US$ balance	$ balance
Libor + 2.9%	2012-09-14	2012-09-25	62.5%	USD 36.666.666.67	$ 64,835.1
Libor + 1.9%	2012-05-22	2012-11-30	100.0%	10.830.000.00	19,149.9
Libor + 2.65%	2012-07-17	2012-11-30	100.0%	6.000.000.00	10,609.4
				USD 53.496.666.67	$ 94,594.4

7.15 Allowances against loans and financial leases

The movement of the allowances against loans is the following:

		December 31				
		Commercial	Consumer	Microcredit	Mortgage loans	Total
Opening balance	$	493,023.7	720,381.6	0.2	62,698.9	1,276,104.4
Opening balance Confinanciera		18,066.2	5,264.6	6,900.6	0.0	30,231.4
Migration Confinanciera		(7,843.1)	2,977.2	5.1	0.0	(4,860.8)
Plus:						
Allowance charged to operating expenses		350,519.7	601,660.7	5,162.4	21,858.7	979,201.5
Reexpression allow..foreign branch		(25.7)	0.0	0.0	0.0	(25.7)
Less:						
Loans written off		17,401.3	321,524.8	409.2	7,400.4	346,735.7
Loans written off- Confinanciera		374.7	641.0	0.0	0.0	1,015.7
Amounts not recovered, assets received in payment		0.0	0.0	0.0	197.0	197.0
Recoveries		252,109.8	258,439.2	5,173.0	7,288.3	523,010.3
Closing balance	$	583,855.0	749,679.1	6,486.1	69,671.9	1,409,692.1

		June 30				
		Commercial	Consumer	Microcredit	Mortgage loans	Total
Opening balance	$	488,206.3	680,132.2	2.7	80,750.2	1,249,091.4
Plus:						
Alliance charged to operating expenses		190,886.6	639,125.8	2.1	15,321.4	845,335.9
Less:						
Loans written off		24,257.6	358,787.6	4.2	6,579.5	389,628.9
Amounts not recovered, assets received in payment		0.0	0.0	0.0	128.3	128.3
Reclassifications		151.7	0.0	0.0	0.0	151.7
Recoveries		161,659.9	240,088.8	0.4	26,664.9	428,414.0
Closing balance	$	493,023.7	720,381.6	0.2	62,698.9	1,276,104.4

At December 31 and June 30, 2012, the amounts not recovered in foreclosures for $197.0 and $128.3, 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 $22,000.0.

The Bank, as part of its policy, made additional loan allowances at December 31 and June 30, 2012 for $152.944.9 and $92.985.3, respectively.

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

Loans	December 31	June 30
Consumer	$167,852.6	169,018.7
Commercial	116,944.9	115,527.2
Total	$284,797.5	284,545.9

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.

8 Bankers´Acceptances, spot operations and derivatives

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

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

Product		December 31	June 30
Forwards	$	118,337.6	61,819.6
Spot operations		(6.5)	60.6
Speculative swaps		3,035.2	830.3
Speculative options		3,965.3	2,548.1
	$	125,331.6	65,258.6

The following is The detail of spot operations:

Spot operations

	December 31		June 30	
	Right	Obligation	Right	Obligation
Currency purchases	19,142.4	(19,159.2)	9,234.7	(9,134.8)
Currency sales	8,541.5	(8,539.2)	18,631.0	(18,670.3)
Securities sales	5,681.2	(5,673.2)	0.0	0.0
	33,365.1	(33,371.6)	27,865.6	(27,805.1)
Total, net		(6.5)		60.6

At December 31 and June 30, 2012, the half-year loss on spot operations was ($4,315.8) y ($4,254.2), 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:

		Speculative derivatives				
		Forwards	Futures	Swaps (*)	Total	Options
December 31						
Currency purchases	Right	291,049.3	366,834.9	0.0	657,884.1	0.0
	Obligation	(290,333.6)	(366,834.9)	0.0	(657,168.5)	0.0
Currency sales	Right	5,031,166.9	510,322.4	0.0	5,541,489.3	0.0
	Obligation	(4,915,068.2)	(510,322.4)	0.0	(5,425,390.6)	0.0
Securities purchases	Right	85,223.7	10,990.5	0.0	96,214.2	0.0
	Obligation	(83,700.5)	(10,990.5)	0.0	(94,691.0)	0.0
Securities sales	Right	0.0	19,950.5	0.0	19,950.5	0.0
	Obligation	0.0	(19,950.5)	0.0	(19,950.5)	0.0
Interest rates	Right	0.0	0.0	40,555.5	40,555.5	0.0
	Obligation	0.0	0.0	(37,520.2)	(37,520.2)	0.0
Options- call	Purchase	0.0	0.0	0.0	0.0	184.3
Options - put	Purchase	0.0	0.0	0.0	0.0	3,781.1
Total rights		5,407,439.9	908,098.2	40,555.5	6,356,093.6	3,965.3
Total Obligations		(5,289,102.3)	(908,098.2)	(37,520.2)	(6,234,720.8)	0.0
Total - net		118,337.6	0.0	3,035.2	121,372.8	3,965.3

		Forwards	Futures	Swaps (*)	Total	Options
June 30						
Currency purchases	Right	2,427,759.8	585,648.9	0.0	3,013,408.7	0.0
	Obligation	(2,416,251.2)	(585,648.9)	0.0	(3,001,900.1)	0.0
Currency sales	Right	3,259,154.1	944,924.1	0.0	4,204,078.2	0.0
	Obligation	(3,209,505.3)	(944,924.1)	0.0	(4,154,429.4)	0.0
Securities purchases	Right	2,239.5	117,251.2	0.0	119,490.7	0.0
	Obligation	(1,794.1)	(117,251.2)	0.0	(119,045.3)	0.0
Securities sales	Right	184,310.1	0.0	0.0	184,310.1	0.0
	Obligation	(184,093.2)	0.0	0.0	(184,093.2)	0.0
Interest rates	Right	0.0	18,065.4	18,358.9	36,424.3	0.0
	Obligation	0.0	(18,065.4)	(17,528.7)	(35,594.1)	0.0
Options - call	Purchase	0.0	0.0	0.0	0.0	1,739.8
Options – put	Purchase	0.0	0.0	0.0	0.0	808.4
Total rights		5,873,463.4	1,665,889.6	18,358.9	7,557,712.0	2,548.2
Total Obligations		(5,811,643.8)	(1,665,889.6)	(17,528.7)	(7,495,062.1)	0.0
Total – net		61,819.6	0.0	830.3	62,649.9	2,548.2

The following is the detail of derivative maturity periods:

		December 31				
		0-3 months	3-6 months	6-12 months	Over 6 months	Total
Spot operations	$	(6.5)	0.0	0.0	0.0	(6.5)
Forwards		95,941.6	11,956.5	9,807.5	632.0	118,337.6
Swaps		599.1	1,133.4	583.4	719.3	3,035.2
Options		2,805.1	975.9	184.3	0.0	3,965.3
	$	99,339.3	14,065.8	10,575.2	1,351.3	125,331.6

		June 30				
		d0-3 months	3-6 months	6-12 months	over212 months	Total
Spot operations	$	60.6	0.0	0.0	0.0	60.6
Forwards		41,197.0	15,965.6	4,649.4	7.7	61,819.6
Swaps		89.1	36.5	682.9	21.8	830.3
Options		622.3	1,667.1	258.8	0.0	2,548.1
	$	41,969.0	17,669.1	5,591.0	29.5	65,258.6

9 Accounts Receivable

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

		December 31	June 30
interest:			
Interbank	$	2.7	17.8
Other		11.3	165.0
Loans (Note 7. 4)			
interest		268,781.5	257,298.7
Financial component of leasing operations		14,051.9	10,967.9
		282,833.4	268,266.6
		282,847.4	268,449.4
Commissions and fees		2,263.4	2,389.6
Payments on goods given on leasing		178.1	0.0
Payments on behalf of loan clients			
Mortgage		10,402.0	10,646.1
Consumer		26,036.7	25,849.7
Commercial and Microcredit		14,030.6	11,097.5
		50,469.3	47,593.3
Other:			
Accrual of interest TES B and TIPS MZ		2.600.0	1.935.2
Dividends and other capital yields		0.0	7,277.2
Indemnity, fraud recovery		15.961.2	0.0
Advances on premises purchases		16,876.8	14,276.9
Advances to contractors and suppliers		20,970.2	23,738.4
Sundry:			
Cash and clearing shortages		1,151.7	1,969.9
Insurance claims		5,295.9	4,164.5
Colombian Treasury		20,862.0	20,505.2
Forwards		2,360.1	13,687.1
Government relief Law 546/1999,reliquidaytion of loans (**)		0.0	14,369.8
National tax collections pending application		3,724.1	3,726.9
Operations in Treasury, payments office, general business		23,562.5	7,683.8
Receivables, sale of written-off consumer loans (Note 6)		0.0	14,222.8
Banco de la Republica –rate hedging		6,231.6	6,787.3
Loans under management		6,363.0	12,396.7
Loan processes pending application		31,787.8	25,640.8
Sundry (under 5%)		21.416.9	22.416.3
		158,002.6	190,928.4
Total cuentas por cobrar	$	493,760.8	509,360.7
Provisión		(70,996.7)	(89,860.8)
Total cuentas por cobrar netas	$	422,764.1	419,499.9

****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.

9.1 Allowances against receivables:

The detail of the allowance receivables is the following:
is the following:

		December 31	June 30
Loan interest (Note 7.6)	$	34,012.2	32,678.4
Payments on behalf of clients (Note 7.6)		12,837.0	12,762.3
Government relief		0.0	14,369.8
Treasury debtors		2,403.3	2,906.0
Insurance claims		2,970.2	4,117.3
Daviplan		2,389.5	6,058.3
Advances to suppliers		737.5	2,070.0
Deposit taking and networks		295.7	883.3
Other receivables		694.9	2,147.1
Loan accounts receivable		3,308.5	5,715.9
Card debtors		3,844.5	2,396.3
Accounts receivable, universalities		5,473.3	0.0
Sundry		2,030.1	3,756.1
	$	70,996.7	89,860.8

The movement of the allowance against accounts receivable is the following:

December 31		Commercial	Consumer	Microcredit	Mortgage loans	other	Total
Opening balance	$	13,549.1	25,935.4	0.0	5,956.3	44,420.0	89,860.8
Opening balance Confinanciera		662.5	218.0	264.2	0.0	225.7	1,370.4
Plus:							
Allowance charged to operating expenses		9,703.4	24,078.5	79.7	3,520.9	14,982.1	52,364.6
Migration of Confinanciera		0.0	389.4	3.4	0.0		392.8
Less:							
Loans written off		1,545.9	14,378.2	48.3	628.4	22,026.7	38,627.5
Loans written off Confinanciera		43.4	112.2	0.0	0.0	0.0	155.6
Recoveries of receivables Confinanciera		0.0	0.0	0.0	0.0	42.4	42.4
Migration of Confinanciera		856.9	0.0	0.0	0.0	285.9	1,142.8
Recoveries		5,469.7	11,365.8	105.6	2,957.5	13,125.0	33,023.6
Closing balance	$	15,999.1	24,765.1	193.4	5,891.3	24,147.8	70,996.7

June 30		Commercial	Consumer	Microcredit	Mortgage loans	other	Total
Opening balance	$	11,166.0	24,279.5	0.1	5,961.4	74,815.2	116,222.2
Plus:							
Allowance charged to operating expenses		7,597.8	27,223.5	0.0	3,219.2	8,143.8	46,184.3
Less:							
Loans written off and cleaned up		1,272.5	15,729.9	0.1	388.7	35,420.9	52,812.1
Reclassifications		0.0	0.0	0.0	0.0	0.0	0.0
Recoveries		3,942.2	9,837.7	0.0	2,835.6	3,118.1	19,733.6
Closing balance	$	13,549.1	25,935.4	0.0	5,956.3	44,420.0	89,860.8

10 Foreclosed assets, net

The detail of marketable assets, assets received in payment and assets restored is the following:

Assets received in payment		December 31	June 30
For housing			
Real property	$	11,688.8	4,975.5
Assets given on leasing		1,166.7	470.2
Total for Housing		12,855.5	5,445.7
Assets received in payment			
Other than housing			
Real property		17,925.9	20,004.5
Received from auction		24.3	154.6
Inflation adjustment		0.1	0.1
Adjusted cost		17,950.3	20,159.2
Movable assets (1)			
Rights and securities		1,379.8	1,379.8
Movable assets		2,054.2	991.8
		3,434.0	2,371.6
Total Other Than Housing		21,384.3	22,530.8
Total Assets received in payment	$	34,239.8	27,976.5
Assets restored under residential leases		3,713.1	2,142.1
Assets not used in the business			
Land		3,741.5	6,598.7
Buildings		15,475.3	26,238.0
Depreciation		(7,097.8)	(7,658.5)
	$	12,119.0	25,178.2
Less:			
Allowance, assets for housing		3,346.3	2,600.6
Allowance, assets for other than housing		8,358.8	6,227.6
Allowance, movable assets		1,810.1	1,650.8
Allowance, assets restored from leasing operations		736.8	371.0
Allowance, assets not used in the business		1,149.6	2,128.3
		15,401.6	12,978.3
	$	34,670.3	42,318.5

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

		December 31		June 30	
		Balance	Provisión	Balance	Provisión
Rights and securities					
Shares	$	27.3	27.3	27.3	27.3
Time--sharing rights		1,352.5	1,212.3	1,352.5	1,154.2
		1,379.8	1,239.6	1,379.8	1,181.5
Movable assets					
Vehícles		2,052.1	569.4	990.8	468.4
Movables		2.1	1.1	1.0	0.9
		2,054.1	570.5	991.8	469.3
	$	3,434.0	1,810.1	2,371.6	1,650.8

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

	Under 1 year	1-5 years	5-10 years	Over 10 years	Total	Allowance
December 31						
Housing	$9,613.2	3,109.3	118.7	14.3	12,855.5	$3,346.3
Other than housing	7,474.7	10,126.4	298.8	50.4	17,950.3	8,358.8
Movables	1,783.9	474.8	278.4	896.9	3,434.0	1,810.1
Assets restored	2,915.2	797.9	0.0	0.0	3,713.1	736.8
Assets not used in the business net	6,160.7	5,958.3	0.0	0.0	12,119.0	1,149.6
	$27,947.7	20,466.7	695.9	961.6	50,071.9	15,401.6
June 30						
Housing	3,726.9	1,321.5	286.7	110.6	5,445.7	2,600.6
Other than housing		5,499.3	1,033.5	58.9	20,159.2	6,227.6
Movables	892.9	303.7	1,156.6	18.4	2,371.6	1,650.8
Assets restored	2,142.1	0.0	0.0	0.0	2,142.1	371.0
Assets not used in the business net		24,561.4	616.8	0.0	25,178.2	2,128.3
	$20,329.4	31,685.9	3,093.6	187.9	55,296.8	12,978.3

At December 31 and June 30, 2012, assets received in payment for housing were independently valued, with a reappraisal excess of $14.600.5 and $10.795.4, respectively. The reappraisal excesses are recorded in Memorandum Accounts. (Note25)

At December 31and 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.

	December 31		June 30	
	No.	Value	No.	Value
Assets received in payment	106	$ 8,130.0	65	7,032.0
Assets not used in the business	0	0.0	5	725.5
Total Sales	106	8,130.0	70	7,757.5
Profit on sale		329.0		145.1
Amortization of deferred profit		463.2		583.6
Profit on sale of assets not used		136.9		629.4
Total profit on sales		929.1		1,358.1
Loss on sales		1,219.8		1,219.9
Net effect on earnings		$(290.7)		138.2

10.1 Allowance against assets received in payment and assets restored

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

		December 31	June 30
Opening balance	$	12,978.3	18,695.5
Allowance charged to operating expenses		6,332.7	4,371.9
Reclassifications		(879.5)	0.0
Less:			
Written off		0.0	4,634.1
Recoveries		3,029.9	5,455.0
Closing balance	$	15,401.6	12,978.3

At December 31and June 30, 2012, the Bank held the following assets received in payment with 100% allowances:

December 31		June 30	
No.	Allowance	No.	Allowance
101	$5,888.9	119	4,300.1

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.

11 Property and Equipment

A detail of Property and Equipment is the following:

		December 31			June 30		
		Costo	Ajuste por inflación	Costo Ajustado	Costo	Ajuste por inflación	Costo Ajustado
Terrenos, edificios y construcciones en curso	$	407,757.6	33,166.4	440,924.0	398,778.1	35,036.6	433,814.7
Equipo, vehículos, muebles y enseres de oficina		95,910.5	9,375.4	105,285.9	92,141.2	9,392.8	101,534.0
Equipo de computación		215,503.5	17,513.7	233,017.2	200,881.3	17,513.7	218,395.0
		719,171.6	60,055.5	779,227.1	691,800.6	61,943.1	753,743.7
Less: Depreciación acumulada		(355,062.4)	(19,911.5)	(374,973.9)	(335,183.2)	(19,921.9)	(355,105.1)
Less: Provisión		(8,032.3)	0.0	(8,032.3)	(7,896.5)	0.0	(7,896.5)
	$	356,076.9	40,144.0	396,220.9	348,720.9	42,021.2	390,742.1

At December 31and June 30, 2012, existen pólizas de seguros que cubren riesgos de sustracción, incendio, terremoto, asonada, motín, explosión, erupción volcánica, baja tensión, predios, pérdida o daños a oficinas y vehículos.

11.1 Allowance against Property and Equipment

The movement of the allowance against Property and Equipment in the periods ended on December 31 and June 30, 2012, is the following:

		December 31	June 30
Opening balance	$	7,896.5	8,259.5
Opening balance Confinanciera		48.7	0.0
Plus:			
Reclassifications		784.2	0.0
Allowance charged to operating expenses		24.6	444.8
Less:			
Recoveries		684.6	807.8
Closing balance	$	8,069.4	7,896.5

The following is the detail of reappraisals of Property and Equipment at December 31and June 30, 2012:

		December 31	June 30
Reappraisal of buildings used in the business	$	466,251.5	467,618.2
Reappraisal of buildings not used in the business l		18,261.1	14,305.8
	$	484,512.6	481,924.0

There are no mortgages or restrictions of ownership on these properties and they have not been assigned under pledge.

The depreciation charged to expenses at December 31and June 30, 2012, was $25.224.6 and $20.745.0, respectively.

12 Given on operating leases

The following is the detail of goods given on operating leases at December 31, 2012:

Goods given on operating leases		
Vehícles	$	11,220.4
Less: Accumulated depreciation		(7,691.9)
Less: Allowance		(37.1)
Net	$	3,491.4

13 Other Assets

13.1 Prepaid expenses, deferred charges and intangibles

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

Prepaid expenses and deferred charges		December 31	June 30
Prepaid expenses			
Interest	$	1.4	1.9
Insurance		19,316.3	21,175.4
Other		315.6	534.1
		19,633.3	21,711.4
Deferred charges			
Discount on placement of investment securities		4,708.3	0.0
Remodeling		21,707.3	20,651.6
Deferred income tax due to timing differences		35,035.5	20,391.5
Uniforms		2,813.5	5,400.6
Wealth tax and surcharge		91,476.3	111,705.0
HSBC purchase professional services and consultancy		9,556.0	2,009.5
Commissions		1,561.1	1,439.9
Rent		1,275.3	55.8
Software and lilenses		12,763.0	13,083.6
Other (under 5%)		120.4	509.9
		181,016.7	175,247.4
	$	200,650.0	196,958.8
Intangibles:			
Goodwill	$	1,674,750.4	1,169,781.2
	$	1,875,400.4	1,366,740.0

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

		Balance at June 30	Charges	Amorti-zations	Balance at December 31
Prepaid expenses	$	21,711.4	56,340.8	58,418.9	19,633.3
Deferred charges		175,247.4	118,003.8	112,234.5	181,016.7
Intangibles		1,169,781.2	1,391,237.9	886,268.7	1,674,750.4
	$	1,366,740.0	1,565,582.5	1,056,922.1	1,875,400.4

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

		Under 1 year	1-5 years	5-10 years	over 10 years	Total
December 31						
Prepaid expenses						
interest	$	1.4	0.0	0.0	0.0	1.4
Insurance		19,303.0	13.3	0.0	0.0	19,316.3
Other		120.4	195.2	0.0	0.0	315.6
		19,424.8	208.5	0.0	0.0	19,633.3
Deferred charges:						
Discount on securities placements		0.0	0.0	4,708.3	0.0	4,708.3
Remodeling		8,576.8	13,130.5	0.0	0.0	21,707.3
Software and lilenses		7,907.5	4,855.5	0.0	0.0	12,763.0
Deferred Income tax (Debit) due to timing differences		0.0	35,035.5	0.0	0.0	35,035.5
Wealth tax and surcharge		6.9	91,469.4	0.0	0.0	91,476.3
Commissions		0.0	1,561.1	0.0	0.0	1,561.1
Uniforms		2,813.5	0.0	0.0	0.0	2,813.5
HSBC purchase professional services and consultancy		0.0	9,556.0	0.0	0.0	9,556.0
Other		120.4	0.0	0.0	0.0	120.4
Rent		0.0	0.0	1,275.3	0.0	1,275.3
		19,425.1	155,608.0	5,983.6	0.0	181,016.7
Intangibles:						
Goodwill		68,720.5	300,518.7	606,617.1	698,894.0	1,674,750.4
	$	107,570.4	456,335.2	612,600.7	698,894.0	1,875,400.4

June 30

		Under 1 year	1-5 years	5-10 years	Over 10 years	Total
Prepaid expenses:						
Interest	$	1.9	0.0	0.0	0.0	1.9
Insurance		1,502.5	19,672.9	0.0	0.0	21,175.4
Other		0.0	534.1	0.0	0.0	534.1
		1,504.4	20,207.0	0.0	0.0	21,711.4
Deferred :charges						
Remodeling		6,516.0	14,135.6			20,651.6
Software and licenses		24.1	13,059.5	0.0	0.0	13,083.6
Deferred income tax (Debit) due to timing diferences		0.0	20,391.5	0.0	0.0	20,391.5
Wealth tax and surcharge		0.0	111,705.0			111,705.0
Commissions		0.0	1,439.9			1,439.9
Uniforms		5,400.6	0.0	0.0	0.0	5,400.6
Professional servicies and consultancies		0.0	2,009.5	0.0	0.0	2,009.5
Other		509.9	0.0	0.0	0.0	509.9
Rent		55.8	0.0	0.0	0.0	55.8
		12,506.4	162,741.0	0.0	0.0	175,247.4
Intangibles:						
Goodwill		0.0	11,519.3	284,159.7	874,102.2	1,169,781.2
	$	14,010.8	194,467.3	284,159.7	874,102.2	1,366,740.0

Intangibles

Goodwill was generated by the purchase of local and foreign entities. At December 31and June 30, 2012, the total was $1.674.750.4 and $1.169.781.2, respectively;

	December 31	June 30
Granbanco	$1,134,658.8	1,158,261.9
Confinanciera	6,467.6	11,519.3
Grupo Istmo - Costa Rica	274,363.1	0.0
Inversiones Financieras El Salvador	198,370.7	0.0
HSBC Honduras	60,890.2	0.0
	$1,674,750.4	1,169,781.2

The following are the details:

Goodwill Confinanciera S.A.

For the purchase of Confinanciera S.A. in 2006, goodwill was recorded for $56.918.8, to be amortized in 84 monthly installments as of December 2008.

The following is the detail of the goodwill generated:

Amount originated in December 2006	$	56,918.8
Amortization to December, 2012		(50,451.2)
Balance pending amortization at December 31, 2012	$	6,467.6

Goodwill Granbanco S.A. - Bancafé

Goodwill on the purchase of Granbanco arose on February 16, 2007 for a total of $1.372.458.0.

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

		Business lines						
Year	% amortization.	Consumer	Commercial	SME	Credit cards	Housing	Affiliates	Amount of annual amortization
1	2.47	$ 7,214.9	14,841.5	2,351.3	5,493.1	3,782.8	216.0	33,899.6
2	5.10	7,686.9	15,812.4	2,505.1	5,852.5	4,030.3	230.1	36,117.3
3	7.92	8,226.4	16,922.1	2,680.9	6,263.2	4,313.1	246.2	38,651.9
4	10.94	8,833.2	18,170.4	2,878.7	6,725.2	4,631.3	264.4	41,503.2
5	14.17	9,440.1	19,418.8	3,076.5	7,187.3	4,949.4	282.6	44,354.7
6	17.61	10,046.9	20,667.1	3,274.2	7,649.3	5,267.6	300.7	47,205.8
7	21.28	10,721.2	22,054.2	3,494.0	8,162.7	5,621.2	320.9	50,374.2
8	25.21	11,462.9	23,579.9	3,735.7	8,727.4	6,010.0	343.1	53,859.0
9	29.41	12,272.1	25,244.4	3,999.4	9,343.5	6,434.3	367.3	57,661.0
10	33.91	13,148.7	27,047.6	4,285.1	10,010.9	6,893.9	393.6	61,779.8
11	38.71	14,025.3	28,850.7	4,570.8	10,678.2	7,353.5	419.8	65,898.3
12	43.86	15,036.7	30,931.3	4,900.4	11,448.3	7,883.8	450.1	70,650.6
13	49.35	16,048.1	33,011.9	5,230.0	12,218.4	8,414.1	480.3	75,402.8
14	55.22	17,127.0	35,231.2	5,581.6	13,039.8	8,979.7	512.6	80,471.9
15	61.50	18,340.7	37,727.9	5,977.2	13,963.9	9,616.1	549.0	86,174.8
16	68.21	19,621.9	40,363.3	6,394.7	14,939.3	10,287.8	587.3	92,194.3
17	75.39	20,970.5	43,137.4	6,834.2	15,966.0	10,994.8	627.7	98,530.6
18	83.06	22,386.5	46,050.2	7,295.6	17,044.1	11,737.3	670.1	105,183.8
19	91.25	23,937.3	49,240.4	7,801.1	18,224.9	12,550.4	716.5	112,470.6
20	100.00	25,555.7	52,569.3	8,328.5	19,457.0	13,398.6	764.7	120,073.8
		$292,103.0	600,872.0	95,195.0	222,395.0	153,150.0	8,743.0	1,372,458.0

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:

Business line	Share	Goodwill recorded	Accumulated amortization	Balance
Consumer	21.3%	$ 292,103.0	50,611.3	241,491.7
Commercial	43.8%	600,872.0	104,110.1	496,761.9
SME	6.9%	95,195.0	16,494.0	78,701.0
Credit Card	16.2%	222,395.0	38,533.3	183,861.7
Mortgage loans	11.2%	153,150.0	26,535.6	126,614.4
Affiliates	0.6%	8,743.0	1,514.9	7,228.1
Total	100.0%	$ 1,372,458.0	237,799.2	1,134,658.8

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.

Goodwill – Central América Operation

The Bank´s purchase of HSBC in Central America between November 23 and December 7, 2012 generated goodwill totalling $534.386.3.

This goodwill will be amortized over 20 years exponentially, using the following table:

Year	Y	Y%	% accumulated amortization	Amount to be amortized in the year	Month
1	1.07	2.47	2.47	13,199.3	1,099.9
2	1.14	2.63	5.10	14,062.8	1,171.9
3	1.22	2.82	7.92	15,049.7	1,254.1
4	1.31	3.02	10.94	16,159.9	1,346.7
5	1.40	3.23	14.17	17,270.1	1,439.2
6	1.49	3.44	17.61	18,380.3	1,531.7
7	1.59	3.67	21.28	19,613.9	1,634.5
8	1.70	3.92	25.21	20,970.8	1,747.6
9	1.82	4.20	29.41	22,451.1	1,870.9
10	1.95	4.50	33.91	24,054.8	2,004.6
11	2.08	4.80	38.71	25,658.4	2,138.2
12	2.23	5.15	43.86	27,508.8	2,292.4
13	2.38	5.49	49.35	29,359.2	2,446.6
14	2.54	5.86	55.22	31,332.9	2,611.1
15	2.72	6.28	61.50	33,553.3	2,796.1
16	2.91	6.72	68.21	35,897.1	2,991.4
17	3.11	7.18	75.39	38,364.3	3,197.0
18	3.32	7.66	83.06	40,954.8	3,412.9
19	3.55	8.19	91.25	43,792.0	3,649.3
20	3.79	8.75	100.00	46,752.6	3,896.1
	43.32	100.00		$534,386.3	

Goodwill Grupo Istmo Costa Rica

Amount originated in November 2012	$ 274,929.0
Amortization to December 2012	(565.9)
	$ 274,363.1

Goodwill – Inversiones Financieras el Salvador

The purchase of Financieras el Salvador on November 30, 2012, generated goodwill for $215.579.5, (USD$118.860.4) to be amortized exponentially over 20 years as follows:

Anount originated in November 2012	$ 198.779.9
Amortization to December 2012	(409.2)
	$ 198.370.7

Goodwill – HSBC Honduras

The purchase in Honduras 0n December 7, 2012 generated goodwill for $51.783.7 (USD$ 28.809.5) to be amortized exponentially over 20 years as follows:

Amount originated in December, 2012	$ 51,783.7
Increased value of goodwill	9,106.5
	$ 60,890.2

13.2 Staff loans

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

December 31	Mortgage	Secured	Allowance
A -Normal	$ 121,318.2	391,341.8	1,222.6
B -Acceptable	231.6	498.2	12.2
C -Deficient	38.1	165.7	4.5
	$ 121,587.9	392,005.7	1,239.3
June 30			
A-Normal	118,646.1	405,045.1	1,195.7
B-Acceptable	121.7	289.7	7.0
C-Deficient	25.0	105.4	2.8
	$ 118,792.8	405,440.2	1,205.5

Staff housing loans are secured

13.3 Other Assets - Other

The detail of other assets is the following

		December 31	June 30
Deferred payment letters of credit	$	6,654.2	5,600.2
Judicial deposits in guarantee		8,053.1	5,318.9
Assets delivered on loans-for-use		2,010.2	2,081.6
Works of art and culture		2,268.1	2,191.0
Trust rights (1)		1,572.5	1,677.4
Advance income tax paid		0.0	16,696.0
Tax withholdings		0.0	27,654.5
Income tax surplus		2,902.7	2,902.7
Other (under 5%)		2,425.3	652.2
	$	25,886.1	64,774.5

(1) Trust rights

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

	December 31		June 30	
	Balance	Allowance	Balance	Allowance
Agropecuaria Molina Vivas	37.0	37.0	37.0	37.0
Textiles Omnes S.A.	465.6	465.6	465.6	465.6
Fiduciaria Superior (*)	1,025.7	0.0	1,130.6	0.0
H&L Barú	4,493.4	4,493.4	4,535.0	0.0
Fideicomiso Interfashion	1,062.5	0.0	0.0	0.0
Other	44.2	0.0	44.2	0.0
	7,128.5	4,996.0	6,212.5	502.6

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

13.4 Allowance against other assets

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

		December 31	June 30
Opening balance	$	2,359.7	3,044.6
Plus:			
Allowance charged to operating expenses		308.7	221.2
Reclassifications		(4.3)	0.0
Less:			
Recoveries		233.0	906.1
Closing balance	$	2,431.1	2,359.7

14 Deposits and Demand Accounts

The following is The detail of Deposits and Demand Accounts:

	Interest rate Maximum-Mínimum	December 31	June 30
Checking accounts	0.0% - 1.70%	$ 3,544,762.9	3,229,934.6
Tim e deposits			
Under 6 months	4.35%-5.75%	1,513,603.6	1,178,125.7
6-12 months	4.60%-5.95%	2,183,022.0	1,685,430.8
12-18 months	4.80%-6.25%	1,096,076.5	951,843.9
18 months and over	4.90%-7.10%	1,905,263.6	2,296,134.6
		6,697,965.7	6,111,535.0
Savings deposits			
Ordinary savings	0.00% - 4.60%	13,426,431.6	11,757,921.0
Special savings		41,400.5	45,161.3
		13,467,832.1	11,803,082.3
UVR TDs			
- 6-12 months	2 months	0.0	37,040.2
Other Deposits and Demand Accounts			
Electronic cash deposits		6,144.5	0.0
Banks and correspondents		1,234.2	1,262.5
Special deposits		9,605.7	8,099.6
Demand accounts for banking services		275,244.5	143,586.4
Affiliated establishments		7,707.6	6,521.6
		299,936.5	159,470.1
		$ 24,010,497.2	21,341,062.2

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

Mode		December 31	June 30
interest on Deposits and Demand Accounts:			
Ordinary deposits	$	169,796.8	190,300.1
Time deposits		12.6	37.8
Peso certificates		198,780.8	167,238.6
Checking accounts		10,484.6	10,644.4
		379,074.8	368,220.9
UVR adjustment		2,114.1	7,485.5
Other interest:			
Bank borrowings and other financial obligations		77,409.1	67,018.5
Interbank funds		1,566.7	1,018.0
Bonds		172,451.9	133,612.6
Repo and simultaneous transfer commitments		16,919.4	3,818.7
Other		879.0	622.4
		269,226.1	206,090.2
	$	650,415.0	581,796.6

15 Interbank and overnight liability positions

The following is The detail of interbank and overnight liability positions:

December 31

	Rate	Date of Operation	Date of Maturity	Market Value
Local currency				
Banks	4.24%	Dec.28.12	Jan.02.13	$22,000.0
Total interbank and overnight liability positions				$ 22,000.0

There are no foreign currency operations at the close.

June 30			Rate Min-Maxi	Date of Operation	Maturity	Market Value	TRM (Pesos)
		US$					
Foreign currency							
Overnight Banks abroad	USD	9,375,000.0	0.2%	Jun.29.2012	Jul.02.2012	$16,730.6	1,784.6
Local currency							
Interbank:							
Banks			5.26% - 5.32%	Jun.06.2012	Jul.18.2012	$84,000.0	
Finance company			5.25%	Jun.29.2012	Jul.03.2012	8,000.0	
Liability repos:							
Banks			5.25%	Jun.29.2012	Jul.03.2012	1,200,168.2	
						$1,292,168.2	
Total interbank and overnight liability positions						$ 1,308,898.8	

In the second and first half-years of 2012, the average balance and yields on these local currency interbank and overnight liability positions were $22.000.0 and $3.081.0 and $1.308.898.8 and $806.1respectively.

There are no restrictions on these funds.

16 Bankers´ Acceptances and Deriavtive Instruments

A forward is a derivative formalized by contract between two parties to match the need to buy and sell a specific quantity of a defined underlying Instrument on a future date, in which the basic conditions of the underlying instrument are fixed at the time of formalization, including amongst others, and principally, the price, the date of delivery of the underlying instrument and the mode of delivery.

The following is the detail:

Products	December 31	June 30
Forwards	$145,735.5	62,219.3
Speculative swaps	3,387.9	695.7
Speculative options	4,387.1	3,347.7
Hedging swaps	24,487.2	19,718.4
	$177,997.7	85,981.1

Hedging derivatives

December 31		Forwards	Swaps	Options	Total	Swaps
Currency purchase	Right	($ 5,335,309.8)	0.0	0.0	(5,335,309.8)	0.0
	Obligation	5,479,809.7	0.0	0.0	5,479,809.7	0.0
Currency sale	Right	(220,534.7)	0.0	0.0	(220,534.7)	0.0
	Obligation	221,770.3	0.0	0.0	221,770.3	0.0
Sobre tasa de interés	Right	0.0	(35,140.1)	0.0	(35,140.1)	0.0
	Obligation	0.0	38,528.0	0.0	38,528.0	0.0
Sobre tasa de interés CCS	Right	0.0	0.0	0.0	0.0	(292,815.3)
	Obligation	0.0	0.0	0.0	0.0	317,302.5
Call options	Sale	0.0	0.0	532.3	532.3	0.0
Put options	Purchase	0.0	0.0	0.0	0.0	0.0
Put options	Sale	0.0	0.0	3,854.8	3,854.8	0.0
Total Rights		(5,555,844.5)	(35,140.1)	0.0	(5,590,984.6)	(292,815.3)
Total obligations		5,701,580.0	38,528.0	4,387.1	5,744,495.1	317,302.5
Total Net		$ 145,735.5	3,387.9	4,387.1	153,510.5	24,487.2

		Speculative derivatives				Hedging derivatives
June 30		Forward	Swaps	Options	Total	Swaps
Currency purchase	Right	$(3,327,482.6)	0.0	0.0	(3,327,482.6)	0.0
	Obligation	3,374,509.1	0.0	0.0	3,374,509.1	0.0
Currency sale	Right	(2,756,045.9)	0.0	0.0	(2,756,045.9)	0.0
	Obligation	2,771,238.7	0.0	0.0	2,771,238.7	0.0
Interest rate	Right	0.0	(17,149.8)	0.0	(17,149.8)	0.0
	Obligation	0.0	17,845.5	0.0	17,845.5	0.0
Interest rate CCS	Right	0.0	0.0	0.0	0.0	(295,606.8)
	Obligation	0.0	0.0	0.0	0.0	315,325.2
Call options	Sale	0.0	0.0	1,250.9	1,250.9	0.0
Put options	Purchase	0.0	0.0	0.0	0.0	0.0
Put options	Sale	0.0	0.0	2,096.8	2,096.8	0.0
Total rights		(6,083,528.5)	(17,149.8)	0.0	(6,100,678.3)	(295,606.8)
Total obligations		6,145,747.8	17,845.5	3,347.7	6,166,941.0	315,325.2
Total - net		$ 62,219.3	695.7	3,347.7	66,262.7	19,718.4

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

	December 31				
	0-3 months	3-6 months	6-12 months	over 12 months	Total
Forwards	$124,169.0	11,093.3	10,473.2	0.0	$145,735.5
Speculative swaps	498.0	429.1	1,524.4	936.3	3,387.9
Hedging swaps	0.0	6,292.1	6,684.1	11,511.0	24,487.2
Options	1,978.2	1,681.4	727.5	0.0	4,387.1
	$126,645.2	19,495.9	19,409.2	12,447.3	177,997.7

	June 30				
	0-3 months	3-6 months	6-12 months	over 12 months	Total
Forwards	$46,459.2	12,415.0	3,308.7	36.4	$62,219.3
Speculative swaps	75.9	108.3	203.9	307.6	695.7
Hedging swaps	6,113.4	0.0	6,478.6	7,126.4	19,718.4
Options	1,258.2	1,239.0	850.5	0.0	3,347.7
	$53,906.7	13,762.3	10,841.7	7,470.4	85,981.1

16.1 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:

					Values $		
Period	Item	Term (years)	Initial period	Final period	Right	Obligation	Net
Dec-12	Hedging swap IFC bonds	7	Feb.07.07	Feb.07.14	292,815.4	317,302.5	(24,487.1)
Jun-12	Hedging swap IFC bonds	7	Feb.07.07	Feb.07.14	295,606.8	315,325.2	(19,718.4)

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

The result of the valuation of the swap was negative at both December 31and 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, $11.361.5 was paid, equivalent to US$6.362.7, international counterparts
On January 17, 2012, $11.876.3 was paid, equivalent to US$6.454.8 international counterparts

No reset payment was generated.

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::

		December 31	June 30
Effect of the CCS swap	$	10,894.8	20,177.3
Effect of the IFC bond		2,476.8	(20,995.6)
Net effect	$	13,371.6	(818.3)

17. Bank borrowings and other financial obligations

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

		December 31					
Entidad		interest payable	Under 1 yesar	E1-5 years	5-10 years	Over 10 years	Total Capital
other entidades del país:							
Local currency							
Bancoldex	$	204.4	4,502.2	26,047.8	18,350.5	0.0	48,900.5
Finagro		3,520.1	7,621.7	135,940.3	74,278.9	40,190.9	258,031.8
Findeter		10,476.7	651.4	346,085.6	788,765.4	356,228.6	1,491,731.1
Overdrafts		0.0	147.7	0.0	0.0	0.0	147.7
		14,201.2	12,923.0	508,073.7	881,394.8	396,419.6	1,798,811.0
Foreign currency							
Bancoldex		905.1	2,787.4	47,436.3	86,283.3	0.0	136,507.1
Findeter		428.4	0.0	0.0	97,394.1	0.0	97,394.1
Overdrafts		0.0	151.4	0.0	0.0	0.0	151.4
		1,333.5	2,938.8	47,436.3	183,677.4	0.0	234,052.6
		15,534.7	15,861.8	555,510.0	1,065,072.3	396,419.6	2,032,863.6
Institutions abroad							
		4,451.6	959,264.8	436,559.9	0.0	0.0	1,395,824.7
	$	19,986.3	975,126.6	992,069.9	1,065,072.3	396,419.6	3,428,688.3

Entidad		June 30 interest payable	Under 1 years	1-5 years	5-10 years	over 10 years	Total Capital
Other institutions in Colombia							
Local currency							
Bancoldex	$	197.0	25,316.0	21,493.1	7,970.6	0.0	54,779.7
Finagro		3,465.8	101,213.7	118,697.4	48,862.9	287.5	269,061.6
Findeter		5,714.5	968,884.4	22,849.7	51,345.3	0.0	1,043,079.4
		9,377.3	1,095,414.1	163,040.2	108,178.8	287.5	1,366,920.7
Foreign currency							
Bancoldex		1,111.5	3,656.6	45,732.8	112,362.9	0.0	161,752.4
Findeter		309.2	0.0	0.0	0.0	73,168.6	73,168.6
Overdrafts		0.0	19.7	0.0	0.0	0.0	19.7
		1,420.7	3,676.3	45,732.8	112,362.9	73,168.6	234,940.7
		10,798.1	1,099,090.4	208,773.1	220,541.7	73,456.1	1,601,861.3
Institutions abroad:							
		7,124.7	1,022,591.2	145,547.8	51,256.2	0.0	1,219,395.2
	$	17,922.8	2,121,681.7	354,320.9	271,797.9	73,456.1	2,821,256.6

18 Accounts Payable

The following is the detail of Accounts Payable:

		December 31	June 30
interest:			
Deposits and demand accounts	$	114,177.3	95,080.1
Interbank and overnight operations		896.8	536.0
Bank borrowings and other financial obligations (Note 16)		19,986.3	17,922.8
Investment securities outstanding		64,004.1	37,436.4
other		14.8	16.0
		199,079.3	150,991.3
Commissions and fees		2,439.5	3,123.7
National and regional tax collections		58,358.8	141,276.4
Suppliers			
Accounts Payable - suppliers		77,502.2	16,947.6
Clearing in ACH network		121,977.1	23,684.3
Credit card clearing		37,919.8	25,172.4
Accounts Payable - services rendered		30,026.3	10,857.6
other		10,812.0	17,047.9
		278,237.4	93,709.8
other:			
Tax payable (1)		187,448.7	117,714.2
Dividends and other capital yields		3,118.0	3,106.9
Bank transaction tax		18,519.5	18,439.7
Purchase commitments		7,289.1	2,902.2
Employment withholdings and contributions		52,802.1	55,389.7
Remittances payable		26,660.6	22,695.7
Checks drawn and not presented		8,288.8	17,339.0
Payable to the State, Law 546/1999		29,102.6	91,976.6
Carried forward	$	333,229.4	329,564.0

		December 31	June 30
Brought forward	$	333,229.4	329,564.0
Sundry other:			
Commercial establishments		2,239.9	29,689.2
Deposit insurance		17,152.5	0.0
ISS pension payments		226.0	65,757.8
Bonos de Paz Solidaridad		20,205.7	20,283.7
Balance available VISA prepayment		11,147.2	14,629.9
Cost of collection management		3,173.1	5,753.9
Disbursements pending payment		21,789.9	5,056.4
Sundry (under 5%		46,853.0	47,318.9
		456,016.7	518,053.8
	$	994,131.7	907,155.0

(1) Wealth tax

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	$178.670.3
Amounts paid in 2011 and 2012	(87.200.7)
Balance pending amortization in deferred charges	$91.469.6

19 Títulos de inversión en circulación

At December 31 and June 30, 2012, el Banco has investment securities outstanding for r $5.123.384.1and $3.904.710.5 respectively, corresponding to ordinary, mortgage and subordinated bond issues

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

Type	Date	Offer	Term (months)	Yield	Maturity	Book value December 31	Book value June 30
Secured subordinated bonds							
First issue IFC – US$ (1) Guarantee Mortgage loans rated A and prepayment opt ion for issuer every quarter - Series G	07-Feb-07	$ 368,641.1	84	Libor6 + 2.75	07-Feb-14	$ 292,815.5	295,606.8
Unsecured subordinated bonds							
CPI							
First issue - Series C	19-Feb-08	147,777.0	84	CPI + 6.65	19-Feb-15	$ 147,777.0	147,777.0
Second issue - Series C7	24-Feb-10	138,497.2	84	CPI + 5.25	24-Feb-17	138,497.2	138,497.2
Second issue first tranche - Series C	25-Apr-12	181,400.0	120	CPI + 4.37	25-Apr-22	181,400.0	181,400.0
Second issue first tranche - Series C	25-Apr-12	218,600.0	180	CPI + 4.56	25-Apr-27	218,600.0	218,600.0
						686,274.2	686,274.2
U.V.R.							
First issue - Series D	19-Feb-08	151,577.5	84	UVR + 6.65	19-Feb-15	$ 182,119.0	180,980.9
Second issue - Series U10	24-Feb-10	111,503.0	120	UVR + 5.50	24-Feb-20	121,908.4	121,146.6
						304,027.4	302,127.5
US$							
International bonds	09-Jul-12	$ 895,370.0	120	TF 5.875%	09-Jul-22	$ 884,115.0	0.0
					Total Subordinated	$ 2,167,232.1	1,284,008.5
Carried forward						$ 2,167,232.1	1,284,008.5

Type	Date	Offer	Term (Months	Yield	Maturity	Book Value December 31	June 30
						$ 2,167,232.1	1,284,008.5
Ordinary unsecured bonds							
CPI							
Second issue–Series G	05-Aug-08	$ 170,570.0	60	CPI + 6.24	05-Aug-13	$ 170,570.0	170,570.0
First issue–Series G	05-Feb-09	123,433.0	84	CPI + 5.50	05-Feb-16	123,433.0	123,433.0
First issueTranche 2 –Series G5	16-Jul-09	215,000.0	60	CPI + 4.79	16-Jul-14	215,000.0	215,000.0
Second issue Tranche 1 –Series C5	12-Feb-10	215,062.0	60	CPI + 3.98	12-Feb-15	215,062.0	215,062.0
Third issue Tranche 2 –Series C5	07-Oct-10	120,150.0	60	CPI + 3.14	07-Oct-15	120,150.0	120,150.0
Third issue Tranche 2 - Series C7	07-Oct-10	196,050.0	84	CPI + 3.63	07-Oct-17	196,050.0	196,050.0
Fourth issue–Series C39	10-Mar-11	86,482.0	39	CPI + 2.80	10-Jun-14	86,482.0	86,482.0
Fourth issue–Series C84	10-Mar-11	76,055.0	84	CPI + 3.88	10-Mar-18	76,055.0	76,055.0
Fourth issue–Series C120	10-Mar-11	193,252.0	120	CPI + 4.19	10-Mar-21	193,252.0	193,252.0
First issue - Secondtranche–Series C120	10-Mar-11	90,000.0	48	CPI + 3.60	10-Mar-15	90,000.0	90,000.0
First issue– Second tranche–Series C120	10-Mar-11	159,230.0	90	CPI + 3.99	10-Sep-18	159,230.0	159,230.0
First issue– Second tranche–Series C120	10-Mar-11	160,770.0	126	CPI + 4.23	10-Sep-21	160,770.0	160,770.0
Third issue–First TrancheSeries C	15-Aug-12	230,050.0	180	CPI +4.23%	15-Aug-27	230,050.0	0.0
Third issue–First tranche Series C	15-Aug-12	174,147.0	120	CPI +4.07%	15-Aug-22	174,147.0	0.0
						2,210,251.0	1,806,054.0
IBR							
Second issueTranche 1 –Serie B3	12-Feb-10	101,837.0	36	IBR + 1.36	12-Feb-13	$ 101,837.0	101,837.0
Third issueTranche 2 –Serie cB2	07-Oct-10	91,550.0	24	IBR + 1.10	07-Oct-12	0.0	91,550.0
Third issueTranche 2 –Serie B3	07-Oct-10	92,250.0	36	IBR + 1.31	07-Oct-13	92,250.0	92,250.0
First issue–Serie B30	10-Mar-11	244,211.0	30	IBR + 1.35	03-Sep-13	244,211.0	244,211.0
First issue– Second tranche series B27	10-Mar-11	90,000.0	27	IBR + 1.68	10-Jun-13	90,000.0	90,000.0
						528,298.0	619,848.0
Rate Fija							
Second issueTranche 1 –Series F5	05-Feb-09	121,800.0	60	TF 10.40%	05-Feb-14	$ 121,800.0	121,800.0
Second issueTranche 2 –Series E3	16-Jul-09	73,000.0	36	TF 7.89%	16-Jul-12	0.0	73,000.0
Third issue–First tranche Series F	15-Aug-12	95,803.0	36	TF % 6.5%	15-Aug-15	95,803.0	0.0
						217,603.0	194,800.0
					Total ordinary bonds	$ 2,956,152.0	2,620,702.0
					Total Bonds outstanding	$ 5,123,384.1	3,904,710.5

(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 values 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.

Bonds by monetary unit

		December 31	June 30
Local currency	$	3,642,426.2	3,306,976.2
Foreign currency		1,176,930.5	295,606.8
UVR		304,027.4	302,127.5
	$	5,123,384.1	3,904,710.5

Bonds by maturity

		December 31	June 30
Under 1 year	$	698,868.0	356,387.0
1-5 years		2,024,988.7	2,241,819.9
5 - 10 years		1,950,877.4	1,087,903.6
Over 10 years		448,650.0	218,600.0
	$	5,123,384.1	3,904,710.5

20 Other Liabilities

Other liabilities correspond to the following:

		December 31	June 30
Long-term employment liabilities	$	38,381.2	31,169.9
Income received in advance		6,151.1	6,578.4
Other		347,354.0	296,471.2
	$	391,886.3	334,219.5

The following is the detail of other liabilities:

20.1 Employment liabilties

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

		December 31	June 30
Severance accrual	$	13,008.3	6,622.5
interest on severance accrual		1,531.1	393.9
Holidays		16,072.5	15,971.4
Otheremployment benefits		7,769.3	8,182.1
	$	38,381.2	31,169.9

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 of $5.516.5, was 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.

20.2 Income received in advance

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

		Balance at June 30	Credits	Charges	Balance at December 31
Interest	$	0.0	15,933.7	15,732.8	200.9
Administration charges, credit and debit cards		0.0	4,311.2	4,246.1	65.1
Commissions		6,573.0	39,900.9	40,622.3	5,851.6
Other		5.4	174.2	146.1	33.5
	$	6,578.4	60,320.0	60,747.3	6,151.1

20.3 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 credits (1)	$	36,096.4	58,081.2	60,832.1	33,345.5
Deferred payment letters of credit		5,600.2	28,018.8	26,964.8	6,654.2
Deferred income tax		179,729.5	38,377.0	6,099.0	212,007.5
Credits pending application		37,016.1	18,133,317.5	18,112,949.4	57,384.2
Clearing overages		0.0	38,705.3	38,370.2	335.1
cash overages		5,872.1	62,333.3	63,418.7	4,786.7
Cancelled accounts		31,813.8	2,121.1	1,330.4	32,604.5
Other		343.1	886,442.2	886,549.0	236.3
	$	296,471.2	19,247,396.4	19,196,513.6	347,354.0

(1) Corresponds mainly to deferrals under restructured loans with balances at December 31 and June 30, 2012 for $26.080.3 and $25.338.6 respectively.

The terms of amortization are:

		December 31	June 30
0-1 years	$	4,230.9	7,586.9
1-5 years		2,777.3	3,136.4
Over 10 years		26,337.3	25,373.1
	$	33,345.5	36,096.4

21 Accruals and provisions

The following is The detail of accruals and provisions:

		December 31	June 30
Taxes:			
Income and related taxes 2012	$	0.0	87,369.9
Turnover tax		0.0	13,473.2
		0.0	100,843.1
Other:			
Fines, penalties, litigation, claims and indemnities		56,849.7	118,030.3
Accrual for the financial cost of commercial strategies		31,733.8	25,626.5
Other provisions (under 5%)		3,266.2	3,179.9
		91,849.7	146,836.7
	$	91,849.7	247,679.8

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

Fines, penalties and litigation

The cases that have generated contingent liabilities for the Bank are detailed as follows:

a. Cases for account of Fogafín

These are cases against Granbanco S.A. Fiduciaria Cafetera S.A, Bancafe Panamá S.A. and Bancafé International Corporation, existing before January 31, 2007 and others served after February 16, 2007 and up to February 16, 2010, still in process and expressly 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%.

b. Litigation against the Bank

These are other cases, which generate a contingency for the Bank

The following is a summary of cases pending December 31 and June 30, 2012:

December 31

Type of process	No of cases	Provision	Amount of claims
Cases covered by the Fogafin contract	237	14,261.9	55,193.7
Bank:			
Fines, penalties and other- administrative authorities	13	25,434.4	25,434.4
Labour claims	51	1,405.4	3,939.3
Civil cases	901	15,748.0	79,758.3
	1,202	$ 56,849.7	$ 164,325.7

June 30

Type of process	Cantidad procesos	Valor Provisión	Valor Pretensiones
Cases covered by Fogafin	293	$ 13,084.1	59,508.0
Bank:			
Fines, penalties and other- administrative authorities	16	87,625.3	92,651.4
Labour claims	50	1,277.4	3,581.4
Civil cases	947	16,043.5	78,060.8
	1,306	$ 118,030.3	$ 233,801.6

Processes initiated by the Bank may be:

Criminal

Only if criminal proceedings implicate the Bank as a third party with civil liability. At December 31, and June 30, 2012 there was one such case, the amount involved is less than $70.0.

Civi, special, administrative and labor cases

This type of case generates a contingency for the Bank, regardless of the process that causes it. In general terms, because of its eventual contractual or general civil liability and equally penalties or due to sanctions imposed by the authorities. Each of these cases is classified and allowances are made as necessary.

The following are the court cases that may generate the most important economic impact on the Bank:

Tax cases

Income tax 2003:

The Bank filed its tax return on the basis of "presumed income" and claimed a credit balance of $7,004.8. 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 $3,046.5.

DIAN considered that this was out of order and assessed a higher liability, of $ 2,638.8. It also imposed a fine for "falsification", of 160% of that amount, that is, $4,222.0, giving a total of $6,860.8.

Thus, the balance claimed by the Bank for $10,051.3 was reduced to $3,190.5 after subtracting the higher liability and the fine for $6,860.8.

Since DIAN had initially rebated $7,004.8 to the Bank, and which according to them, the credit balance was $3,190.5 after applying the higher tax and the fine, DIAN claimed the return of $3,814.3 plus interest.

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

1. Action for nullity and restoration of law against the decision of June 2006 and the resolution of August 2005 imposing a fine of $3,814.3 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 $3,046.4

   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.

Action in damages - DIAN v the Bank - Wealth Tax 2007.

In 2008 DIAN made a proportional rebate of the amount of $4,485.0 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 $6,056.0, giving a total of $10,541.0. 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 t 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 $13,694.0 and imposes a penalty for “falsity in declaration” of 160% for a total of $21,043.0, plus penalty interest at June 30, 2012 for $33,048.0, that is, a total of $67,785,0. On February 28, 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 $67,684.0, thus ending the proceedings, The Bank nonetheless entered an action for the protection of fundamental rights due to the manifest violatons 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 $ 2.369.0, plus a fine for falsification of 160% or $3.789.0, plus penalty interest which at June 30, 2012 amounted to $5,815 million , for a total value of claims of $11,973.0.

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.

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 $405,421.0, for which provisions had already been made.

At December 31, 2012 provisions totaled $11.567.0 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 g 22 weeks remaining and final decision. Any further steps in these proceedings require the consent of DIAN, once the related regulations are in place.

c. Fogafin Guarantee of Contingent Liabilities

During the process of privatization of Granbanco S.A. Bancafé, on December 12, 2006, Fogafin made a contract to guarantee its contingent liabilities, which took effect on February 16, 2007.

The Fogafin guarantee covers Banco Davivienda S.A. for the payment of certain contingent liabilities specified there. The cover is for 85% (and exceptionally 90%) with respect to labor and pension obligations of Banco Cafetero S.A. in Liquidation, subject to certain terms and conditions.

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 $21.067,0. 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 a provision of$ 14,261.9 and $13,460.5 and claims of $55,193.7 and $59,508.0, 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 $382.0, 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 $4,000.0. 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 $3,500.0, 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. 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 users 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 $5,000. 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.

2. Mercedes López Rodríguez brought a class action alleging that the Bank and other financial institutions had not returned TES, in cases where under Law 546/1999, there was no reason to charge for them, or they should have reverted. The case is before Civil Court 4 Bogota pending decision on a request for revocation entered by the Bank against the order to admit the case. The contingency is classed as remote and at this point in the proceedings it is not possible to estimate the amount of the claims, the plaintiff estimates it to be in excess of $1.000.0.

3 Asociación Comité Nacional de Usuarios Upac – Uvr, a non-profit organization, joined in a class action with others against the Bank, claiming irregular reliquidationl of relief for mortgage debtors under Law 546 /1999. They also demanded the reimbursement to the Colombian Treasury of the TES which were the proceeds of the irregular liquidation and of the Bank´s refusal to revert relied when by law it should have done so. The case is before the Cundinamarca Administrative Tribunal pending a decision on the request for revocation entered by the Bank against the order admitting the case. The claims mention no amount, and the case is classed as remote.

4 Class action brought by Mr. Alvaro Romero-Bocarejo and other Concasa debtors, in which the plaintiffs claim that Corporación de Ahorro y Vivienda Concasa, of which the Bank is the successor, improperly charged interest on housing loans. The Bank was served notice of the claim, and challenged the admission of the suit, generating a negative conflict of competency between the civil courts and administrative disputes jurisdiction. This was decided in favour of the Civil Court 37, Bogotá, which in September 2010, admitted the lawsuit and ordered personal service on the Bank. The plaintiffs are 142 individuals and there are no clear elements to establish the amount of the claims, and no allowance has been made, since the contingency is rated as remote, given that the Bank complied with the parameters of Law 546 and Constitutional Court orders for the recalculation of UPAC loans; the case is classed a remote.

4. In Civil Court 7, Bogotá, Aida Acero and others have brought a class action for excessive interest charged in the UPAC system for home mortgage loans, based on which they argue that they were charged something they did not owe.. The Bank awaits the Court´s decision on the preliminary objections it proposed. At present there is no objective evidence to enable the claim to be quantified and the members of the group. The contingency is classed as remote.

5. Mrs Clara Cecilia Murcia and others entered a class action in Administrative Court 5, Bogota against the courts that did not comply with the allowances of Law 546 on the termination of the mortgage enforcement

cases. The application requests that all courts in Colombia be ordered to terminate these cases. The Bank is implicated as a third party for having filed enforcement claims at the time. The case is pending a decision of the Bank´s appeal against the order denying its preliminary exceptions. The contingency has been described as remote.

6. Mr. Fredy Alarcón and others sued in a class action claiming for compensation for alleged overcharging of the holders of UPAC-indexed mortgage loans. The case is before Civil Circuit Court 31, Bogota which refused to admit it as a result of a request for revocation against admission, and is pending resolution of the letter of remedy provided by the plaintiff. The contingency is described as remote and the amount of the claims cannot at present be established

7. In Civil Court 5 Henderson Sepúlveda and another in a class action have sued for excessive interest charges on credit card operations. The case is in the evidence-gathering stage and there are no valid criteria to calculate the amount of the claims. Classed as remote.

Cases linked to charges for financial services.

1. Olga Irene Vega-Correa entered a class action against the Bank and other financial institutions on the grounds that they charge fees that are unconstitutional, illegal, unfair and exorbitant for the financial services they provide. The process is pending before the Administrative Court of Tolima, where evidence is being collected. The amounts claimed are cannot be determined. The contingency has been classed as remote as in similar cases the claims of the plaintiffs have been denied.

2. Mr. Oscar Zambrano-Parada and others sued before Civil Court 31, Bogotá seeking recognition of damages for allegedly unlawful charges of commissions for bank and financial services. The Bank contested the claims in time and the case is now in the evidence collection stage. There are no objective parameters to calculate the amount of the claims, and therefore no allowance has been made for the contingency until some possible risk can be identified the course of the proceedings. The contingency was treated as remote.

3. Mrs. Rosemary Roa-Sarmiento brought a class action before Civil Court 20, Bogotá, for allegedly unlawful charges for financial services provided by the Bank. The data currently available have not made it possible to determine an amount for the claims. Evidence ordered by the Court are being produced at this time. In similar cases against other Banks, the courts have rejected suits for lack of legal support. This contingency has therefore been treated as remote. There is a similar class action brought by José Guillermo T Roa in Civil Court 5, Bogotá Circuit currently also in the evidence-gathering stage, and the considerations of this case also apply to it.

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 $5,200.0 plus any interest; the contingency is rated as remote.

2 In Administrative Court 14, Barranquilla a class action was filed by Silvana Heredia and others, seeking to relocate persons who acquired low-cost housing in an area of the city, which have experienced foundation problems, in other homes of similar conditions,. The matter is currently pending the lower court´s decision.

The Bank was implicated as a defendant because it has granted mortgages to buy those homes. The contingency is classed as remote.

3 Ms. Ana Rocio Murcia-Gómez and others sued the Bank and others, for geological faults in the lands on which the houses of the “Parques del Sol” Condominium, Soacha were built. The case is before Administrative Court 29, Bogota, in the evidence-gathering stage. The Bank is implicated because it made mortgage loans on these properties. The amount involved cannot be determined. The contingency is classed as remote.

4 Nohora Beatriz Santos-Quiroga and others in the real estate development "Quintas del Sur" sued the Bank and others through a class action, on the grounds that since they consider that the banks are liable for damages suffered by them due to the deficiencies in construction of the buildings in that development. The group action is in process in Administrative Court 29, Bogota; July 26, 2010 the Bank contested the claims, and awaits the service of notice on the other defendants. The claims total $2,995 million plus interest. The contingency has been described as remote.

5 Ms. Adriana Rocio Mantilla and others entered a class action in Administrative Court 2, Cúcuta against the Bank, claiming compensation for injuries suffered from the faults found in the residential properties located in the Vista Hermosa development. The Bank contested the claims on November 11, 2010. The amount of the claim cannot be determined. The case has been classified as a remote contingency.

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 CISa and CISA then sold to the Groupit. 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 $9,000.0. The contingency is rated as remote

2. Mr. Cornelio Villada- Rubio and others entered a class action before the Administrative Court 7, Ibague, for payment of compensation for damages arising from a report to credit bureaus, without their permission, or for remaining reported for a term longer than the legally permitted. The claims were contested on June 9, 2009, but because of a challenge by one of the defendants, the suit was admitted again, and the Bank was served on December 13, 2010, and contested on January 7, 2011. The preliminary exceptions raised, are pending decision. The amount in dispute is not determined. The contingency is classed as remote.

Cases with asset contingencies in which the Bank is plaintiff

The Bank is plaintiff in a number of cases in defence of its rights. The most important of them in terms of amount are:

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 $35,128.7 of interest. On December 2, 2008, DIAN Resolution No. 09036 decided to recognize $7,110.6.

   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 $29,131.1. 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 $13.095.0 $9.728.0 payment of Wealth Tax not due and Bank Transaction Tax (GMF) not due paid in 2007.

   The Bank received the DIAN decisions to rebate $4,485.0 of wealth tax on July 23, 2008and on December 18, 2008 DIAN Resolution No. 6081795 decided that a GMF rebate of $263.6 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 $8,610.0, 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 $4.305.2 from $6.547.5 paid on account of the first installment of the Wealth Tax for 2007. The final decision was unfavorable to the Bank.

   - Action for nullity and restoration of law (2009-210) to annul Resolutions 608-0888/2008 and 001007/2009 (reconsideration). DIAN denied the rebate of $4.305.2 from $6.547.5 paid on account of the second installment of the Wealth Tax for 2007. The suit was filed with the Administrative Tribunal of Cundinamarca after other steps of procedure had been exhausted, and the Court found against the Bank. Davivienda´s appeal against this decision is now before the Council of State.

Other cases.

A civil suit was brought against Compañía Suramericana de Seguros to declare the existence of an insured loss undxer the Banker´s Blanket Bond # 1999040002 instrumenting a bank contract between Banco Cafetero S.A. y la Compañía Agrícola de Seguro. The loss cost GRANBANCO S.A. Bancafé, $5.531.0. The case is before Civil Court 6, Bogotá and a decision in the first instance is awaited.

22 Capital

The authorized capital of the Bank is 480 million shares with a par value of $125 each.

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

		December 31	June 30
Authorized	$	60,000.0	60,000.0
Subscribed and paid		55,526.8	55,483.3

Authorized, subscribed and paid capital consists of the following shares:

		December 31	June 30
Ordinary, subscribed and paid		343,676,929	343,329,320
Preference, subscribed and paid		100,537,305	100,537,307
Shares Outstanding		444,214,234	443,866,627
Weighted average shares subscribed		444,155,669	443,833,625
Intrinsic value of the share (pesos)		12,192.84	11,505.75
Net profit per share (pesos)	$	771.86	829.34

Capital generated by the equity surplus up to January 321, 2006 was $252.185.2.

Shares are nominative and may be (a)f ordinary, (b) privileged or (c) with non-voting preferential dividendL. The preference shares may not represent over 50% of subscribed capital.

All Bank shares are dematerialized: there are no physical securities and ownership is recorded by Deceval.

Preference shares have the right to receive a minimum preferential dividend of 0.5% every six months, on the subscription price of the first issue in the program, that is, $80.65, which will be paid preferentially over and above the ordinary shares. The minimum preference dividend may not be accumulated.

- Share issue.

On August 26, 2011 the Shareholders´ Meeting authorized an increase in the program´s limits, for the issue and placement of 96 million preference shares.

The first issue placed 26 million preference shares at a subscription Price of $16.129 (pesos), on September 20 2010.

The Bank made its second issue and placed the 35,809,649 preference shares at a subscription price of $20,000 on 25 November 2011..

On August 1, with the Confinanciera merger, one ordinary share of Davivienda was given in Exchange for Confinanciera shares, for a total of 347.609 ordinary shares at the approved exchange of 799:1.

23 Reserves

The detail of reserves is the following:

		December 31	June 30
Legal (mandatory) reserve			
Appropriation of profit	$	27,741.7	27,739.8
Ordinary share premium		1,124,690.0	1,120,427.6
Preference share premium		1,124,620.2	1,124,620.2
		2,277,051.9	2,272,787.6
Statutory and voluntary reserves			
For charities and donations, at the disposal of the Board		2,776.7	8,614.3
At the disposal of the General Meeting		1,925,861.8	1,670,223.3
For tax regulations		33,512.1	36,530.7
		1,962,150.6	1,715,368.3
	$	4,239,202.5	3,988,155.9

At December 31and June 30, 2012, donations were made for $5.837.7 y$4.429.2, respectively, against the appropriate voluntary reserves, authorized by the General Meeting.

The General Meeting of September 19, 2012, approved the release of part of the voluntary reserve for reappraisal of investments for market price valuations for $3.018.6, and the establishment of an untaxed reserve for future distributions

As a result of the merger with Confinanciera S.A., the Bank recorded a placement premium of $4.262.4.

24 Contingent Accounts

A detail of the contingent accounts is the following

		December 31	June 30
Creditor:			
Securities received in repo and simultaneous operation	$	121,101.8	734,681.4
Bank guaranties		2,383,301.4	1,729,163.2
Letters of credit		25,951.9	111,296.5
Loans approved and not disbursed		5,519,940.8	4,385,877.5
Credit cards opened		8,252,613.6	7,707,155.1
Obligations under options		214,339.5	225,356.4
Litigation (Note 20)		164,325.7	233,801.6
other (under 5%)		83,259.6	73,118.2
	$	16,764,834.3	15,200,449.9
Debtor:			
Securities delivered in repos and simultaneous operations		0.0	1,361,751.6
Loan interest		62,304.1	52,232.3
Residential leasing interest		2,947.5	3,018.9
Rights under options		329,747.9	142,764.2
Purchase options receivable		3,089.9	451.6
Monetary correction on loans		3,864.5	6,598.0
Leasing payments receivable		155,064.5	26,444.2
Right sunder securitization contract		17,193.0	17,193.0
TIP's E-4 class C		9,297.8	9,297.8
Litigation		76,091.2	80,444.1
Residual value of securitizations		92,898.7	81,415.6
Other debtor contingencies (under 5%)		31,655.7	56,410.9
	$	784,154.8	1,838,022.2

25 Memorandum accounts

A detail of Memorandum Accounts, is the following

		December 31	June 30
Debtor			
Assets and securities delivered in custody	$	4,664,540.4	4,337,722.6
Assets and securities delivered in guaranty		112,440.3	1,152,574.3
Reappraisals of assets received in payment - real property		14,600.5	10,795.4
Reappraisals of assets received in payment - movable assets		6,580.0	6,532.3
Remittances and other outward items		10,407.9	13,796.4
Assets written offs		1,470,557.7	1,291,611.1
Loans to shareholders and related parties		69,293.9	41,513.4
Loans to parent , affiliates, subsidiaries		200,000.0	217,000.0
New agricultural loans		887,380.5	1,018,926.6
Property and equipment fully depreciated		146,339.7	203,580.3
Fiscal value of non-monetary assets		34,591,822.5	34,110,107.5
Trading investments debt securities		3,501,864.3	2,257,171.0
Held to maturity securities		381,852.2	382,377.7
Available for sale debt securities		737,358.1	629,276.2
Reciprocal operations with parent and subsidiaries		1,326,817.9	398,752.2
Reciprocal operations affecting parent costs and expenses		24,203.5	18,141.4
Capital, interest and insurance, securitization operations		2,055,044.6	2,204,781.1
Assets, expenses and contingency, universalities		251,425.9	264,294.8
interest, UVR and guaranties, loans written off		943,396.2	837,135.2
Litigation, special cases		80,083.7	76,555.4
Indirect depositors DCV		2,209,338.6	2,229,482.2
Other debtor (under 5%)		2,437,829.1	2,098,624.6
	$	56,123,177.5	53,800,751.7

		December 31	June 30
Creditor			
Assets and securities received in custody	$	9,480.0	10,036.8
Assets and securities received in guaranty		31,343,946.6	24,719,976.2
Assets and securities received as non-admissible guaranties		41,422.5	25,717.5
Recoveries of assets written off		65,557.7	71,798.9
Fiscal value of equity		4,211,166.7	4,126,513.8
Capital, interest and other items - commercial loans		16,621,321.1	15,239,493.8
Capital, interest and other - consumer loans		9,392,046.2	8,862,967.2
Capital, interest and other - mortgage loans		2,968,945.5	2,615,807.9
Reciprocal operations with parents and subsidiaries		68,434.1	125,432.2
Reciprocal operations affecting parent income		42,932.8	71,535.2
Guarantees, income and liabilities under universalities		220,200.0	246,924.0
Guaranties - securitization portfolio		6,501,961.3	7,264,643.9
Subordinated bonds		292,782.4	295,596.0
Computable capital October/2012		6,446,075.6	5,227,544.6
Computable capital November /2012		6,437,976.8	5,235,467.6
Withholding base Decree 700 - Investments		1,333,782.3	987,252.9
Other debtor contingencies (under 5%)		4,078,367.1	1,036,215.8
	$	90,076,398.7	76,162,924.3

26 Trust account

Universalities of mortgage loans written off (CCV)

A t 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.

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.

The following is the detail of the operation of this “Universality” formed on November 9. 2004:

Capital	$	92,256.2
Interest		2,131.6
Insurance		2,737.1
Other assets		3,848.0
Deferred		(3,191.5)
Contingency – UVR housing		12,855.3
Contingency – interest, housing		23,834.7
Total	$	134,471.4

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:

From	To	Series	Term (Months)	Yield	Issued Face value
22-Dec-04	22-Dec-12	I	96	Uncertain	$ 6,999.1

- 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.
- 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	$	126,288.6
Interest		4,148.7
Insurance		8,155.7
Other assets		1,835.4
Deferred		(2,987.7)
UVR housing contingency		54,817.1
Interest housing contingency		74,043.3
Total "Universality"	$	266,301.1

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:

From	To	Series	Term (Months)	Yield	issued Face value
26-May-04	26-May-12	I	96	Uncertain	$ 10,042.0

- 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 Section1.5 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-

The following is the detail of the "universality" operation of December 16, 2003:

Capital	$	155,179.0
Interest		7,318.9
Other assets		10,003.3
Deferred		(6,095.3)
Total "Universality"	$	166,405.9

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, 2003Fitch Ratings Colombia SCV rated these securities D(Col), to match their risk situation.

Some Bank shareholders acquired all of these securities.

The characteristics of the CCV paper are the following:

From	To	Series	Term (Months)	Yield	Issued Face value
29-Dec-03	29-Dec-11	I	96	Uncertain	$ 13,977.4

- 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:

		December 31			
		CCV	CCVII	CCVIII	Total
Balance					
Cash	$	0.0	217.6	675.4	893.0
Loans		17,485.9	8,850.4	4,340.9	30,677.2
Debtors		6,197.0	92.2	215.8	6,505.0
Total Assets		23,682.9	9,160.2	5,232.1	38,075.2
Creditors		6,197.0	0.0	0.0	6,197.0
Sundry		0.0	309.7	891.2	1,200.9
Investment securities outstanding		17,485.9	8,850.5	4,340.9	30,677.3
Total liabilities	$	23,682.9	9,160.2	5,232.1	38,075.2
Results					
Operating income		0.0	0.0	0.6	0.6
UVR adjustment		109.3	55.3	35.4	200.0
Loan recoveries		2,847.0	2,425.3	2,084.8	7,357.1
Recovery on sale of foreclosed assets		1,514.2	541.9	279.3	2,335.4
Total operating income		4,470.5	3,022.5	2,400.1	9,893.1
Other interest		1,487.1	1,362.2	1,709.7	4,559.0
Commissions		261.9	158.8	118.2	538.9
Fees		120.7	102.0	51.1	273.8
Insurance		2,150.5	1,039.8	459.3	3,649.6
Sundry		450.3	359.7	61.8	871.8
Total operating expenses	$	4,470.5	3,022.5	2,400.1	9,893.1
Contingent Accounts					
Loans		184,358.4	87,938.3	30,641.6	302,938.3
Other contingencies		19,831.3	18,208.0	11,631.1	49,670.4
Total contingencies	$	204,189.7	106,146.3	42,272.7	352,608.7
Debtor					
Loans	$	18,045.8	15,777.2	11,962.8	45,785.8
Creditor					
Loans	$	78,505.7	66,507.4	57,895.8	202,908.9

		June 30			
		CCV	CCVII	CCVIII	Total
Balance					
H					
Cash	$	0.0	0.0	119.5	119.5
Loans		17,376.6	8,795.1	5,571.0	31,742.7
Debtors		7,684.1	1,052.5	327.6	9,064.2
Total Assets		25,060.7	9,847.6	6,018.1	40,926.4
Accounts payable		182.4	0.0	0.0	182.4
Creditors		7,501.7	1,052.5	0.0	8,554.2
Sundry		0.0	0.0	447.1	447.1
Securities outstanding		17,376.6	8,795.1	5,571.0	31,742.7
Total Liabilties	$	25,060.7	9,847.6	6,018.1	40,926.4
Results					
Operating income		0.0	0.1	0.2	0.3
UVR adjustment		383.5	194.1	123.0	700.6
Loan recoveries		2,180.1	2,487.2	2,792.0	7,459.3
Recovery on sale of foreclosed assets		798.0	521.0	282.7	1,601.7
Total operating income		3,361.6	3,202.4	3,197.9	9,761.9
Other interest		336.7	1,287.9	2,316.8	3,941.4
Commissions		487.8	299.4	230.6	1,017.8
Fees		130.7	89.4	30.3	250.4
Insurance		2,125.7	1,074.0	465.7	3,665.4
Sundry		280.7	451.7	154.5	886.9
Total operating expenses	$	3,361.6	3,202.4	3,197.9	9,761.9
Contingentes					
Loans		187,690.8	90,818.2	31,714.3	310,223.3
Other contingencies		22,267.8	20,017.4	12,024.1	54,309.3
Total contingencies	$	209,958.6	110,835.6	43,738.4	364,532.6
Debtor					
Loans	$	20,727.7	17,501.7	13,599.9	51,829.3
Creditor					
Loans	$	89,353.9	71,553.0	67,071.5	227,978.4

27 Administrative and operating expenses

The detail of administrative and operating expenses is the following:

		December 31	June 30
Fees	$	72,164.3	40,076.2
Contributions and affiliations		27,368.3	24,026.9
Maintenance and repairs		13,995.9	10,514.1
Office remodelling		8,943.8	7,580.7
Cleaning and security		16,579.1	14,796.6
Advertising		56,765.0	29,856.8
Public Services		34,326.4	29,118.3
Stationery		10,119.5	9,971.7
Insurance		33,092.0	29,996.0
Rent		35,769.4	28,607.5
Data processing		35,214.4	23,282.1
Travel		7,310.4	7,349.2
Transport		29,233.9	27,776.0
Commissions		57,956.7	45,611.3
Amortization and depreciation		41,630.7	37,891.2
Amortization of goodwill		28,643.7	27,431.0
Taxes		65,511.5	67,688.3
Deposit insurance		33,725.6	33,042.6
Other under 5%		15,363.3	9,779.8
	$	623,713.9	504,396.3

28 Other operating income and expenses, net

The following is The detail of operating income and expenses, net:

		December 31	June 30
Exchange	$	(7,086.4)	(103.0)
Derivatives		13,075.0	152,892.8
Other (Repos, simultaneous, spot operations, investments)		35,326.1	29,227.2
Valuación of subordinated bonds		40,718.2	83,514.7
Valuaron of swaps		(10,894.8)	(142,228.9)
Valuation of IFC bonds		(37,917.3)	(57,144.9)
	$	33,220.8	66,157.9

29 Non-operating income and expenses, net

The following is The detail of non-operating income and expenses, net

		December 31	June 30
Profit on sale of assets received in payment	$	929.2	1,358.1
Profit on sale of property and equipment		4,582.5	1,714.4
Rent		1,197.9	840.4
Sundry		24,572.6	13,215.7
Recovery of allowance against property and equipment		684.6	807.9
Recovery of other allowances		3,103.6	7,033.2
Other recoveries		35,325.1	3,774.1
	$	70,395.5	28,743.8
Loss on sale of assets received in payment		(1,219.9)	(1,219.9)
SARO operating losses		(20,590.1)	(8,824.4)
Fines, penalties and litigation		(9,153.6)	(36,770.9)
Expenses of assets received in payment and restored assets		(1,691.5)	(981.8)
Other		(13,287.2)	(21,512.1)
	$	(45,942.3)	(69,309.1)

30 Income tax

The following is the reconciliation between book profits and taxable profits for the periods ended on December 31and June 30, 2012:

		December 31	June 30
Profit beore tax	$	437,007.3	471,592.8
(Plus or less ítems that increase (decrease) taxable profit):			
Deductibe bank transaction tax		16,624.8	11,859.6
Fines and sanctions		30,324.2	18,222.3
Non-allowable provisiones against assets received in poayment , litigation)		16,399.1	43,350.2
Fiscal income from ssales of loans		(98.9)	(11,307.7)
Difference due to special valuation systems iused In 2010 and 2009		7,299.2	34,412.0
Untaxed dividends and other capital yields		31.0	(49,359.8)
Difference between book and fiscal depreciation and goodwill		(75,030.2)	(75,030.1)
Recoveries of non-allowable provisions		(22,433.2)	(11,148.3)
Other non-allowable deductions and expenses		40,788.7	65,795.4
Net income		450,912.0	498,386.4
Presumed income tax		30,574.9	31,994.8
Less: exempted		(247,093.3)	(233,629.0)
Net income		203,818.7	264,757.4
Income tax		76,463.1	87,369.9
Tax expemnse, Miami		48.8	49.2
Total income tax liability		17,669.0	16,056.2
Total income tax and surcharge	$	94,180.9	103,475.3

For the periods ended on December 31and June 30, 2012, the following timing differences arise and affect the deferred tax account:

		December 31	June 30
Difference between book and fiscal profit			
Investment valuations	$	7,463.3	6,030.5
Turnover tax provisions		(1,006.9)	(235.5)
Provision for Davipuntos and Frech		(2,264.6)	(1,253.9)
Higher value of goodwill		24,230.6	24,561.9
Syndicated loans and IFC bonds and other derivatives		(10,815.2)	(16,321.7)
For deferred income		61.8	3,274.9
	$	17,669.0	16,056.2

The difference between book and fiscal equity at December 31, 2012 is as follows:

Book equity	$	5,416,233.0
Plus (less) items that increase (decrease) equity for tax reasons:		
Asset allowances		60,484.1
Liabilities in accruals and provisions		91,849.7
Effect of derivatives		52,666.1
Effect of inflation and other adjustments		39,202.7
Book reappraisals of property and equipment		(735,428.5)
Effect of deferred tax		176,972.0
High value of amortization of goodwill		(609,771.4)
Fiscal equity	$	4,492,207.7

Income tax filings for 2010 and 2011 are open to inspection by the tax authority DIAN.

31 Transactions with related parties

The following are considered to be related parties:

- Sociedades Bolívar S.A. and their affiliates and subsidiaries.
- Shareholders holding 10% or more of the Bank´s capital (Inversora Anagrama S.A.S. and Inversiones Financieras Bolívar S.A.S.).
- Corporate entities in which the Bank is a direct beneficiary with 10% or more capital interest (Davivalores S.A., Fiduciaria Davivienda S.A., Banco Davivienda (Panamá, S.A.), Grupo del Istmo (Costa Rica) S.A., Inversiones Financieras Davivienda S.A., 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.). The capital invested in these companies is disclosed in Note 6. For comparison purposes, capital investments at J une 2012 are omitted
- The Bank´s management and the management of members of the Grupo Empresarial Bolívar and companies in which the Bank´s management hold an interest of 10% or more directly or otherwise.
- Other shareholders holding less than 10% and more than 5% of the Bank´s capital (Inversiones Cusezar S.A. e Inversiones Meggido S.A.).

The Bank may enter into operations, agreements and contracts with related parties provided that any such relationship is conducted for reasonable amounts and observing the following criteria, amongst others:

- Market conditions and rates for the sector in which the operation takes place.
- The activity of the companies involved.
- The growth prospects of the business

All operations are undertaken at market prices; placement rates are between 0.01% and 32.22% and deposit rates are between 0.00% and 7.10%.

At the close of December 31, 2012 there were loans totalling $272.824,3 with a shareholder holding less than 10% but more than 5% of the Bank´s computable capital. At June 30, 2012 these loans totalled $272.837,8, representing 5.2% of computable capital:

Description	December 31	June 30
Balance of indebtedness	$ 272.824.3	272.837.8
Computable capital limit (5%)	4.25%	5.20%

The Bank is required to make and maintain certain mandatory investments in Fondo para el Financiamiento del Sector Agropecuario –FINAGRO issues. The following are the Títulos de Desarrollo Agropecuario (TDA) held:

Assets – investments	December 31	June 30
Trading debt securities	$148.018.7	250.483.8
Held to maturity securities	72.831.9	41.470.5
Available for sale	2.957.1	0.0
Total Assets	$223.807.7	291.954.3

Earnings – Investment reappraisals	December 31	June 30
Gain on investment valuations	$ 5.929.3	$ (3.095.5)
Loss on investment valuations	$ (3.5)	$ (288.3)
Net result of investment valuations	$ 5.925.8	$ (3.383.8)

The most important balances at December 31 and June 30, 2012 are:

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 companies in the Grupo Bolívar	Management of Grupo Bolívar	Other shareholders holding more than 5% and less than 10% of the Bank	Total
		(1)		(2)		
Assets	0.0	26,195.7	271,240.8	23,331.1	0.0	320,767.6
Cash and banks	0.0	24,126.1	0.0	0.0	0.0	24,126.1
Interbank and overnight operations						
Investments	0.0	0.0	10,011.6	0.0	0.0	10,011.6
Loans and financial leases	0.0	1,989.3	243,990.0	23,052.7	0.0	269,032.0
Accounts receivables	0.0	49.4	1,536.7	278.1	0.0	1,864.2
Other assets	0.0	30.9	15,702.5	0.3	0.0	15,733.7
Liabilities	10,065.8	356,955.3	193,896.1	6,386.3	21,760.7	589,064.2
Deposits and Demand Accounts	10,065.8	64,105.6	182,479.1	6,197.1	21,760.7	284,608.3
Bank borrowings and other financial obligations	0.0	258,031.8	0.0	0.0	0.0	258,031.8
Accounts Payable	0.0	32,817.9	7,131.5	129.2	0.0	40,078.6
Investment securities outstanding	0.0	2,000.0	4,284.0	60.0	0.0	6,344.0
Other liabilities	0.0	0.0	1.5	0.0	0.0	1.5
Income	0.0	53,980.0	53,593.0	1,161.0	0.1	108,734.1
Operating	0.0	53,878.3	50,170.3	1,140.2	0.1	105,188.9
Non-operating	0.0	101.7	3,422.7	20.8	0.0	3,545.2
Expenses	188.1	47,663.1	35,239.3	1,013.4	339.5	84,443.4
Operating	188.1	46,442.7	35,118.5	833.4	339.5	82,922.2
Non-operating	0.0	1,220.4	120.8	180.0	0.0	1,521.2

(1) Includes subsidiaries (Davivalores S.A., Fiduciaria Davivienda S.A., Davivienda Panamá S.A., Grupo del Istmo Costa RicaS.A.,Inversiones Financieras Davivienda S.A., Banco Davivienda Honduras S.A., Seguros Bolívar Honduras S.A.
(2) Includes new companies acquired that form part of Grupo Bolivar.
(3) Legal Representatives and Directors of Grupo Bolívar, branch managers of Banco Davivienda and judicial Legal Representatives of the Bank and Bank Administrators´ companies.

June 30

	Shareholders holding 10% or more of the Bank´s capital	Corporate entities in which the Bank holds 10% or more	Other companies in the Grupo Bolívar	Management of Grupo Bolívar	Other shareholders holding more than 5% and less than 10% of the Bank	Total
		(1)		(2)		
Assets	0.0	369,213.8	238,592.8	24,606.2	0.0	632,412.8
Cash and banks	0.0	29,327.0	0.0	0.0	0.0	29,327.0
Interbank and overnight	0.0	6,000.0	0.0	0.0	0.0	6,000.0
Investments	0.0	306,964.8	9,973.2	0.0	0.0	316,938.0
Loans and financial leases	0.0	19,342.3	214,568.3	24,367.6	0.0	258,278.2
Accounts receivable	0.0	7,548.8	1,796.7	237.9	0.0	9,583.4
Property and equipment	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	30.9	12,254.6	0.7	0.0	12,286.2
Liabilties	1,270.5	373,356.6	153,075.7	6,923.0	2,550.8	537,176.6
Deposits and demand accounts	1,270.5	69,839.9	135,600.0	6,805.2	2,550.8	216,066.4
Interbank and overnight	0.0	16,730.6	0.0	0.0	0.0	16,730.6
Bank borrowings and other financial obligations	0.0	269,061.7	0.0	0.0	0.0	269,061.7
Accounts payable	0.0	15,724.4	13,208.6	117.8	0.0	29,050.8
Investment securities outstanding	0.0	2,000.0	4,258.5	0.0	0.0	6,258.5
Other liabilities	0.0	0.0	8.6	0.0	0.0	8.6
Income	0.0	109,972.0	48,440.2	1,501.4	0.0	159,913.6
Operating	0.0	109,864.2	47,816.8	1,501.4	0.0	159,182.4
Non operating	0.0	107.8	623.4	0.0	0.0	731.2
Expenses	119.0	35,188.5	24,142.3	674.4	68.0	60,192.2
Operating	119.0	34,221.1	24,120.4	561.6	68.0	59,090.1
Non-operating	0.0	967.4	21.9	112.8	0.0	1,102.1

(1) Includes the subsidiaries (Confinanciera S.A., Davivalores S.A., Fiduciaria Davivienda S.A., and Bancafé Panamá),
(2) Legal Representatives and Directors of Grupo Bolívar, Branch Managers of Banco Davivienda and Legal Representatives for judicial purposes of the Bank and Bank Administrators´
companies.

Operations with subsidiaries

December 31

	Fiduciaria Davivienda S.A.	Davivalores S.A.	Banco Davivienda (Panamá S.A.)	Banco Davivienda Salvadoreño S.A.	Valores Davivienda el Salvador	Total
Assets	42.5	2.4	24,126.1	17.690.0	2.1	41.863.1
Cash and banks	0.0	0.0	24,126.1	0.0	0.0	24,126.1
Loans and financial leases	0.0	0.0	0.0	17.682.3	0.0	17.682.3
Accounts receivable	42.5	2.4	0.0	7.7	2.1	54.7
Liabilities	4,750.3	1,868.1	160.5	0.0	0.0	6,778.9
Deposits and Demand Accounts	4,745.7	1,857.4	160.5	0.0	0.0	6,763.6
Accounts Payable	4.6	10.7	0.0	0.0	0.0	15.3
Income	11.4	11.8	2.2	7.7	0.0	33.1
Operating	1.7	1.5	2.2	7.7	0.0	13.1
Non- operating	9.7	10.3	0.0	0.0	0.0	20.0
Expenses	286.3	333.0	10.2	629.5	1.1	629.5
Operating	286.3	333.0	10.2	629.5	1.1	629.5

	June 30					
	Fiduciaria Davivienda S.A.	Fiduciaria Cafetera S.A.	Davivalores S.A.	Confinanciera S.A.	Bancafé Panamá S.A.	Total
Assets	16,204.6	55,631.0	2,981.5	83,406.4	81,258.5	239,482.0
Cash and banks	0.0	0.0	0.0	0.0	29,327.0	29,327.0
Investments	16,204.6	55,631.0	2,981.5	66,140.6	51,931.5	192,889.2
Loans and financial leases	0.0	0.0	0.0	17,000.0	0.0	17,000.0
Accounts receivable	0.0	0.0	0.0	265.8	0.0	265.8
Liabilities	2,079.1	1,299.4	570.1	20,762.7	17,068.5	41,779.8
Deposits and demand accounts	2,079.1	1,257.4	473.2	20,761.7	337.7	24,909.1
Interbank and overnight operations	0.0	0.0	0.0	0.0	16,730.6	16,730.6
Accounts Payable	0.0	42.0	96.9	1.0	0.2	140.1
Income	7,200.1	4,708.9	13.0	22,499.6	5.7	34,427.3
Operating	7,200.1	4,701.6	2.7	22,499.6	5.7	34,409.7
Non-operating	0.0	7.3	10.3	0.0	0.0	17.6
Expenses	37.1	153.6	564.8	234.4	19.8	1,009.7
Operating	37.1	153.6	564.8	234.4	19.8	1,009.7

32 Risk management

Comprehensive risk management is 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.

Risk management and control 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 Finance Control and the President´s 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.

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 group companies, the transverse support programs provide assistance in the development of tools for risk management.

The Personal Banking Credit Division is responsible for the evaluation, administration and collection of all lines of credit. Approvals are based on a pyramid-structure of authority, with defined authority levels. There are also credit committees, which take collegiate decisions.

For the credit products, there are scoring systems constructed on the basis of the Bank´s historical information, and which value variables of the customer, credit record and business sector, the product and the guarantee. There are also methods to segment loan portfolio by homogeneous groups, and thus allocate individual risk levels.

The principal homogeneous groups in Personal Banking are:

- Mortgage loans and residential leasing.
- Loans
- Credit card
- Payroll deductions.
- Other consumer credit.

In Corporate and Business Banking, the commercial strategy is the responsibility of Business Banking group and the evaluation is the responsibility of the Corporate Credit Division, which analyses loan applications, follows up loans, assigns them risk categories, and arranges recoveries where necessary.

The Corporate Credit Division is responsible for granting credit facilities: its target market is the group of Colombian and international companies with revenues of more than $30,000 and with economic activities within the guidelines and conditions of the Superintendency of Corporations and Banco Davivienda S.A.. In order to achieve this objective, a careful examination is made of the creditworthiness of the company, the macro and micro economic circumstances in which it operates, culture, strategies and policies and procedures and a range of quantitative and qualitative risks, talking account of the size and importance of the sector in which it operates.

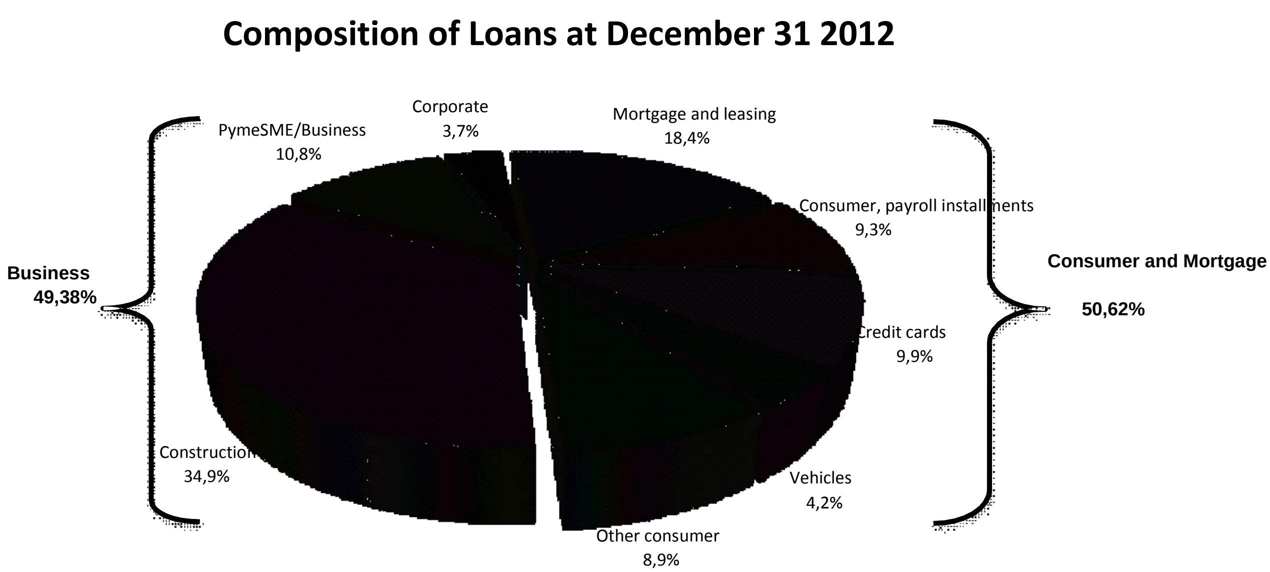
The Financial Risk and Control Division is responsible for regulating various alternatives for hedging financial risks to which the bank is exposed, managing policies for approvals, the evaluation of risk in mass portfolios, SMEs and Business banking, and maintaining a balance between risk and profitability.

The exposure limits by strategic segment and risk management policies are approved by the Board.

The Operating Risk Department is responsible for operating risk management, ensuring the integrity of all business processes, and the ability to maintain services available to customers and partners, with the general purpose of obtaining transparency in business management.

32.2. Credit risk.

The composition of loans claims by business lines is the following at December 31, 2012.



The graph above shows that Personal Banking accounts for 50.62% of loans, and business banking for 49.38%.

32.2.1 Estimate of allowances for credit risk

As part of its credit risk management measurement policies, the Bank has implemented the Commercial Reference Model and the Consumer Reference Model, following Superintendency definitions.

The method for calculating allowances includes the countercyclical effect, in accordance with the Superintendency definitions for consumer and commercial business.

In Mortgage loans, the Bank continues to apply current Superintendency rules to classify and make allowances.

The following is the composition of allowances against commercial, consumer and home mortgage loans.

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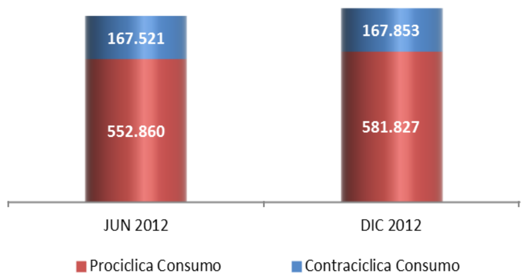
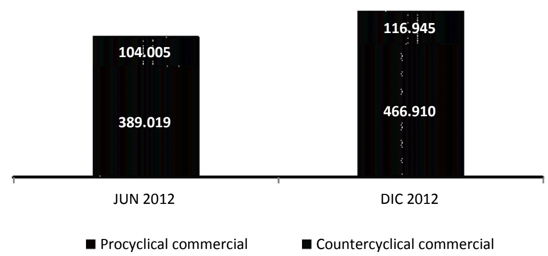
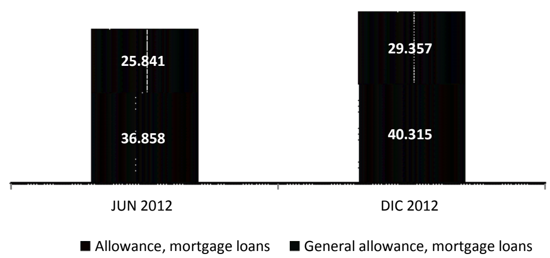






These reference models and the related regulations are the basis for the estimation of loan allowances, of which details are:

($000 million)	Countercyclical allowance	Procyclical allowance	General allowance *	Bank´s total allowances,
Allowances				
Jun-12	$271.5	978.7	25.8	$1,276.1
Dec-12	284.8	1,094.6	29.4	1,408.8

* Aplica para cartera de vivienda y microcredit.

Changes to allowances during the half-year

In order to promote healthy origination and growth in consumer lending. the Superintendency issued Circular 026 setting an additional percentage for individual allowances as a temporary measure in consumer lending for institutions whose past-due accounts show the greatest deterioration.

Therefore, an additional allowance of 0.5% of the outstanding capital of each loan must be made in the Procyclical Individual Component and appear in the Financial Statements for December 2012.

It is considered that the Bank will not need to make this additional allowance in the short term, because the alpha-indicator that measures the annual variation of past-due accounts is negative..

32.2.2 Personal Banking

These portfolios include loans to individuals, mainly for home mortgages and consumer operationsr.

During the second half of 2012 there were no major changes in policy for originating consumer and home mortgage loans. The changes made in the first half of the year controlled the risk profile of new loans.

The follow-up models of the po5rtfolios and credit risk management in Personal Banking are based on an optimization of the risk-return ratio. During the first half of 2013 the process of implementation of the ERM (Enterprise Risk Management) in the credit cycle will continue in order to incorporate the various processes and methodologies that offer an integrated vision of the Bank´s credit risk.

From table below shows the most important balances in each lending segment, and risk allowances made to each.

	(figures in $000 million)		Balance	% C, D, E	Allowance	Cover C,D,E
PERSONAL BANKING	**Mortgage and leasing**					
		Jun-12	$4,486.3	1.7%	$131.9	171.9%
		Dec-12	5,272.1	1.6%	152.0	185.5%
	Credit card					
		Jun-12	2,534.2	5.4%	175.9	128.8%
		Dec-12	2,852.4	4.5%	172.7	135.8%
	Other Consumer					
		Jun-12	2,684.4	12.6%	334.0	98.5%
		Dec-12	2,553.4	14.4%	352.4	96.2%
	Consumer payroll i nstallment					
		Jun-12	2,491.6	4.1%	129.5	127.6%
		Dec-12	2,664.1	4.0%	135.2	128.4%
	Vehicles					
		Jun-12	1,020.6	7.4%	81.0	107.7%
		Dec-12	1,201.6	6.7%	89.3	111.5%
	Total					
		Jun-12	$13,217.1	5.5%	$852.2	116.9%
		Dec-12	14,543.6	5.2%	901.7	118.5%

Other consumer: Crediexpress Fijo, Crediexpress Rotativo, Preferencial and Normalizados

During the second half of 2012 cover of C,D,E was increased in most segments as a result of increased lending sand quality control.. The segment of Other Consumer reduced cover 2% as a result of lower balances. This brought about a 2% increase in non-performing loans by category, together with a deterioration of the portfolio of regularized consumer loans. The other Consumer portfolios: Crediexpress Fijo, Crediexpress Rotativo and Preferencial reported a better credit performance in the second half of the year. 2.

Personal Banking grew 10% in the second half compared to the first. The strongest growth came from Vehicle loans, up a8% as a result of the Confinanciera merger. Mortgage lending grew 17%, Cards 12.5% and payroll installment loans 7%,as shown below:

	(figures in $000 million)	Balance	Variation %	Variation $	Share %
PERSONAL BANKING	**Mortgage and leasing**				
	Jun-12	$4,486.3	7.7%	$320.2	33.9%
	Dec-12	5,272.1	17.5%	785.8	36.3%
	Credit card				
	Jun-12	2,534.2	8.7%	203.7	19.2%
	Dec-12	2,852.4	12.6%	318.2	19.6%
	Other Consumer				
	Jun-12	2,684.4	-6.3%	-181.7	20.3%
	Dec-12	2,553.4	-4.9%	-131.0	17.6%
	Consumer payroll installment				
	Jun-12	2,491.6	8.3%	191.8	18.9%
	Dec-12	2,664.1	6.9%	172.5	18.3%
	Vehicle				
	Jun-12	1,020.6	2.2%	21.5	7.7%
	Dec-12	1,201.6	17.7%	181.0	8.3%
	Total				
	Jun-12	$13,217.1	4.4%	$555.5	100.0%
	Dec-12	14,543.6	10.0%	1,326.5	100.0%

other consumer: Crediexpress Fijo, Crediexpress Rotativo, Preferencial y Normalizados

32.2.3 BUSINESS BANKING

Corporate banking is composed of segmented business, classified by sales levels for the preceding year, as follows:

- Microfinance: Sales less than $200.0
- SME:Sales $200.0 - $7.000.0, segmented into Classic SME and Premium SME
- Business: Sales $7.000.0- $40.000.0, segmented into Intermediate Business and Business
- Corporate: Sales over $40.000.0
- Construction: Construction sector.

- Special segments:Public sector and institutions

  For the purposes of risk management Business Banking has a focus Quantitative Management in credit risk with a strategic view of Enterprise Risk Management.

Risk Management is focused on the Bank´s own evaluation models that seek to manage and measure credit risk appropriately They include the Classification Model for Estimated Expected Losses and Early Warning Detection Systems. The model used for Corporate credit risk management also uses quantitative and qualitative factors and indicators have been developed based on financial statements and the individual characteristics of businesses.

The following are the principal balances by segment and risk allowances allocated in each case.

			Balance	% C, D, E	Allowance	Cobver C, D, E
BUSINESS BANKING	**Corporate**					
		Jun-12	$9,818.9	0.5%	$197.8	377.6%
		Dec-12	10,013.3	0.7%	242.6	366.1%
	Construction					
		Jun-12	883.2	2.9%	38.4	151.1%
		Dec-12	1,066.4	3.2%	40.9	119.2%
	SME and business					
		Jun-12	2,475.0	5.0%	187.7	151.3%
		Dec-12	3,107.9	4.7%	223.6	153.7%
	TOTAL					
		Jun-12	$13,177.2	1.5%	$423.9	210.0%
		Dec-12	14,187.6	1.7%	507.1	206.1%

**Includes Microcredit / Excludes Residential Leases*
***$000 million*

SME and Business banking indicators improved in terms of C,D,E loans due to the arrival of vehicle productive risk in August with the Confinanciera merger. This portfolio has a low level of deterioration. The CDE loan cover also rose significantly for this segment,, by 2%. The Construction segment cover, by contrast, fell -21% in the second half of the year.

Despite the greater deterioration of Construction, growth was slower that capital balance growth, which rose 21% while deterioration grew 12%,positioning it as the fastest growing area in the balance sheet in the second half of the year.

32.3. Market risk.

32.3.1. Treasury book.

- **Financial risk management.**

The Investment Risk Division of Grupo Bolívar is responsible for proposing to define and oversee compliance with the policies and procedures for risk management, following decisions and guidelines of the Bank's Board or the Financial Risk and Investment Committee of Grupo Bolívar, taking account of the authority limits on each organization.

The Investment Risk Division is also responsible for measuring and analyzing risks, and for making regular reviews and evaluations of methods used to value financial instruments.

The Financial Risk and Investment Committee is the body which the Board has appointed to take responsibility for approvals of the maximum levels of financial risk to be borne, for subsequent Board ratification.

The Financial Risk Management Manual (MARF) consolidates policies related to the management and administration of financial risk in the Bank´s treasury, and it is the document, which sets up the administration system required for this. The Manual contains rules and general procedures required to provide adequate administration for risks associated with Treasury operations permitted, including market risk.

- **Operations**

The definition of the institutions which the Bank may use as a counterpart in Treasury dealings is made by using a model that evaluates the financial performance of the counterpart, through a points system for made for important financial indicators, and taking account of qualitative considerations.

When the Bank comes into new markets and products, it first dimensions the impact and profile of the related risks, and then seeks the approval by the Financial Risks and Investment Committee, and the Bank's Board, following established procedures.

The Bank has designed an appropriate structure for exposure limits to control the various portfolios in the Treasury Book, operations with derivatives, exchange rate exposure and activities to implement their management. Section I 30.3.2 above explains the main limits applied and authority levels for approvals.

Operations are managed using internally-produced robust tools and applications or platforms for dealing and recording.

Further, tools have been developed to permit detailed monitoring of operations following corporate and regulatory guidelines.

Portfolio composition

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

Investment portfolio – accounting classification

($000 millions)	December 31	Share .%	June 30	Share.%
Trading	$3,501.9	74.0%	$3,170.9	71.7%
Available for sale	849.8	18.0%	868.1	19.6%
Held to maturity	381.9	8.1%	382.4	8.6%
	4,733.6	100,0%	4,421.4	100,0%

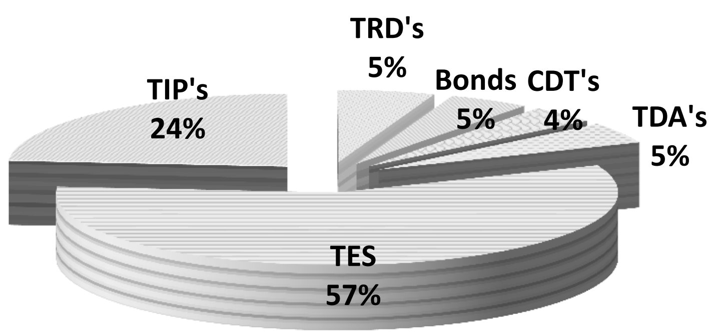
Investment portfolio – classification by instrument

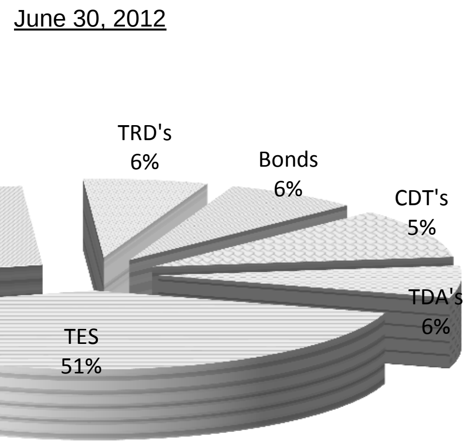
($000 million)

Instrument	Trading	Share %	Avail for. Sale	Share %	Matures	Share %	Total (1)	Share %
Bonds	$198.8	5.7%	21.6	2.5%	0.0	0.0%	220.4	4.7%
CDT's	186.3	5.3%	0.0	0.0%	0.0	0.0%	186.3	3.9%
TDA's	148.1	4.2%	2.9	0.3%	72.8	19.1%	223.8	4.7%
TES	2.481.6	70.9%	236.2	27.8%	0.0	0.0%	2.717.8	57.4%
TIP's	485.1	13.9%	589.0	69.3%	45.7	12.0%	1,119.8	23.7%
TRD's	2.0	0.1%	0.0	0.0%	263.4	69.0%	265.3	5.6%
Total	$ 3,501.9	100.0%	849.6	100.0%	381.9	100.0%	4,733.4	100%

(1) Trading + available for sale + held to maturity. Does not include simultaneous operations, interbank operations, repos or allowances.

Composition of the investment portfolio by instrument





- **Value at Risk, internal model**

Treasury operates with guidelines and strategies defined by the Bank's Board and by the Financial Risk and Investment Committee. The control of risks to which the various business lines are exposed is implemented by the Investment Risk Division.

The internal model has not been submitted to Superintendency as the tool for regulatory calculations, because it is used as a complementary mechanism for analysis and risk management, given in the regulatory model. The risk measurement system takes as a reference the value at risk (VaR) model of JP Morgan (1994), in the document "Return to risk metrics: the evolution of the standard".

For the calculation of return volatility, the EWMA model is used[1], and this gives greater weight to more recent information and less weight to past situations, declining exponentially over time.

The calculation of VaR in the internal model is as follows at December 31, 2012

($000 millions)

[1] Exponentially Weighted Moving Average

Accounting classification of investments	VPN	Share %	Duration modific.	VaR 95% 1 day	VaR 99% 1 day	VaR 99% 10 days
Trading	$ 3,501.9	74.0%	3.06	$ 10.5	$ 14.8	$ 46.81
Available for sale	849.8	18.0%	2.23	3.9	5.5	17.5
Held to maturity	381.9	8.1%	1.62	0.0	0.0	0.0
Total Portfolio	$ 4,733.5	100%	2.79	$ 9.9	$ 13.9	$ 44.1

Maximum	11.3
Minimum	3.6
Average	6.3
Last(Dec 31)	9.9

($000 million)

32.3.2 Policy for limits and risk positions.

The Financial Risks and Investment Committee, and the Asset and Liability Management Committee (GAP), and the Board are responsible for defining general guidelines in relation to the risks derived from the Bank´s business. The Board and the Financial Risk and Investment Committee are responsible for setting limits of tolerance to financial risk in Treasury, and position levels, duration and/or maximum loss, amongst other things, for each of the products in which the Bank has a position. The Board and the GAP Committee must ensure that tolerance limits are set for liquidity risk, and for following up levels, terms, mismatches, and so on, for each business line in which the Bank and takes an interest.

These bodies are also responsible for authorizing the introduction of new products, defining related exposure limits to a range of risks, and ensuring that the Bank has sufficient capacity to manage them efficiently, taking account of current regulations. Likewise, the Financial Risks and Investment Committee and the GAP Committee and the Board are responsible for authorizing changes to current limits for exposure to risk.

Here, any proposal that implies a change of policy defined by the Board, whether for an existing product or a new one, is studied by the Investment Risk Division together with the areas involved[2], and evaluated and authorized by Financial Risks and Investment Committee and/or the GAP Committee,and subsequently presented to the board for ratification.

Regulatory Value at Risk.

- **Value at Risk (VaR)**

According to the method established in Annex I Chapter XXI of Superintendency Basic Financial and Accounting Circular (Circular 100/1995), the value at Risk (VaR) at December 31, 0, 2012 is $194.103. The legal limit responds to 10% of computable equity.

[2] Including Front Office, Back Office, Legal Department, Accounts, Technology, etc.

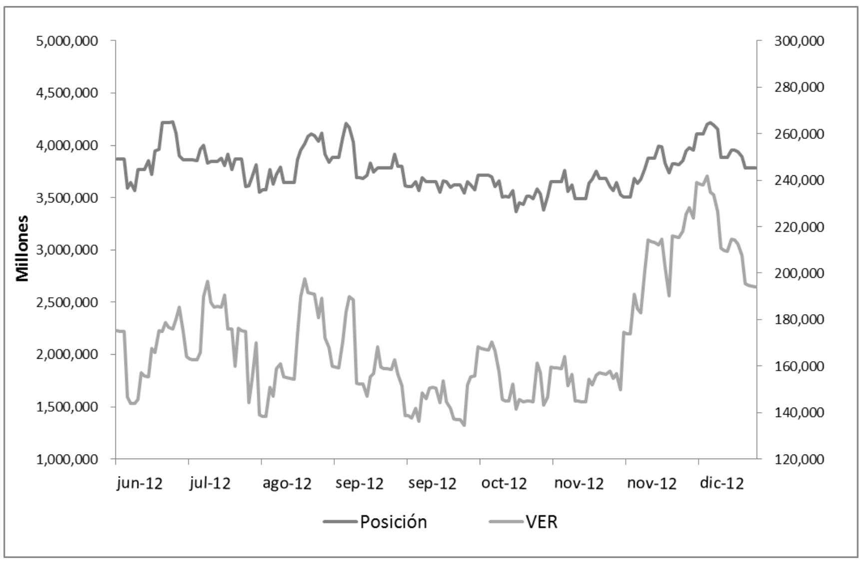
The following is the comportment of monthly VaR from June 30, , 2012 to December 31, 2012:
:

VaR using the Superinytendency´s method.
Maximum, Minimum and Average Var (Jun – Dic, 2012)

Maximum	241.9
Minimum	134.4
Average	170.6
Last (Dec 31. 12)	194.1

($000 million)

Evolution of regulatory Var



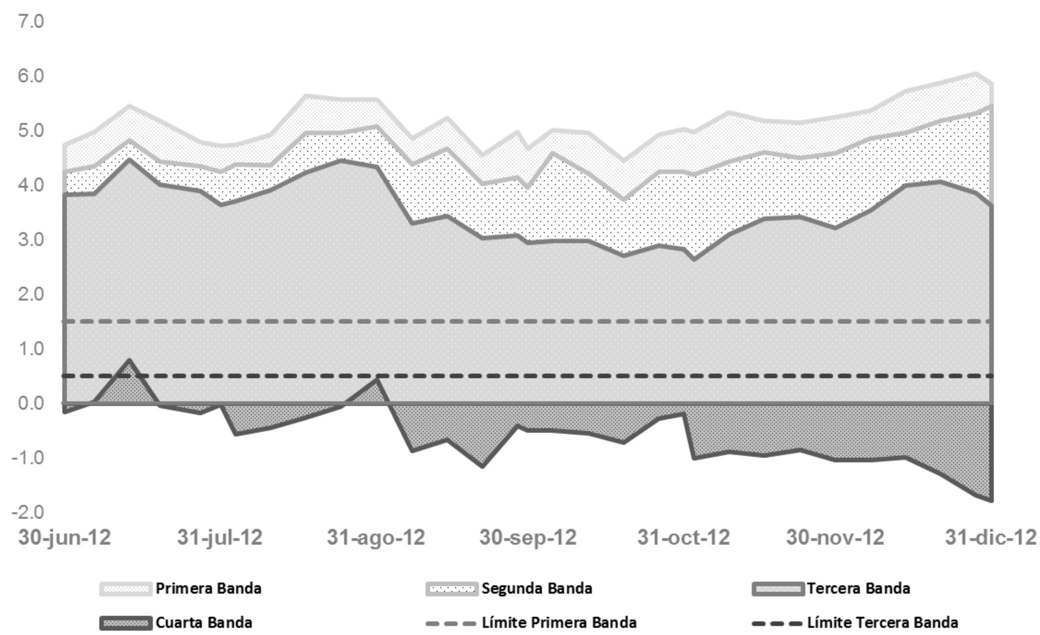
- **Liquidity Risk**

The Banks liquidity situation is analyzed by the GAP Committee. The Committee is a collegiate body responsible for studying the structure of the balance sheet in the short and medium-term. Its main purpose is to monitor the balance sheet, its stability and profits, by anticipating changes in the balance sheet and margins, and in an approximate quantification of un-anticipated changes, that is, the risk that could achieve a maximum level in important magnitudes such as financial margin, profitability, ROE, ROA, liquidity cover ratio, financial stability coefficient, etc. This Committee is responsible for supporting the Board and senior management in the definition, follow-up and control of general and policies for asset and liability management, and risk-taking.

The Bank manages its liquidity risk taking account of risk-return criteria, within global strategic planning parameters and regulatory parameters of Chapter VI one of Superintendency Circular 100/1995, implementing the liquidity risk management system, whose description and guidelines are documented in the Financial Risk Management Manual (MARF).

Schedule I of Chapter VI of Superintendency Circular 100/1995 sets out the method for measurement and characteristics of the weekly liquidity risk report (IRL) for the credit establishments, and the this method was amended as of 2012.

The following is an evaluation of liquidity risk for the various asset and liability positions and expected flows, through the liquidity risk indicator (IRL) from June 30 to December 31, 2012.



The results for the IRL calculation by bands, and the high-quality liquid assets indicator at December 31, 2012 are as follows:

Results for IRL at December 31, 2012

(Cifras en miles de millones de pesos)

Band	ValueIRL	Legal limit
1	5,845	>=0
2	5,454	N.A.
3	3,614	>=0
4	(1,773)	N.A.

The timebands are related to the liquid assets adjusted for market liquidity and the net between projected asset and liability flows with contractual maturities and non-contractual maturities.

The Superintendency has determined that Band III[3] of IRL must always be zero or higher. Internally in the Bank, the Board has defined limits for Band I and Band II of $1.5 billion and $500,000 million, respectively.

This historical graph shows and increase in the IRL indicator, especially in November and December 2012. This represents an increase in the Bank´s liquidity reserves in relation to projected needs, explained by several factors, including higher liquidity perceived in the market due to the Banco de la Republica´s regular end-of-year expansion and an increase in TES debt in the ex´pectation that Banco de la República would lower its rates..

Speculative derivatives

The Bank's Treasury risk strategy has taken account of a participation in markets for future and the over-the-counter market in derivatives. This reflects its commitment to the local capital market and a pillar of policy, generating new sources of revenues for shareholders and diversification of the portfolio of products and services for clients. Participation in these markets adopts high standards of best corporate practice and risk management.

Local and foreign currency derivative portfolios have structures of policies, limits and alerts authorized by the collegiate bodies designated and described in the Financial Risks Management Manual; all elements to comply with legal requirements have also been incorporated.. Amongst other things, there are limits, positions, durations, maturities, sensitivities, value at risk and counterpart risk that lend a conservative profile to the assumption of risk..

As additional mechanisms of risk mitigation for financial derivative operations in the over-the-counter market, there are contracts that incorporate credit risk mitigation clauses.. Also, an important part of the portfolio´s operations is transferred to the Risk Counterpart Clearing Chamber in order to reduce credit risk exposure.

Local currency derivatives

The Bank participates in dealing for the following local currency financial derivatives: Futures TES notion bond, Futures IBR, Futures CPI, Forwards on TES and Swaps OIS.

The exposure, using the internal model described, is as follows for the second half of 2012:

VaR 95%	
Maximum	**395.1**
Minimum	**4.8**
Average	**77.3**
Last (Dec 31.)	**84.7**

C$000 millions

[3] The Superintendency places Band I as 1-7 days and Band III has a horizon of 30 days

Foreign currency derivatives

The Bank takes part in dealings for the following foreign currency financial derivatives:

Exchange rate futures, currency forwards and European options.

The exposure, using the methodology described was as follows for the second half of the year:

VaR 95%	
Maximum	**1,058.2**
Minimum	**182.9**
Average	**474.6**
Last (Dec 31.)	**776.6**

$000 millions

32.4 Internal Control system

Following internal control policies approved by the Board, internal control procedures have been designed and implemented and adjusted to meet the needs of circumstance, seeking to maintain compliance with results expected in conditions of security, transparency and efficiency.

Following Superintendency Circular 038/ 2009 d, the Bank has implemented and continues to strengthen its internal control system to ensure compliance with controls classed as " STRONG" to support important processes in the Banks.

Follow up on compliance with regulatory objectives and requirements of the Board, the Audit Committee the legal representative and control functions ensures that the preparation presentation and disclosures of financial information will comply with legal requirements.

a. Financial Consumer Service System (SAC)

As a basic part of its activities, the Bank has been developing a series of models of financial education so that financial consumers will receive them through a range of media and in didactic form, to access the knowledge of financial services offered by banking institutions and this manager their finances better.

Further, we continue to strengthen all the mechanisms that permit us to provide attention, protection, respect and an appropriate level of service to financial consumers, consolidating the permanent satisfaction of our clients, shareholders, staff and society in general, complying strictly with the requirements of Law 1328/ 2009 and Superintendency Circular 015 /2010.

b. **Management system for the financing for asset-laundering and the financing of terrorism (SARLAFT**

The Bank has 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 rule of conduct for the application of all the mechanisms and instruments of control are contained in the Compliance Manual and the Code of Conduct known to all staff and available on the Intranet.

The Bank regularly provides 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.

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c. Operating Risk Management System (SARO)

The Bank has developed and acquired a range of systems to secure effective and prompt identification, appraisal, control and follow-up of risks that can affect the normal course of business and impact operating processes in the Bank., in order to guarantee mitigation of risks to the economic, legal and reputational aspects of the Bank and the quality and reliability of its transaction management for clients and users.

The Bank´s operating risk profile at December 2012 reflects an adequate control of risks, which are identified and then controlled in accordance with guidelines and tolerance levels set by the Board and the legal requirements of Superintendency Circular. 041/2007.

33 Information security

Continuing with compliance with Superintendency Circular 052/ 2007, these requirements are included in each project initiated, from the planning stage through to verification of compliance with the regulatory requirements. Likewise, these requirements are taken into account in improvement and optimization processes in order to guarantee permanence and sustainability over time.

With Superintendency Circular 022 of July 2010, the Bank conducted an internal validation to determine compliance levels and confirmed that it continued to be well within the regulatory framework.

With Superintendency Circular 042 of October 17, 2012, the Bank confirmed that it complies with security requirements in the channel Banca Móvil, and requirements related to EMV (Europa and MasterCard Visa, interoperability standards for IC cards – cards with microprocessors. The Bank initiated the issue of Chip cards promptly in early 2011. On the ATM cannel, there was an updating process to ensure that EMV was functional at the level of Issuer.

The Bank and its subsidiaries engage in active research into new trends in the field of security and therefore, in tools and controls to mitigate risks identified, in order to be prepared for fresh threats; and it places these tools and controls at the disposal of clients, ensuring that products and services are delivered with high levels of quality and security..

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.

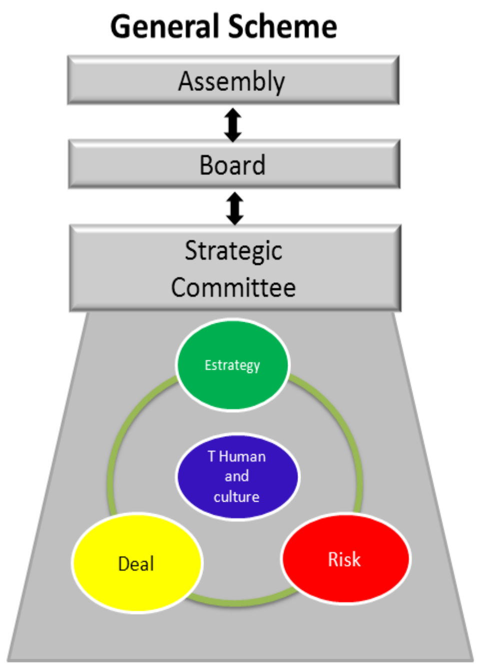
Further, the Bank has strengthened communications channels for shareholders and investors, including financial and other information on the webpage where all the documents in the Corporate Government system can be consulted, including the bylaws, the guide to shareholder rights and obligations the corporate 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 managers, senior executives and directors
- Disclosure of information to shareholders on issues related to institutional policy, government structure and capital composition, the handling of conflict of interest, risks to which the >Bank may be exposed in the course of business, the detection of relevant findings by the Statutory Auditor, financial information and the occurrence of relevant events.
- The internal control, system.

With regard o the structure of government and risk management, the Board as 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.

b) Corporate Government Committee

The Committee supports the Board in relation to the implementation of good corporate practices and 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 des cribbed 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, 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 Bolivar 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, its 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.

30 Mandatory controls

At December 31 and June 30, 2012 the Bank complied with all requirements of own position, minimum capital, capital ratios, mandatory cash reserves, mandatory investments, and investment limits in fixed assets.

Own position

		Limits	December 31	June 30
Own 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)
Average Own Sport 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)

At December 31 and June 30, 2012, the Bank complied with own position limits.

Capital Ratios

The following are the Bank´s capital ratios at December 31 and June 30, 2012:

	December 31	June 30
Tier 1	$ 4,127,689.5	3,885,625.3
Tier 2	2,284,775.5	1,360,553.5
Computable capital	6,412,465.0	5,246,178.9
VaR Market risk	194,488.8	175,152.1
Risk-weighted assets	34,449,901.5	30,641,538.0
Capital ratio (1)	17.52%	16.10%
Minimum required: 9%		

(1) (PT/(APNR+((100/9)*VeR))

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):

	December 31	June 30
Reserve required	$2,121,958.9	1,935,401.0
Reserve held	2,170,163.6	1,949,682.0

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.

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		December 31	June 30
TDA A (37%)	$	355.611.8	339,206.1
TDA B (63%)		605.501.2	577,567.1
Total requirement		961,113.0	916.773.2
Substitute loans		(550.778.0)	(513,986.7)
Investment in TDA A and B:		410..334.6	402,786.1
TDA A (37%)		344.166.5	326,089.5
TDA B (63%)	$	66.168.1	76,696.6

36 Relevant events

Contingency: Fondo Ganadero del Cáqueta

This case was the object of a settlement and we received payment of $34.000.0 for a claim initiated in 2007 for a loss in the cattle-.farming development programme for embryo implants for improved breeding implemented by Bancafé in 2005. $15.961.2 was received from AIG Seguros Colombia S.A. and $18.038.8 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 n100% of the value in the financial statements at June 30, 2012. Payment of $67,140.0 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 Republica, 10-year ordinary subordinated bonds were issued on July 9, 2012 for US$500 million maturing in July 2022.

Issuer:	Banco Davivienda S.A.
Face value:	US$ 500.000.000,00
Placement value:	US$ 497.205.000,00
Term:	10 years
Matures:	July 9, 2022
Coupon:	5,875%
Issue price:	99,441% del valor nominal.
Interest payment days:	January 9 and July 9 as of January 9, 2013
Issuer rating	BBB-/BBB-/Baa3 (S&P/ Fitch/Moody`s)
Issue rating:	BB-/Ba1 (Fitch/ Moody`s)
Placed by:	JP Morgan / CreditSuisse

37. Post-closing 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. The conditions were:

Issuer:	Banco Davivienda S.A.
Quotation date:	22 de enero de 2013.
Liquidation:	T +5,January 29, 2013.
Security description	2,950% due 2018.
Face value:	US$ 500.000.000
Issue price:	99,742% of face value.
Gross income	US$ 498.710.000
Matures:	January 29, 2018 (5 years).
Coupon:	2.950%
Yield at maturity	3.006%
Interest payment date	January 29 and July 29; as of July 29 2013
Ratings	Baa3 (Moody 's) / BBB-(S & P) / BBB-(Fitch)
Placed by:	JP Morgan / CreditSuisse

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, for the cash flow and statement of earnings were reclassified for presentation purposes.