



KPMG Ltda.
Calle 90 No. 19C - 74
Bogotá, D. C.

Teléfono 57 (1) 6188100
Fax 57 (1) 2185490
www.kpmg.com.co

SBF2012-6710

September 18, 2012

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

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

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

The consolidated financial statements of Banco Davivienda S.A. at June 30, 2012, and December 31, 2011, were prepared in Colombian pesos in conformity with consolidation norms and presentation of the Financial Superintendence of Colombia.

I have audited in accordance to Colombian Generally Accepted Auditing Standards, the balance sheet of Banco Davivienda S.A., at June 30, 2012, and the related statements of income, changes in the shareholders' equity and cash flows for the semester then ended and I have issued my report thereon dated August 15, 2012.

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

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

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

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

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



Banco Davivienda S.A.
Review of the Translation of the Consolidated Financial Statements
September 18, 2012

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

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

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



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EBF2012-219

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

To the Shareholders
Banco Davivienda S.A.:

I have audited the consolidated general balance sheet for Banco Davivienda S. A. and its attachments as indicated in note 1 to the consolidated financial statements as of June 30, 2012 and December 31, 2011 and their corresponding consolidated income statements, changes in Equity and cash flow, the summary of significant accounting policies and other explanatory notes, for the semesters ending on said dates.

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

The financial statements as of June 30, 2012 of subordinates Confinanciera S.A., Compañía de Financiamiento, Davivalores S.A. Comisionista de Bolsa, and Bancafé Panamá, are interim, certified, and not audited. My opinion with respect to the values including those of the indicated Subordinates is based solely on the certified financial statements.

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

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

In my opinion, based on my audits and the certified financial statements, the mentioned consolidated financial statements, attached to this report, reasonably represent in all the aspects



of material importance, the consolidated financial situation of Banco Davivienda S. A. and its subordinates as of June 30, 2012 and December 31, 2011, the consolidated results of their operations and their consolidated cash flow by semesters ending on such dates, according to generally accepted accounting principles in Colombia and instructions from the Colombian Superintendence of Finance, applied homogeneously.

Without qualifying my opinion, I call the attention to note 38 to these financial statements, which indicate:

Note 38: The Bank is carrying out the approval process for the acquisition of HSBC's operations in Central America to the respective authorities Salvador, Honduras and Costa Rica, as well as by the Financial Superintendence of Colombia.

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

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

August 15, 2012

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balance Sheet
June 30, 2012 and December 31, 2011
(Thousands of U.S. dollars)

		June 30	December 31
ASSETS			
Cash and due from banks (Note 4)	USD	1,400,789.5	723,985.3
Money-market and related asset positions (Note 5)		429,290.6	992,757.5
Investment securities, net (Notes 6 and 33)		2,834,717.9	2,442,902.6
Trading, debt securities		1,494,965.9	1,668,046.6
Trading, capital investments		1,048.6	518.4
Held to maturity		264,328.8	170,954.9
Available for sale, debt securities		379,824.7	435,774.3
Available for sale, capital investments		65,915.7	60,536.9
Transfer rights, available for sale in debt securities		512,002.5	0.0
Available for sale, delivered in guarantee		133,842.1	123,202.4
Less: Allowance		(17,210.4)	(16,130.9)
Loans and financial leasing operations (Notes 7 and 32)		14,808,037.3	13,150,298.5
Home mortgage loans		1,448,479.7	1,266,368.1
Consumer loans		4,958,264.7	4,429,786.9
Microcredit loans		50,672.1	47,382.4
Commercial loans		9,094,755.6	8,071,754.8
Less: Allowance for loans and financial lease losses		(744,134.9)	(664,993.7)
Acceptances, spot operations and derivatives (Note 8)		38,683.3	64,750.8
Accounts receivable (Notes 9 and 33)		244,900.5	197,866.4
Interest receivable		155,396.7	130,257.4
Commissions and fees		2,111.1	1,784.2
Leasepayments		118.5	150.0
Payments for account of borrowers		27,743.8	23,919.7
Other		111,380.3	103,567.7
Less: Allowance		(51,849.8)	(61,812.7)
Foreclosed and restored assets - net(Note 10)		23,757.1	19,991.2
Operational leasing assets (Notes 11 and 33)		2,774.3	3,011.8
Property and equipment (Notes 11 and 33)		221,566.5	202,703.8
Other Assets (Notes 12 and 33)		879,254.0	803,232.7
Prepaid expenses, deferred charges and intangibles		767,169.1	724,895.5
Staff loans		66,567.1	64,545.0
Other		49,381.4	20,400.8
Less : Allowance		(3,863.6)	(6,608.5)
Valuation gains		295,288.1	268,088.1
Investments (Note 6)		19,773.9	19,190.1
Property and equipment (Note 10)		273,489.2	247,037.7
Works of art and culture		2,025.0	1,860.2
TOTAL ASSETS	USD	21,179,059.3	18,869,588.6
Contingent accounts - Creditor per contra (Note 24)		8,675,567.5	8,044,322.4
Contingent accounts - Debtor (Note 24)		2,462,452.8	1,481,107.0
Memorandum accounts - Debtor (Note 25)		30,674,543.7	22,994,861.2
Memorandum accounts - Creditor per contra (Note 25)		47,147,622.5	43,464,887.6
Total Contingent and Memorandum r Accounts	USD	88,960,186.6	75,985,178.2
Trust Accountss (Note 26)			
Assets	USD	4,420,364.9	3,444,979.1
Market Representative Exchange rate (in colombian pesos)		\$ 1,784.60	\$ 1,942.70



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balance Sheet (cont.)
June 30, 2012 and December 31, 2011
(Thousands of U.S. dollars)

		June 30	December 31
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and demand accounts (Note 13 y 33)	USD	12,861,656.4	11,851,682.3
Current accounts		1,892,209.9	1,851,252.9
Term deposits		4,125,167.4	3,443,018.1
Savings deposits		6,728,103.4	6,433,007.9
UVR savings certificates		20,755.5	0.0
Other deposits and demand accounts		95,420.2	124,403.4
Money-market and related liability positions (Note 14)		724,066.0	37,852.0
Acceptances and derivatives (Note 15)		50,295.0	49,958.6
Bank loans and other financial obligations (Notes 16 and 33)		1,616,371.9	1,831,006.0
Other institutions in Colombia		933,084.2	953,472.5
Institutions abroad		683,287.7	877,533.5
Accounts payable (Notes 17 and 33)		524,289.5	477,035.7
Interest		93,076.4	75,603.0
Commissions and fees		1,883.1	2,209.4
Collections effected		79,164.2	29,289.1
Suppliers		52,588.0	87,007.3
Other		297,577.8	282,927.0
Bonds outstanding (Notes 18 and 33)		2,188,003.2	1,905,074.6
Other liabilities (Notes 19 and 33)		190,731.6	169,277.8
Long-term employment liabilities		18,054.5	18,898.1
Income received in advance		3,906.6	3,942.9
Other		168,770.5	146,436.7
Accruals and provisions (Note 20)		168,385.2	79,318.2
Employment liabilities		2,161.7	1,793.0
Taxes		64,498.5	1,660.2
Minority interest (Note 21)		17,917.7	17,116.5
Other		83,807.4	58,748.5
TOTAL LIABILITIES	USD	18,323,799.0	16,401,205.2
Market Representative Exchange rate (in colombian pesos)		\$ 1,784.60	\$ 1,942.70



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balance Sheet (cont.)
June 30, 2012 and December 31, 2011
(Thousands of U.S. dollars)

		June 30	December 31
SHAREHOLDERS' EQUITY			
Capital (Note 22)	USD	31,090.0	28,558.0
Reserves (Note 23)		2,273,172.8	1,980,294.2
Legal Reserve		1,284,244.0	1,176,288.4
Statutory and voluntary reserves		988,928.8	804,005.7
Surplus		307,521.0	265,111.3
Unrealized profit on investments available for sale		14,339.0	(1,074.6)
Net valuation gains (Note 6)		293,182.1	266,185.9
Profits of previous periods		33,893.6	23,315.0
Profit for the period		209,582.9	171,104.8
TOTAL EQUITY		2,855,260.4	2,468,383.2
TOTAL LIABILITIES AND EQUITY	USD	21,179,059.3	18,869,588.6
Contingent accounts - Creditor (Note 24)		8,675,567.5	8,044,322.4
Contingent accounts - Debtor per contra (Note 24)		2,462,452.8	1,481,107.0
Memorandum accounts - Debtor per contra (Note 25)		30,674,543.7	22,994,861.2
Memorandum accounts - Creditor (Note 25)		47,147,622.5	43,464,887.6
Total Contingent and Memorandum Accounts	USD	88,960,186.6	75,985,178.2
Trust Accounts (Note 26)			
Liabilities	USD	4,420,364.9	3,444,979.1

Market Representative Exchange rate (in colombian pesos)

\$ 1,784.60

\$ 1,942.70

EFRAIN ENRIQUE FORERO FONSECA
Legal Representative

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Consolidated Statement of Earnings
Half-years ended on June 30, 2012 and December 31 2011
(Thousands of U.S. dollars)

	June 30	December 31
Direct operating income (Note 33)	USD 1,728,226.4	1,565,288.3
Loan interest and amortized discount	969,868.8	819,424.2
Commissions and fees	172,702.6	159,202.5
Investment valuations	83,754.6	56,271.9
Profit on sale of investments available for sale	112.4	4,780.3
Profit on short positions in open repos, simultaneous operations and temporary securities	48.8	127.4
Exchange	108,813.2	63,693.4
Profit on valuation of derivatives	362,283.6	444,115.5
Profit on sale of loans	6,250.7	4,914.4
Profit on sale of investments	24,391.8	12,758.7
Direct operating expenses (Note 33)	830,491.5	794,371.9
Interest and amortized premium and discounts (Note 13)	340,362.0	261,019.3
Loss on valuation of trading investments in debt securities	90.8	92.7
Loss on valuation of investments available for sale, debt securities	350.3	580.2
Commissions	26,741.7	28,012.9
Loss on valuation of derivatives and spot operations	358,685.5	426,124.6
Loss on short positions in open repos, simultaneous operations and temporary trading	96.4	447.6
Exchange	94,088.4	72,525.7
Loss on sale of investments	9,347.1	4,910.2
Depreciation and amortization of leasing assets	729.2	658.7
Direct operating result	897,734.8	770,916.5
Operating income	313,796.4	334,073.9
Dividends and other capital yields (Note 6)	8,746.9	4.5
Loan allowances recovered (Note 7)	245,320.3	277,798.4
Receivable allowances recovered (Note 9)	11,306.0	12,111.5
Other (Note 27)	48,423.2	44,159.5
Operating expenses	414,749.0	384,950.8
Payroll	186,773.9	148,723.9
Other (Note 28)	227,975.1	236,227.0
Operating result before allowances, depreciation and amortizations	\$ 796,782.2	720,039.5



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Consolidated Statement of Earnings (Cont.)
Half-years ended on June 30, 2012 and December 31 2011
(Thousands of U.S. dollars)

	<u>June 30</u>	<u>December 31</u>
Allowances	USD 518,405.7	506,874.2
Investments (Note 6)	2,066.6	13.2
Loans and financial leasing operations (Note 7)	485,627.0	458,419.1
Accounts receivable (Note 9)	26,711.8	43,813.7
Property, equipment and operational leasing assets (Note 11)	250.5	109.1
Other (Note 29)	3,749.9	4,519.1
Depreciation	11,853.2	13,166.7
Amortizations	23,021.6	29,089.2
Operating result - net	243,501.7	170,909.4
Non-operating income (Notes 30 and 33)	73,558.8	79,671.3
Profit on sale of foreclosed assets	826.2	1,608.7
Profit on sale of property and equipment	960.7	4,944.3
Recoveries	63,122.9	63,559.8
Other non-operating income	8,649.1	9,558.4
Non-operating expenses (Notes 31 and 33)	41,576.4	24,325.7
Loss on sale of foreclosed assets	690.1	1,470.9
Loss on sale of property and equipment	143.4	71.4
Insurance losses	4,944.7	5,783.0
Other non-operating expenses	35,798.2	17,000.4
Net non-operating result	31,982.3	55,345.6
Profit before tax	275,484.0	226,254.9
Income and related taxes	65,901.2	55,150.1
Profit for the period	USD 209,582.9	171,104.8

Market Representative Exchange rate (in colombian pesos)

\$ 1,784.60

\$ 1,942.70

See the notes accompanying the consolidated financial statements.

EFRAIN ENRIQUE FORERO FONSECA
Legal Representative

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2012 and December 31, 2011

(Amounts in thousands of US dollars)

1. Reporting Entity

Banco Davivienda S.A. ("the Bank") is a private company incorporated by Public Deed 3892 of October 16, 1972 at Notary 14, Bogotá; its registered offices are in Bogotá. 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 Bolívar 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, Notary 18 Bogotá, formalized Davivienda's acquisition of 100% of Delta Bolívar 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 Bolívar 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, Bogotá, 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.

At June 30, 2012, the Bank operated with 11,047 employees in 565 offices and 21 branches and agencies in Colombia and 1 branch abroad, in Miami. Fiduciaria Davivienda S.A. has 80 employees; Fiduciaria Cafetera S.A. has 110; Davivalores S.A. has 61; Confinanciera S.A. has 191 and Bancafé Panamá S.A. has 77.

The Bank owns 60% of the shares of Fiduciaria Davivienda SA, 94.90% of the shares of Confinanciera S.A., 79% of shares of the stockbroker Comisionista de Bolsa Davivalores SA, 99.99% of Bancafé Panamá S.A. and 94,011% of Fiduciaria Cafetera S.A

The consolidated financial statements of Banco Davivienda S.A. at June 30, 2012, include the following subsidiaries:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

CONFINANCIERA S. A. - Compañía de Financiamiento Comercial

Incorporated in Bogotá on June 8, 1977 (Deed 2663, Notary 4) with the initial operating licence issued in Superintendency Resolutions 1983 of June 21, 1977, 3141 of June 19, 1980 and 2350 of June 29, 1990; its licence was renewed definitively by Resolution 3140 of November 24, 1993.

The articles of the Company expire on June 8, 2077. Its registered offices are in Bogotá, there is a branch in Barranquilla and there are five other offices in Colombia. The main business of the company is to take in term funds on deposit and make loans to facilitate trade in goods and services. It may also engage in operations and investments within local conditions and limitations under the regime for finance companies. Its TDs are registered at the Colombian stock securities exchange BVC.

On July 3, 2012 the Superintendency issued Resolution 1013/2012, to authorize the merger of the Company with Banco Davivienda S.A.

BANCAFÉ PANAMÁ S.A.

This Bank was Incorporated in Panama on January 15, 1975 and started operations there with the General Licence to engage in local and international banking transactions. Panamanian Superintendency Resolution SBP0067 of June 29, 2011 authorized it to transfer and consolidate activities hitherto handled under its International Licence to General licence operation.

Banking operations in Panamá are regulated and supervised by that country's Superintendency of Banks under Law 9 of February 26, 1998 and other legislation. The Bank's registered offices are in Panamá City.

FIDUCIARIA DAVIVIENDA S.A.

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

It operates as a trust company, within the Colombian regulations for business as a commercial or private trustee. The business basically is to acquire, encumber, manage and dispose of real and immovable property and invest in all kinds of credit operations as creditor or debtor.

FIDUCIARIA CAFETERA S.A. – FIDUCAFÉ

This private company was incorporated in Bogotá on September 3, 1991 (Deed 5587 Notary 18). Its registered offices are in Bogotá. Its Superintendency operating licence was granted by Resolution 3505 of September 27, 1991, valid until December 31, 2050.

It operates as a trust company, within the Colombian regulations for business as a commercial or private trustee. The business basically is to acquire, encumber, manage and dispose of real and immovable property and invest in all kinds of credit operations as creditor or debtor.

DAVIVALORES S.A. COMISIONISTA DE BOLSA

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

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2. The assets, liabilities, equity and profits of the individual parent and subsidiaries at June 30, 2012 and December 31, 2011, without the effects of equivalent treatment, is the following:

		<u>June 30</u>			
		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Profit (Loss)</u>
Banco Davivienda S.A.	US\$	20,205,077.3	17,343,362.1	2,861,715.2	206,274.5
Confinanciera S.A.		292,934.7	246,365.7	46,568.9	6,548.2
Fiduciaria Cafetera S.A		45,506.7	5,727.2	39,779.6	2,629.9
Fiduciaria Davivienda S.A.		32,029.3	3,562.6	28,466.7	4,235.3
Davalores S.A.		9,271.4	829.4	8,441.9	1,533.1
Bancafé Panamá S.A.		857,307.1	755,606.6	101,700.5	8,181.6

		<u>December 31</u>			
		<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Profit (Loss)</u>
Banco Davivienda S.A.	US\$	18,110,746.3	15,633,495.9	2,477,250.3	150,647.3
Confinanciera S.A.		246,782.4	204,350.6	42,431.9	5,489.2
Fiduciaria Cafetera S.A		41,666.4	4,963.0	36,703.4	2,270.1
Fiduciaria Davivienda S.A.		32,101.7	3,671.1	28,430.6	3,759.5
Davalores S.A.		7,602.8	1,024.9	6,577.8	1,336.1
Bancafé Panamá S.A.		656,773.2	564,865.0	91,908.2	6,292.4

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

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

Property and Equipment

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

Harmonization of equivalences for subsidiaries abroad

The Bank adjusts the financial statements of the subsidiary Bancafé Panamá S.A., to harmonize them with Colombian accounting principles, following the parameters of Superintendency Instructions for the consolidation or combination of financial statements in Chapter X of the Basic Accounting and Financial Circular 100/1995.

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. Accounting periods

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

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

At June 30, 2012, Fiduciaria Davivienda S.A. and Fiduciaria Cafetera S.A., prepared "Special Financial Statements" as part of the process of the merger of the two companies.

3.3. Monetary Unit

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

3.4. Statement of cash and cash equivalent flows

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

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

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

Interbank Funds

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

Interest income from the operation is recorded in the 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.



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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 counterparty 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.

3.6. 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.

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



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Trading

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

Held to maturity

Characteristics	Valuation	Recording
Securities that the Bank seriously wishes to hold to maturity, and has the legal, contractual, financial and operational capacity to do so.	<p>Exponentially based on the IRR calculated at the time of purchase.</p> <p>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.</p> <p>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.</p> <p>Valuations are made daily.</p>	Present value is calculated as an increase to the value of the investment and the difference with the previous value is recording in the earnings statement.

Available for sale – debt securities

Characteristics	Valuation	Recording
<p>This category is used for securities not classified in either of the previous categories, and must be held for one year.</p> <p>After a year they can be reclassified as trading or Held to Maturity.</p>	Using fair prices, reference rates and margins published daily by BVC or main marker.	<p>Recorded as follows:</p> <p>-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..</p> <p>- The difference between market value and present value is recorded as an unrealized accumulated gain or loss in the equity section.</p>



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Available for sale – capital investments

Characteristics	Valuation	Recording
Low/minimum turnover or unquoted held by the Bank as controlling interest or parent.	<p>Capital investments are valued depending on their turnover indicator at the time of valuation:</p> <p>Low/minimum turnover or unquoted equities are valued monthly and the percentage share of equity variations subsequent to acquisition calculated on the basis of the latest certified financial statements are calculated.</p> <p>If the Bank has a controlling interest, the variation is made on the basis of financial statements at the half-yearly close of each company in which an investment is held</p>	<p>Low/minimum turnover or unquoted:</p> <p>- The difference between market or the updated book value of the investment is recorded as follows:</p> <p>If higher, the allowance or loss on valuation is reduced until exhausted and any excess is recorded as a surplus or gain. Si es superior, en primera instancia disminuye la provisión o desvalorización hasta agotarla y el exceso se registra como superávit por valorización.</p> <p>If lower, the valuation gains are affected until exhausted, and any further loss is recorded as a valuation loss.</p> <p>- 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.</p> <p>- If the dividend or profit is distributed in cash, it is recorded as a valuation surplus, the surplus is reversed and the amount of dividends that exceeds that total is written down against the value of the investment.</p>
High-medium turnover. These investments are classified as such by turnover level at valuation date, using calculations authorized by the Superintendency. The turnover indicator represents the degree of liquidity of a share on the exchanges.	<p>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.</p> <p>High-turnover equities are valued on the latest weighted average daily dealing price on the exchange where they are traded.</p>	<p>Low/minimum turnover or unquoted</p> <p>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.</p> <p>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 accounts receivable.</p>

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.



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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.

It refers 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.

This account also records debt or capital investments that a Credit Establishment has endorsed to the Central Bank when it uses temporary liquidity support funds, in accordance with Central Bank conditions.

Credit Risk Allowances or Losses

The prices of debt securities and the securities and that 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 an investment, 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

Not subject to loan risk rating of securities or debt securities internally or externally issued or guaranteed by the Nation, issued by the Central Bank and those issued or guaranteed by the Fondo de Garantías de Instituciones Financieras FOGAFIN.

3.7. Loans and Financial Leasing Operations

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

Loans are 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:



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- Commercial

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

Residential Leasing

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.

The financed portion of the leasing operations is amortized for the capital component in each leasepayment.

- 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.

- Home 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

Microcredit is defined as the set of asset operations to which Article 39 of Law 590 / 2000 (as amended and supplemented) applies and loans made to micro-enterprises in which the main source of repayment is the income from the enterprise.

A micro-enterprise is also defined as a unit of economic exploitation of an individual or corporate entity engaged in urban or rural business, agriculture, industry, commerce or services, with a payroll of less than 10 and assets of less than 500 minimum monthly salaries (approximately US\$160,000).

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



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- **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 guarantees 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 guarantee 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 guarantee, 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.

Winter disasters

The Bank has restructured loans affected by the winter 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.



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Suspension of interest accruals

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

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

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

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

Rules for writing off

The writing-off of loans, accounts receivable 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	Bank and Confinanciera Days Loans	Bancafé Panamá
Commercial	570	Individual evaluation
Consumer	180 (other than unsecured vehicle loans)	
Home mortgage	540	
Residential leasing	540 (Commercial loans)	
Commercial vehicles	360	
Consumer vehicles	360	
Microcredit	180	

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



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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 guarantees.

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

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

The analysis of guarantees 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 guarantees can be realized.

For consumer and commercial loans, "admissible" and "non-admissible" guarantees are taken, as laid down in Decree 2360/1993.

In the case of home 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 guarantees where the guarantee is a mortgage, is effected by taking the initial recorded value of the guarantee, 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 guarantees 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.



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

Fiduciaria Davivienda S.A., Fiduciaria Cafetera S.A. and Davivalores S.A. 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 guarantees 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:

Commercial Loans

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



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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.

Home 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 until 2	0 until 1
B	Acceptable	More than 2 until 5	More than 1 until 2
C	Appreciable	More than 5 until 12	More than 2 until 3
D	Significant	More than 12 until 18	More than 3 until 4
E	Unrecoverable	More than 18	More than 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.

Rules on loan allowances

Allowances are charged to earnings as follows:

General allowance.

At June 30, 2012 and December 31, 2011, there was a general allowance for microcredit and home 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 procyclical and the other countercyclical.

The individual procyclical component reflects the credit risk of each debtor today.

The individual countercyclical 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 accounts receivable, for loans and leasing operations.

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

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



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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 I(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.

Every year, the Superintendency publishes the migration matrices to reply to the quantification of expected loss.

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 unfavourable environment.

At June 30, 2012 and December 31, 2011, 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:

<u>Company Size</u>	<u>Asset Level</u>
Large	Over 15,000 minimum salaries (Over Approx US\$5.2 million)
Medium	5,000 – 15,000 minimum salaries Approx \$1,4 million-US\$5.2 million)
Small	Less than 5.000 minimum salaries (Approx US\$1.4 million)

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:

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



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Where:

- Probability of default (PI)

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	Large Company		Medium Company		Small Company		Natural Person	
	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" y "Property leasing assets", as follows:

<u>Guarantee type</u>	<u>LGD.</u>	<u>Days in arrears</u>	<u>New LGD.</u>	<u>Days after default</u>	<u>New LGD.</u>
Unsecured	55.00%	210	80.00%	420	100.00%
Property leasing assets	35.00%	540	70.00%	1.080	100.00%

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

The LGD applied by Confinanciera for unsecured loans is as follows

<u>Type of guarantee</u>	<u>LGD</u>	<u>Days arrears</u>	<u>New LGD</u>	<u>Days arrears</u>	<u>New LGD</u>
Subordinated loans	75%	270	90%	540	100%
Admissible financial collateral	0 – 12%	-	-	-	-
Commercial and residential property	40%	540	70%	1080	100%
Property leasing assets	35%	540	70%	1080	100%
Non-property leasing assets	45%	360	80%	720	100%
Other collateral	50%	360	80%	720	100%
Collection rights	45%	360	80%	720	100%
Unsecured	55%	210	80%	420	100%

- Exposed asset value

Exposed asset value is the current value of the capital. Interest and other receivables related to an commercial loan.



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- Subsidiaries abroad

The commercial loans of the subsidiary abroad calculates loan allowances for customers operating in Colombia by applying the Colombian reference model MRC; for customers doing business in other countries, an internal model is used which considers factors such as country risk in addition to the allowances made in the country of origin. This takes account of credit risk categories, a factor for the deterioration of classification and a write-off factor (historic, last two years). These additional factors are not used for loans collateralized with deposits.

Additional factors:

Country risk

COUNTRY	RATING	DEFAULT RATE
USA	AA+	0.00%
Panamá	BBB-	1,41 %
Venezuela	B+	6,91 %
Perú	BBB	1,41 %
Colombia	BBB-	1,41 %

Source S&P (May 2012)

Evaluation factor

CATEGORY	EVALUATION FACTOR
A	1,00
B	1,25
C	1,50
D	1,75
E	2,00

Probability of default in other countries

RATING/CAT	BBB-	B+
A	1,41	6,91
B	1,76	8,64
C	2,12	10,37
D	2,47	12,09
E	2,82	13,82

Method applied

Taking account of the additional factors, allowances are calculated using the following equation

$$\text{Allowance} = [(\text{Country risk} * \text{Evaluation factor}) + \% \text{ written off}] * \text{Asset exposure}$$

Allowances for moratorium processes

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".



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Consumer loans

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

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

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

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

Where:

- 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.

<u>Category</u>	<u>General</u> <u>Automobiles</u>		<u>General</u> <u>Other</u>		<u>Credit</u> <u>Card</u>	
	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 guarantees "unsecured", and "non-admissible guarantee", as described below:

<u>Guarantee type</u>	<u>LGD</u>	<u>Days after default</u>	<u>New LGD.</u>	<u>Days after default</u>	<u>New LGD.</u>
Unsecured	75.0%	30	85.0%	90	100.0%
Non-admissible guarantee	60.0%	210	70.0%	420	100.0%

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

The LGD applied by Confinanciera for non-admissible guarantees is the following:



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

- Exposed asset value.

In the MRCO the exposed asset value is the outstanding capital balance, with interest, accounts receivable for interest and other items, in the consumer loan operations.

Subsidiaries abroad

The subsidiaries abroad calculate allowances for consumer loans by applying the following table:

Category	%
A	1,6
B	5,0
C	30,0
D	60,0
E	100,0

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

Home mortgage loans

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

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

An allowance must be kept over the secured portion of home 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%.

In categories B and below there is a 100% allowance against interest and other receivables.

Subsidiaries abroad

The calculation of allowances against home mortgage loans of the subsidiaries abroad applies the following table:



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Category	Covered portion	Remainder %
A	1,5	3,0
B	5,0	100,0
C	20,0	100,0
D	60,0	100,0
E	100,0	100,0

At all events, the allowances are not lower than the estimates of the subsidiary abroad.

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	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 guarantees on individual allowances.

Guarantees for microcredit and home 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 guarantee.

In the case of home mortgage loans, the unsecured portion is the difference between the value of the unpaid balance and 100% of the value of the guarantee. 100% value of the guarantee is applied to the secured portion.

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

Non-mortgage guarantees:

<u>Time in arrears</u>	<u>%</u>
0 - 12 months	70%
12 - 24 months	50%
Over 24 months	0%

Mortgage guarantees:

<u>Time in arrears</u>	<u>%</u>
0 - 18 months	70%
18 - 24 months	50%
24 - 30 months	30%
30- 36 months	15%
Over 36 months	0%



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On December 31, 2011, the calculation of expected loss in the Commercial Reference Model and the Consumer Reference Model used the highest percentage of LGD, which correspond to the non-guaranteed portion, in accordance with a classification by type C of guarantee, except for leasing operations in the commercial portfolio ("Property Leasing"), in which the terms of the regulations applied as of November, 2011.

At June 30, 2012, the calculation of expected loss for the consumer products corresponding to pay-deduction loans applied to the terms of Circular 043/2011, as of May 2012.

3.8. Spot and derivative operations

Spot operations	Derivatives
<p>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:</p> <p>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.</p> <p>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.</p> <p>Changes in market value of instruments sold must be shown in the earnings statement as of the date of the trade, as appropriate.</p> <p>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.</p>	<p>Recorded in the balance sheet, from the date of the trade, for a fair market price.</p> <p>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.</p> <p>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.</p> <p>Derivatives which record a positive fair price, that is favourable to them, are recorded in the assets, separating the value of the right and the value of the obligation. If the fair price of exchange is negative, that is, unfavourable to the Bank, the item will be recorded as a liability, with the same separate accounting.</p> <p>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.</p> <p>The recording of financial derivatives for speculative purposes requires that variations in the fair price should be recorded in the earnings statement, following the rules given below.</p> <p>Regardless of 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. Similarly, this treatment must be given to each of the derivatives traded by the supervised institution.</p> <p>Accounting of derivatives for hedging purposes.</p> <p>Regardless of whether the accumulated variation on the derivative for hedging purposes is positive (profit) or negative (loss), the part of the valuation which is daily recorded daily in the earnings statement must be recorded in the appropriate revenue or expense sub account in which the derivative should be recorded, depending on whether it is an accumulated profit or an accumulated loss, following the relevant instructions.</p> <p>Part of the accumulated variation in the price which should be recorded daily in the equity section account opened for that purpose should be recorded with a positive or negative sign, as appropriate.</p>



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Forwards	Futures
<p>Speculative forwards will be booked in the balance sheet from the date of the trade, for the fair price.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>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.</p>

Options
<p>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.</p> <p>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).</p> <p>Supervised institutions must report the nominal 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.</p>

Swaps	Speculative swaps	Hedging swaps
<p>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. These are swaps designed to obtain profits from market movements.</p>	<p>The book entry will isolate the effect of the evaluation 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.</p>	<p>The accounting of the derivatives for hedging purposes depends on specific type of hedging involved, in our case, the hedging operations correspond to the 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.</p>



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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 loans.

Allowances are made for all interest, monetary correction and other items accrued and unpaid on loans, on the same occasion that accruals are suspended for financial deals on them. Legal costs incurred on home mortgage loans are subject to a 100% allowance.

Allowances are made to protect accounts receivable 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. Marketable assets, foreclosed assets, restored assets and assets not used in the business.

Marketable assets and foreclosed assets

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

Foreclosed assets 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 cost appears 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



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

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

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

3.11. Allowance against marketable assets and foreclosed assets.

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

Period	Furniture %	Real property %
Year 1	30%	35%
Year 2	30%	35%
Total	60%	70%
2 years or more	20%	30%
Regulatory allowance	80%	100%
Bank policy	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 re depreciated on his straight-line basis, and their useful lives and annual depreciation rates are:



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

Straight-line method

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

Declining balance method.

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

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\$3000) 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.
- Equipment maintenance, over the life of the maintenance contract.
- 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.



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- 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.
- 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.
- Commercial strategy of ticket pre-purchase, in accordance with execution.
- 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 five years for Confinanciera S.A., by the exponential method at a time of 20 years for Granbanco S. A.

3.15. Valuation losses and gains.

Assets which are the object of valuation gains:

- **Investments available for sale and capital 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

- **Foreclosed assets**

Valuation gains on foreclosed assets are recorded in Memorandum Accounts.

3.16. Deferred tax

The bank recognizes 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.



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UVR adjustment

Law 546/1999, Article 3, created the UVR, as a unit of account, which reflects the purchasing power of the currency, based exclusively on the variation in the Colombian CPI, published by the statistical bureau DANE, whose 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, Frech and Davipuntos.

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 June 30, 2012 and December 31, 2011 the rates were \$1,784.6 and \$1,942.7 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 made to accounts 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



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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 "universalities", that is, collective loan portfolios.

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

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

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

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

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

3.23. Excess of cost over book value

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

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 guarantees and foreclosed assets made by independent valuers, but not more than three years old.

3.25. Substantial variations in uniformity

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

The balance sheets of the subsidiaries abroad was converted to Colombian pesos at a Market reference Rate (TRM) at June 30, 2012 and December 31, 2011 of \$1,784,60 (pesos) and \$1,942,70 (pesos), respectively;



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the equity conversion was made at the rate for September 1, 2007, \$2,160.99 (pesos), that being the rate for the date of acquisition of Bancafé Panamá.

The earnings statement of the subsidiary abroad used the average TRM for each half year, for June 30, 2012 and December 31, 2011, this average rate was \$1,793,97 (pesos) and \$1,856,61 (pesos), respectively.

The financial statements of the subsidiary Bancafé Panamá are expressed in Panamanian Balboas, freely exchangeable with the American dollar. Panamá does not issue its own banknotes, and the dollar is used as legal tender.

The Bank provided equivalences for the plan of accounts so that the accounting practices of Panama could be made equivalent to or homogeneous with Colombian practices following Colombian Superintendency guidelines mainly for items that might affect the structure of the consolidated financial statements in investments, loan allowances, depreciation of property and equipment, foreclosed assets etc.

The effect of this procedure on the results at June 30, 2012 and December 31, 2011, is as follows:

	<u>June 30</u>			<u>December 31</u>		
Profit of Panamanian subsidiary	US\$ 8,181.6			US\$ 6,292.4		
<u>Equivalences</u>	<u>Expense</u>	<u>Recovery,</u>	<u>Net</u>	<u>Expense</u>	<u>Recovery,</u>	<u>Net</u>
Allowance						
Investments	US\$ 0.0	644.1	644.1	0.0	3,879.6	3,879.6
Loans	4,133.8	1,022.2	(3,111.6)	771.1	265.6	(505.5)
Receivables	26.6	0.1	(26.5)	2.4	5.4	2.9
Foreclosed assets	0.0	23.2	23.2	0.0	1,605.2	1,605.2
General allowance	0.0	0.0	0.0	0.0	415.0	415.0
Trusts	0.0	2,946.6	2,946.6	442.1	0.0	(442.1)
Transfer of valuation of trading investments available for sale	1,159.6	0.0	(1,159.6)	1,271.8	0.0	(1,271.8)
Depreciation	<u>0.0</u>	<u>9.1</u>	<u>9.1</u>	<u>0.0</u>	<u>16.8</u>	<u>16.8</u>
	US\$ <u>5,320.1</u>	<u>4,645.3</u>	<u>(674.8)</u>	<u>2,487.4</u>	<u>6,187.7</u>	<u>3,700.2</u>
Total equivalent profit of subsidiaries abroad		<u>7,506.7</u>				<u>9,992.6</u>

Principal Effects January – June 2012

Loans

The Bank's commercial and consumer reference models (MRC and MRCO) were applied to customers doing their business in Colombia; and for other customers, an internal model was applied to include, amongst other factors, country risks and the write-off factor. There was a recovery of loan allowances of US\$ 1,022.2 mainly due to the reduction in past-due loans and an allowance of US\$ 4,133,8, originating mainly from the process of establishing equivalences in loan allowances.

Accounts Receivable

The process of establishing equivalences included an item in the balance sheet of the subsidiary Bancafé Panamá S.A., with an allowance against interest of US\$ 68.6. The individual application of the allowance produced an effect of US\$ 0.1 on earnings as a recovery and US\$ 26.6 as an expense.



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Foreclosed assets

No balance-sheet allowances were made in the period January-June 2012 for Bancafé Panamá S.A. , since there was already an allowance of m100% against these assets. The net effect on earnings was US\$ 23.2, with the write-back of which part related to the book value and the rest to variations in the exchange rate (TRM).

Trusts

The allowance against the trust Fideicomiso H&L Barú for US\$ 2,540,6 corresponds to 100% of the balance of the asset at June 30, 2012. The recovery for the period was US\$ 2.946,6 affected by two variables: 1) Part-payment of the balance of the asset and 2) TRM variation.

Investments

As part of the process of establishment of equivalences, man allowance was included in the balance sheet of the subsidiary Bancafé Panamá S.A. for the classification of securities, totalling US\$ 3,272.2. The individual application of the allowance produced an effect of US\$ 644.1 of recoveries from the sale of securities written down during the period and the updating of risk classifications.

The value of investments available for sale was made by treating these investments as trading investments, producing an expense US\$ 1,159.6.

This reclassification was made because the subsidiary purchases securities and records them as debt securities available for sale, but trades them again in less than one year. The adjustment must therefore be made to make the item equivalent to a classification under Chapter II of Superintendency Circular 100/1995.

Principal Effects – July-December, 2011

Loans

The Bank's commercial and consumer reference models (MRC and MRCO) were applied to customers doing their business in Colombia; and for other customers, an internal model was applied to include, amongst other factors, country risk and the write-off factor. There was a recovery of allowances for US\$265.6, mainly due to a reduction in past-due accounts and an expense for the allowance of US\$771.1 originating principally in order to establish the equivalence of allowances.

Accounts receivable

The establishment of equivalences included an item in the balance sheet of subsidiary Bancafé Panamá S.A, being an allowance for interest of US\$38.7 The individual application of the allowance produced an effect on earnings of US\$5.4 in recoveries and US\$2.4 as an expense.

Foreclosed assets

No allowances were made for these items in the balance sheet of the subsidiary Bancafé Panamá S.A. since they were already fully provided against. The net effect on earnings was a recovery of US\$1,605.2 of which part was book value and part due to variations in the exchange rate (TRM).

Trusts

The allowance for the trust Fideicomiso H&L Barú for US\$5,041.2 with an expense in the period of US\$442.1 due to TRM variations.



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Investments

As part of the process of establishment of equivalences, an allowance was included in the balance sheet of the subsidiary Bancafé Panamá S.A. for the classification of securities, totalling US\$3,597.4. The individual application of the allowance produced an effect of US\$ 3,880.1 of recoveries from the sale of securities written down during the period and the updating of risk classifications.

The value of investments available for sale was made by treating these investments as trading investments, producing an expense US\$ 1,271.8.

This reclassification was made because the subsidiary purchases securities and records them as debt securities available for sale, but trades them again in less than one year. The adjustment must therefore be made to make the item equivalent to a classification under Chapter II of Superintendency Circular 100/1995.

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:

		<u>June 30</u>	<u>December 31</u>
Local currency:			
Cash	US\$	487,521.3	409,980.7
Banco de la República		425,125.8	135,728.8
Banks and other financial institutions		84,435.8	70,008.2
Clearing		45,478.3	19,776.6
Remittances in transit		15.2	75.1
Allowance		<u>(430.2)</u>	<u>(238.7)</u>
		<u>1,042,146.3</u>	<u>635,330.8</u>
Foreign currency expressed in local currency:			
Cash		303.8	649.7
Banco de la República		33.0	33.4
Banks and other financial institutions		355,957.0	87,899.4
Remittances in transit		2,349.7	80.0
Allowance		<u>(0.2)</u>	<u>(8.0)</u>
		<u>358,643.2</u>	<u>88,654.5</u>
	US\$	<u>1,400,789.5</u>	<u>723,985.3</u>

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

These deposits are not remunerated.

4.1. Reconciliation items

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

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



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At June 30, 2012, local bank reconciliations contained 2,504 items pending less than 30 days for a net amount of US\$15,692.3; items pending for more than 30 days have no significant impact, and an allowance of US\$430.4 has been made against them.

The following is the detail of reconciliation items at December 31, 2011:

<u>Pending more than 30 days</u>	<u>No.</u>	<u>Amount</u>
Statement Debit Notes not in books	2,097	US\$ 131.1
Statement credit notes not in books	631	(258.8)
Book debit notes not in statement	84	46.4
Book credit notes not in statement	<u>369</u>	<u>(586.9)</u>
	<u>3,181</u>	US\$ <u>(668.1)</u>

At December 31, 2011 the reconciliations of local bank accounts contained 1,674 items pending under 30 days for a net value of US\$14,813.9. Items pending for more than 30 days had no significant impact and allowances have been made against them for US\$246.7.

4.2. Reconciliation items in foreign currency

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

<u>Pending more than 30 days</u>	<u>No.</u>	<u>Amount</u>
Statement Debit Notes not in books	0	0.0
Statement credit notes not in books	5	(68.9)
Book debit notes not in statement	0	0.0
Book credit notes not in statement	<u>11</u>	<u>(34.6)</u>
	<u>16</u>	<u>(103.5)</u>

Allowances of US\$ 0.2 have been made.

The following is the detail of reconciliation items at December 31, 2011:

<u>Pending more than 30 days</u>	<u>No.</u>	<u>Amount</u>
Statement Debit Notes not in books	2	0.1
Statement credit notes not in books	2	(11.9)
Book debit notes not in statement	2	8.0
Book credit notes not in statement	<u>10</u>	<u>(9.4)</u>
	<u>16</u>	<u>(13.2)</u>

Allowances of US\$ 8.0 have been made.

There is a restriction on the availability of foreign currency cash at June 30, 2012 and December 31, 2011 of US\$9,200,000, equivalent to \$16,097.1 and \$6,799.5 respectively, needed to attend to liquidity requirements of the US Branch.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4.3. Allowance against cash and due from banks

The movement of the allowance against cash is as follows:

		<u>June 30</u>	<u>December 31</u>
Opening balance	US\$	268.6	252.4
Plus:			
Allowance expensed		268.5	161.6
Less:			
Allowance recovered		<u>106.6</u>	<u>167.2</u>
Closing balance	US\$	<u>430.4</u>	<u>246.7</u>

4.4. Mandatory cash reserve

At June 30, 2012 and December 31, 2011, mandatory cash reserves were held as required by Banco de La Republica Circular 11 (October 2008) (Note 37).

Cash reserve required and the average held by the Bank and Confinanciera in the first half of 2012 and the second half of 2011 was as follows:

		<u>June 30</u>	<u>December 31</u>
Average reserve required	US\$	1,117,590.3	951,369.5
Average reserve held	US\$	1,128,634.7	965,003.8

5. Money market and related operations asset positions

The following is the detail of money market and related operations asset positions:

June 30

<u>Foreign Currency</u>		<u>US\$</u>	<u>Rate</u>	<u>Date</u>		<u>US\$</u>	<u>TRM</u>
				<u>Struck</u>	<u>Matured</u>	<u>amount</u>	<u>*(Pesos)</u>
Overnight Banks abroad:							
	US\$	<u>5,000,000.0</u>	0.45%	Jun.22.12	Jul.20.12	US\$ 5,000.0	1,784.60
	US\$	<u>2,475,000.0</u>	0.30%	Jun.29.12	Jul.20.12	<u>2,475.0</u>	1,784.60
	US\$	<u>7,475,000.0</u>				<u>7,475.0</u>	
<u>Legal Currency</u>							
Simultaneous			5.60%	Jun.28.12	Jul.04.12	10,167.4	
Banco República			5.70%	Jun.26.12	Jul.04.12	99,194.6	
			5.75%	Jun.29.12	Jul.06.12	27,060.9	
			5.80%	Jun.25.12	Jul.03.12	48,365.2	
			6.10%	Jun.29.12	Jul.03.12	<u>1,495.2</u>	
						<u>186,283.2</u>	

*TRM: Market Reference Rate published daily by the Superintendency

Carried forward US\$ 186,283.2



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Notes to the Consolidated Financial Statements

			Brought forward	US\$ <u>186,283.2</u>
Public entities	5.31%	Jun.29.12	Jul.03.12	<u>3,362.1</u>
Exchange brokers	5.40%	Jun.27.12	Jul.03.12	11,475.7
	5.60%	Jun.27.12	Jul.05.12	41,952.2
	5.70%	Jun.27.12	Jul.04.12	53,371.0
	5.75%	Jun.28.12	Jul.05.12	39,471.9
	5.80%	Jun.29.12	Jul.04.12	51,193.3
	5.85%	Jun.29.12	Jul.05.12	1,740.7
	6.40%	Jun.27.12	Jul.03.12	3,498.8
	6.50%	Jun.29.12	Jul.03.12	1,435.7
	0.00%	Jun.04.12	Jul.04.12	291.1
	0.00%	Jun.28.12	Jul.30.12	<u>157.0</u>
				<u>204,587.4</u>
Insurance companies	6.25%	Jun.29.12	Jul.03.12	<u>3,732.3</u>
Trust companies	5.60%	Jun.27.12	Jul.03.12	1,496.1
	5.70%	Jun.29.12	Jul.03.12	12,239.8
	5.85%	Jun.29.12	Jul.05.12	<u>3,390.7</u>
				<u>17,126.5</u>
Interbank funds				
Banks	5.28%	Jun.30.12	Jul.11.12	3,362.1
	5.30%	Jun.27.12	Jul.25.12	<u>3,362.1</u>
				<u>6,724.2</u>
				<u>421,815.7</u>
Total Money market and related operations asset positions				US\$ <u>429,290.6</u>

December 31

Foreign Currency

	<u>US\$</u>	<u>Rate</u>	<u>Struck</u>	<u>Date</u> <u>Matured</u>	<u>US\$</u> <u>amount</u>	<u>TRM</u> <u>*(Pesos)</u>
Overnight Banks abroad:						
	US\$	2,400,000.0	0.03%	Dic.30.11 Ene.03.12	2,400.0	1,942.7
	US\$	<u>5,000,000.0</u>	0.35%	Dic.28.11 Ene.03.12	<u>5,000.0</u>	1,942.7
		<u>7,400,000.0</u>			<u>7,400.0</u>	



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Legal Currency

Simultaneous

Banco República	5.3%	Dic.15.11	Ene.04.12	25,747.8
	5.3%	Dic.16.11	Ene.05.12	40,003.1
	5.2%	Dic.20.11	Ene.13.12	82,978.8
	5.1%	Dic.22.11	Ene.04.12	35,294.6
	5.2%	Dic.22.11	Ene.06.12	65,076.5
	4.8%	Dic.26.11	Ene.06.12	224,580.7
	4.8%	Dic.26.11	Ene.05.12	286,290.9
	4.9%	Dic.26.11	Ene.04.12	24,255.5
	4.9%	Dic.27.11	Ene.11.12	<u>49,700.0</u>
				<u>833,928.0</u>
Exchange brokers	4.9%	Dic.27.11	Ene.02.12	10,891.2
	6.5%	Dic.27.11	Ene.02.12	995.0
	5.0%	Dic.27.11	Ene.02.12	5,113.4
	4.8%	Dic.28.11	Ene.04.12	21,790.7
	4.9%	Dic.28.11	Ene.03.12	<u>8,402.8</u>
				<u>47,193.1</u>
Banks	4.6%	Dic.14.11	Ene.02.12	74,638.4
	4.7%	Dic.21.11	Ene.25.12	6,177.0
	4.6%	Dic.29.11	Ene.02.12	<u>11,324.4</u>
				<u>92,139.8</u>
Investment Banks	4.6%	Dic.16.11	Ene.02.12	<u>12,096.6</u>
				<u>985,357.5</u>
Total Money market and related operations asset positions				US\$ <u>992,757.5</u>

At June 30, 2012 and December 31, 2011, the balance and average monthly yield on asset positions (local and foreign currency) was US\$429.290.6 and US\$2.682.9 and USD 992,757.5 and US\$1.140.1 respectively.

There are no restrictions on these funds.



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6. Investments

The following is the detail of portfolio investments at June 30, 2012 and December 31, 2011:

<u>June 30</u>		<u>Cost</u>	<u>Allowance</u>
Trading, debt securities	US\$	1,494,965.9	8,227.0
Trading, capital investments		1,048.6	0.0
Held to maturity		264,328.8	165.6
Available for sale, debt securities		379,824.7	1,285.2
Available for sale, capital investments		65,915.7	7,532.6
Transfer rights, available for sale in debt securities		512,002.5	0.0
Available for sale, delivered in guarantee		<u>133,842.1</u>	<u>0.0</u>
	US\$	<u>2,851,928.3</u>	<u>17,210.4</u>
<u>December 31</u>		<u>Cost</u>	<u>Allowance</u>
Trading, debt securities	US\$	1,668,046.6	7,337.0
Trading, capital investments		518.4	0.0
Held to maturity		170,954.9	86.0
Available for sale, debt securities		435,774.3	1,788.4
Available for sale, capital investments		60,536.9	6,919.6
Available for sale, delivered in guarantee		<u>123,202.4</u>	<u>0.0</u>
	US\$	<u>2,459,033.5</u>	<u>16,130.9</u>

6.1. Portfolio by classification, type and credit rating

<u>- Trading, debt securities</u>		<u>June 30</u>	<u>December 31</u>
TES	US\$	388,429.8	873,011.7
TRD		885.4	795.3
Bonds		283,877.5	197,545.6
TDA Finagro (1)		147,619.8	80,864.2
CDT's		280,213.2	168,446.5
Tips		333,568.7	297,656.7
Debt instruments		19,925.2	11,266.4
Issues of foreign governments		5,336.4	1,194.5
Issues of multilaterals		4,389.8	6,607.9
Foreign issues		17,972.2	21,408.0
Other Investments		<u>12,748.0</u>	<u>9,249.8</u>
	US\$	<u>1,494,965.9</u>	<u>1,668,046.6</u>



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Notes to the Consolidated Financial Statements

- Trading, capital investments

Collective loans	US\$	<u>1,048.6</u>	<u>518.4</u>
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- Held to maturity

TRD		165,175.3	149,917.6
TDA Finagro (1)		23,238.0	0.0
TIPS		42,955.6	18,817.1
Issued abroad Cerpanes		2,303.7	2,220.2
Bonds		<u>30,656.2</u>	<u>0.0</u>
	US\$	<u>264,328.8</u>	<u>170,954.9</u>

(1) Corresponds to mandatory investments, matching percentages set for savings accounts, current accounts, TDs, bank collection services and trust liabilities (Note 13) in the terms of Resolution 14/2008, as follows: on quarterly average daily balances in, local currency demand accounts, after deducting the reserve requirement 5,8% on current and savings accounts and 4.3% on TDs.

These percentages apply based on the calculation of the mandatory investment in TDA (agricultural development issues), corresponding to demand accounts for the quarter March-June 2009 and are the percentages in force today. (Note 36).

<u>- Investments available for sale, debt securities</u>	<u>June 30</u>	<u>December 31</u>
Issues of foreign issuers	18,265.0	58,069.1
Issues of foreign governments	47.0	2,787.9
Structured Notes	20,634.4	20,634.3
TIPS	<u>340,878.2</u>	<u>354,283.0</u>
	US\$	
	<u>379,824.7</u>	<u>435,774.3</u>

- Available for sale, capital investments

Equities with low/minimum turnover (Note 6.10)	<u>65,915.7</u>	<u>60,536.9</u>
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- Trading investments delivered in guarantee

TES trading investments	<u>512,002.5</u>	<u>0.0</u>
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- Investments available for sale delivered in guarantee

TES available for sale	<u>133,842.1</u>	<u>123,202.4</u>
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<u>- Allowance against investments</u>	<u>(17,210.4)</u>	<u>(16,130.9)</u>
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Net total Investments	US\$	<u>2,834,717.9</u>	<u>2,442,902.6</u>
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Notes to the Consolidated Financial Statements

There are no other restrictions in the conditions of these operations in themselves; there are only those of the Superintendency Circular corresponding to securities delivered in guarantee against interbank liabilities, repos, simultaneous operations and futures. These securities are recorded as Repurchase Rights and Transfer Rights.

There is a restriction on the Miami branch portfolio at June 30, 2012 and December 31, 2011 for US\$11,133,375.2, equivalent to \$19,868.6 and US\$10,938,652.95, equivalent to \$21,250.5, respectively in favour of the Florida Office of Financial Regulation.

At June 30, 2012 and December 31, 2011, capital and debt securities were evaluated and classified for credit risk as required by Superintendency Circular 100/1995, and the results are shown in Note 6.9.

6.2. Reclassification de Investments

Equivalences were established between the portfolio of investments available for sale and the portfolio of trading investments with an effect on earnings due to the transfer of valuations equivalent to USD 1,159.6 as an expense.

This reclassification is due to the fact that the affiliate purchases securities and records them as "Available for Sale" in debt securities, and then trades them within one year; and for the purposes of the basic Accounting Circular Chapter I this means that the adjustment must be made..

6.3. Investment portfolio ratings

<u>Long-term ratings</u>		<u>June 30</u>	<u>% Share</u>	<u>Allowance</u>	<u>December 31</u>	<u>% Share</u>	<u>Allowance</u>
AAA	US\$	705,986.6	25.35%	0.0	691,867.9	28.85%	0.0
AA+		12,611.9	0.45%	0.0	24,247.1	1.01%	0.0
AA		98,776.5	3.55%	0.0	65,038.5	2.71%	0.0
AA-		34,174.1	1.23%	0.0	21,019.5	0.88%	0.0
A+		19,426.6	0.70%	0.0	39,280.6	1.64%	0.0
A-		16,235.7	0.58%	0.0	32,365.8	1.35%	0.0
A		79,551.0	2.86%	0.0	40,701.8	34.28%	0.0
BBB+		42,848.5	1.54%	0.0	12,266.8	0.51%	0.0
BBB		92,967.4	3.34%	0.0	40,526.3	1.69%	0.0
BBB-		76,149.1	2.73%	0.0	70,403.3	2.94%	0.0
BB+		24,050.3	0.86%	3,643.3	25,906.6	1.08%	2,590.6
BB-		446.9	0.02%	62.7	667.2	0.03%	65.7
BB		6,380.9	0.23%	966.9	15,431.2	0.64%	1,543.1
B+		7,952.9	0.29%	2,424.6	8,048.8	0.34%	2,414.6
B		0.0	0.00%	0.0	0.0	0.00%	0.0
CCC		0.0	0.00%	0.0	0.0	0.00%	0.0
CC		258.1	0.01%	165.5	301.7	0.01%	138.4
C		4,511.8	0.16%	2,414.7	4,917.7	0.21%	2,458.8
Multilateral		3,027.1	0.11%	0.0	4,740.0	0.20%	0.0
Sovereign		<u>1,275,829.2</u>	<u>45.81%</u>	<u>0.0</u>	<u>1,173,662.0</u>	<u>48.94%</u>	<u>0.0</u>
	US\$	<u>2,501,184.5</u>	<u>89.81%</u>	<u>9,677.8</u>	<u>2,271,392.6</u>	<u>94.72%</u>	<u>9,211.3</u>



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		<u>June 30</u>	<u>% Share</u>	<u>Allowance</u>	<u>December 31</u>	<u>% Share</u>	<u>Allowance</u>
<u>Short-term ratings</u>							
1	US\$	4,023.1	0.14%	0.0	5,192.1	0.22%	0.0
1+		268,549.2	9.64%	0.0	118,996.2	4.96%	0.0
2		<u>11,207.2</u>	0.40%	<u>0.0</u>	2,397.3	0.10%	0.0
		<u>283,779.5</u>	<u>10.18%</u>	<u>0.0</u>	<u>126,585.7</u>	<u>5.28%</u>	<u>0.0</u>
	US\$	<u>2,784,964.0</u>	<u>100.0%</u>	<u>9,677.8</u>	<u>2,397,978.3</u>	<u>100.0%</u>	<u>9,211.3</u>
<u>Capital investments</u>							
A	US\$	66,368.5	99.11%	7,531.5	60,557.4	99.18%	6,918.6
AA		0.0	0.00%	0.0	492.7	0.81%	0.0
B		5.5	0.01%	1.1	5.0	0.01%	1.0
CCA Immediate Liquidity		<u>590.3</u>	0.02%	<u>0.0</u>	<u>0.0</u>	0.00%	<u>0.0</u>
		<u>66,964.3</u>	<u>99.1%</u>	<u>7,532.6</u>	<u>61,055.2</u>	<u>100.0%</u>	<u>6,919.5</u>
	US\$	<u>2,851,928.3</u>		<u>17,210.4</u>	<u>2,459,033.5</u>		<u>16,130.9</u>

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

The residual rights produced as a result of the loan securitization process are recorded in Contingent Accounts. The balance at June 30, 2012 and December 31, 2011 was US\$45.621.2 and US\$31.547.8, respectively.

6.4. Investment portfolio by issuer

		<u>June 30</u>		<u>December 31</u>	
<u>Foreign Currency</u>		<u>Cost</u>	<u>Allowance</u>	<u>Cost</u>	<u>Allowance</u>
Colombian sovereign	US\$	4,565.4	0.0	2,736.0	0.0
Financial institutions		23,332.0	0.0	60,355.2	0.0
Banks abroad		156,869.3	1,441.1	31,421.3	0.0
Foreign governments		5,383.4	820.1	5,016.5	0.0
Multilaterals		302.1	0.0	6,914.1	0.0
Corporate		85,403.0	1,010.8	92,807.7	3,597.4
<u>Legal currency</u>					
Colombian sovereign		1,219,862.2	0.0	1,174,941.4	0.0
Colombian regional and local authorities		6,940.2	0.0	37,502.0	0.0
Financial institutions		1,295,676.1	6,405.8	988,363.8	5,614.9
Corporate		45,236.7	7,532.6	53,979.3	6,918.6
Multilaterals		<u>8,357.8</u>	<u>0.0</u>	<u>4,996.2</u>	<u>0.0</u>
	US\$	<u>2,851,928.3</u>	<u>17,210.4</u>	<u>2,459,033.5</u>	<u>16,130.9</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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6.5. Portfolio by currency

		<u>June 30</u>	<u>December 31</u>
Pesos	US\$	2,099,057.5	1,968,660.4
Dollars		275,855.2	199,250.8
UVR		<u>477,015.6</u>	<u>291,122.3</u>
	US\$	<u>2,851,928.3</u>	<u>2,459,033.5</u>

6.6. Portfolio by maturity periods

<u>June 30</u>		<u>0 - 1 years</u>	<u>1 - 5 years</u>	<u>5 - 10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Trading investments	US\$	551,955.3	675,186.6	410,282.7	370,592.5	2,008,017.1
Available for sale, debt securities		3,506.6	165,777.6	203,286.9	141,095.7	513,666.8
Available for sale, capital investments		0.0	0.0	0.0	65,915.6	65,915.6
Held to maturity		<u>63,774.0</u>	<u>128,563.4</u>	<u>55,544.7</u>	<u>16,446.6</u>	<u>264,328.8</u>
	US\$	<u>619,236.0</u>	<u>969,527.6</u>	<u>669,114.3</u>	<u>594,050.4</u>	<u>2,851,928.3</u>
<u>December 31</u>		<u>0 - 1 years</u>	<u>1 - 5 years</u>	<u>5 - 10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Trading investments	US\$	226,917.4	811,873.5	300,798.0	328,976.1	1,668,565.0
Available for sale, debt securities		21,237.3	166,857.0	252,991.0	117,891.5	558,976.8
Available for sale, capital investments		0.0	0.0	0.0	60,536.8	60,536.8
Held to maturity		<u>16,908.7</u>	<u>135,184.5</u>	<u>18,671.8</u>	<u>189.8</u>	<u>170,954.9</u>
	US\$	<u>265,063.4</u>	<u>1,113,915.0</u>	<u>572,460.8</u>	<u>507,594.2</u>	<u>2,459,033.5</u>

6.7. Maximum, minimum and average values

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



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<u>Investments</u>		<u>June 30</u>		
		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
By type				
Bonds	US\$	92,894.0	368,505.6	102,525.1
Cdt's		8,994.9	253,736.6	50,084.6
Issuers abroad		15,634.0	26,280.8	20,984.7
TDA Finagro		137,553.2	178,223.2	77,772.8
TES		364.0	1,262,878.2	318,738.3
Tidis		0.0	433.6	72.3
Tips		11.3	337,482.6	66,343.3
Debt issues		12,225.7	19,562.9	17,850.3
TRD		20.2	2,050.0	745.7
Multilaterals		108.4	4,481.1	2,264.5
Other investments		7,861.2	15,991.2	12,034.5
Bonds BCIE		2,989.8	4,953.5	3,656.9
Collective portfolios		280.6	280.6	280.6
Multilaterals		2,198.6	2,201.5	2,200.1
Available for sale				
TES		132,912.1	137,439.2	135,106.0
Tips	US\$	338,437.4	380,218.3	357,207.1
Issuers abroad		38,218.4	163,096.4	77,963.5
Held to maturity				
TDA		0.0	23,238.0	9,792.2
Tips		492.2	28,152.9	23,174.4
TRD		161,924.0	163,808.9	163,198.9
Issued abroad		<u>29,905.8</u>	<u>31,328.0</u>	<u>30,478.3</u>
		<u>983,025.7</u>	<u>3,404,343.1</u>	<u>1,472,474.2</u>
Money-market and related operations asset positions				
Asset interbank	US\$	17,561.3	147,724.4	95,499.0
Asset repos and simultaneous operations		<u>333,475.1</u>	<u>975,363.0</u>	<u>585,568.2</u>
	US\$	<u>351,036.4</u>	<u>1,123,087.4</u>	<u>681,067.2</u>
Money-market and related operations liability positions				
Liability interbank	US\$	19,356.9	100,232.3	47,018.0
Liability repos and simultaneous operations		<u>0.0</u>	<u>5,950.5</u>	<u>991.8</u>
	US\$	<u>19,356.9</u>	<u>106,182.8</u>	<u>48,009.8</u>



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The maximum, minimum and average balances of the Fixed-Yield portfolio at December 31, 2011 were:

<u>Investments</u>		<u>December 31</u>		
		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
By type				
Bonds	US\$	1,557.1	187,326.0	91,851.0
Cdt's		1.6	207,623.8	44,423.6
Issued abroad		0.0	9,526.1	7,698.2
Commercial paper		517.5	2,588.5	1,552.6
TA Finagro		74,302.6	108,106.1	46,422.2
TES		1,083.4	861,601.3	216,728.0
TIPS		165.3	314,916.5	65,673.7
Debt issues		11,266.4	14,715.4	13,239.3
TRD		15.2	795.4	409.5
Bonds BCIE		2,739.2	2,803.2	2,771.7
Collective portfolios		59.7	282.9	164.2
Multilaterals		2,116.2	2,220.2	2,167.9
Available for sale				
TES		249,335.5	254,817.8	252,603.0
Tips		375,372.0	449,196.8	399,012.9
Issued abroad		8,000.0	91,654.2	39,406.5
Held to maturity				
Cdt's		0.0	1,558.5	1,295.2
Tips		458.4	763.7	573.3
TRD		<u>148,561.3</u>	<u>154,826.1</u>	<u>151,149.7</u>
		<u>875,551.4</u>	<u>2,665,322.5</u>	<u>1,337,142.6</u>
Money-market and related operations asset positions				
Interbank asset	US\$	0.0	104,236.4	39,249.5
Overnight – Banks abroad		3,733.0	13,726.9	7,118.1
Asset repos and simultaneous operations		<u>25,737.4</u>	<u>881,121.1</u>	<u>342,037.0</u>
	US\$	<u>29,470.3</u>	<u>999,084.4</u>	<u>388,404.6</u>
Money-market and related operations liability positions				
Liability interbank	US\$	6,177.0	23,678.4	13,747.7
Liability repos and simultaneous		<u>0.0</u>	<u>243,749.0</u>	<u>93,974.3</u>
	US\$	<u>6,177.0</u>	<u>267,427.3</u>	<u>107,721.9</u>



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Effect of homogenization

For the subsidiary Bancafé Panamá S.A. investment classifications were assigned equivalences in Colombia terms as required in Chapter I – Classification. Valuation and Recording of investments Point 8 – Allowance or Los son Credit Risk Classification in the Superintendency Basic Circular100/1995.

6.8. Proportional equity value

This is the result of multiplying the equity of subsidiaries at investment date by the percentage held on that date.

The purpose of equity value is:

- To determine the excess or shortfall of the cost in relation to the issuer's book value;
- To establish amounts to be eliminated from the equity of each subsidiary against acquisition cost recorded in the investor.

The result of the calculation of equity value at the date of acquisition of Confinanciera S,A was as follows::

Acquisition date	Shares			% Holding	Historic cost	Equity on acquisition	Proportional capital value
	Issued	Acquired	Accumulated				
04-Dec-06	1,189,113,348	1,128,468,567	1,128,468,567	94.90%	31,880	9,257.80	56,918.80

At December 31, 2011 all goodwill was amortized.

6.9. Allowance against investments

The movement of the allowance is as follows:

		<u>June 30</u>	<u>December 31</u>
Opening balance	US\$	17,559.9	21,814.8
Plus:			
Allowance expensed		2,066.7	13.2
Less:			
Allowance recovered		<u>2,416.3</u>	<u>5,697.1</u>
Closing balance	US\$	<u>17,210.4</u>	<u>16,130.9</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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6.10. Capital investments available for sale

The following is the detail of capital investments available for sale and their ratings, at June 30, 2012 and December 31, 2011:

June 30

<u>Name</u>			<u>Acquisition cost.</u>	<u>Adjusted cost</u>	<u>Valuation gains/losses.</u>	<u>Allowance</u>	<u>Rating</u>	<u>Dividends</u>	
	<u>Capital</u>	<u>% Held</u>						<u>Cash</u>	<u>Shares</u>
Corporación Andina de Fomento	1,952.3	0.004%	184.2	197.1	55.6	0.0	A	0.0	0.0
	0.0	0.0000%	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>		<u>0.0</u>	<u>0.0</u>
			<u>184.2</u>	<u>197.1</u>	<u>55.6</u>	<u>0.0</u>		<u>0.0</u>	<u>0.0</u>
Finagro	87,754.5	12.67%	29,222.1	38,095.3	5,326.6	0.0	A	0.0	3,123.7
Compañía de Inv. del Café	4,496.2	29.54%	7,531.5	7,531.5	0.0	7,531.5	A	0.0	0.0
Cámara de Riesgo Central de Contraparte	22,414.0	4.68%	876.2	1,049.2	(281.1)	0.0	A	0.0	0.0
Almacafé	8,109.6	0.009%	5.5	5.5	0.0	1.1	B	0.0	0.0
Titularizadora Colombiana S.A.	33,539.7	21.12%	9,806.0	8,160.5	6,931.1	0.0	A	3,641.6	0.0
Redeban Multicolor S.A.	5,670.7	26.04%	4,611.6	4,611.6	4,932.9	0.0	A	0.0	0.0
A.C.H. Colombia S.A.	3,695.5	18.42%	1,035.8	1,035.8	953.0	0.0	A	206.4	0.0
Deceval S.A.	6,752.8	11.85%	2,520.5	2,847.4	676.3	0.0	A	1,705.4	0.0
Cámara de Compensación Divisas de Colombia S.A.	1,400.9	6.38%	89.3	89.3	34.6	0.0	A	13.4	0.0
Bolsa de Valores de Colombia (BVC)	10,463.3	1.41%	288.1	288.1	329.0	0.0		0.0	0.0
BBVA	0.0	0.0000%	0.0	0.0	0.0	0.0		0.0	0.0
Fondo de reposición Fogacol	0.0	0.0%	176.2	176.2	0.0	0.0		0.0	0.0
Tecnibanca S.A.	9,195.3	0.94%	48.0	182.7	69.3	0.0	A	56.4	0.0
Multiactivos (2)	6,763.4	21.12%	<u>1,428.3</u>	<u>1,645.5</u>	<u>746.6</u>	<u>0.0</u>		<u>0.0</u>	<u>0.0</u>
			<u>57,639.0</u>	<u>65,718.6</u>	<u>19,718.3</u>	<u>7,532.6</u>		<u>5,623.2</u>	<u>3,123.7</u>
		\$	<u>57,823.3</u>	<u>65,915.7</u>	<u>19,773.9</u>	<u>7,532.6</u>		<u>5,623.2</u>	<u>3,123.7</u>

*Compañía de investments del Café S.A. en liquidación.

During the period January-June 2012 dividends were received for a total of US\$27,658.7, of which US\$18,915.5 cam from affiliates and subsidiaries.

Davivalores received a cash dividend for US\$189.3 from BVC.

(*) Broker contributions to FOGAFIN are of a contingent nature, in the terms of Resolution 1200/995 as a consequence of variations in the equity value of Fogacol by reason of compliance with these purposes.



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December 31

<u>Name</u>	<u>Stock Capital</u>	<u>% Participation</u>	<u>Acquisition cost</u>	<u>Adjusted cost</u>	<u>Valuation / Devaluation</u>	<u>Allowance</u>	<u>Credit risk rating</u>	<u>Dividends</u>
Corporación Andina de Fomento	1,637.9	0.0	<u>169.2</u>	<u>197.1</u>	<u>50.8</u>	<u>0.0</u>	A	<u>4.5</u>
			<u>169.2</u>	<u>197.1</u>	<u>50.8</u>	<u>0.0</u>		<u>4.5</u>
Finagro	80,612.9	12.67%	26,843.9	34,995.0	3,172.5	0.0	A	0.0
Compañía de Inv. del Café	4,130.2	29.54%	6,918.6	6,918.6	0.0	6,918.6	A	0.0
Cámara de Riesgo Central de Contraparte	20,589.9	4.68%	804.9	963.8	(255.7)	0.0	A	0.0
Almacafé	7,449.6	0.01%	5.0	5.0	0.0	1.0	B	0.0
Titularizadora Colombiana S.A.	30,810.4	21.12%	9,008.0	7,496.4	7,932.8	0.0	A	0.0
Redeban Multicolor S.A.	5,209.1	26.04%	4,236.3	4,236.3	4,726.7	0.0	A	0.0
A.C.H. Colombia S.A.	3,394.7	18.42%	951.5	951.5	877.0	0.0	A	0.0
Deceval S.A.	6,203.2	11.85%	2,315.4	2,615.6	1,388.8	0.0	A	0.0
Cámara de Compensación Divisas de Colombia S.A.	1,286.9	6.38%	82.1	82.1	20.4	0.0	A	0.0
Bolsa de Valores de Colombia (BVC)	0.0	1.41%	290.7	290.7	532.4	0.0		0.0
Fondo de reposición Fogacol	0.0	0.00%	157.1	157.1	0.0	0.0		0.0
Tecnibanca S.A.	8,446.9	0.94%	44.1	116.1	82.3	0.0	A	0.0
Multiactivos (2)	6,212.8	21.12%	<u>1,312.0</u>	<u>1,511.6</u>	<u>662.2</u>	<u>0.0</u>		<u>0.0</u>
			<u>52,969.5</u>	<u>60,339.7</u>	<u>19,139.2</u>	<u>6,919.5</u>		<u>0.0</u>
			<u>53,138.8</u>	<u>60,536.9</u>	<u>19,190.1</u>	<u>6,919.5</u>		<u>4.5</u>

At December 31, 2011, dividends of \$8.8 in shares were received from Corporación Andina de Fomento.

Eliminations

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

	<u>June 30</u>	<u>December 31</u>
Capital investments available for sale	US\$ <u>108,085.3</u>	<u>95,820.6</u>



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7. Loans and financial leasing operations

7.1. Loans and financial leasing operations by mode

		<u>June 30</u>	<u>December 31</u>
<u>Commercial loans:</u>			
Corporate and construction	US\$	5,186,706.0	4,684,359.1
Other commercial lines		2,416,299.4	2,187,096.6
Credit card		175,232.7	138,136.4
Vehicles		154,480.8	135,480.5
Overdrafts		<u>96,173.0</u>	<u>48,073.2</u>
		<u>8,028,892.0</u>	<u>7,193,145.8</u>
Residential leasing		1,065,863.6	878,609.0
		<u>9,094,755.6</u>	<u>8,071,754.8</u>
<u>Home mortgage loans</u>		1,448,479.7	1,266,368.1
<u>Consumer loans</u>			
Credit card		1,420,571.6	1,199,975.7
Other consumer lines		2,874,363.9	2,633,665.3
Vehicles		634,388.2	571,114.9
Overdrafts		<u>28,941.0</u>	<u>25,031.0</u>
		<u>4,958,264.7</u>	<u>4,429,786.9</u>
<u>Microcredit loans</u>		<u>50,672.1</u>	<u>47,382.4</u>
Total Gross Loans	US\$	<u>15,552,172.1</u>	<u>13,815,292.2</u>
Less: Individual allowance		(729,099.4)	(651,740.9)
Sub-total	US\$	<u>14,823,072.9</u>	<u>13,163,551.2</u>
Less: General allowance		(15,035.5)	(13,252.8)
Total net loans	US\$	<u>14,808,037.3</u>	<u>13,150,298.5</u>

December 31, 2011, subordinated bond issues were secured by A-category 7-year home mortgage loans (issuer's option to prepay every three months) for US\$17,201.9. Cancelled on March 23, 2012.



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7.2. Low-Cost Housing

At June 30, 2012 and December 31, 2011, the Bank placed US\$263,775.6: of which individual loans were US\$157,071.3 and construction loans US\$106,704.3; and US\$208,648.3, of which individual loans were US\$120,237.5 and construction loans were US\$88,410.8 respectively.

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

	<u>June 30</u>		<u>December 31</u>	
	<u>No. Loans</u>	<u>Value</u>	<u>No. Loans</u>	<u>Value</u>
Individual	81,625	US\$1,033,928.1	75,329	US\$849,091.3
Construction	<u>178</u>	<u>125,171.4</u>	<u>147</u>	<u>89,218.7</u>
	<u>81,803</u>	<u>US\$1,159,099.5</u>	<u>75,476</u>	<u>US\$938,310.0</u>

Subsidized rate loans

In compliance with Government Decree 1143/2009, which created "Conditional Cover", the Bank implemented procedures to apply this mechanism for disbursements of home 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:

<u>Property value</u> <u>(Minimum salaries)</u>	<u>Rate cover</u> <u>%</u>
Low-cost housing up to 135 (c.US\$40,000)	5%
>135 – 235 (c.US\$40-c.\$70,000)	4%
>235 - 335 (c. US\$70-c. \$100,000)	3%

Following established procedures, the Bank sends a monthly bill to Banco de la República to apply the cover benefit.

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 of June 5, 2012 came into effect, offering new interest rate cover for debtors of new home 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:



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Property value (Monthly salaries)	Rate cover %
Low-cost housing up to 70 (c. \$22,000)	5%
>70 – 135 (c.\$22-40,000)	4%

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, 2011 an estimated provision was made for US\$8,353.5 and US\$5,807.9, based on a model that takes account of the real performance of the loans.

At June 30, 2012 and December 31, 2011, the bank had disbursed 48,853 and 51,203 obligations home mortgage loans with this benefit, for US\$963,791.4 and US\$910,398.3, respectively.

7.3. Loans and financial leasing operations by category and guarantee

At June 30, 2012 and December 31, 2011, the Bank and subsidiaries classified all loans and financial leasing operations, interest and other items in the terms of Superintendency Circular 100/1995. The result of the classification was:



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June 30

						ALLOWANCES			
		CAPITAL	INTEREST	OTHERS	TOTAL	SECURED	CAPITAL	INTERESTS	OTHERS
COMMERCIAL SECURED									
A - Normal	US\$	2,035,799.7	18,799.8	1,376.6	2,055,976.1	8,357,076.8	39,853.7	495.5	162.2
B - Acceptable		104,186.9	1,555.9	279.9	106,022.7	284,698.0	10,244.9	153.4	85.3
C - Deficient		18,217.3	441.1	129.9	18,788.3	51,970.1	3,857.9	353.9	116.3
D - Doubtful		25,619.0	887.3	287.8	26,794.2	70,576.8	24,915.5	883.7	286.8
E - Unrecoverable		10,785.6	175.7	57.3	11,018.5	33,038.2	10,785.6	175.7	57.3
	US\$	2,194,608.5	21,859.9	2,131.5	2,218,599.8	8,797,359.9	89,657.6	2,062.2	707.9
COMMERCIAL UNSECURED									
A - Normal	US\$	6,622,759.2	60,133.6	3,675.7	6,686,568.6	87,481.5	124,293.9	1,428.2	488.2
B - Acceptable		196,480.6	2,945.0	358.6	199,784.2	401.8	18,416.1	291.2	161.2
C - Deficient		18,377.1	446.8	120.0	18,943.8	0.0	3,758.5	359.7	108.8
D - Doubtful		45,587.1	1,623.7	474.8	47,685.6	0.0	45,362.3	1,617.4	462.1
E - Unrecoverable		16,943.1	270.3	75.3	17,288.8	0.0	16,943.2	270.3	75.3
		6,900,147.1	65,419.4	4,704.4	6,970,271.0	87,883.3	208,774.0	3,966.8	1,295.6
General Allowance							0.0		
	US\$	9,094,755.6	87,279.2	6,835.9	9,188,870.9	8,885,243.3	298,431.6	6,029.0	2,003.5
CONSUMER SECURED									
A - Normal	US\$	530,681.8	5,599.6	1,430.9	537,712.4	1,351,640.2	15,563.9	221.3	83.2
B - Acceptable		25,340.7	547.3	97.0	25,985.0	70,967.1	2,945.1	150.2	35.7
C - Deficient		12,814.9	256.4	52.6	13,123.8	33,866.2	2,464.4	228.0	47.6
D - Doubtful		11,580.8	312.5	67.6	11,960.9	24,680.8	9,934.2	312.1	67.3
E - Unrecoverable		19,195.8	389.2	155.0	19,739.9	36,444.7	18,261.0	389.2	155.0
	US\$	599,614.0	7,105.0	1,803.1	608,522.0	1,517,599.1	49,168.6	1,300.8	388.8
CONSUMER UNSECURED									
A - Normal	US\$	3,809,094.2	40,559.1	10,475.0	3,860,128.3	11,090.6	113,353.0	1,636.9	610.6
B - Acceptable		225,201.4	4,898.3	842.5	230,942.3	281.0	26,526.0	1,374.2	316.8
C - Deficient		100,192.3	2,041.1	371.1	102,604.5	0.0	18,544.2	1,842.8	343.9
D - Doubtful		152,938.9	4,241.8	664.4	157,845.1	0.0	131,411.9	4,241.0	663.3
E - Unrecoverable		71,224.0	1,444.1	494.7	73,162.8	0.0	67,649.7	1,444.1	495.1
		4,358,650.7	53,184.5	12,847.7	4,424,683.0	11,371.6	357,484.8	10,539.1	2,429.7
General Allowance							44.2		
	US\$	4,958,264.7	60,289.5	14,650.8	5,033,205.0	1,528,970.8	406,697.6	11,839.8	2,818.4



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June 30

						ALLOWANCES			
		<u>CAPITAL</u>	<u>INTEREST</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>SECURED</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
MICROCREDIT SECURED									
A - Normal	US\$	47,366.9	488.6	212.0	48,067.5	74,768.8	1,962.1	34.9	22.4
B - Acceptable		867.8	10.3	10.3	888.3	1,462.8	104.6	7.5	8.3
C - Deficient		550.6	4.2	14.5	569.3	1,066.7	196.1	3.8	12.9
D - Doubtful		351.2	4.6	7.4	363.3	646.3	351.2	4.4	7.4
E - Unrecoverable		<u>671.5</u>	<u>9.5</u>	<u>42.8</u>	<u>723.7</u>	<u>1,004.8</u>	<u>671.5</u>	<u>9.5</u>	<u>42.8</u>
	US\$	<u>49,808.0</u>	<u>517.1</u>	<u>286.9</u>	<u>50,612.0</u>	<u>78,949.3</u>	<u>3,285.4</u>	<u>60.1</u>	<u>93.8</u>
MICROCREDIT UNSECURED									
A - Normal	US\$	803.1	6.9	1.7	811.7	46.0	32.4	0.4	0.2
B - Acceptable		14.7	0.1	0.1	14.9	0.0	4.4	0.1	0.0
C - Deficient		17.4	0.3	0.3	18.0	0.0	5.2	0.3	0.3
D - Doubtful		9.7	0.1	0.1	9.8	0.0	9.7	0.1	0.0
E - Unrecoverable		<u>19.2</u>	<u>0.3</u>	<u>2.6</u>	<u>22.1</u>	<u>0.0</u>	<u>19.2</u>	<u>0.1</u>	<u>2.6</u>
	US\$	<u>864.2</u>	<u>7.7</u>	<u>4.7</u>	<u>876.6</u>	<u>46.0</u>	<u>71.0</u>	<u>1.1</u>	<u>3.2</u>
General Allowance							<u>506.6</u>		
	US\$	<u>50,672.1</u>	<u>524.8</u>	<u>291.6</u>	<u>51,488.6</u>	<u>78,995.4</u>	<u>3,863.0</u>	<u>61.1</u>	<u>97.0</u>
HOME MORTGAGE									
A - Normal	US\$	1,366,211.0	6,988.3	4,774.4	1,377,973.7	3,640,187.9	13,765.8	545.3	1,388.5
B - Acceptable		54,861.4	125.0	644.0	55,630.4	171,353.1	2,273.7	125.0	644.0
C - Deficient		19,882.7	60.5	357.0	20,300.2	63,263.6	2,019.9	60.5	357.0
D - Doubtful		7,048.9	24.7	173.9	7,247.5	23,147.3	2,122.7	24.7	173.9
E - Unrecoverable		<u>475.7</u>	<u>2.3</u>	<u>16.3</u>	<u>494.2</u>	<u>1,910.9</u>	<u>475.7</u>	<u>2.4</u>	<u>16.1</u>
	US\$	<u>1,448,479.7</u>	<u>7,200.8</u>	<u>5,965.5</u>	<u>1,461,646.1</u>	<u>3,899,862.8</u>	<u>20,657.9</u>	<u>757.9</u>	<u>2,579.5</u>
General Allowance							<u>14,484.8</u>		
	US\$	<u>1,448,479.7</u>	<u>7,200.8</u>	<u>5,965.5</u>	<u>1,461,646.1</u>	<u>3,899,862.8</u>	<u>35,142.6</u>	<u>757.9</u>	<u>2,579.5</u>
	US\$	<u>15,552,172.1</u>	<u>155,294.4</u>	<u>27,743.8</u>	<u>15,735,210.6</u>	<u>14,393,072.3</u>	<u>744,134.9</u>	<u>18,687.8</u>	<u>7,498.5</u>



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December 31

<u>December 31</u>		<u>ALLOWANCES</u>							
		<u>CAPITAL</u>	<u>INTEREST</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>SECURED</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
COMMERCIAL SECURED									
A - Normal	US\$	1,622,824.5	14,072.7	1,082.3	1,637,979.4	5,826,330.8	35,347.2	401.3	126.6
B - Acceptable		75,290.1	1,032.7	234.3	76,557.1	283,562.2	7,027.3	99.3	82.1
C - Deficient		16,207.2	342.7	100.9	16,650.9	43,727.8	3,061.5	257.5	90.4
D - Doubtful		18,282.8	538.4	236.1	19,057.3	46,571.5	17,437.8	538.6	256.5
E - Unrecoverable		<u>9,915.9</u>	<u>123.8</u>	<u>39.1</u>	<u>10,078.8</u>	<u>30,283.2</u>	<u>9,915.9</u>	<u>124.0</u>	<u>43.0</u>
	US\$	<u>1,742,520.5</u>	<u>16,110.3</u>	<u>1,692.7</u>	<u>1,760,323.5</u>	<u>6,230,475.5</u>	<u>72,789.8</u>	<u>1,420.7</u>	<u>598.5</u>
COMMERCIAL UNSECURED									
A - Normal	US\$	6,089,777.4	51,963.7	3,234.5	6,144,975.7	78,587.8	123,922.5	1,205.8	449.2
B - Acceptable		168,666.5	2,405.0	347.3	171,418.8	0.0	14,888.9	220.1	179.7
C - Deficient		18,225.3	387.7	100.3	18,713.2	0.0	3,113.1	291.7	90.5
D - Doubtful		35,999.6	1,110.6	388.8	37,499.0	0.0	35,883.2	1,108.0	365.8
E - Unrecoverable		<u>16,565.5</u>	<u>192.1</u>	<u>37.0</u>	<u>16,794.5</u>	<u>0.0</u>	<u>16,565.4</u>	<u>191.9</u>	<u>33.1</u>
	US\$	<u>6,329,234.3</u>	<u>56,059.0</u>	<u>4,107.9</u>	<u>6,389,401.2</u>	<u>78,587.8</u>	<u>194,373.1</u>	<u>3,017.5</u>	<u>1,118.3</u>
General Allowance									
		<u>8,071,754.8</u>	<u>72,169.4</u>	<u>5,800.6</u>	<u>8,149,724.7</u>	<u>6,309,063.3</u>	<u>267,162.9</u>	<u>4,438.3</u>	<u>1,716.9</u>
CONSUMER SECURED									
A - Normal	US\$	475,608.4	4,771.8	1,186.2	481,566.5	1,242,714.9	14,365.5	174.4	60.7
B - Acceptable		20,057.0	410.9	71.1	20,539.0	54,920.1	2,431.3	128.5	24.9
C - Deficient		12,104.2	247.7	48.3	12,400.3	35,810.5	2,441.1	222.7	43.4
D - Doubtful		10,071.0	279.2	54.6	10,404.7	21,257.2	8,506.3	281.3	64.5
E - Unrecoverable		<u>13,152.5</u>	<u>263.9</u>	<u>109.4</u>	<u>13,525.9</u>	<u>27,789.9</u>	<u>12,762.1</u>	<u>264.9</u>	<u>119.3</u>
	US\$	<u>530,993.1</u>	<u>5,973.6</u>	<u>1,469.8</u>	<u>538,436.5</u>	<u>1,382,492.6</u>	<u>40,506.3</u>	<u>1,071.9</u>	<u>312.8</u>
CONSUMER UNSECURED									
A - Normal	US\$	3,416,203.0	34,406.3	8,665.1	3,459,274.3	8,191.3	105,000.6	1,319.7	454.6
B - Acceptable		189,876.1	3,912.3	619.1	194,407.6	0.0	23,709.6	1,267.9	230.7
C - Deficient		107,580.1	2,142.9	321.5	110,044.5	0.0	20,932.2	1,939.0	296.4
D - Doubtful		135,818.6	3,887.5	559.0	140,265.1	0.0	114,916.6	3,884.8	548.7
E - Unrecoverable		<u>49,316.0</u>	<u>991.6</u>	<u>326.8</u>	<u>50,634.3</u>	<u>0.0</u>	<u>47,718.6</u>	<u>990.6</u>	<u>317.3</u>
	US\$	<u>3,898,793.8</u>	<u>45,340.6</u>	<u>10,491.4</u>	<u>3,954,625.9</u>	<u>8,191.3</u>	<u>312,277.6</u>	<u>9,402.0</u>	<u>1,847.7</u>
General Allowance									
							<u>115.3</u>		
	US\$	<u>4,429,786.9</u>	<u>51,314.2</u>	<u>11,961.2</u>	<u>4,493,062.3</u>	<u>1,390,683.9</u>	<u>352,899.1</u>	<u>10,473.9</u>	<u>2,160.4</u>



December 31							ALLOWANCES		
		CAPITAL	INTEREST	OTHERS	TOTAL	SECURED	CAPITAL	INTERESTS	OTHERS
MICROCREDIT SECURED									
A - Normal	US\$	44,571.6	487.2	212.4	45,271.2	70,996.4	1,856.2	29.0	20.3
B - Acceptable		796.4	13.2	11.6	821.2	1,666.5	108.8	10.0	8.1
C - Deficient		592.1	5.2	11.9	609.2	1,079.5	217.5	3.8	10.5
D - Doubtful		190.6	1.8	5.1	197.4	345.8	190.6	1.7	5.1
E - Unrecoverable		<u>465.8</u>	<u>5.7</u>	<u>26.8</u>	<u>498.3</u>	<u>630.8</u>	<u>465.7</u>	<u>5.7</u>	<u>26.8</u>
	US\$	<u>46,616.5</u>	<u>513.1</u>	<u>267.8</u>	<u>47,397.4</u>	<u>74,719.1</u>	<u>2,838.8</u>	<u>50.2</u>	<u>70.8</u>
MICROCREDIT UNSECURED									
A - Normal	US\$	731.0	6.5	1.3	738.8	0.0	29.9	0.7	0.2
B - Acceptable		13.6	0.2	2.2	15.9	0.0	3.1	0.1	2.2
C - Deficient		19.6	0.3	0.2	20.1	0.0	5.9	0.2	0.2
D - Doubtful		0.7	0.0	0.0	0.7	0.0	0.0	0.0	0.0
E - Unrecoverable		<u>1.0</u>	<u>0.1</u>	<u>2.0</u>	<u>3.0</u>	<u>0.0</u>	<u>1.7</u>	<u>0.0</u>	<u>1.9</u>
	US\$	<u>765.9</u>	<u>6.9</u>	<u>5.7</u>	<u>778.5</u>	<u>0.0</u>	<u>40.7</u>	<u>1.0</u>	<u>4.5</u>
Generic Allowance									
General Allowance									
		<u>47,382.4</u>	<u>520.0</u>	<u>273.5</u>	<u>48,175.9</u>	<u>74,719.1</u>	<u>3,353.3</u>	<u>51.2</u>	<u>75.3</u>
HOME MORTGAGE									
A - Normal	US\$	1,190,845.5	5,936.8	4,666.7	1,201,449.1	2,926,779.8	17,925.2	452.9	1,204.7
B - Acceptable		50,150.0	119.5	644.0	50,913.6	141,606.0	2,615.9	119.5	644.0
C - Deficient		18,048.1	45.2	322.8	18,416.2	54,161.9	3,625.9	45.2	322.8
D - Doubtful		6,447.6	24.5	197.7	6,669.8	19,880.1	3,870.8	24.5	197.7
E - Unrecoverable		<u>876.8</u>	<u>4.0</u>	<u>53.2</u>	<u>934.1</u>	<u>2,522.0</u>	<u>876.8</u>	<u>4.1</u>	<u>53.1</u>
	US\$	<u>1,266,368.1</u>	<u>6,130.1</u>	<u>5,884.4</u>	<u>1,278,382.8</u>	<u>3,144,949.8</u>	<u>28,914.6</u>	<u>646.2</u>	<u>2,422.4</u>
General Allowance									
	US\$	<u>1,266,368.1</u>	<u>6,130.1</u>	<u>5,884.5</u>	<u>1,278,382.8</u>	<u>3,144,949.8</u>	<u>41,578.4</u>	<u>646.2</u>	<u>2,422.4</u>
	US\$	<u>13,815,292.1</u>	<u>130,133.6</u>	<u>23,919.7</u>	<u>13,969,345.6</u>	<u>10,919,416.0</u>	<u>664,993.7</u>	<u>15,609.5</u>	<u>6,375.0</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7.4. Loans and financial leasing operations by economic sector

		<u>June 30</u>		<u>December 31</u>	
	<u>Sectors</u>	<u>Balance</u>	<u>% Share</u>	<u>Balance</u>	<u>% Share</u>
Family, for acquisition of goods and services	US\$	4,929,907.0	31.7%	4,381,404.1	31.7%
Family, for housing		2,545,112.1	16.4%	2,147,938.3	15.6%
Business services		816,323.7	5.3%	883,579.3	6.4%
Construction		1,347,931.8	8.7%	778,101.8	5.6%
Wholesale and retail trade		831,847.8	5.4%	742,928.2	5.4%
Transport and communications		784,992.2	5.1%	563,982.7	4.1%
Agriculture, forestry, fishing and hunting		551,165.0	3.5%	287,136.4	2.1%
Food production		325,916.3	2.1%	404,444.7	2.9%
Health, education, leisure and culture		134,762.0	0.9%	200,060.3	1.5%
Vehicles		308,146.1	2.0%	294,909.3	2.1%
Public administration and defence		336,804.6	2.2%	243,594.6	1.8%
Mfr of textiles, clothing leather and leathergoods		166,709.7	1.1%	131,773.2	1.0%
Electricity, gas and water supplies		435,706.9	2.8%	489,751.8	3.5%
Mfr of based metal and prepared products		121,238.2	0.8%	155,875.1	1.1%
Mfr of non-metal minerals		168,457.4	1.1%	70,764.2	0.5%
Mfr of chemicals, chemicals products and rubber		293,304.8	1.9%	534,187.6	3.9%
Mfr of paper, paper products, printing and publishing		127,079.9	0.8%	88,415.0	0.6%
Mfr of other manufactured products, including wood		16,861.0	0.1%	13,541.5	0.1%
Coal mining, extraction of crude oil and natural gas		392,310.7	2.5%	344,528.1	2.5%
Mfr of transport materials		38,755.2	0.3%	2,265.1	0.0%
Mfr of machinery and equipment		69,764.5	0.5%	19,048.1	0.1%
Hotels and restaurants		96,747.1	0.6%	79,191.1	0.6%
Metal and non-metal minerals extraction		2,637.1	0.0%	7,140.1	0.1%
Mfr of oil and coal by-products		135,020.1	0.9%	82,377.5	0.6%
Beverages and tobacco		5,439.7	0.0%	15,746.1	0.1%
Other		29,401.2	0.2%	34,883.8	0.3%
Miami		<u>539,830.1</u>	<u>3.5%</u>	<u>817,724.4</u>	<u>5.9%</u>
	US\$	<u>15,552,172.1</u>	<u>100.0%</u>	<u>13,815,292.1</u>	<u>100.0%</u>

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7.5. Loans and financial leasing operations by geographical zone

June 30

COMMERCIAL LOANS

		CAPITAL	INTERESTS	OTHERS	TOTAL	SECURED	CAPITAL	ALLOWANCE INTERESTS	OTHERS
Bogotá	US\$	4,345,984.0	40,659.3	2,816.3	4,389,459.5	4,890,041.6	125,976.5	2,244.1	1,061.6
Antioquia		1,769,936.3	19,402.1	1,761.3	1,791,099.7	1,665,009.9	65,185.8	1,440.0	264.8
Nororiental		1,496,920.3	15,711.8	1,565.7	1,514,197.9	1,512,158.0	67,995.2	1,792.3	491.1
Suroccidental		894,315.4	8,749.2	692.6	903,757.2	675,224.3	26,572.7	484.4	186.1
Panama		501,182.4	2,355.8	0.0	503,538.2	141,858.6	11,566.5	62.5	0.0
Miami		86,417.3	401.0	0.0	86,818.3	951.0	1,134.9	5.5	0.0
	US\$	<u>9,094,755.6</u>	<u>87,279.2</u>	<u>6,835.9</u>	<u>9,188,870.9</u>	<u>8,885,243.3</u>	<u>298,431.6</u>	<u>6,029.0</u>	<u>2,003.5</u>

CONSUMER LOANS

Bogotá	US\$	2,447,922.1	30,691.4	7,705.1	2,486,318.6	839,024.1	214,616.3	6,369.6	1,505.8
Antioquia		792,109.0	8,755.4	2,088.8	802,953.2	221,899.3	54,011.1	1,448.1	325.6
Nororiental		1,044,348.5	13,172.7	2,976.1	1,060,497.3	288,288.9	86,013.8	2,542.0	625.0
Suroccidental		658,255.8	7,470.9	1,880.8	667,607.4	166,786.7	51,883.7	1,473.9	362.0
Panama		15,629.3	199.1	0.0	15,828.4	12,971.8	128.5	6.1	0.0
General Allowance							44.1		
	US\$	<u>4,958,264.7</u>	<u>60,289.5</u>	<u>14,650.8</u>	<u>5,033,205.0</u>	<u>1,528,970.8</u>	<u>406,697.6</u>	<u>11,839.8</u>	<u>2,818.4</u>

MICROCREDIT

Bogotá	US\$	50,557.7	523.6	288.9	51,370.1	78,838.2	3,317.3	60.6	94.6
Antioquia		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nororiental		114.5	1.2	2.7	118.6	157.2	39.1	0.6	2.4
General allowance							506.6		
	US\$	<u>50,672.1</u>	<u>524.8</u>	<u>291.6</u>	<u>51,488.6</u>	<u>78,995.4</u>	<u>3,863.0</u>	<u>61.1</u>	<u>97.0</u>

HOME MORTGAGE LOANS

Bogotá	US\$	1,033,527.8	5,071.6	3,953.5	1,042,552.9	2,714,163.8	14,697.4	528.5	1,688.9
Antioquia		121,159.5	624.9	595.5	122,379.9	382,857.8	1,672.7	67.4	250.6
Nororiental		159,376.1	845.7	1,017.5	161,239.2	451,003.1	2,432.1	102.7	466.4
Suroccidental		133,949.4	656.4	399.0	135,004.8	351,115.2	1,851.0	59.2	173.7
Panama		467.1	2.3	0.0	469.3	722.8	4.7	0.0	0.0
General allowance							14,484.8		
	US\$	<u>1,448,479.7</u>	<u>7,200.8</u>	<u>5,965.5</u>	<u>1,461,646.1</u>	<u>3,899,862.8</u>	<u>35,142.6</u>	<u>757.9</u>	<u>2,579.5</u>
	US\$	<u>15,552,172.1</u>	<u>155,294.4</u>	<u>27,743.8</u>	<u>15,735,210.6</u>	<u>14,393,072.3</u>	<u>744,134.9</u>	<u>18,687.8</u>	<u>7,498.5</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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December 31

COMMERCIAL LOANS

		<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>ALLOWANCE</u> <u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	US\$	3,752,031.5	33,773.8	2,411.4	3,788,216.7	3,392,919.8	119,209.6	1,753.9	932.1
Antioquia		1,667,053.1	15,167.5	1,479.4	1,683,700.0	1,233,255.8	57,584.5	1,021.6	199.7
Nororiental		1,285,832.7	13,183.5	1,261.4	1,300,277.7	1,058,053.7	54,028.5	1,168.5	377.7
Suroccidental		856,515.8	7,665.1	648.3	864,829.2	496,468.8	27,787.8	448.7	207.4
Panama		409,475.1	1,662.0	0.0	411,137.1	127,412.6	7,123.7	36.3	0.0
Miami		<u>100,846.6</u>	<u>717.4</u>	<u>0.0</u>	<u>101,564.0</u>	<u>952.6</u>	<u>1,428.7</u>	<u>9.3</u>	<u>0.0</u>
	US\$	<u>8,071,754.8</u>	<u>72,169.4</u>	<u>5,800.6</u>	<u>8,149,724.7</u>	<u>6,309,063.3</u>	<u>267,162.9</u>	<u>4,438.3</u>	<u>1,716.9</u>

CONSUMER LOANS

Bogotá	US\$	2,231,422.7	26,793.2	6,382.4	2,264,598.3	781,001.7	189,310.8	6,041.7	1,192.9
Antioquia		674,522.8	7,173.2	1,688.0	683,384.0	198,549.9	45,642.5	1,157.9	239.2
Nororiental		933,096.1	10,827.7	2,367.6	946,291.5	255,652.3	74,533.9	2,096.2	465.4
Suroccidental		579,218.4	6,367.5	1,523.1	587,109.0	146,484.9	43,246.0	1,175.1	262.9
Panama		<u>11,526.9</u>	<u>152.6</u>	<u>0.0</u>	<u>11,679.5</u>	<u>8,995.1</u>	<u>99.8</u>	<u>3.0</u>	<u>0.0</u>
							66.2		
	US\$	<u>4,429,786.9</u>	<u>51,314.2</u>	<u>11,961.2</u>	<u>4,493,062.3</u>	<u>1,390,683.9</u>	<u>352,899.1</u>	<u>10,473.9</u>	<u>2,160.4</u>

MICROCREDIT

Bogotá	US\$	47,260.4	518.3	272.0	48,050.7	74,537.7	3,323.1	50.4	74.5
Antioquia		1.5	0.0	0.0	1.5	0.0	0.4	0.0	0.0
Nororiental		<u>120.4</u>	<u>1.8</u>	<u>1.5</u>	<u>123.6</u>	<u>181.4</u>	<u>29.9</u>	<u>0.8</u>	<u>0.8</u>
							0.0		
	US\$	<u>47,382.4</u>	<u>520.0</u>	<u>273.5</u>	<u>48,175.9</u>	<u>74,719.1</u>	<u>3,353.3</u>	<u>51.2</u>	<u>75.3</u>

HOME MORTGAGE LOANS

Bogotá	US\$	877,473.3	4,162.8	3,844.8	885,480.8	2,124,443.6	20,436.2	443.6	1,595.9
Antioquia		113,581.4	570.1	614.2	114,765.6	329,281.8	2,393.7	59.6	229.5
Nororiental		152,871.0	795.5	1,026.0	154,692.6	407,140.2	3,431.5	90.9	444.1
Suroccidental		121,949.1	599.7	399.4	122,948.3	283,196.4	2,645.9	52.1	152.9
Panama		<u>493.4</u>	<u>2.0</u>	<u>0.0</u>	<u>495.4</u>	<u>887.8</u>	<u>7.5</u>	<u>0.1</u>	<u>0.0</u>
General allowance							12,663.7		
	US\$	<u>1,266,368.1</u>	<u>6,130.1</u>	<u>5,884.5</u>	<u>1,278,382.8</u>	<u>3,144,949.8</u>	<u>41,578.4</u>	<u>646.2</u>	<u>2,422.4</u>
	US\$	<u>13,815,292.1</u>	<u>130,133.6</u>	<u>23,919.7</u>	<u>13,969,345.6</u>	<u>10,919,416.0</u>	<u>664,993.7</u>	<u>15,609.5</u>	<u>6,375.0</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7.6. Loans and financial leasing operations by currency unit

<u>June 30</u>					
ITEM		<u>Local currency</u>	<u>Foreign currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	US\$	7,184,831.5	1,417,415.3	492,508.8	9,094,755.6
Microcredit		50,672.1	0.0	0.0	50,672.1
Consumer		4,931,165.3	27,099.4	0.0	4,958,264.7
Home mortgage		<u>1,014,593.0</u>	<u>467.1</u>	<u>433,419.6</u>	<u>1,448,479.7</u>
	US\$	<u>13,181,261.9</u>	<u>1,444,981.8</u>	<u>925,928.4</u>	<u>15,552,172.1</u>

<u>December 31</u>					
ITEM		<u>Local currency</u>	<u>Foreign currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	US\$	6,226,203.1	1,492,695.0	352,856.7	8,071,754.8
Microcredit		47,382.4	0.0	0.0	47,382.4
Consumer		4,410,266.6	19,520.3	0.0	4,429,786.9
Home mortgage		<u>899,948.2</u>	<u>493.4</u>	<u>365,926.5</u>	<u>1,266,368.1</u>
	US\$	<u>11,583,800.3</u>	<u>1,512,708.7</u>	<u>718,783.2</u>	<u>13,815,292.1</u>

7.7. Loans and financial leasing operations by maturities

<u>June 30</u>		<u>0-1 years</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Commercial	US\$	2,599,257.8	3,159,114.9	2,259,515.3	1,076,867.6	9,094,755.6
Microcredit		945,495.3	3,333,959.3	619,912.3	58,897.8	4,958,264.7
Consumer		3,089.6	47,566.3	16.2	0.0	50,672.1
Home mortgage		<u>18,741.1</u>	<u>62,021.0</u>	<u>251,090.7</u>	<u>1,116,626.9</u>	<u>1,448,479.7</u>
	US\$	<u>3,566,583.8</u>	<u>6,602,661.5</u>	<u>3,130,534.5</u>	<u>2,252,392.3</u>	<u>15,552,172.1</u>

<u>December 31</u>		<u>0-1 years</u>	<u>1-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total</u>
Commercial	US\$	2,355,928.5	2,757,103.1	2,082,785.0	875,938.2	8,071,754.8
Microcredit		806,913.4	3,059,779.2	522,745.1	40,349.2	4,429,786.9
Consumer		4,601.2	42,765.8	15.3	0.0	47,382.4
Home mortgage		<u>20,168.2</u>	<u>61,489.3</u>	<u>234,824.8</u>	<u>949,885.9</u>	<u>1,266,368.1</u>
	US\$	<u>3,187,611.3</u>	<u>5,921,137.4</u>	<u>2,840,370.2</u>	<u>1,866,173.2</u>	<u>13,815,292.1</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7.8. Detail of restructured loans

<u>June 30</u>		<u>Ordinary</u>	<u>Moratorium and special</u>	<u>Allowance</u>	<u>Secured</u>
Commercial	US\$	110,964.1	78.8	36,553.7	195,284.5
Microcredit		421,285.6	9.5	100,655.1	47,345.8
Consumer		482.5	0.0	224.4	1,055.4
Home mortgage		<u>47,767.8</u>	<u>0.0</u>	<u>3,279.5</u>	<u>164,187.4</u>
	US\$	<u>580,500.0</u>	<u>88.3</u>	<u>140,712.7</u>	<u>407,873.1</u>
 <u>December 31</u>		 <u>Ordinary</u>	 <u>Moratorium and special</u>	 <u>Allowance</u>	 <u>Secured</u>
Commercial	US\$	100,006.0	91.5	27,031.1	173,854.8
Microcredit		335,620.3	8.8	84,244.6	43,294.9
Consumer		563.3	0.0	445.2	1,099.2
Home mortgage		<u>42,924.3</u>	<u>0.0</u>	<u>5,131.4</u>	<u>131,200.7</u>
	US\$	<u>479,113.8</u>	<u>100.3</u>	<u>116,852.3</u>	<u>349,449.6</u>

7.9. Restructured loans by category

<u>June 30</u>	<u>Commercial</u>		<u>Consumer</u>		<u>Microcredit</u>		<u>Home mortgage</u>	
	<u>No. Of Loans</u>	<u>Amount</u>	<u>No. Of Loans</u>	<u>Amount</u>	<u>No. Of Loans</u>	<u>Amount</u>	<u>No. Of Loans</u>	<u>Amount</u>
A - Normal	1,484	51,214.1	27,929	251,810.0	18	114.3	2,266	21,611.5
B - Acceptable	500	18,543.5	4,640	41,951.3	14	113.3	930	10,922.3
C - Deficient	365	11,091.2	4,458	41,599.9	14	109.7	962	10,985.3
D - Doubtful	717	25,876.0	5,266	55,853.1	9	101.2	340	3,964.2
E - Unrecoverable	<u>86</u>	<u>4,239.3</u>	<u>2,849</u>	<u>30,071.2</u>	<u>3</u>	<u>44.1</u>	<u>29</u>	<u>284.5</u>
	<u>3,152</u>	<u>110,964.1</u>	<u>45,142</u>	<u>421,285.5</u>	<u>58</u>	<u>482.6</u>	<u>4,527</u>	<u>47,767.8</u>
 <u>December 31</u>	 <u>Commercial</u>		 <u>Consumer</u>		 <u>Microcredit</u>		 <u>Home mortgage</u>	
	<u>No. Of Loans</u>	<u>Amount</u>	<u>No. Of Loans</u>	<u>Amount</u>	<u>No. Of Loans</u>	<u>Amount</u>	<u>No. Of Loans</u>	<u>Amount</u>
A - Normal	1,380	40,876.8	24,125	186,507.6	19	138.0	2,170	19,106.7
B - Acceptable	605	21,069.6	4,057	33,655.4	17	159.4	992	10,844.4
C - Deficient	440	12,092.2	4,775	43,966.5	19	193.7	979	9,174.6
D - Doubtful	695	21,764.9	5,295	47,166.0	6	28.8	361	3,469.0
E - Unrecoverable	<u>78</u>	<u>4,202.5</u>	<u>2,751</u>	<u>24,324.8</u>	<u>4</u>	<u>43.5</u>	<u>36</u>	<u>329.6</u>
	<u>3,198</u>	<u>100,006.0</u>	<u>41,003</u>	<u>335,620.3</u>	<u>65</u>	<u>563.4</u>	<u>4,538</u>	<u>42,924.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

7.10. Restructured loans by geographical area

June 30

		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Home mortgage</u>
Bogotá	US\$	32,080.1	221,392.1	482.5	37,339.0
Antioquia		28,485.2	58,119.1	0.0	2,637.3
Nororiental		40,853.9	83,268.8	0.0	4,367.7
Suroccidental		<u>9,544.8</u>	<u>58,505.5</u>	<u>0.0</u>	<u>3,423.8</u>
	US\$	<u>110,964.0</u>	<u>421,285.5</u>	<u>482.5</u>	<u>47,767.8</u>

December 31

		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Home mortgage</u>
Bogotá	US\$	32,682.7	172,375.4	563.3	32,880.8
Antioquia		22,429.8	47,745.4	0.0	2,767.2
Nororiental		35,708.6	67,025.3	0.0	4,194.2
Suroccidental		<u>9,184.8</u>	<u>48,474.2</u>	<u>0.0</u>	<u>3,082.2</u>
	US\$	<u>100,006.0</u>	<u>335,620.3</u>	<u>563.3</u>	<u>42,924.3</u>

7.11. Loans to shareholders and staff

These loans are as follows:

		<u>June 30</u>	<u>December 31</u>
Shareholders	US\$	112,216.6	103,125.2
Staff commercial and consumer		<u>72,678.7</u>	<u>59,263.5</u>
	US\$	<u>184,895.3</u>	<u>162,388.7</u>

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

<u>Mode</u>	<u>Jan-Jun12</u>	<u>Jul-Dec.11</u>
Individual loans	1.10%-32.60%	3.5% - 28.63%

Shareholder and staff loan terms are between 1 and 15 years

7.12. Loan securitization

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.

The mortgage paper issued by Titularizadora Colombiana are of several types: TIPS A, awarded in auction, and TIPS B, C and Mz, which are a safety net for the privileged TIPS to which the originators of the securitized loans subscribed and which are valued as required by the Superintendency's Basic Accounting and Financial Circular, Chapter I.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following is the detail of terms of sale of securitized loans in the period January-June 2012 and the period July-December 2011 with Titularizadora Colombiana:

CONDITIONS OF SALE

The following is the detail of loan securitization at June 30, 2012:

June 30

<u>Issue</u>	<u>Date</u>	<u>No</u>	<u>Rate</u>	<u>Capital</u>	<u>Interest</u>	<u>Other*</u>	<u>Total</u>	<u>Profit</u>	<u>Proceeds of sale</u>	<u>Recovery of allowances</u>
Pesos N-4	Febr-17-2012	2,123	13.21	US\$104,155.2	639.6	119.1	104,913.9	3,397.6	108,688.7	2,630.6
Pesos N-5	May-04-2012	<u>1,875</u>	<u>13.28</u>	<u>90,721.1</u>	<u>479.5</u>	<u>128.3</u>	<u>91,328.9</u>	<u>2,853.2</u>	<u>94,533.1</u>	<u>1,809.1</u>
		<u>3,998</u>		<u>US\$194,876.3</u>	<u>1,119.1</u>	<u>247.4</u>	<u>196,242.8</u>	<u>6,250.8</u>	<u>203,221.8</u>	<u>4,439.7</u>

* In "Other " deferred balances in loans included in the sale (downpayments) are eliminated.

CONDITIONS OF SALE

The following is the detail of loan securitization in the period July-December 2011:

December 31

<u>Issue</u>	<u>Date</u>	<u>No</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others *</u>	<u>Total</u>	<u>Profit</u>	<u>Proceeds of sale</u>	<u>Recovery of allowances</u>
TIPS N-2	Sept-16-2011	1,719	13.24	US\$ 76,493.0	401.7	(33.8)	76,860.9	1,912.3	79,174.9	1,918.9
TIPS N-3	Nov-11-2011	<u>1,926</u>	<u>13.19</u>	<u>99,575.6</u>	<u>549.4</u>	<u>116.4</u>	<u>100,241.5</u>	<u>2,987.3</u>	<u>103,625.6</u>	<u>2,533.2</u>
		<u>3,645</u>		<u>US\$ 176,068.6</u>	<u>951.1</u>	<u>82.6</u>	<u>177,102.4</u>	<u>4,899.6</u>	<u>182,800.5</u>	<u>4,452.1</u>

* In "Other" deferred balances in loans included in the sale (downpayments) are eliminated.

7.13. Sale of loans written off

The following is the detail of sales of loans written off in the period January-June 2012:

<u>Date</u>	<u>No. of loans</u>	<u>Capital</u>	<u>Interest</u>	<u>Other items</u>	<u>Total</u>	<u>Sale price</u>
<u>Jun30-2012</u>	<u>42,519</u>	<u>US\$84,245.0</u>	<u>944.5</u>	<u>3,107.7</u>	<u>88,297.2</u>	<u>7,498.9</u>

The following is the detail of sales of loans written off in the period July-December 2011:

<u>Date</u>	<u>No. of loans</u>	<u>Capital</u>	<u>Interest</u>	<u>Other items</u>	<u>Total</u>	<u>Sale price</u>
Aug-05-2011	77,027	\$123,363.1	7,084.1	1,688.6	132,136.7	9,493.2
Dec-29-2011	<u>86,722</u>	<u>141,405.3</u>	<u>5,788.6</u>	<u>915.4</u>	<u>148,109.3</u>	<u>6,900.2</u>
	<u>163,749</u>	<u>\$264,769.4</u>	<u>12,872.7</u>	<u>2,604.0</u>	<u>280,246.0</u>	<u>16,393.4</u>



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7.14. Loans written off

The following is the detail of loans written off:

		<u>June 30</u>			
		<u>Capital</u>	<u>Interest</u>	<u>Other items</u>	<u>Total</u>
Commercial	US\$	14,400.4	529.5	275.0	15,204.9
Consumer		201,651.5	7,403.0	1,473.9	210,528.3
Home mortgage		3,686.8	18.8	199.0	3,904.6
Microcredit		175.9	1.6	17.1	194.6
Other receivables		<u>0.0</u>	<u>0.0</u>	<u>19,848.0</u>	<u>19,848.0</u>
	US\$	<u>219,914.7</u>	<u>7,952.9</u>	<u>21,813.0</u>	<u>249,680.4</u>
		<u>December 31</u>			
		<u>Capital</u>	<u>Interest</u>	<u>Other items</u>	<u>Total</u>
Commercial	US\$	25,252.2	791.1	279.0	26,322.3
Consumer		143,245.0	5,292.4	1,216.3	149,753.7
Home mortgage		3,476.6	25.8	182.8	3,685.2
Microcredit		125.9	1.5	11.0	138.3
Other receivables		<u>0.0</u>	<u>0.0</u>	<u>240.4</u>	<u>240.4</u>
	US\$	<u>172,099.6</u>	<u>6,110.7</u>	<u>1,929.5</u>	<u>180,139.8</u>

The Bank and its subsidiaries did not undertake any Collector operations.

7.15. Allowance against loans and financial leasing operations

The movement of the allowance against loans is as follows:

		<u>June 30</u>				
		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Home mortgage</u>	<u>Total</u>
Opening balance	US\$	290,831.1	384,163.0	3,650.4	45,261.9	723,906.3
Plus:						
Allowance expensed		115,528.0	360,167.5	1,346.0	8,585.5	485,627.0
Reclassifications		122.9	(18.8)	(107.3)	0.0	(3.2)
Less:						
Loans written off		14,400.4	201,651.4	175.9	3,686.8	219,914.6
Unrecovered from foreclosures		0.0	0.0	0.0	71.9	71.9
Reclassifications		0.0	3.6	0.0	0.0	3.6
Reexpression of foreign branch prov.		85.0	0.0	0.0	0.0	85.0
Recoveries		<u>93,564.9</u>	<u>135,959.0</u>	<u>850.3</u>	<u>14,946.0</u>	<u>245,320.3</u>
Closing balance	US\$	<u>298,431.6</u>	<u>406,697.6</u>	<u>3,863.0</u>	<u>35,142.6</u>	<u>744,134.9</u>

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		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Home mortgage</u>	<u>Total</u>
Opening balance	US\$	293,502.8	320,520.4	3,026.7	39,188.0	656,238.1
Plus:						
Allowance expensed		117,982.7	326,380.5	643.1	13,412.8	458,419.1
Reclassifications		(240.1)	495.8	347.5	0.0	603.2
Less:						
Loans written off		25,252.2	143,245.0	125.9	3,476.6	172,099.6
Unrecovered from foreclosures		0.0	0.0	0.0	246.7	246.7
Reclassifications		0.0	53.5	0.0	68.5	122.0
Recoveries		<u>118,830.4</u>	<u>151,199.1</u>	<u>538.2</u>	<u>7,230.7</u>	<u>277,798.4</u>
Closing balance	US\$	<u>267,162.9</u>	<u>352,899.1</u>	<u>3,353.3</u>	<u>41,578.4</u>	<u>664,993.7</u>

At June 30, 2012 and December 31, 2011, the amounts unrecovered from foreclosures were US\$71.9 and US\$246.9, respectively. This represents the difference between the lower of cost of the asset and the balance of the debt in the balance sheet charged to loan allowances in the earnings statement.

An estimate of expected Commercial loan losses in November 2011 incorporated a new factor, the LGD on loans with "Property leasing"-type guarantees. They were assigned an LGD of 35%, thus generating a recovery of US\$11,554.5. The change was made because loans with this type of guarantee have a better chance of recovery after default and leasing operations have average cover of 142%, since only 70% is financed.

The estimate of losses on Consumer loans incorporated Superintendency Circular 043/2011, and in November the LGD was recalculated for unsecured loans mat 75%, and days in arrears were also adjusted, leading to a charge of US\$54,530.4.

As of May 31, 2012, the LGD for "payroll deduction" loans in the Consumer portfolio was adjusted to classify as "unsecured" with a 60% allowance in the terms of the Superintendency Reference Model, generating a recovery of US\$11,996.9.

In June 2012, the Bank implemented Superintendency Circular 043 of October 2011 to update the values of guarantees on home mortgage loans, applying the IVIUR or IVP annual indexes as appropriate.

For this, the indexes were applied to the latest updated value of the guarantee obtained by the old method of updating. The bank also obtained new professional valuations of guarantees active at the time of issue of the Circular but not updated by a professional valuation for more than 3 years. The effect of this was US\$1,067,864.0.

The impact of the application of Circular 043/2011 on Confinanciera was as follows: For the projected allowance, the impact was US\$351.8, and for the valuation of vehicle guarantees there was no impact since they are valued monthly on the Fasescolda index, and this is a method provided for in the Circular

The Bank applied a policy to make additional allowances at June 30, 2012 and December 31, 2011 for US\$52,104.3 and US\$56,099.1, respectively.

At June 30, 2012 and December 31, 2011 the counter-cyclical allowance was as follows:



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<u>Loans</u>		<u>June 30</u>	<u>December 31</u>
Consumer	US\$	94,709.6	85,148.5
Commercial		<u>64,735.6</u>	<u>68,663.3</u>
Total	US\$	<u>159,445.2</u>	<u>153,811.8</u>

7.16. Effect of homogenization

The loans of the subsidiary Bancafé Panamá S.A, to customers with active business in are adjusted to Colombian regulations as shown in Schedule III MRC of Chapter II of Superintendency Circular 100/1995, and customers with business in other countries, the internal model was applied, and this higher or lower loan allowances for US\$11,748.5.

8. Acceptances, spot operations and derivatives

The following is the detail of spot operations and derivatives:

<u>Product</u>		<u>June 30</u>	<u>December 31</u>
Bank acceptances	US\$	2,115.6	243.1
Spot operations		33.9	11.2
Forwards		34,640.6	63,648.2
Swaps		465.2	109.1
Options		<u>1,428.0</u>	<u>739.3</u>
	US\$	<u>38,683.3</u>	<u>64,750.9</u>

	<u>June 30</u>		<u>December 31</u>	
	<u>Right</u>	<u>Obligation</u>	<u>Right</u>	<u>Obligation</u>
Currency purchases	5,174.6	(5,118.7)	9,888.6	(9,875.9)
Currency sales	<u>10,439.9</u>	<u>(10,461.9)</u>	<u>476.9</u>	<u>(478.4)</u>
	<u>15,614.5</u>	<u>(15,580.6)</u>	<u>10,365.5</u>	<u>(10,354.3)</u>
Total Net		<u>33.9</u>		<u>11.2</u>

At June 30, 2012 and December 31, 2011, the half-yearly yield on spot operations was \$(2.383.3) and US\$947.6, respectively



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The recording of derivative rights and obligations takes account of the result of a valuation at fair prices of exchange:

Speculative derivatives

		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
<u>June 30</u>						
<u>Currency purchases</u>	Right	1,360,394.4	328,168.2	0.0	1,688,562.5	0.0
	Obligation	(1,353,945.5)	(328,168.2)	0.0	(1,682,113.7)	0.0
<u>Currency sales</u>	Right	1,826,265.9	529,487.9	0.0	2,355,753.8	0.0
	Obligation	(1,798,445.2)	(529,487.9)	0.0	(2,327,933.1)	0.0
<u>Securities purchases</u>	Right	1,254.9	65,701.7	0.0	66,956.6	0.0
	Obligation	(1,005.3)	(65,701.7)	0.0	(66,707.0)	0.0
<u>Securities sales</u>	Right	103,278.1	0.0	0.0	103,278.1	0.0
	Obligation	(103,156.6)	0.0	0.0	(103,156.6)	0.0
<u>On interest rate</u>	Right	0.0	10,122.9	10,287.4	20,410.4	0.0
	Obligation	0.0	(10,122.9)	(9,822.2)	(19,945.1)	0.0
<u>Call options</u>	Purchase	0.0	0.0	0.0	0.0	975.0
Put options	Purchase	0.0	0.0	0.0	0.0	453.0
Total Rights		3,291,193.2	933,480.7	10,287.4	4,234,961.3	1,428.0
Total obligations		<u>(3,256,552.6)</u>	<u>(933,480.7)</u>	<u>(9,822.2)</u>	<u>(4,199,855.6)</u>	<u>0.0</u>
Net total	US\$	<u>34,640.6</u>	<u>0.0</u>	<u>465.2</u>	<u>35,105.8</u>	<u>1,428.0</u>

(*) Hedging derivative



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Speculative derivatives

		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
<u>December 31</u>						
<u>Currency purchases</u>	Right	2,179,969.5	204,777.1	0.0	2,384,746.6	0.0
	Obligation	(2,119,419.0)	(204,777.1)	0.0	(2,324,196.0)	0.0
<u>Currency sales</u>	Right	418,710.0	387,951.6	0.0	806,661.6	0.0
	Obligation	(415,612.4)	(387,951.6)	0.0	(803,564.0)	0.0
<u>Securities purchases</u>	Right	0.0	31,582.2	0.0	31,582.2	0.0
	Obligation	0.0	(31,582.2)	0.0	(31,582.2)	0.0
<u>On interest rate</u>	Right	0.0	0.0	2,749.7	2,749.7	0.0
	Obligation	0.0	0.0	(2,640.7)	(2,640.7)	0.0
Call options	Purchase	0.0	0.0	0.0	0.0	492.8
Put options	Purchase	0.0	0.0	0.0	0.0	246.5
Total Rights		2,598,679.5	624,310.8	2,749.7	3,225,740.1	739.3
Total obligations		<u>(2,535,031.3)</u>	<u>(624,310.8)</u>	<u>(2,640.7)</u>	<u>(3,161,982.9)</u>	<u>0.0</u>
Net total		<u>63,648.2</u>	<u>0.0</u>	<u>109.1</u>	<u>63,757.2</u>	<u>739.3</u>

(*) Hedging derivative

El The following is the detail of maturity periods of derivatives

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



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		<u>December 31</u>				<u>Total</u>
		<u>From 0 to 3 months</u>	<u>From 3 to 6 months</u>	<u>From 6 to 12 months</u>	<u>Mayor to 12 months</u>	
Bank acceptances	US\$	0.0	243.1	0.0	0.0	243.1
Spot operations		11.2	0.0	0.0	0.0	11.2
Forwards		43,800.1	15,556.8	4,291.2	0.0	63,648.1
Swaps		0.0	109.1	0.0	0.0	109.1
Options		<u>504.5</u>	<u>146.1</u>	<u>88.7</u>	<u>0.0</u>	<u>739.3</u>
	US\$	<u>44,315.8</u>	<u>16,055.1</u>	<u>4,379.9</u>	<u>0.0</u>	<u>64,750.8</u>

9. Accounts receivable

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

		<u>June 30</u>	<u>December 31</u>
Loan interest (note 7.3)	US\$	148,824.1	124,886.3
Financial component of leasing operations (note 7.3)		6,470.2	5,247.3
Interest on interbank funds and other		<u>102.4</u>	<u>123.8</u>
	US\$	<u>155,396.7</u>	<u>130,257.4</u>
Commissions and fees		2,111.1	1,784.2
Leasepayments		118.5	150.0
Payment for account of borrowers:			
Home mortgage		5,965.5	5,884.4
Consumer		14,650.8	11,961.2
Microcredit	US\$	291.6	273.5
Commercial		<u>6,835.8</u>	<u>5,800.6</u>
		<u>27,743.8</u>	<u>23,919.7</u>
Other:			
Dividends and other capital yields		4,077.8	0.0
Payments for account of customers - remittances		1,765.0	2,150.0
Advance payment on commercial space		8,000.1	9,211.5
Advances to contractors and suppliers		14,149.7	7,460.9
Sundry:			
Sale of goods and services		152.5	173.2
Cash and clearing shortages		1,104.1	863.5
Insurance claims		2,333.6	2,162.4
Colombian Treasury		11,490.3	10,311.4
Forwards		<u>7,669.6</u>	<u>760.7</u>
Carried forward	US\$	<u>22,750.0</u>	<u>14,271.3</u>

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		<u>June 30</u>	<u>December 31</u>
Brought forward	US\$	<u>22,750.0</u>	<u>14,271.3</u>
Affiliates		223.2	968.0
Government relief Law 546 de 1999, reliquidation of loans (**)		8,052.1	26,016.5
National tax collections pending application		2,088.4	0.0
Treasury and payment operations, general business		4,305.6	4,849.7
Receivables, consumer loans written off (Note 6)		7,969.7	7,063.8
Banco de la Republica - rate cover		3,803.3	4,208.9
Managed portfolios		6,946.5	9,240.7
Commercial establishment debtors		3,060.7	938.2
Blanket bond compliance		1,361.4	482.4
Outstanding portfolio processes to implement		14,367.8	11,403.6
Loan processes pending application		0.0	0.0
Sundry receivables		915.6	720.3
Managed portfolios		158.9	1,224.5
Sundry (less than 5%)		<u>7,384.6</u>	<u>3,357.4</u>
		<u>111,380.3</u>	<u>103,567.7</u>
Total Receivables Accounts	US\$	<u>296,750.5</u>	<u>259,679.1</u>
Allowance		<u>(51,849.8)</u>	<u>(61,812.7)</u>
Net Total Receivables Accounts	US\$	<u>244,900.5</u>	<u>197,866.4</u>

**** Mortgage loan relief**

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

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

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



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9.1. Allowance against receivables

The detail of the allowance against receivables is as follows:

		<u>June 30</u>	<u>December 31</u>
Loan interest	US\$	18,687.8	15,609.4
Payment for customer's account		7,498.5	6,375.0
Government relief		8,052.1	25,086.7
Treasury debtors		1,628.4	1,178.8
Insurance companies		2,307.1	2,015.6
Daviplan		3,394.8	4,908.4
Supplier advances		1,159.9	140.3
Deposit taking and networks		495.0	1,349.9
Other receivables		1,203.1	1,102.5
Loans to be disbursed		3,202.9	0.0
Card debtors		1,342.8	248.7
Sundry		<u>2,877.5</u>	<u>3,797.4</u>
	US\$	<u>51,849.8</u>	<u>61,812.7</u>

The movement of the allowance against receivables is as follows:

<u>June 30</u>		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Home mortgage</u>	<u>Others</u>	<u>Total</u>
Opening balance	US\$	6,700.4	13,753.6	137.5	3,340.5	43,356.7	67,288.7
Plus:							
Allowance expensed		4,544.3	15,335.1	103.9	1,803.9	4,924.6	26,711.8
Reclassification		(73.5)	2.8	8.8	0.0	209.5	147.6
Less:							
Loans written off		804.5	8,876.9	18.7	217.8	19,848.1	29,766.0
Reclassifications		0.0	0.0	0.0	0.0	1,226.2	1,226.2
Written off		<u>2,324.1</u>	<u>5,558.6</u>	<u>73.7</u>	<u>1,588.9</u>	<u>1,760.7</u>	<u>11,306.0</u>
Closing balance	US\$	<u>8,042.6</u>	<u>14,656.0</u>	<u>157.8</u>	<u>3,337.6</u>	<u>25,655.8</u>	<u>51,849.8</u>



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<u>December 31</u>		<u>Commercial</u>	<u>Consumer</u>	<u>Microcredit</u>	<u>Home mortgage</u>	<u>Others</u>	<u>Total</u>
Opening balance	US\$	5,981.0	9,325.5	107.7	3,198.0	18,523.0	37,135.4
Plus:							
Allowance expensed		2,433.1	10,730.7	39.8	559.0	30,051.1	43,813.6
Reclassification		(89.9)	31.0	2.3	(0.1)	1,074.4	1,017.7
Less:							
Loans written off		1,070.1	6,508.7	12.4	208.6	240.5	8,040.3
Reclassifications		0.0	2.4	0.0	0.0	0.0	2.4
Written off		<u>1,098.9</u>	<u>941.8</u>	<u>11.2</u>	<u>479.8</u>	<u>9,579.8</u>	<u>12,111.5</u>
Closing balance	US\$	<u>6,155.1</u>	<u>12,634.3</u>	<u>126.3</u>	<u>3,068.6</u>	<u>39,828.3</u>	<u>61,812.7</u>

10. Foreclosed assets and restored assets

The detail of foreclosed assets and restored assets is as follows:

		<u>June 30</u>	<u>December 31</u>
<u>Foreclosed assets:</u>			
For housing			
Real property	US\$	3,049.8	4,829.2
Assets received in auction		263.5	326.9
Inflation adjustments		<u>0.0</u>	<u>0.1</u>
Total for housing		<u>3,313.3</u>	<u>5,156.2</u>
<u>Other than for housing</u>			
Real property		11,209.5	8,270.3
Assets received in auction		86.6	789.2
Inflation adjustments		<u>0.1</u>	<u>11.8</u>
Adjusted cost		<u>11,296.2</u>	<u>9,071.3</u>
Movable assets (1)			
Rights and securities		773.2	690.5
Movable assets		<u>640.0</u>	<u>794.5</u>
		<u>1,413.2</u>	<u>1,484.9</u>
Total other than for housing		<u>12,709.4</u>	<u>10,556.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Assets restored from leasing agreements

Residential	<u>1,200.3</u>	<u>512.3</u>
	<u>1,200.3</u>	<u>512.3</u>

Assets not used in the business

Land	3,697.6	3,488.2
Building	14,702.5	13,872.1
Depreciation	<u>(4,309.8)</u>	<u>(3,697.3)</u>
	<u>14,090.2</u>	<u>13,663.1</u>

Less:

Allowance on assets for housing	1,719.0	3,027.7
Allowance on assets other than for housing	3,489.6	4,219.9
Allowance on movable assets	946.9	990.5
Allowance on assets restored from leasing agreements	207.9	41.0
Allowance on assets not used in the business	<u>1,192.6</u>	<u>1,617.5</u>
	<u>7,556.1</u>	<u>9,896.6</u>
US\$	<u>23,757.1</u>	<u>19,991.2</u>

(1) The detail of movable assets received on foreclosures is as follows:

		<u>June 30</u>		<u>December 31</u>	
		<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Rights and securities:					
Shares	US\$	15.3	15.3	14.1	14.1
Rights Zuana – Timeshare		<u>757.9</u>	<u>646.8</u>	<u>676.4</u>	<u>569.1</u>
		<u>773.2</u>	<u>662.1</u>	<u>690.5</u>	<u>583.1</u>
Movable assets:					
Vehicles		639.5	284.3	695.1	308.0
Machinery		0.0	0.0	0.0	0.0
Furniture		0.6	0.5	99.3	99.4
Works of art		<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
		<u>640.0</u>	<u>284.8</u>	<u>794.5</u>	<u>407.4</u>
US\$		<u>1,413.2</u>	<u>946.9</u>	<u>1,484.9</u>	<u>990.5</u>

The detail of foreclosed assets, assets restored and assets not used in the business by length of time held is as follows:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>June 30</u>	<u>Less than 1 year</u>	<u>Between 1 to 5 years</u>	<u>Between 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
For housing	2,088.4	740.5	422.4	62.0	3,313.3	1,719.0
Other than for housing	7,602.5	3,081.5	579.1	33.0	11,296.2	3,489.6
Movable assets	584.5	170.2	648.1	10.4	1,413.2	946.9
Assets restored	1,200.3	0.0	0.0	0.0	1,200.3	207.9
Assets not used in the business depreciation	<u>0.0</u>	<u>13,744.6</u>	<u>345.6</u>	<u>0.0</u>	<u>14,090.2</u>	<u>1,192.6</u>
US\$	<u>11,475.8</u>	<u>17,736.8</u>	<u>1,995.3</u>	<u>105.3</u>	<u>31,313.2</u>	<u>7,556.1</u>
<u>December 31</u>	<u>Less than 1 year</u>	<u>Between 1 to 5 years</u>	<u>Between 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
For housing	2,393.2	2,118.7	562.0	82.3	5,156.2	3,027.7
Other than for housing	4,457.7	2,822.5	1,430.5	360.6	9,071.3	4,219.9
Movable assets	632.6	280.9	561.9	9.5	1,485.0	990.5
Assets restored	512.3	0.0	0.0	0.0	512.3	41.0
Assets not used in the business depreciation	<u>0.0</u>	<u>13,589.6</u>	<u>79.1</u>	<u>0.0</u>	<u>13,668.8</u>	<u>1,617.5</u>
US\$	<u>7,995.8</u>	<u>18,811.7</u>	<u>2,633.6</u>	<u>452.4</u>	<u>29,893.6</u>	<u>9,896.6</u>

At June 30, 2012 and December 31, 2011, valuations were made of foreclosed assets for housing, and the valuation gains were US\$6,049.2 and US\$5,570.0, respectively. These gains are recorded in Memorandum Accounts. (Note 24)

At June 30, 2012 and December 31, 2011, the Bank applied various strategies to sell foreclosed assets, with the following results:

	<u>June 30</u>		<u>December 31</u>	
	<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Foreclosed assets	80	US\$ 4,231.5	124	4,418.0
Assets not used in the business	<u>5</u>	406.5	<u>7</u>	856.7
Total Sales	<u>85</u>	US\$ <u>4,638.1</u>	<u>131</u>	<u>5,274.7</u>
Profit on foreclosed assets		US\$ 146.5		563.7
Amortization of deferred profit		327.0		482.8
Profit on sales of assets not used in the business		<u>352.7</u>		<u>562.3</u>
Total profit on sales		US\$ <u>826.2</u>		<u>1,608.7</u>
Loss on sales		0.0		0.0
Loss on sale of foreclosed assets		637.1		846.1
Loss on sale of assets not used in the business		<u>53.1</u>		<u>624.8</u>
Total loss on sale		<u>690.1</u>		<u>1,470.9</u>
Net effect on results (note 30 and 31)		US\$ <u>136.0</u>		<u>137.9</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

10.1. Allowance against foreclosed assets and restored assets

The movement of the allowance against foreclosed and restored assets is as follows:

		<u>June 30</u>	<u>December 31</u>
Opening balance	US\$	10,773.4	11,053.7
Plus:			
Allowance expensed		2,514.0	2,399.3
Reclassifications		(42.5)	(87.1)
Less:			
Written off		2,596.7	0.0
Sales		12.2	88.7
Recoveries		<u>3,079.9</u>	<u>3,380.5</u>
Closing balance	US\$	<u>7,556.1</u>	<u>9,896.6</u>

At June 30, 2012 and December 31, 2011, the Bank had made allowances of 100% against the following foreclosed assets:

<u>June 30</u>		<u>December 31</u>	
<u>No.</u>	<u>Allowance</u>	<u>No.</u>	<u>Allowance</u>
122	US\$ 2,671.4	171	US\$ 5,128.9

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 June 30, 2012 and December 31, 2011, 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.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

11. Property, plant and equipment and operational leasing assets

A detail of properties and equipment is the following:

		<u>June 30</u>			<u>December 31</u>		
		<u>Cost</u>	<u>Inflation adjustment</u>	<u>Adjusted Cost</u>	<u>Cost</u>	<u>Inflation adjustment</u>	<u>Adjusted Cost</u>
Land, buildings, construction in progress	US\$	227,299.3	19,937.5	247,236.8	204,756.8	18,391.5	223,148.3
Office equipment, furniture and fittings, vehicles		53,488.2	5,275.2	58,763.4	47,720.7	4,856.0	52,576.8
Computer equipment		<u>114,062.7</u>	<u>9,884.0</u>	<u>123,946.7</u>	<u>104,931.1</u>	<u>9,544.1</u>	<u>114,475.2</u>
		<u>394,850.2</u>	<u>35,096.7</u>	<u>429,946.9</u>	<u>357,408.7</u>	<u>32,791.6</u>	<u>390,200.3</u>
Less: Accumulated depreciation		(192,783.5)	(11,172.1)	(203,955.6)	(172,714.0)	(10,530.9)	(183,244.9)
Less: Allowance		<u>(4,424.8)</u>	<u>0.0</u>	<u>(4,424.8)</u>	<u>(4,251.6)</u>	<u>0.0</u>	<u>(4,251.6)</u>
	US\$	<u>197,641.8</u>	<u>23,924.7</u>	<u>221,566.5</u>	<u>180,443.1</u>	<u>22,260.8</u>	<u>202,703.8</u>
<u>Operational leasing assets</u>	US\$	6,487.6	0.0	6,487.6	5,974.0	0.0	5,974.0
Less: Accumulated depreciation		(3,684.1)	0.0	(3,684.1)	(2,930.2)	0.0	(2,930.2)
Less: Allowance		<u>(29.2)</u>	<u>0.0</u>	<u>(29.2)</u>	<u>(31.9)</u>	<u>0.0</u>	<u>(31.9)</u>
	US\$	<u>2,774.3</u>	<u>0.0</u>	<u>2,774.3</u>	<u>3,011.8</u>	<u>0.0</u>	<u>3,011.8</u>

At June 30, 2012 and December 31, 2011, 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.

The following is the detail of valuation gains on property and equipment at June 30, 2012 and December 31, 2011:

		<u>June 30</u>	<u>December 31</u>
Valuation gains on buildings used in the business	US\$	264,060.7	239,871.8
Valuation gains on buildings not used in the business		<u>9,428.5</u>	<u>7,165.9</u>
	US\$	<u>273,489.2</u>	<u>247,037.7</u>

There are no mortgages or limitations of ownership on these properties, and they have not been pledged.

Depreciation expensed at June 30, 2012 and December 31, 2011, was US\$11,853.2 and US\$13,166.7, respectively.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

11.1. Allowance against property, equipment and operational leasing assets

The movement of the allowance against property and equipment for the periods ended on June 30, 2012 and December 31, 2011, is as follows:

		<u>June 30</u>	<u>December 31</u>
Opening balance	US\$	4,662.9	7,032.0
Plus:			
Allowance expensed		250.5	109.0
Reclassifications		0.0	0.0
Less:			
Reclassifications		(44.6)	0.0
Recoveries- previous years		0.0	5.2
Recoveries		<u>504.1</u>	<u>2,852.3</u>
Closing balance		<u>4,454.0</u>	<u>4,283.5</u>

12. Other assets

12.1. Prepaid expenses, deferred charges and intangibles

The detail of prepaid expenses, deferred charges and intangibles at June 30, 2012 and December 31, 2011 is the following:

		<u>June 30</u>	<u>December 31</u>
<u>Prepaid expenses:</u>			
Interest	US\$	1.1	0.5
Insurances		11,956.0	8,048.9
Equipment maintenance		57.2	47.0
Others		<u>2,381.2</u>	<u>1,046.9</u>
	US\$	<u>14,395.4</u>	<u>9,143.4</u>
<u>Deferred charges:</u>			
Remodelling		11,813.3	17,885.0
Deferred income tax (Dr.) due to timing differences		12,280.8	11,930.8
Uniforms		3,026.2	293.0
Contributions and affiliations		108.6	11.6
Wealth tax and surcharge		66,859.5	73,469.0
Professional and advisory services		1,126.0	721.5
Commissions and consultancies		806.8	1,059.5
Commercial strategy for prepaid tickets		13.8	197.0
Software, licences, Oracle support		5,506.2	1,908.4
Other (less than 5%)		<u>2,200.8</u>	<u>36.7</u>
		<u>103,742.1</u>	<u>107,512.4</u>
<u>Intangibles</u>			
Goodwill	US\$	<u>649,031.7</u>	<u>608,239.7</u>
Prepaid expenses, deferred charges and intangibles	US\$	<u>767,169.1</u>	<u>724,895.5</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The movement of prepaid expenses, deferred charges and intangibles at June 30, 2012 and December 31, 2011 is the following:

		Balance at <u>December 31</u>	<u>Charges</u>	<u>Credits</u>	Balance at <u>June 30</u>
Prepaid expenses	US\$	9,143.3	27,781.2	23,339.1	14,395.4
Deferred charges		107,512.4	42,795.2	56,090.2	103,742.1
Intangibles		<u>608,239.7</u>	<u>0.0</u>	<u>13,092.8</u>	<u>649,031.6</u>
	US\$	<u>724,895.5</u>	<u>70,576.4</u>	<u>92,522.1</u>	<u>767,169.1</u>

The following are the prepaid expenses, deferred charges and intangibles pending amortization at June 30, 2012 and December 31, 2011, by term

<u>June 30</u>		<u>Under 1 year</u>	<u>1-5 years</u>	<u>5- 10 years</u>	<u>Over 10 years</u>	<u>Total</u>
<u>Prepaid expenses:</u>						
Interest	US\$	1.1	0.0	0.0	0.0	1.1
Insurances		932.3	11,023.7	0.0	0.0	11,956.0
Equipment maintenance		0.0	57.2	0.0	0.0	57.2
Others	US\$	<u>1,097.9</u>	<u>1,283.3</u>	<u>0.0</u>	<u>0.0</u>	<u>2,381.2</u>
		<u>2,031.2</u>	<u>12,364.2</u>	<u>0.0</u>	<u>0.0</u>	<u>14,395.4</u>
<u>Deferred charges:</u>						
Remodelling	US\$	3,686.0	8,127.2	0.0	0.0	11,813.3
Deferred income tax (Dr.) due to timing differences		792.4	11,426.4	62.0	0.0	12,280.8
Uniforms		3,026.2	0.0	0.0	0.0	3,026.2
Contributions and affiliations		108.6	0.0	0.0	0.0	108.6
Wealth tax and surcharge		940.2	64,963.9	955.4	0.0	66,859.4
Professional and advisory services		0.0	1,126.0	0.0	0.0	1,126.0
Commissions and consultancies		0.0	806.8	0.0	0.0	806.8
Commercial strategy for prepaid tickets		13.8	0.0	0.0	0.0	13.8
Software, licences, Oracle support		121.1	5,385.0	0.0	0.0	5,506.2
Other (less than 5%)		<u>2,200.8</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>2,200.8</u>
		<u>10,889.3</u>	<u>91,835.4</u>	<u>1,017.4</u>	<u>0.0</u>	<u>103,742.1</u>
<u>Intangible Assets</u>						
Goodwill	US\$	<u>0.0</u>	<u>(0.0)</u>	<u>159,228.8</u>	<u>489,802.9</u>	<u>649,031.7</u>
	US\$	<u>12,920.5</u>	<u>104,199.6</u>	<u>160,246.2</u>	<u>489,802.9</u>	<u>767,169.1</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31

		<u>Under 1</u> <u>year</u>	<u>1-5</u> <u>years</u>	<u>5- 10</u> <u>years</u>	<u>Over 10</u> <u>years</u>	<u>Total</u>
<u>Prepaid expenses:</u>						
Interest	US\$	0.5	0.0	0.0	0.0	0.5
Insurances		1,867.2	6,181.7	0.0	0.0	8,048.9
Equipment maintenance		47.0	0.0	0.0	0.0	47.0
Others		<u>45.5</u>	<u>1,001.4</u>	<u>0.0</u>	<u>0.0</u>	<u>1,046.9</u>
	US\$	<u>1,960.2</u>	<u>7,183.1</u>	<u>0.0</u>	<u>0.0</u>	<u>9,143.3</u>
<u>Deferred charges:</u>						
Remodelling	US\$	12,116.3	5,768.6	0.0	0.0	17,885.0
Deferred income tax (Dr.) due to timing differences		98.5	11,832.3	0.0	0.0	11,930.8
Adevertising and marketing		2.5	0.0	0.0	0.0	2.5
Uniforms		293.0	0.0	0.0	0.0	293.0
Contributions and affiliations		11.6	0.0	0.0	0.0	11.6
Wealth tax and surcharge		1,647.9	71,821.1	0.0	0.0	73,469.0
Professional and advisory services		721.5	0.0	0.0	0.0	721.5
Commissions and consultancies		0.0	1,155.6	0.0	0.0	1,155.6
Commercial strategy for prepaid tickets		197.0	0.0	0.0	0.0	197.0
Software, licences, Oracle support		1,766.9	45.5	0.0	0.0	1,812.4
Other (less than 5%)	US\$	<u>34.2</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>34.2</u>
		<u>16,889.3</u>	<u>90,623.1</u>	<u>0.0</u>	<u>0.0</u>	<u>107,512.5</u>
<u>Intangible Assets</u>						
Goodwill	US\$	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>608,239.7</u>	<u>608,239.7</u>
	US\$	<u>18,849.6</u>	<u>97,806.2</u>	<u>0.0</u>	<u>608,239.7</u>	<u>724,895.5</u>

Intangibles

The goodwill corresponds to credit establishments purchased. At June 30, 2012 and December 31, 2011, it totals US\$649,031.7 y US\$608,239.7, respectively.

The following is a detail of goodwill

Goodwill Granbanco S.A. - Bancafé

Goodwill on the purchase of Granbanco arose on February 16, 2007 for a total of USD617,751.3.

Following Superintendency Circular 034/ 2006, goodwill must be valued by an expert independent professional with no conflict of interest with the Bank and recognized experience in this field. On this occasion the expert was PricewaterhouseCoopers Asesores Gerenciales Ltda. The valuation is to be made every year.

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

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

- The definition and determination of business lines was a process carried out jointly with the directors of Banco Davivienda S.A. and Granbanco S.A., whereby both entities identified the independent cash flow sources of groups of assets.
- According to the foregoing, the merger of the business lines of Davivienda and Granbanco was made, taking into account the synergies that could be found. In this manner, the value of the goodwill was assigned to the following six business lines with valuations at market prices based on the figures as of the close of December 31, 2006 for Davivienda and January 31, 2007 for Granbanco: consumer, commercial, SME, credit card, home mortgage and subsidiaries (Panamá, Miami and Fiducafé).
- The general criteria to define the business lines were: characteristics of the lines (average placement rates, average balance by customer/product, customer's 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.

The following is a summary of goodwill by business line and accumulated amortization at June 30, 2012:



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<u>Business line</u>	<u>Share</u>	<u>Book goodwill</u>	<u>Accumulated amortization</u>	<u>Balance</u>
Consumer	21.3%	US\$163,679.8	25,545.1	138,134.7
Commercial	43.8%	336,698.4	52,547.7	284,150.7
SME	6.9%	53,342.5	8,325.0	45,017.5
Credit card	16.2%	124,619.0	19,449.0	105,170.0
Home mortgage	11.2%	85,817.6	13,393.3	72,424.2
Subsidiaries	<u>0.6%</u>	<u>4,899.1</u>	<u>764.7</u>	<u>4,134.5</u>
Total	<u>100.0%</u>	<u>US\$769,056.4</u>	<u>120,024.7</u>	<u>649,031.7</u>

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

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

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

12.2. Staff Loans

The Bank evaluated all staff loans, and the result of the classification at June 30, 2012 and December 31, 2011, is the following:

<u>June 30</u>		<u>Balance</u>	<u>Admissible Guaranties</u>	<u>Allowance</u>
A -Normal	US\$	66,484.9	226,966.9	670.0
B -Acceptable		68.2	162.3	3.9
C -Deficient		<u>14.0</u>	<u>59.1</u>	<u>1.6</u>
	US\$	<u>66,567.1</u>	<u>227,188.3</u>	<u>675.5</u>

<u>December 31</u>		<u>Balance</u>	<u>Admissible Guaranties</u>	<u>Allowance</u>
A -Normal	US\$	64,496.9	187,797.8	970.6
B -Acceptable		<u>48.1</u>	<u>116.3</u>	<u>2.5</u>
	US\$	<u>64,545.0</u>	<u>187,914.1</u>	<u>973.1</u>

Staff home-purchase loans are secured by admissible guarantees.

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12.3. Other assets - other

The detail of Other Assets is as follows:

		<u>June 30</u>	<u>December 31</u>
Permanent contributions	US\$	149.9	137.7
Deferred payment letters of credit		3,138.1	3,506.7
Other deposits		3,049.1	3,679.0
Assets delivered on commodatum agreements		1,166.4	1,108.2
Works of art and culture		1,326.3	1,196.9
Trust rights (1)		3,481.2	5,939.9
Withholdings at source		17,490.9	2.2
Advance income tax		14,914.9	0.0
Excess income tax		1,626.5	1,633.6
Consortia and temporary unions		2,793.1	2,892.5
Remittances bought and unpaid		123.3	139.7
Advance payment of turnover tax		68.8	119.0
Other (less than 5%)		<u>52.9</u>	<u>45.2</u>
	US\$	<u>49,381.4</u>	<u>20,400.8</u>

(1) Trust rights

The following trust rights were recorded at June 30, 2012 and December 31, 2011:

		<u>June 30</u>		<u>December 31</u>	
		<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Agropecuaria Molina Vivas	US\$	20.7	20.7	19.0	19.0
Textiles Omnes S.A.		260.9	260.9	239.7	239.7
Fiduciaria Superior (*)		633.5	0.0	617.2	0.0
H&L Barú		2,541.2	0.0	5,041.2	0.0
Otros		<u>24.8</u>	<u>0.0</u>	<u>22.8</u>	<u>0.0</u>
	US\$	<u>3,481.2</u>	<u>281.6</u>	<u>5,939.9</u>	<u>258.7</u>

* Remnants of the liquidation of Fiduciaria Superior S.A., of September 2009.



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12.4. Allowance against other assets

The movement of the allowance against other assets is as follows:

		<u>June 30</u>	<u>December 31</u>
Opening balance	US\$	7,193.9	6,629.5
Plus:			
Allowance expensed		123.9	590.7
Reclassifications		0.0	0.0
Less:			
Recoveries		<u>3,454.2</u>	<u>611.7</u>
Closing balance	US\$	<u>3,863.6</u>	<u>6,608.5</u>

13. Deposits and Demand Accounts

The following is the detail of Deposits and Demand Accounts:

	Maximum annual <u>interest</u>		<u>June 30</u>	<u>December 31</u>
Current accounts	0.0% - 1.70%	USD	1,892,209.9	1,851,252.9
Term deposits				
Less than 6 months	4.50%-5.80%		1,041,884.7	884,198.7
6-12 months	4.80%-6.10%		1,198,269.3	882,942.0
12-18 months	4.90%-6.30%		584,270.4	547,730.3
18 months or more	5.05%-7.25%		<u>1,300,743.0</u>	<u>1,128,147.1</u>
			<u>4,125,167.4</u>	<u>3,443,018.1</u>
Savings deposits				
Ordinary savings	0.00% - 4.60%		6,702,797.3	6,407,749.6
Special savings			<u>25,306.1</u>	<u>25,258.3</u>
			<u>6,728,103.4</u>	<u>6,433,007.9</u>
UVR savings certificates				
- 6-12 months	UVR+ 1.45		20,755.5	0.0
Other Deposits and Demand Accounts				
Banks and correspondents			707.4	1,124.6
Special deposits (*)			9,487.6	131.2
Demand accounts for banking services			81,570.8	119,592.5
Affiliated establishments			<u>3,654.4</u>	<u>3,555.2</u>
			<u>95,420.2</u>	<u>124,403.4</u>
		USD	<u>12,861,656.4</u>	<u>11,851,682.3</u>

*Corresponds to the creditor Daviplata, reclassified into creditors as required by Regulatory Decree 4687 of December 2011, on electronic deposits, and FOGAFIN Resolution 1 of February 16, 2012 referring to deposit insurance on electronic deposits.



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The following is a detail of interest expense for the half-years ended on June 30, 2012 and December 31, 2011:

<u>Mode</u>		<u>June 30</u>	<u>December 31</u>
Interest on Deposits and Demand Accounts:			
Ordinary deposits	USD	107,429.7	75,433.3
TDs		21.2	176.0
Peso certificates		106,212.0	81,705.1
Current accounts		<u>5,964.6</u>	<u>5,722.3</u>
		<u>219,627.4</u>	<u>163,036.8</u>
UVR adjustment		4,194.5	1,885.9
Other Interest:			
Bank loans and other financial obligations		38,622.3	29,142.6
Interbank funds		559.3	406.2
Bonds		74,869.8	63,703.5
Transfer commitments, repos and simultaneous operations		2,139.8	2,678.3
Loan Premium amortized		346.5	159.3
Preference shareholders: share purchase advances		0.1	0.0
Other		<u>2.2</u>	<u>6.6</u>
		<u>116,540.1</u>	<u>96,096.6</u>
	USD	<u>340,362.0</u>	<u>261,019.3</u>

14. Money-market and related liability positions

The following is the detail of Money-market and related liability positions:

	<u>Rate</u>	<u>Date</u>		<u>Market</u>	<u>TRM</u>
<u>June 30</u>		<u>struck</u>	<u>matured</u>	<u>Value</u>	<u>(Pesos)</u>
Interbank					
Banks:	5.26%	Jun.29.2012	Jul.03.2012	28,017.5	
	5.27%	Jun.06.2012	Jul.04.2012	3,362.1	
	5.28%	Jun.20.2012	Jul.18.2012	3,362.1	
	5.32%	Jun.29.2012	Jul.03.2012	<u>12,327.7</u>	
				<u>47,069.4</u>	
Investment					
Banks	5.25%	Jun.29.2012	Jun.29.2012	<u>4,482.8</u>	
Liabilities Repos					
Banks:	5.25%	Jun.29.2012	Jun.29.2012	<u>672,513.8</u>	
				<u>724,066.0</u>	
Total money market and related liability position			USD	<u>724,066.0</u>	



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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<u>December 31</u>			<u>Date of</u>		<u>Market</u>	
	<u>Amount in</u>		<u>Initiation</u>	<u>Cancellation</u>	<u>Value</u>	<u>TRM</u>
	<u>Dollars</u>	<u>Rate</u>				<u>(Pesos)</u>
<u>Foreign Currency</u>						
Overnight Banks abroad:						
	USD 1,675,000.0	0.35%	Dic.30.11	Ene.03.12	1,675.0	1,942.7
	USD 20,000,000.0	0.40%	Dic.29.11	Ene.03.12	20,000.0	1,942.7
	USD <u>10,000,000.0</u>	0.38%	Dic.29.11	Ene.03.12	<u>10,000.0</u>	1,942.7
<u>Legal Currency</u>	<u>31,675,000.0</u>				<u>31,675.0</u>	
Liability repos:						
Banks:		4.66%	Dic.07.11	Ene.04.12	3,088.5	
		4.65%	Dic.14.11	Ene.11.12	<u>3,088.5</u>	
					<u>6,177.0</u>	
Total money market and related liability position					USD <u>37,852.0</u>	

*TRM: The Market Reference Rate published daily by the Superintendency

In January-June 2012 and July-December 2011 the balances and average monthly yield on these local and foreign currency liability positions were US\$724,066.0 and US\$449.8, and US\$37,852.0 and US\$514.1 respectively.

There are no restrictions on these funds.

15. Derivatives

The following is the detail of this account:

<u>Product</u>		<u>June 30</u>	<u>December 31</u>
Bank acceptances outstanding	US\$	2,115.6	243.1
Forwards		34,864.6	44,694.7
Speculative swaps		389.8	100.8
Hedging swaps		11,049.2	3,294.1
Speculative options		<u>1,875.9</u>	<u>1,625.8</u>
	US\$	<u>50,295.0</u>	<u>49,958.6</u>



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			Speculation Derivatives					Hedging derivatives
June 30			Forward	Futures	Swaps	Options	Total	Swaps
Currency purchases	Right	US\$	(1,799,293.6)	0.0	0.0	0.0	(1,799,293.6)	0.0
	Obligation		1,825,559.4	0.0	0.0	0.0	1,825,559.4	0.0
Currency sales	Right		(1,413,654.9)	0.0	0.0	0.0	(1,413,654.9)	0.0
	Obligation		1,421,316.4	0.0	0.0	0.0	1,421,316.4	0.0
Currency sales	Right		(130,694.5)	0.0	0.0	0.0	(130,694.5)	0.0
	Obligation		131,546.3	0.0	0.0	0.0	131,546.3	0.0
Securities sales	Right		(65,260.1)	0.0	0.0	0.0	(65,260.1)	0.0
	Obligation		65,345.6	0.0	0.0	0.0	65,345.6	0.0
On interest rate	Right		0.0	0.0	(9,609.9)	0.0	(9,609.9)	0.0
	Obligation		0.0	0.0	9,999.7	0.0	9,999.7	0.0
On currencies			0.0	0.0	0.0	0.0	0.0	(165,643.2)
	Sale		0.0	0.0	0.0	0.0	0.0	176,692.4
Call Options			0.0	0.0	0.0	700.9	700.9	0.0
Put Options	Sale		0.0	0.0	0.0	1,174.9	1,174.9	0.0
Total Rights			(3,408,903.1)	0.0	(9,609.9)	1,875.9	(3,351,377.1)	(165,643.2)
Total obligations			3,443,767.7	0.0	9,999.7	0.0	3,388,421.8	176,692.4
Net Total		US\$	34,864.6	0.0	389.8	1,875.9	37,044.7	11,049.2



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		<u>Speculation Derivatives</u>					<u>Hedging derivatives</u>
<u>December 31</u>		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Options</u>	<u>Total</u>	<u>Swaps</u>
<u>Currency purchases</u>	Right	(405,883.7)	0.0	0.0	0.0	(405,883.7)	0.0
	Obligation	407,761.0	0.0	0.0	0.0	407,761.0	0.0
<u>Currency sales</u>	Right	(1,967,711.9)	0.0	0.0	0.0	(1,967,711.9)	0.0
	Obligation	2,010,525.7	0.0	0.0	0.0	2,010,525.7	0.0
<u>On interest rate</u>	Right	(1,156.2)	0.0	0.0	0.0	(1,156.2)	0.0
	Obligation	1,159.7	0.0	0.0	0.0	1,159.7	0.0
<u>On interest rate CCS</u>	Right	0.0	0.0	(2,325.6)	0.0	(2,325.6)	0.0
	Obligation	0.0	0.0	2,426.4	0.0	2,426.4	0.0
<u>On currencies</u>	Right	0.0	0.0	0.0	0.0	0.0	(165,333.6)
	Obligation	0.0	0.0	0.0	0.0	0.0	168,627.7
Call Options	Sale	0.0	0.0	0.0	1,214.8	1,214.8	0.0
Put Options	Sale	0.0	0.0	0.0	411.1	411.1	0.0
Total Rights		(2,374,751.7)	0.0	(2,325.6)	1,625.8	(2,375,451.4)	(165,333.6)
Total obligations		<u>2,419,446.4</u>	<u>0.0</u>	<u>2,426.4</u>	<u>0.0</u>	<u>2,421,872.8</u>	<u>168,627.7</u>
Net Total		<u>44,694.7</u>	<u>0.0</u>	<u>100.8</u>	<u>1,625.8</u>	<u>46,421.4</u>	<u>3,294.1</u>

The following is the detail of maturity periods of derivatives at June 30, 2012 and December 31, 2011:

		<u>June 30</u>				
		<u>0-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>Over 12 months</u>	<u>Total</u>
Spot transactions	US\$	0.0	0.0	0.0	0.0	0.0
Forwards		26,033.4	6,956.8	1,854.0	20.4	34,864.6
Futures Contracts		0.0	0.0	0.0	0.0	0.0
Speculative swaps		42.5	60.7	114.3	172.4	389.8
Hedging swaps		3,425.6	0.0	3,630.3	3,993.3	11,049.2
Speculative options		<u>705.0</u>	<u>694.3</u>	<u>476.6</u>	<u>0.0</u>	<u>1,875.9</u>
	US\$	<u>30,206.6</u>	<u>7,711.7</u>	<u>6,075.1</u>	<u>4,186.0</u>	<u>48,179.5</u>



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		<u>December 31</u>				<u>Total</u>
		<u>0-3 months</u>	<u>3-6 months</u>	<u>6-12 months</u>	<u>Over 12 months</u>	
Cash operations	US\$	0.0	0.0	0.0	0.0	0.0
Forward Agreements		31,067.1	10,259.3	3,368.4	0.0	44,694.8
Futures Agreements		0.0	100.8	0.0	0.0	100.8
Speculative Swaps		0.0	0.0	0.0	0.0	0.0
Hedging Swaps		0.0	0.0	0.0	3,294.1	3,294.1
Options		<u>1,171.3</u>	<u>386.0</u>	<u>68.5</u>	<u>0.0</u>	<u>1,625.8</u>
	US\$	<u>32,238.4</u>	<u>10,746.1</u>	<u>3,436.9</u>	<u>3,294.1</u>	<u>49,715.5</u>

15.1. Hedging operation – Purchase Granbanco

There are currently two hedging operations outstanding.

They are CCS Libor – Fixed rate and CCS Libor – Floating rate for a total of US\$415,000,000, agreed at 7 and 3 years respectively.

At June 30, 2012, the bank has two IRS (Currency Swaps) outstanding to cover the issue of IFC bonds for US\$165,000,000 in February 2007.

The following are the swaps outstanding at June 30, 2012 and December 31, 2011, for the operations described above.

		<u>Amount \$</u>					
<u>Period</u>	<u>Item</u>	<u>Term (years)</u>	<u>Initial period</u>	<u>Final period</u>	<u>Right</u>	<u>Obligation</u>	<u>Net</u>
Jun-12	Swap: IFC bond hedging	7	Feb.07.07	Feb.07.14	165,643.2	176,692.4	(11,049.2)
Dec-11	Swap: IFC bond hedging	7	Feb.07.07	Feb.07.14	165,333.6	168,627.7	(3,294.1)

Flows generated by the hedging operation for the Granbanco purchase:

The result of the swap valuation was negative and therefore at both June 30, 2012 and December 31 2011, the book entries are liabilities (Note 15)

- Interest coupon payments on IFC Bonds (Principal of the hedging):

On January 17, 2012, Coupon 10 of the IFC Bonds fell due and there was a cash payment of US\$6.654.9.

<u>Operation</u>	<u>Counterpart</u>	<u>Date</u>	<u>Amount paid US\$</u>	<u>Exchange rate agreed*</u>	<u>Amount paid COP</u>
1	Deutsche Bank	Jan.17.12	US\$ 1,933.5	1,842.5	\$3,562.3
2	The Royal Bank of Scotland	Jan.17.12		1,842.5	3,296.1
3	IFC Bonds	Jan.17.12		1,836.5	<u>5,017.9</u>
			US\$ <u>6,454.8</u>		<u>11,876.3</u>



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In the second half of 2011 Coupon 9 of the IFC Bonds was paid, with a cash payment of US\$5,719.3.

<u>Operation</u>	<u>Counterpart</u>	<u>Date</u>		<u>Amount paid USD</u>	<u>Exchange rate agreed*</u>	<u>Amount paid COP</u>
1	Deutsche Bank	Jul.15.11	US\$	1,929.3	1,758.2	\$3,392.2
2	The Royal Bank of Scotland	Jul.15.11		1,785.0	1,758.3	3,138.4
3	IFC Bonds	Jul.15.11		<u>2,615.5</u>	1,751.2	<u>4,580.3</u>
			US\$	<u>6,329.8</u>		<u>\$ 11,110.9</u>

* Agreed interest rates do not change. The entire adjustment is made through the exchange rate.

There were no reset payments.

15.2. Recording of CCS hedging swap

These hedging operations are book on a fair price basis.

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

		<u>June 30</u>	<u>December 31</u>
Effect of Swap CCS	US\$	11,306.3	(9,837.6)
Effect of IFC Bond		<u>(11,764.9)</u>	<u>17,087.5</u>
Net effect	US\$	<u>(458.5)</u>	<u>7,249.8</u>

16. Bank loans and other financial obligations

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

		June 30					
Entity		<u>Interest payable</u>	<u>Under 1 year</u>	<u>1.-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total Capital</u>
Other entities in Colombia:							
Local currency							
Bancoldex	US\$	356.9	14,185.8	12,124.9	4,466.3	0.0	30,777.0
Finagro		1,942.1	56,715.1	66,512.1	27,380.3	161.2	150,768.6
Findeter		3,202.1	542,914.0	12,803.8	28,771.3	0.0	584,489.2
Other banks and financial institutions in Colombia		0.0	35,398.2	0.0	0.0	0.0	35,398.2
		5,501.1	649,213.1	91,440.8	60,618.0	161.2	801,433.0



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	<u>Interest payable</u>	<u>Under 1 year</u>	<u>1.-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total Capital</u>
Foreign currency						
Bancoldex	622.8	2,049.0	25,626.4	62,962.5	0.0	90,637.9
Findeter	173.3	0.0	0.0	0.0	41,000.0	41,000.0
Overdrafts	<u>0.0</u>	<u>13.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>13.3</u>
	<u>796.1</u>	<u>2,062.3</u>	<u>25,626.4</u>	<u>62,962.5</u>	<u>41,000.0</u>	<u>131,651.2</u>
	<u>6,297.2</u>	<u>651,275.4</u>	<u>117,067.2</u>	<u>123,580.5</u>	<u>41,161.2</u>	<u>933,084.2</u>
Institutions abroad:	<u>3,992.3</u>	<u>573,008.6</u>	<u>81,557.7</u>	<u>28,721.4</u>	<u>0.0</u>	<u>683,287.7</u>
USD	<u>10,289.5</u>	<u>1,224,284.1</u>	<u>198,624.8</u>	<u>152,301.9</u>	<u>41,161.2</u>	<u>1,616,371.9</u>

December 31

<u>Entity</u>	<u>Interest payable</u>	<u>Under 1 year</u>	<u>1.-5 years</u>	<u>5-10 years</u>	<u>Over 10 years</u>	<u>Total Capital</u>
Other entities in Colombia:						
Local currency						
Bancoldex	US\$ 446.0	3,074.2	30,382.5	10,038.3	0.0	43,495.0
Finagro	1,495.3	4,009.6	68,338.5	41,387.1	21,050.8	134,786.0
Findeter	3,377.3	16,375.4	69,690.5	382,924.3	97,280.7	566,270.9
Other banks and financial institutions in Colombia	<u>0.0</u>	<u>25,997.7</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>25,997.7</u>
	<u>5,318.6</u>	<u>49,456.9</u>	<u>168,411.4</u>	<u>434,349.7</u>	<u>118,331.5</u>	<u>770,549.6</u>
Foreign currency						
Bancoldex	766.7	42,457.7	44,394.5	53,427.9	0.0	140,280.0
Findeter	172.2	0.0	0.0	41,000.0	0.0	41,000.0
Overdrafts	<u>0.0</u>	<u>1,642.9</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,642.9</u>
	<u>939.0</u>	<u>44,100.6</u>	<u>44,394.5</u>	<u>94,427.9</u>	<u>0.0</u>	<u>182,922.9</u>
	<u>6,257.5</u>	<u>93,557.5</u>	<u>212,805.9</u>	<u>528,777.6</u>	<u>118,331.5</u>	<u>953,472.5</u>
Institutions abroad:	<u>3,289.2</u>	<u>830,866.3</u>	<u>46,667.2</u>	<u>0.0</u>	<u>0.0</u>	<u>877,533.5</u>
US\$	<u>9,546.7</u>	<u>924,423.7</u>	<u>259,473.1</u>	<u>528,777.6</u>	<u>118,331.5</u>	<u>1,831,006.0</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

17. Accounts payable

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

		<u>June 30</u>	<u>December 31</u>
Interest:			
Deposits and demand accounts	US\$	61,500.2	48,228.2
Money market and related operations		300.2	105.1
Bank loans and other financial obligations (note 16)		10,289.5	9,546.8
Bonds outstanding		20,977.5	17,716.2
Other		<u>8.9</u>	<u>6.6</u>
	US\$	<u>93,076.4</u>	<u>75,603.0</u>
Commissions and fees	US\$	1,883.1	2,209.4
Collections effected:			
Corporate income tax	US\$	52,839.1	18,586.7
Turnover tax, property tax, vehicle tax		20,963.8	2,767.8
Other		<u>5,361.3</u>	<u>7,934.6</u>
		<u>79,164.2</u>	<u>29,289.1</u>
Suppliers:			
Accounts payable to suppliers	US\$	9,496.6	3,611.9
Clearing on ACH network		13,271.5	51,093.0
Clearing on VISA, MASTERCARD		14,105.3	11,372.0
Other		<u>15,714.6</u>	<u>20,930.4</u>
	US\$	<u>52,588.0</u>	<u>87,007.3</u>
Others:			
Taxes			
Stamp tax		7.3	8.4
Wealth tax (1)		66,755.7	73,587.4
Income and related taxes		13.7	27,681.0
Turnover tax		173.7	6,725.7
Dividends and other surpluses		1,740.9	1,556.7
Tax payable		3,735.6	3,370.3
Bank transaction tax		10,332.7	8,824.9
Purchase commitments		1,626.2	1,872.2
Payroll withholdings and contributions		31,772.0	22,245.7
Insurance premiums		1,068.9	409.5
Remittances payable		12,717.5	6,946.8
Fondo de Garantías de Instituciones Financieras		1.1	1.1
Cheques drawn and not cashed		10,169.1	7,183.0
Accounts payable to the State Law 546/1999		51,539.0	48,909.1



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Sundry and other:		
Commercial establishments	16,636.4	29,941.9
Forwards	4,133.7	6,833.7
Treasury payment orders	0.4	24.5
Credit balances and commissions	4,542.1	3,945.1
Loan overages	5,511.4	5,316.5
Social security monthly pension payment *	36,847.4	0.0
Trade accounts payable to networks	155.2	142.6
VISA Prepayment balances available	8,197.8	4,900.5
Collection costs	3,224.2	1,725.9
Disbursements pending	2,833.3	835.7
Sundry (less than 5%)	<u>23,842.2</u>	<u>19,938.8</u>
	<u>297,577.8</u>	<u>282,927.0</u>
	US\$ <u>524,289.5</u>	<u>477,035.7</u>

* Cancelled on July 3, 2012

(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 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 June 30, 2012 are as follows:

Tax amount filed	US\$	106,261.7
Equity revaluation		(108.9)
Amount amortized in 2011		(39,098.1)
Amount amortized in 2012		<u>(299.0)</u>
Balance pending amortization in deferred charges	US\$	<u>66,755.7</u>

18. Bonds outstanding

At June 30, 2012 and December 31, 2011, the Bank had bonds outstanding for US\$2,188,003.2 and US\$1,905,074.6 respectively, corresponding to ordinary, mortgage and subordinated bonds.

The following is the detail of bonds by issues at June 30, 2012 and December 31, 2011:



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

						<u>Book value</u>	
	<u>Date</u>	<u>Amount offered</u>	<u>Term (Months)</u>	<u>Yield</u>	<u>Matures</u>	<u>June 30</u>	<u>December 31</u>
<u>Ordinary bonds 2011</u>							
Issue 4 IBR Tranche 2 - Series B30	10-Mar-11	244,211.0	30	IBR + 1.35	10-Sep-13	USD\$136,843.6	125,707.0
Issue 1 IBR - Tranche 2, Series B27	10-Mar-11	90,000.0	27	IBR + 1.68	10-Jun-13	<u>50,431.5</u>	<u>46,327.3</u>
						<u>187,275.0</u>	<u>172,034.3</u>
Issue 4 CPI - Series C39	10-Mar-11	86,482.0	39	CPI + 2.80	10-Jun-14	48,460.2	44,516.4
Issue 4 CPI - Series C84	10-Mar-11	76,055.0	84	CPI + 3.88	10-Mar-18	42,617.4	39,149.1
Issue 4, CPI - Series C120	10-Mar-11	193,252.0	120	CPI + 4.19	10-Mar-21	<u>108,288.7</u>	<u>99,476.0</u>
						<u>199,366.2</u>	<u>183,141.5</u>
Issue 1 CPI - Tranche 2 - Series C120	10-Mar-11	90,000.0	48	CPI + 3.60	10-Mar-15	50,431.5	46,327.3
Issue 1 CPI - Tranche 2 - Series C120	10-Mar-11	159,230.0	90	CPI + 3.99	10-Sep-18	89,224.5	81,963.2
Issue 1 CPI - Tranche 2 - Series C120	10-Mar-11	160,770.0	126	CPI + 4.23	10-Sep-21	<u>90,087.4</u>	<u>82,756.0</u>
						<u>229,743.4</u>	<u>211,046.5</u>
<u>Subordinated bonds 2012</u>							
Issue 2 Tranche 1 -Unsecured Series C	25-Abr-12	181,400.0	120	CPI + 4.37	25-Apr-22	101,647.4	0.0
Issue 2 - Tranche 1 - Unsecured Series C	25-Abr-12	218,600.0	180	CPI + 4.56	25-Apr-27	<u>122,492.4</u>	<u>0.0</u>
						<u>224,139.9</u>	<u>0.0</u>
						<u>840,524.5</u>	<u>556,222.3</u>
				Carried forward		<u>US\$ 840,524.5</u>	<u>556,222.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>Date</u>	<u>Amount offered</u>	<u>Term (Months)</u>	<u>Yield</u>	<u>Matures</u>	<u>Book value</u>	
						<u>June 30</u>	<u>December 31</u>
					Brought forward	<u>US\$840,524.5</u>	<u>566,222.3</u>
<u>Ordinary and subordinated bonds 2010</u>							
Issue 2 - Ordinary - IBR Tranche 1 -							
- Series B3	12-Feb-10	101,837.0	36	IBR + 1.36	12-Feb-13	<u>57,064.3</u>	<u>52,420.3</u>
Issue 3 - Ordinary - IBR Tranche 2 -							
Series B2	07-Oct-10	91,550.0	24	IBR + 1.10	07-Oct-12	51,300.0	47,125.1
- Series B3	07-Oct-10	92,250.0	36	IBR + 1.31	07-Oct-13	<u>51,692.3</u>	<u>47,485.5</u>
						<u>102,992.3</u>	<u>94,610.6</u>
Issue 2 - Ordinary - CPI Tranche 1 -							
Series C5	12-Feb-10	215,062.0	60	CPI + 3.98	12-Feb-15	120,509.9	110,702.6
Issue 3 - Ordinary - CPI Tranche 2 -							
Series C5	07-Oct-10	120,150.0	60	CPI + 3.14	07-Oct-15	67,326.0	61,846.9
Issue 3 - Ordinary - CPI Tranche 2 -							
Series C7	07-Oct-10	196,050.0	84	CPI + 3.63	07-Oct-17	<u>109,856.6</u>	<u>100,916.3</u>
						<u>177,182.6</u>	<u>162,763.2</u>
Issue 2 - subordinated - CPI							
unsecured - Series C7	24-Feb-10	138,497.2	84	CPI + 5.25	24-Feb-17	77,606.9	71,291.1
Issue 2 - subordinated UVR							
Unsecured - Series U10	24-Feb-10	111,503.0	120	UVR + 5.50	24-Feb-20	67,884.5	60,983.5
Tercera - Ordinary - DTF Tranche 1 -							
Series T2	12-Feb-10	86,051.0	24	DTF + 0.95	12-Feb-12	0.0	<u>44,294.5</u>
						<u>603,240.4</u>	<u>597,065.9</u>
<u>Bonds - Ordinary - 2009</u>							
Issue 1 CPI Tranche 2 - Series G5							
	16-Jul-09	215,000.0	60	CPI + 4.79	16-Jul-14	120,475.2	110,670.7
Issue 1 CPI - Series G							
	05-Feb-09	123,433.0	84	CPI + 5.50	05-Feb-16	69,165.6	63,536.8
Issue 2 Fixed rate Tranche 1 - Series F5							
	05-Feb-09	121,800.0	60	TF 10.40%	05-Feb-14	68,250.6	62,696.2
Issue 2 Fixed rate Tranche 2 - Series E3							
	16-Jul-09	73,000.0	36	TF 7.89%	16-Jul-12	40,905.5	37,576.6
Segunda DTF Tranche 1- Series E3							
	05-Feb-09	89,800.0	36	DTF + 1.35	05-Feb-12	0.0	<u>46,224.3</u>
						<u>298,796.9</u>	<u>320,704.7</u>
					Carried forward	<u>US\$1,742,561.8</u>	<u>1,483,992.8</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

						<u>Book value</u>	
	<u>Date</u>	<u>Amount offered</u>	<u>Term (Months)</u>	<u>Yield</u>	<u>Matures</u>	<u>June 30</u>	<u>December 31</u>
Brought forward						<u>1,742,561.8</u>	<u>1,483,992.8</u>
<u>Bonds - Ordinary and Subordinated 2008</u>							
Issue 2 - Ordinary - CPI - Series G	05-Ago-08	\$ 170,570.0	60	CPI + 6.24	05-Ago-13	95,578.8	87,800.5
Issue 1- Subordinated- CPI Unsecured - Series C	19-Feb-08	147,777.0	84	CPI + 6.65	19-Feb-15	82,806.8	76,067.8
Issue 1- Subordinated- UVR Unsecured - Series D	19-Feb-08	151,577.5	84	UVR + 6.65	19-Feb-15	101,412.6	91,103.3
Issue 1 Mortgage VIS Structured Tranche 1 - Series G	23-Jun-06	60,173.5	84	UVR + 0.75	23-Jun-13	<u>0.0</u>	<u>776.5</u>
						<u>279,798.2</u>	<u>255,748.2</u>
<u>Subordinated bonds 2007</u>							
<u>Guarantee:</u> A-Class Mortgage loans, prepayment option every months - Series G (1)							
	07-Feb-07	368,641.1	84	Libor6 + 2.75	07-Feb-14	<u>165,643.2</u>	<u>165,333.6</u>
						<u>US\$2,188,003.2</u>	<u>1,905,074.6</u>

(1) This issue is valued at market, using implied future rates obtained from the zero-coupon rate of the LIBOR dollar swap curve for the terms involved. The present 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.

In order to hedge this dollar risk the Bank arranged two CCS for US\$206,531.2 which enables it to change exposure from LIBOR rates and dollar rates (Note 15).

Bonds by monetary unit

		<u>June 30</u>	<u>December 31</u>
Local currency	US\$	1,853,063.0	1,586,877.6
Foreign currency		165,643.2	165,333.6
UVR		<u>169,297.0</u>	<u>152,863.4</u>
	US\$	<u>2,188,003.2</u>	<u>1,905,074.6</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Bonds by maturity

		<u>June 30</u>	<u>December 31</u>
Under 1 year	US\$	199,701.3	221,547.8
1-5 years		1,256,203.0	1,146,991.6
5 - 10 years		609,606.4	536,535.2
Over 10 years		<u>122,492.4</u>	<u>0.0</u>
	US\$	<u>2,188,003.2</u>	<u>1,905,074.6</u>

19. Other Liabilities

Other liabilities are:

		<u>June 30</u>	<u>December 31</u>
Long-term employment liabilities	US\$	18,054.5	18,898.1
Income received in advance		3,906.6	3,942.9
Other		<u>168,770.5</u>	<u>146,436.7</u>
	US\$	<u>190,731.6</u>	<u>169,277.8</u>

The following is the detail of other liabilities:

19.1. Employment liabilities

The detail of long-term employment liabilities is as follows:

		<u>June 30</u>	<u>December 31</u>
Severance accrual	US\$	3,756.5	6,581.5
Interest on severance		223.4	773.2
Holidays		9,413.3	7,855.0
Other employment benefits		<u>4,661.2</u>	<u>3,688.5</u>
	US\$	<u>18,054.5</u>	<u>18,898.1</u>

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

The Bank has no pension liabilities.

19.2. Income received in advance

The movement of income received in advance at June 30, 2012 and December 31, 2011, is as follows:

	Balance at <u>December 31</u>	<u>Credits</u>	<u>Charges</u>	Balance at <u>June 30</u>
Interests	83.9	1,031.0	1,034.9	87.4
Leases	3.8	32.0	28.6	7.4
Commissions	3,737.9	30,303.2	30,664.6	3,707.6
Insurance	115.2	709.4	732.9	101.9
Other	<u>2.1</u>	<u>0.0</u>	<u>0.0</u>	<u>2.2</u>
	US\$	<u>3,942.9</u>	<u>32,075.6</u>	<u>32,461.1</u>
			<u>3,906.6</u>	



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

19.3. Other

The movement of other liabilities - other at June 30, 2012, is as follows:

	Balance at <u>December 31</u>	<u>Credits</u>	<u>Charges</u>	Balance at <u>June 30</u>
Deferred credits (1)	US\$ 21,190.0	36,238.5	39,069.5	20,236.3
Deferred payment letters of credit	3,506.7	5,646.4	6,325.7	3,138.1
Deferred income tax	84,983.7	17,671.4	9,442.0	100,741.9
Payments pending application	15,102.7	11,253,486.0	11,248,141.2	21,785.5
Clearing overages	55.7	35,051.0	35,111.7	0.0
Cash overages	2,974.1	34,504.0	34,450.4	3,291.2
Cancelled accounts	16,467.7	1,534.6	1,634.3	17,826.9
Other	<u>2,156.2</u>	<u>538,724.8</u>	<u>539,321.3</u>	<u>1,750.7</u>
	US\$ <u>146,436.7</u>	<u>11,922,856.7</u>	<u>11,913,496.0</u>	<u>168,770.5</u>

(1) The details of deferred income at June 30, 2012 and December 31, 2011, is as follows:

	<u>June 30</u>	<u>December 31</u>
UVR-denominated loans	US\$ 3,767.4	0.0
Deferred in restructured loan	14,208.2	12,241.6
Profit on sale of foreclosed assets	1,359.6	1,443.0
Profit on sale of assets	470.8	7,063.9
Profit on punished portfolio sale	0.0	0.0
Other	<u>430.3</u>	<u>441.6</u>
	US\$ <u>20,236.3</u>	<u>21,190.0</u>

The following deferred income was pending at June 30, 2012 and December 31, 2011, by timebands:

	<u>June 30</u>	<u>December 31</u>
0-1 years	US\$ 4,252.6	7,065.7
1-5 years	1,765.9	1,653.4
5 - 10 years	0.0	0.1
Over 10 years	<u>14,217.8</u>	<u>12,470.8</u>
	US\$ <u>20,236.3</u>	<u>21,190.0</u>

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

Notes to the Consolidated Financial Statements

20. Accruals and provisions

The following is the detail of accruals and provisions:

		<u>June 30</u>	<u>December 31</u>
Employment liabilities	US\$	<u>2,161.7</u>	<u>1,793.0</u>
Taxes:			
Income tax 2010		7,982.5	1,644.8
Wealth tax 2010		48,957.7	0.0
Turnover tax		7,549.7	0.0
Other		<u>8.6</u>	<u>15.4</u>
		<u>64,498.5</u>	<u>1,660.2</u>
Other			
Interest TES Law 546/1999		49.3	88.2
Contributions and affiliations		31.6	3.3
Superintendency fines and sanctions		168.1	211.0
Fines, sanctions, litigation, indemnities and claims		66,410.8	44,723.9
Provision for points in Diners and Frech		14,359.8	11,281.5
Other accruals		178.5	136.6
Other provisions (less than 5%)		<u>2,609.4</u>	<u>2,304.0</u>
		<u>83,807.4</u>	<u>58,748.5</u>
Minority Interest (nota 21)		<u>17,917.7</u>	<u>17,116.5</u>
		<u>101,725.0</u>	<u>75,865.1</u>
	US\$	<u>168,385.2</u>	<u>79,318.2</u>

Bank and Subsidiary filings for 2009 and 2010 are still open to review by the tax authority DIAN.

Fines and sanctions for litigation

Cases generating contingencies for the Bank are detailed as follows:

a. Litigation covered by Fogafin

These are cases against Granbanco S.A. Fiduciaria Cafetera S.A, Bancafé 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.

b. Litigation against the Bank

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The following is a summary at June 30, 2012 and December 31, 2011:

June 30

<u>Type</u>	<u>No. of cases</u>		<u>Allowance</u>	<u>Value</u>
Covered by Fogafin guarantee	<u>398</u>	US\$	7,542.6	33,345.3
Bank:				
Fines and sanctions from administrative authorities	16		49,100.8	51,917.2
Labour claims	56		777.4	2,006.8
Civil cases	<u>947</u>		<u>8,990.0</u>	<u>43,741.3</u>
	<u>1417</u>	US\$	<u>66,410.8</u>	<u>131,010.6</u>

December 31

<u>Type</u>	<u>No. of cases</u>		<u>Allowance</u>	<u>Value</u>
Covered by Fogafin guarantee	473	US\$	7,322.1	32,692.5
Bank:				
Fines and sanctions from administrative authorities	18		30,366.7	47,499.7
Labour claims	66		697.4	1,908.3
Civil cases	<u>1061</u>		<u>6,337.8</u>	<u>45,003.0</u>
	<u>1618</u>	US\$	<u>44,723.9</u>	<u>127,103.5</u>

There is an allowance of 15% against civil, administrative and special cases covered by the Fogafin guarantee, taking account of guarantee cover. The cover refers to the related contingency as classified and only for civil and special cases. For labour court claims, the allowance is 10%.

Processes initiated by the Bank may be:

Criminal

Only if criminal proceedings implicate the Bank as a third party with civil liability. At June 30, 2012 and December 31, 2011 there was one such case, the amount involved is less than US\$39.2.

Civil, special, administrative and labor cases

At June 30, 2012 and December 31, 2011 there were 1,305 and 1,498 cases with total claims of to US\$131,010.6 and US\$127,067.5 respectively.

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:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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a. Tax cases

Income tax 2003

The Bank filed its tax return on the basis of “presumed income” and claimed a credit balance of US\$3,925.1. The tax authority DIAN rebated this amount.

Subsequently, the Bank corrected the income statement to reduce the base of calculation of “presumed income” and this increased the credit balance by US\$1,707.1.

DIAN considered that this was out of order and assessed a higher liability, of US\$1,478.7. It also imposed a fine for “falsification”, of 160% of that amount, that is, US\$2,365.8, giving a total of US\$3,844.4.

Thus, the balance claimed by the Bank for US\$5,632.2 was reduced to US\$1,787.8 after subtracting the higher liability and the fine for US\$3,844.4.

Since DIAN had initially rebated US\$3,925.1 to the Bank, and which according to them, the credit balance was US\$1,787.8 after applying the higher tax and the fine, DIAN claimed the return of US\$2,137.3 plus interest.

So, at June 30, 2012, the Bank has three cases running, and their status is the following:

1. Action for nullity and restoration of law, entered by the Bank against the Resolution of February 2007 and the official assessment of March 2006, ignoring the credit balance of US\$1,706.8 and imposing a fine for falsification totaling US\$2,365.8.

The case is before the appeal courts and the latest incident is dated March 27, 2011 when the presiding justice Carmen Teresa Ortiz de Rodriguez declared herself inhibited from acting.

In May 2012 the Council of State issued an appeal decision which was unfavourable to the Bank, denying its claims and in June 2012 the Administrative Tribunal of Cundinamarca issued an order to obey the Council of State’s May decision.

The Bank is now analyzing the possibilities open to it, including an action for the protection of fundamental rights.

2. Action for nullity and restoration of law against the decision of June 2006 and the resolution of August 2005 imposing a fine of US\$2,137.3 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 Bank’s tax adviser considers that the level of contingency against the Bank is improbable.

3. Appeal against the lower court decision (Section 4, Administrative Tribunal of Cundinamarca) confirming the administrative act of DIAN denying the rebate of the credit balance of the 2003 income tax return for US\$1,706.8.

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

The Bank’s tax adviser considers that the level of contingency against the bank is high.

The Bank’s provision for these three cases is US\$1,343.7.



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Turnover Tax (ICA)

At present there are eleven cases in progress with the Municipality of Medellín related to turnover tax returns of 1993 - 2006.

The Medellín Secretary of Finance is claims that the Bank should have included income from monetary correction on loans granted prior to the time that Davivienda became a clearing bank.

In all cases, the Bank has filed for nullity and restoration of the law before the Administrative Tribunal of Antioquia.

The value of contingency amounts to the sum of US\$1,508.5, which includes the assessment in dispute, penalties and penalty interest. As of June 30, 2012 the Bank has made allowance for the full value of the contingency.

A decision of the Administrative Tribunal of Antioquia in May 2012 decided three cases in the Bank's favour, the cases thus settled are for 199X, 2004 and 2005. Although the cases settled are not material, the favourable decision is important in terms of the other cases before the same court.

Income Tax for 2003 - Banco Davivienda S.A.

Prior to the formal indictment, DIAN had issued Resolution No. 9000012 of May 4, 2009 through which it imposes a penalty for improper rebate or offset, consisting of 50% of the penalty interest, totalling US\$171,4, the amount accepted in a settlement agreement, as is established in Note of Record No. 000035 of June 26, 2007, signed by the Special Committee of Conciliation and Termination of the Fiscal Administration.

On May 25, 2010, Resolution 900025 confirmed Resolution No. 9000012, thus exhausting the administrative recourse, given that there is clear jurisprudence that once the main effect is conciliated, DIAN may not impose sanctions under Article 670 of the Tax Code. Therefore the classification is remote.

At June 30, 2012 the Bank has recorded an allowance for the full value of the contingency

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

In 2008 DIAN made a proportional rebate of the amount of US\$2,513.2 of the Wealth Tax that the Bank had paid for 2007. The basis for this rebate was that, for purposes of the merger that occurred with GRANBANCO S.A. BANCAFE, the Bank enjoyed the protection of the tax stability regime at that time.

DIAN sued for recovery of the proportional rebate. This suit would not in itself attract any penalties, but penalty interest, which at June 30, 2012 amounted to US\$3,393.5, giving a total of US\$5,906.6. The details of these cases are as follows:

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

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

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

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

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



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

Income Tax – 2004

An assessment was issued on December 28, 2007, in which DIAN claims to disallow deductions for loan allowances, Government relief, losses, and investments in productive fixed assets. This produces a higher tax liability of US\$7,673.4 and imposes a penalty for “falsity declaration” of 160% for a total of US\$11,791.4, plus penalty interest at June 30, 2012 for US\$18,518.4, that is, a total of US\$37,983.3. 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 Tribunal’s decision partly agreed with the claims, accepting the Correction to the Bank’s declaration presented on the occasion of the request for reconsideration and as a result the fine for false declaration was reduced to US\$11,655.8.

Given that the pronouncement of the Council of State is the final instance to which the Bank can resort, it is understand that this is a final decision and therefore the Bank must pay US\$37,621.9, that is, the tax assessment for US\$7,673.4 plus the fine for false declaration of US\$11,655.8 and the penalty interest of US\$18,292.6. A full allowance had been made at June 30, 2012.

Bank Transaction Tax (GMF) - 2005

DIAN issued an assessment on January 19, 2007 for 52 weeks filed during 2005, proposing to modify the tax liability. The argument was that overdraft transactions are subject GMF. At present the filings for 25 weeks have exhausted ordinary process, and DIAN is attempting to increase the tax liability by US\$ 1.327.5, plus a fine for falsification of 160% or US\$2.123.2, plus penalty interest which at June 30, 2012 amounted to US\$3,258.4, for a total value of claims of US\$6,709.1.

In respect to weeks 3, 4 and 9, ordinary process has been exhausted. On March 27, 2009 the Bank entered an action for nullity and restoration of law at the Administrative Tribunal of Cundinamarca. On May 6, 2009, the Tribunal issued a judgment against the Bank and on May 19, 2009 the Bank sent the Administrative Tribunal of Cundinamarca the supporting material for the appeal against the judgment of lower courts. The most recent development was on October 2, 2009, when the Bank presented final pleadings on appeal to the Council of State.

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.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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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, unfavorable 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 the opinion of tax advisor, the probabilities of these processes are remote. Nonetheless the Bank has made allowances for US\$3.892.7.

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 US\$ 11.804,9. 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.

As of June 30, 2012 and December 31, 2011 Fogafin is covering 293 and 473 cases with an allowance of US\$7,542.6 and US\$7,322.1 and claims of US\$33,345.3 and US\$32,692.5, 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.

Major contingent liabilities

Cases related directly to banking operations

1. The Bank was sued by Guillermo Alfonso Trujillo basing his claim in that Granbanco had, without consulting him, anticipated a disbursement of a Finagro-approved loan in his name for US\$214.1, and applied it improperly to settle other loans in his name. He argues that this act of the Bank caused him damages he rates at US\$2,241.4. Bogotá Civil Court 29 is due to hand down a decision. 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.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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2. Before Civil Court 2, Barranquilla, Mr. Yuri Lora Escorcia initiated ordinary proceedings by which he seeks compensation for the alleged damages caused by improperly opening a current account at the Bank, based on which a cheque was drawn which could not be collected by the plaintiff and which ultimately caused him disciplinary and criminal problems. While the process was in the judgment phase, which ordered the Bank to pay a sum in excess of US\$1,961.2, 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 user's preliminary recovery costs in an abusive and inconsiderate manner. The process is passing through Civil Court 30, Bogotá, and the collection of evidence has begun. The amount was not defined in the claims. The risk is considered remote given that the contracts for opening credit states that collection costs are for account of the debtor. Further, an out-of-court recovery was made with respect to the people now forming the plaintiff group, for being in arrears.

Cases concerning the former UPAC system

1. Alberto Botero-Castro brought a class action against the Bank on the grounds that it had over-invoiced the State for Law 548/1999 relief for home mortgage UPAC loan debtors at December 31, 1999 and claiming that the difference should be returned to the treasury. The case is in the evidence-gathering stage. Although the claim does not mention any exact amount, estimates suggest that it would be a large one, in excess of US\$2,801.7. The contingency is classed as remote since there is no evidence of the alleged irregularities and inconsistencies that the Bank might have incurred in this process.
2. Mercedes López Rodríguez initiated a class action against the Bank, claiming that it and other financial institutions have not returned the TES securities in cases where Law 546/1999 required that they should not have been cashed or reversed. In the process pending in Civil Court 4, Bogotá and is pending resolution of the administrative appeal which the Bank raised against the order to admit the case. The contingency has been described as remote and in the current procedure it is not possible to quantify the claim, but the plaintiff estimates it at more than US\$560.3.
3. An association, the "National Committee of UPAC-UVR Users, a nonprofit entity, and other individuals brought a class action against Banco Davivienda SA and other financial institutions to declare that the defendants illegally reliquidated the Law 546/1999 relief granted for mortgage debtors. Additionally, they requested, an order requiring the defendants to return to the Treasury the TES securities that were the result of irregular settlement and the refusal of Banks to reverse the relief when legally they should have done so. The case is before the Administrative Tribunal of Cundinamarca, the office pending resolution of the request for revocation lodged by the Bank against the order admitting it. The claims do not mention any amount but, it is estimated to be over US\$2,801.7. The contingency is described 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 for the recalculation of UPAC loans.
5. 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.



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6. Mrs Clara Cecilia Murcia and others entered a class action in Administrative Court 5, Bogotá 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 conciliation hearing under Law 472/1998. The contingency has been described as remote.
7. 7 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, Bogotá 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 actor. The contingency is described as remote.
8. In Civil Court 5, Bogotá, Henderson Sepúlveda and others, brought a class action against the Bank for charging excessive interest on credit card transactions. The matter is in the evidence-gathering stages, there is no valid evidence to calculate the amount of the claim. The case is classed as a remote contingency.

Cases related 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 but an estimate has been made of more than US\$2,801.7. 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 is 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 US\$2,913.8 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.



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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, Bogotá, 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, Bogotá; July 26, 2010 the Bank contested the claims, and awaits the service of notice on the other defendants. The claims total US\$1,678.2 thousands 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 it. The case is before the Civil Court 2, Pitalito, in the process of collection of evidence ordered by the court. The claims are estimated at US\$5,043.1. The contingency is rated as remote.
2. Mr. Cornelio Villada- Rubio and others entered a class action before the Administrative Court 7, Ibagué, 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 objections raised, are pending in process. The amount in dispute is not determined. The contingency is classed as remote.

Bancafé Panama S.A., Fiduciaria Davivienda S.A., Confinanciera S.A. and Fiduciaria Cafetera S.A.

An analysis of cases involving the subsidiaries Bancafé Panama S.A., Fiduciaria Davivienda S.A., Confinanciera S.A. and Fiduciaria Cafetera S.A. shows that there is no equity risk from any of them.

Fiduciaria Cafetera S.A.

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

Among them, and in line with the interest in Fidufosyga and Fisalud, there are 12 suits for more than US\$560.3 thousand. 93% of the claims are classed as remote contingencies, because the Consortium only manages Solidarity and Guarantee Funds for account of the Ministry of Social protection. However, Fidufosyga 2005 has decided to make a provision depending on the claims, that is, in cases where the EPS request recognition and payment, the provision has been 2%; where there are claims for interest due to alleged delays in payment of claims or collections, the provision is 50% of the value of the claims.

At June 30, 2012 there are 10 cases decided favourably in the first instance, 9 for Fidufosyga and 1 for Fisalud, denying the claims. But 8 await decisions on appeal, while 2 are in firm.



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The following are the most important cases because of their amount, and counsel have classes them as probable contingencies.

1. Administrative Tribunal of Cundinamarca Section 3 – 2007-0065

Type: Direct Reparation

Plaintiff: Salud Total S:A EPS, Subsidized Regime Manager

Defendants: The Nation – Ministry of Social Protection and Consorcio Fidufosyga 2005, whose members are Fiducolombia, Fiduprevisora, Fiduagraria, Fidubogotá, Fiducaf  (9.86%), Fidupopular, Fiducoldex and Fiduoccidente.

Value of claims: US\$1,187.9 plus ordinary interest, material damages and costs-

If it loses, Fiducaf  would be liable for 9.86%of \$208.

Status. On July 23, 2008 the first instance decision was unfavourable. The case is now before the Council of State for consultation since November 13, 2008.

Amount provided: \$0. If the case is lost, Fosyga and not its Members will pay

2. Direct Reparation Sanitas EPS SA No. 2009-268

Type: Direct Reparation

Plaintiff: EPS Sanitas S.A.

Defendants: The Nation – Ministry of Social Protection and Consorcio Fidufosyga 2005, whose members are Fiducolombia, Fiduprevisora, Fiduagraria, Fidubogotá, Fiducaf  (9.86%), Fidupopular, Fiducoldex and Fiduoccidente.

Value of claims: Defendants to be declared liable for damages for late payment of billings and hence overdue interest for US\$1,711,155,839.

If it loses, Fiducaf  would be liable for 9.86%of US\$168,719,965.8.

Status. On December 6, 2010 the claims were contested. The case is in the evidence-gathering stage..

Amount provided Consorcio Fosyga 2005 has made provision for 50% of the amounts claimed,

3. Direct Reparation Sanitas EPS SA No. 2009-119

Type: Direct Reparation

Plaintiff: EPS Sanitas S.A.

Defendants: The Nation – Ministry of Social Protection and Consorcio Fidufosyga 2005, whose members are Fiducolombia, Fiduprevisora, Fiduagraria, Fidubogotá, Fiducaf  (9.86%), Fidupopular, Fiducoldex and Fiduoccidente.

Value of claims: Defendants to be declared liable for damages for late payment of billings and hence overdue interest of US\$706.0

If it loses, Fiducaf  would be liable for 9.86%of US\$69,501,139.0.

Status. On December 6, 2010 the claims were contested. Fiducoldex and Chartis Seguros de Colombia were involved under an impleader. Impleader contested on 19.01.2012. Plaintiff replied to referral of Chartis Seguros exceptions. On 31.05.2012 the file went up for judgment..

Amount provided: Consorcio Fosyga 2005 has made provision for 50% of the amounts claimed,

4. Direct Reparation Sanitas EPS SA No. 2009-1007

Type: Direct Reparation

Plaintiff: EPS Sanitas S.A.

Defendants: The Nation – Ministry of Social Protection and Consorcio Fidufosyga 2005, whose members are Fiducolombia, Fiduprevisora, Fiduagraria, Fidubogotá, Fiducaf  (9.86%), Fidupopular, Fiducoldex and Fiduoccidente.

Value of claims: Defendants to be declared liable for damages for late payment of billings approved by the Technical and Scientific Committee and decisions for protection of fundamental rights for US\$662.9.

If it loses, Fiducaf  would be liable for 9.86%of US\$65,333,716.8

Status. In the evidence-gathering stage..

Amount provided: Consorcio Fosyga 2005 has made provision for 50% of the amounts claimed,



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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 US\$19,684.4 of interest. On December 2, 2008, DIAN Resolution No. 09036 decided to recognize US\$3,984.4.

As a consequence, the Bank entered a claim for enforcement against the DIAN in February 2009 for it to pay interest ordered by the Council of State ruling that defined the issue of tax stability in favor of Bancafé. The amount in dispute is US\$16,323.5. Cundinamarca Court Section III denied the payment order in April 2009, and an appeal was filed against the aforementioned decision, and was upheld in October 2009. Then, on November 12, 2009, the presiding justice decided to refer the case to Section IV. On March 5, 2010 the appeal was admitted and the decision is now awaited.

2. It was understood that for purposes of the merger of Granbanco S.A. and Banco Davivienda S.A., the latter becomes the holder of the Tax Stability Agreement, and on June 10, 2008 the Bank sought rebates of US\$7,337.8 and US\$5,451.1 payment of Wealth Tax not due and Bank Transaction Tax (GMF) not due paid in 2007.

The Bank received the DIAN decisions to rebate US\$2,513.2 of wealth tax on July 23, 2008 and on December 18, 2008 DIAN Resolution No. 6081795 decided that a GMF rebate of US\$147.7 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 UD\$4,824.6, and thus exhausted ordinary process. The Bank proceeded to present the claims:

- Action for nullity and restoration of law (2009-210) to annul Resolutions 608-0887/2008 and 001007/ 2009 (reconsideration) in which DIAN denied the rebate US\$2,412.4 from US\$3,668.6 paid on account of the first installment of the Wealth Tax for 2007. The suit was filed before the Administrative Tribunal of Cundinamarca in October 2009. Due process was followed and in September 2010, the Tribunal delivered a judgment unfavorable to the Bank. Since February 23, 2011 the Bank has been awaiting the Council of State's final decision against the original lower court's finding.
- Action for nullity and restoration of law (2009-210) to annul Resolutions 608-0888/2008 and 001007/2009 (reconsideration). DIAN denied the rebate of US\$2,412.4 from \$3,668.6 paid on account of the second installment of the Wealth Tax for 2007. The suit was filed with the Administrative Tribunal of Cundinamarca in October 2009 and due process had been followed in September 2010, the Court handed down a judgment against the Bank. There is currently an appeal in progress before the Council of State.

B. Other cases

1. Several suits have been presented by the Bank against two insurance companies - AIG Colombia Seguros Generales S.A. and Liberty Seguros S.A. - detailing the Bankers Blanket Bond No. 1976 dated March 3, 2005, in effect until March 2006, and the existence of the insured loss and the breach of contract by the defendants for denial of payment of said loss with the loans disbursed within the program Fondo Ganadero del Caquetá. It is expected that the defendants will indemnify the company for US\$14,569.1 in capital plus interest, for the disbursements made by the Bank with regard to the irregular operations of individuals criminally involved. The process is in the evidence-gathering stage.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2. Compañía Suramericana de Seguros was sued under insurance policy No.1999040002 (Fidelity), implemented in a contract between Banco Cafetero S.A. and Compañía Agrícola de Seguros, incident which caused a loss for Granbanco S.A. Bancafé valued at \$3,099.5. The case is before Civil Court 6, Bogotá where it is in the evidence-gathering stage.

21. Minority interest

Minority interest is the portion of equity and the earnings of subsidiaries whose ownership lies outside the consolidated Group.

The following is the detail of minority interest at June 30, 2012 and December 31, 2011:

<u>June 30</u>		<u>Equity</u>	% Minority <u>Interest</u>	Minority <u>Interest</u>
Fiduciaria Davivienda S.A.	US\$	28,466.7	40.0%	11,386.6
Davivalores S.A		8,441.9	21.0%	1,772.8
Confinanciera S.A.		46,568.9	5.1%	2,375.0
Bancafe Panama S.A.		101,700.5	0.0007%	0.7
Fiduciaria Cafetera S.A.	US\$	39,779.5	5.989%	<u>2,382.5</u>
			US\$	<u>17,917.7</u>
<u>December 31</u>		<u>Equity</u>	% Minority <u>Interest</u>	Minority <u>Interest</u>
Fiduciaria Davivienda S.A.	US\$	28,430.6	40.00%	11,372.2
Davivalores S.A		6,577.9	21.00%	1,381.3
Confinanciera S.A.		42,431.9	5.10%	2,164.1
Bancafe Panama S.A.		91,908.2	0.0007%	0.6
Fiduciaria Cafetera S.A.	US\$	36,703.4	5.99%	<u>2,198.3</u>
			US\$	<u>17,116.5</u>

22. Capital

The Bank's capital at June 30, 2012 and December 31, 2011 is as follows:

	<u>June 30</u>	<u>December 31</u>
Authorized	US\$ 33,621.0	30,884.9
Subscribed and paid	31,090.0	28,558.0
Subscribed and pending payment	0.0	1.9



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The subscribed and paid capital is represented by the following:

		<u>June 30</u>	<u>December 31</u>
Authorized shares	US\$	0.0	247,078,814.1
Ordinary shares subscribed and paid		248,720,515.0	228,463,864.8
Subscribed and pending payment		<u>0.0</u>	<u>15,383.7</u>
Shares outstanding		<u>248,720,515.0</u>	<u>228,479,248.5</u>
Weighted average of shares subscribed		248,720,515.0	213,752,941.5
Par value (pesos)		70.0	64.3
Intrinsic value with valuation gains (pesos)		6,447.2	5,581.0
Intrinsic value without valuation gains (pesos)		0.0	4,804.1
Net profit per share (pesos)	US\$	464.7	362.8

Consolidated capital

		<u>June 30</u>	<u>December 31</u>
Subscribed and paid	US\$	126,222.2	113,109.0
Elimination of capital investments consolidated		<u>(95,132.1)</u>	<u>(84,551.0)</u>
Consolidated total	US\$	<u>31,090.0</u>	<u>28,558.0</u>

There are no operations for reacquisition of own shares.

Capital generated by equity revaluation to May 31, 2006 was US\$101.588.9.

The authorized capital is represented by 480 million shares, at a par value of \$125 each.

At June 30, 2012, the Bank's capital is represented by 343,329,320 ordinary shares and 100,537,305 preference shares.

The shares are limited, and maybe a) ordinary, b) privileged, c) non-voting preference shares; the latter may not represent more than 50% of subscribed capital.

All the Bank's shares are dematerialized, and there are no share certificates. Ownership is certified 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, COP 80.65, which will be paid preferentially over and above the ordinary shares. The minimum preference dividend may not be accumulated.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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– 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.

With this authorization, the Bank made its second issue and placed the 35,809,649 preference shares at a subscription price of \$20,000.

On March 6, 2012, the Shareholders' Meeting approved the payment of a dividend of COP 220 per share for the period July-December 2011, for COP\$97,650.6.

At June 30, 2012, the Bank's capital was represented by 443, 866, 625 ordinary and preference shares, with a par value of COP125 per share.

23. Reserves

The detail of reserves is as follows:

		<u>June 30</u>	<u>December 31</u>
<u>Legal reserve:</u>			
For profit appropriation	US\$	25,377.1	20,149.9
For premium on the placement of common shares		628,686.3	577,548.8
For premium on the placement of preferred shares		630,180.6	578,895.5
Premium placement of preferred shares receivable		<u>0.0</u>	<u>(305.8)</u>
		<u>1,284,244.0</u>	<u>1,176,288.4</u>
<u>Statutory and occasional reserves:</u>			
At the disposal of Board of Directors		8,376.6	5,141.2
For investment protection		0.0	128.1
For charities and grants available to the Board of Directors		4,827.0	4,140.4
Others		955,204.3	774,682.9
For fiscal allowances		20,520.9	19,913.2
		<u>988,928.8</u>	<u>804,005.7</u>
	US\$	<u>2,273,172.8</u>	<u>1,980,294.2</u>

At June 30, 2012 and December 31, 2011 donations were made for US\$2,481.9 and US\$1,094.5, respectively, charged to voluntary reserves authorized by the Shareholders' Meeting.

The Shareholders' Meeting held in March approved the release of voluntary reserves earmarked in previous periods for US\$2,801.7 to form a reserve for donations at the disposal of the Board.

The same Meeting approved the release of part of the voluntary reserve for valuation gains on investments at market prices for US\$1,156.4, to make an untaxed reserve if capitalized for future distribution.

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

Notes to the Consolidated Financial Statements

24. Contingent Accounts

The following is a detail of contingent accounts:

	<u>June 30</u>	<u>December 31</u>
<u>Creditor:</u>		
Securities received in repo and simultaneous operations US\$	412,499.4	881,411.6
Bank guarantees	1,003,024.6	551,629.2
Letters of credit	87,476.3	117,462.2
Loans approved and not disbursed	2,457,625.0	2,145,606.2
Credit cards opened	4,416,598.4	4,032,916.1
Obligations under options	126,278.4	116,658.9
Payables to the State Law 546/99 *	0.0	11,109.6
Litigation (note 19)	131,010.6	127,103.5
Reception of Money Order payments	1.8	1.9
Other (less than 5%)	<u>41,053.1</u>	<u>60,423.2</u>
US\$	<u>8,675,567.5</u>	<u>8,044,322.4</u>
	<u>June 30</u>	<u>December 31</u>
<u>Debtors:</u>		
Securities delivered under repos and simultaneous operations	763,057.1	0.0
Interest on loans	30,197.0	34,662.3
Interest on residential leasing operations	1,205.1	1,115.3
Rights in options	79,997.9	60,650.0
Home mortgage loans relief Law 546/99*	0.0	34,182.1
Leasepayments receivable	58,979.8	40,344.1
Purchase options receivable	1,188.7	827.6
Monetary correction on loans	3,697.2	3,099.6
Monetary correction on financial leasing	503.6	464.3
Restructured loans written off	400.7	357.7
Securitization contract rights	9,634.1	8,850.0
Litigation	45,076.9	43,201.8
C Securities Securitization II	18,997.6	17,066.4
Income tax credit balance	0.0	3,992.6
Residual value of securitization	45,621.2	31,547.8
Other debtor contingencies(less than 5%)	<u>1,403,896.1</u>	<u>1,200,745.4</u>
US\$	<u>2,462,452.8</u>	<u>1,481,107.0</u>

*The Bank recognizes the account payable to the State and therefore there is no contingent item for the reversion of the relief and recognition of the expense due to the dynamics of the account.

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

Notes to the Consolidated Financial Statements

25. Memorandum Accounts

A detail of Memorandum Accounts is as follows:

		<u>June 30</u>	<u>December 31</u>
<u>Debtors:</u>			
Assets and securities delivered in custody	US\$	2,430,641.4	2,123,142.3
Assets and securities delivered in guarantee		645,844.6	123,202.4
Valuation gains on foreclosed real property		6,049.2	5,570.0
Valuation gains on movable foreclosed assets		3,660.4	3,367.4
Valuation gains on real property other than housing		21.9	11.4
Remittances and other outward collections		7,730.8	7,086.5
Cheques purchased and unpaid		201.2	867.6
Assets written off		756,630.2	598,843.9
Loans in favour not drawn down		25,097.5	4,871.4
Inflation adjustments on assets		33,164.9	30,655.4
Distribution of subscribed and paid capital		31,090.0	28,558.0
Loans to shareholders and related parties		23,262.0	128,057.0
Loans to parents, affiliates, subsidiaries		121,595.9	3,603.9
New agricultural loans		570,955.2	487,997.2
Property and equipment fully depreciated		115,362.7	103,527.6
Fiscal value of non-monetary assets		19,462,912.1	14,454,814.0
Trading investments in debt securities		1,320,355.7	1,581,507.9
Investments held to maturity		233,497.3	170,765.1
Investments available for sale, debt securities		352,614.7	365,774.7
Reciprocal asset operations with parents/subsidiaries		234,995.2	204,839.5
Reciprocal operations affecting parent costs and expenses		10,668.6	13,355.5
Capital, interest and insurance on Titularizadora loans		1,235,448.4	1,093,545.4
Capital, interest, and other items on loans written off (universalities)		47,565.1	46,520.0
Assets, expenses and contingencies in "universalities"		148,097.5	144,220.5
Interest, UVR and guarantees written off		469,088.5	356,043.5
Home mortgage loans - bonds		0.0	15,763.0
IVA Purchases – taxable base		11,853.9	8,778.9
Special litigation		42,897.8	40,982.0
Linear accruals on syndicated loan and bonds		2,655.9	2,706.8
Indirect depositors DCV		1,249,289.6	643,839.4
Other debtor (less than 5%)		<u>1,081,296.0</u>	<u>202,043.6</u>
	US\$	<u>30,674,543.7</u>	<u>22,994,861.2</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>June 30</u>	<u>December 31</u>
<u>Creditor:</u>		
Assets and securities received in custody	US\$ 263,546.0	390,120.1
Assets and securities received in guarantee for futures loans	0.0	3,081,810.9
Guarantees pending cancellation	0.0	2,040,563.6
Assets and securities received in guarantee	14,237,519.1	10,781,976.7
Assets and securities received in non-admissible guarantee	1,367,446.9	1,369,390.8
Recovery of assets written off	42,195.3	40,621.2
Equity inflation adjustment	154,101.9	141,560.8
Fiscal monetary correction	0.0	(557.5)
Capitalization of equity surplus	154,101.9	141,560.8
Yields on fixed-yield investments	88,029.4	126,002.6
Fiscal value of equity	2,432,421.6	1,713,204.3
Capital, interest and other commercial loans	1,129,499.3	926,659.4
Capital, interest and other commercial loans -Secured	892,285.7	691,304.2
Capital, interest and other commercial loans -Unsecured	7,174,114.5	6,538,838.5
Capital, interest and other consumer loans	606,172.9	536,730.9
Capital, interest and other consumer loans- Unsecured	4,420,764.8	3,949,924.7
Capital, interest and other microcredit	50,556.8	47,371.9
Capital, interest and other microcredit- Unsecured.	170.4	133.5
Capital, interest and other home mortgage loans	1,464,056.8	1,281,641.7
Capital of home mortgage loans- Unsecured	2,179.6	945.2
Capital of leasing contracts - commercial	2,922.0	3,193.8
Reciprocal liability operations with parent/subsidiaries	81,220.1	39,244.5
Reciprocal operations affecting equity with parent	104,462.6	102,034.6
Reciprocal operations affecting income with parent	42,060.9	23,139.1
Guarantees, liabilities and income "universalities"	138,363.7	97,568.4
Guarantees - securitized loans	4,070,740.8	3,205,405.7
Subordinated bonds	165,637.1	165,137.3
Computable capital – October 2010	2,929,252.9	2,077,901.7
Computable capital – November 2010	2,933,692.5	2,097,757.7
Base for self-withholdings Decree 700 – Investments	553,206.8	401,663.7
Other creditor accounts (less than 5%)	<u>1,646,900.9</u>	<u>1,452,038.1</u>
	US\$ <u>47,147,622.5</u>	<u>43,464,887.6</u>

26. Trust Accounts

26.1. "Universalities" - Home Mortgage loans written off (CCV)

At June 30, 2012 and December 31, 2011, the financial statements of the "universalities" CCV, CCVII and CCVIII were recorded in trust memorandum accounts.

The "universalities" are formed from accounts written off, as approved by the Shareholders' General Meeting of December 16, 2003, May 11 and November 9, 2004 (minutes 638, 646, 656). The decision was taken to withdraw a group of home mortgage loans from the balance sheet, due to the particular risks involved - full provision had been made against them – and simultaneously, to issue securities.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The portfolios of written-off home mortgage loans CCV, CCVII and CCVIII were removed from equity and the balance sheet under Article 12 of Law 546/ 1999, regulated by Superintendency Resolution 775/ 2001, forming the "universalities" CCV, CCVII and CCVIII for the sole purpose of creating an instrument to structure the issue of securitized mortgage paper CCV, CCVII and CCVIII on December 29, 2003 and May 25 and December 22, 2004, respectively.

Following Superintendency Resolution 775/2001 CCV, CCVII and CCVIII were registered on the Securities and Intermediaries Register, and full documentation was supplied as required by Article 3 of that Resolution.

"Universality" CCVIII

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

Capital	USD	36,289.9
Interests		838.5
Insurance		1,076.7
Other Assets		1,513.4
Deferred		(1,255.4)
Mortgage RVU Contingency		5,056.8
Mortgage Interest Contingency		<u>9,375.6</u>
Total Universality	USD	<u>52,895.7</u>

The portfolio contains 4,641 loans at a weighted average rate of UVR. + 11.99%; 54% of the loans are for low-cost housing and 46% are for other types of property.

The Bank issues and manages CCVIII paper with the sole backing of "Universality" CCVIII" (Home-Mortgages Loans Written Off – Tranche 3) and other guarantees from its own portfolio.

DECEVAL holds and manages the issue under the deposit and issue administration agreement signed with the Bank.

On December 2, 2011 the Fitch Ratings Colombia SCV rated this paper C(Col) for its risk situation

Some Bank shareholders acquired all of these CCVII mortgage issues.

The characteristics of CCVIII mortgage paper are:

						Issued
<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term</u> <u>(Months)</u>	<u>Yields</u>	<u>Face Value</u>	
22-Dic-04	22-Dic-12	I	96	Uncertain	USD 2,939.5	

- 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.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 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.

“Universality” - CCVII

The following is the detail of the “universality” operation of May 11, 2004:

Capital	USD	46,267.4
Interests		1,519.9
Insurance		2,987.9
Other Assets		672.4
Deferred		(1,094.6)
Mortgage RVU Contingency		20,082.9
Mortgage Interest Contingency		<u>27,126.7</u>
Total Universality	USD	<u>97,562.6</u>

The portfolio contains 5,866 loans at a weighted rate of UVR. + 12.10%. 45% of them are for low-cost housing and the rest for other types of property

The Bank issues and manages CCVIII paper with the sole backing of “Universality” CCVIII” (Home-Mortgages 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.

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued</u> <u>Face Value</u>
26-May-04	26-May-12	I	96	Uncertain	USD 3,645.2

The characteristics of CCVII are:

- 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.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- Placement: CCVII securities were placed on the secondary market through the broker DAVIVALORES S.A., on the basis of best efforts underwriting
- Subscription price: Face value plus a premium set in the offer document.
- As stated in Section 1.5 Chapter IV, the duration and termination of the "Universality" will be equal to the maximum term of issue of CCVII securities, that is, eight years or until the final redemption of CCVII securities which fell due on May 28, 2012. The liquidation process will therefore begin as stipulated in the management contract.

"Universality" – CCV

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

Capital	USD	55,558.8
Interests		2,620.4
Other Assets		3,581.5
Deferred		<u>(2,182.3)</u>
Total Universality	USD	<u>59,578.3</u>

The portfolio contains 7,811 loans at a weighted average rate of UVR. + 11.98%. 53% of them are for low-cost housing, the remainder for other types of property.

The Bank issues and manages CCVIII paper with the sole backing of "Universality" CCVIII" (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 26, 2003 Fitch 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:

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued Face Value</u>
29-Dic-03	29-Dic-11	I	96	Uncertain	USD 5,026.4

- 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.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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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.

The following is the detail of trust accounts at June 30, 2012 and December 31, 2011:

<u>June 30</u>		CCV	CCVII	CCVIII	Total
<u>Balance</u>					
Cash	US\$	0.0	0.0	67.0	67.0
Portfolio		9,737.0	4,928.3	3,121.7	17,787.0
Debtors		<u>4,305.8</u>	<u>589.8</u>	<u>183.6</u>	<u>5,079.1</u>
Assets Total		<u>14,042.8</u>	<u>5,518.1</u>	<u>3,372.2</u>	<u>22,933.1</u>
Interests		0.0	0.0	0.0	0.0
Accounts payable		102.2	0.0	0.0	102.2
Creditors		4,203.6	589.8	0.0	4,793.3
Sundry		0.0	0.0	250.5	250.5
Securities outstanding		<u>9,737.0</u>	<u>4,928.3</u>	<u>3,121.7</u>	<u>17,787.0</u>
Total liabilities	US\$	<u>14,042.8</u>	<u>5,518.1</u>	<u>3,372.2</u>	<u>22,933.1</u>
<u>Results</u>					
Operating income	US\$	0.0	0.1	0.1	0.2
UVR adjustment		214.9	108.8	68.9	392.6
Loan recoveries		1,221.6	1,393.7	1,564.5	4,179.8
Recoveries from foreclosed assets		<u>447.2</u>	<u>291.9</u>	<u>158.4</u>	<u>897.5</u>
Operating Income total		<u>1,883.7</u>	<u>1,794.5</u>	<u>1,791.9</u>	<u>5,470.1</u>
Other					
Interest		188.7	721.7	1,298.2	2,208.6
Commissions		273.3	167.8	129.2	570.3
Fees		73.2	50.1	17.0	140.3
Insurance		1,191.1	601.8	261.0	2,053.9
Sundry		<u>157.3</u>	<u>253.1</u>	<u>86.6</u>	<u>497.0</u>
Total operating expenses	US\$	<u>1,883.7</u>	<u>1,794.5</u>	<u>1,791.9</u>	<u>5,470.1</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>June 30</u>	CCV	CCVII	CCVIII	Total
<u>Contingents</u>				
Portfolio	105,172.5	50,889.9	17,771.1	173,833.5
Other contingencies	<u>12,477.8</u>	<u>11,216.7</u>	<u>6,737.7</u>	<u>30,432.2</u>
Total Contingencies	<u>117,650.2</u>	<u>62,106.7</u>	<u>24,508.8</u>	<u>204,265.7</u>
<u>Debtors</u>				
Portfolio	<u>11,614.8</u>	<u>9,807.1</u>	<u>7,620.7</u>	<u>29,042.5</u>
<u>Creditors</u>				
Portfolio	<u>50,069.4</u>	<u>40,094.7</u>	<u>37,583.5</u>	<u>127,747.6</u>

<u>December 31</u>	CCV	CCVII	CCVIII	Total
<u>Balance</u>				
Cash	US\$ 0.0	597.9	952.4	1,550.3
Portfolio	8,747.2	4,427.3	2,804.3	15,978.8
Debtors	<u>4,128.7</u>	<u>1,204.7</u>	<u>962.4</u>	<u>6,295.8</u>
Assets Total	<u>12,875.8</u>	<u>6,229.9</u>	<u>4,719.2</u>	<u>23,824.9</u>
Creditors	4,128.7	1,802.5	1,914.9	7,846.1
Securities outstanding	<u>8,747.2</u>	<u>4,427.3</u>	<u>2,804.3</u>	<u>15,978.8</u>

<u>Results</u>				
Operating income	US\$ 0.0	0.3	0.2	0.5
UVR adjustment	99.2	55.2	34.3	188.8
Loan recoveries	1,557.9	1,185.1	1,522.9	4,265.9
Foreclosed asset recoveries	<u>674.6</u>	<u>526.6</u>	<u>226.2</u>	<u>1,427.4</u>
Total operating income	<u>2,331.7</u>	<u>1,767.2</u>	<u>1,783.7</u>	<u>5,882.5</u>
Other				
Interest	(3,260.7)	(1,194.4)	(830.9)	(5,285.9)
Commissions	177.3	115.1	95.5	388.0
Fees	52.1	64.0	39.5	155.7
Insurance	1,069.4	554.6	244.0	1,868.1
Sundry	<u>4,293.5</u>	<u>2,227.7</u>	<u>2,235.4</u>	<u>8,756.6</u>
Operating Expenses Total	US\$ <u>2,331.7</u>	<u>1,767.2</u>	<u>1,783.7</u>	<u>5,882.5</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>December 31</u>	CCV	CCVII	CCVIII	Total
<u>Contingents</u>				
Portfolio	95,921.9	48,511.2	16,670.4	161,103.5
Other contingencies	<u>12,003.9</u>	<u>11,137.3</u>	<u>7,244.8</u>	<u>30,386.0</u>
Total Contingencies	<u>107,925.7</u>	<u>59,648.5</u>	<u>23,915.2</u>	<u>191,489.5</u>
<u>Debtors</u>				
Portfolio	<u>11,715.3</u>	<u>10,081.6</u>	<u>8,113.6</u>	<u>29,910.5</u>
<u>Creditors</u>				
Portfolio	<u>37,870.3</u>	<u>29,340.3</u>	<u>29,505.0</u>	<u>96,715.6</u>

Following Superintendency Circular 047/2008, as of January 1, 2009 the Bank records the “universality” balances as Trust Memorandum Accounts; At June 30, 2012 and December 31, 2011, however, the Superintendency did not authorize transmission and therefore the Balance Sheet transmitted to the Superintendency contains differences with the Bank’s books for these accounts.

The following is the detail of assets in trust:

		<u>June 30</u>	<u>December 31</u>
Property trusts	US\$	784,474.4	735,618.2
Management trusts		1,169,775.3	825,138.5
Pension trusts		991,583.1	724,663.1
Collective portfolios		914,880.5	737,610.6
Trusts in guarantee		536,718.4	398,123.8
“Universalities”		<u>22,933.09</u>	<u>23,824.93</u>
	US\$	<u>4,420,364.9</u>	<u>3,444,979.1</u>

27. Other Operating Income

The detail of other operating incomes as follows:

		<u>June 30</u>	<u>December 31</u>
Traveler withdrawal	US\$	6,775.7	6,485.6
Charges for use of networks		8,639.5	8,113.3
Sale of savings passbooks		1,525.4	1,252.5
Virtual service		12.3	10.2
Business services		8,641.9	7,809.6
Sale of chequebooks		6,822.1	6,586.4
Credit cards declined		864.7	1,154.7
SARO – fraud recoveries		2,176.5	990.3
National and Local deposits		5,408.7	4,832.3
Bank cheques		459.4	801.4
Operating income, consortia and temporary unions		2,505.2	2,845.0
Bond placement and management contract		0.0	1,101.0
Other (less than 5%)		<u>4,591.9</u>	<u>2,177.1</u>
	US\$	<u>48,423.2</u>	<u>44,159.5</u>

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

Notes to the Consolidated Financial Statements

28. Other Operating Expenses

The detail of other operating expenses is as follows:

		<u>June 30</u>	<u>December 31</u>
Fees	US\$	23,311.9	31,023.5
Taxes		40,283.3	32,135.3
Rent		16,353.5	15,810.8
Contributions and affiliations		13,695.2	14,452.7
insurance		36,159.6	31,733.1
Maintenance and repairs		6,177.2	7,696.8
Office remodelling		4,337.6	5,011.2
Cleaning and security		8,408.3	8,232.8
Temporary services		1,075.1	1,525.5
Advertising		16,786.8	28,470.4
Public relations		283.1	253.8
Public services		16,627.1	16,112.7
Data processing		13,222.5	15,836.1
Travel		4,170.7	3,257.2
Transport		15,711.1	14,218.5
Stationery		5,694.9	3,889.4
Operating expenses on consortia and temporary unions		207.6	1,209.7
Donations		8.1	9.7
Operating Risk		3.4	169.4
Other		<u>5,458.0</u>	<u>5,178.1</u>
	US\$	<u>227,975.1</u>	<u>236,227.0</u>

29. Other Allowances or Provisions

The following is the detail of other allowances or provisions:

		<u>June 30</u>	<u>December 31</u>
Cash	US\$	268.5	161.6
Foreclosed and restored assets		2,514.0	2,399.3
Other assets		123.9	590.7
Other accruals		1.7	198.1
Other		<u>841.7</u>	<u>1,169.5</u>
	US\$	<u>3,749.9</u>	<u>4,519.1</u>

30. Non-operating income

The following is the detail of non-operating income:

		<u>June 30</u>	<u>December 31</u>
Profit on sale of:			
Foreclosed assets	US\$	826.2	1,608.7
Property and equipment		<u>960.7</u>	<u>4,944.4</u>
	US\$	<u>1,786.8</u>	<u>6,553.1</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

		<u>June 30</u>	<u>December 31</u>
Recoveries:			
Loans, operational leasing and assets	US\$	42,195.3	38,664.5
Recovery of allowances on property and equipment		504.1	2,852.3
Recovery of allowances on foreclosed and restored assets		3,079.9	3,380.5
Recovery of allowances on investments		2,416.2	5,697.1
Recovery of allowances on other assets		3,454.3	611.7
Recovery of other allowances		3,822.1	5,958.2
Recovery of losses		3.9	2.6
Returns		210.1	0.0
Recovery of liabilities		0.0	2,248.6
Recovery of accruals previous periods		1,638.3	1,137.4
Other recoveries		<u>5,798.6</u>	<u>3,007.0</u>
		<u>63,122.9</u>	<u>63,559.7</u>
Business collaboration agreement (1)		5,111.3	4,639.9
Rent		466.9	340.6
Sundry (less than 5%)		<u>3,070.8</u>	<u>4,577.9</u>
		<u>8,649.1</u>	<u>9,558.4</u>
	US\$	<u>73,558.8</u>	<u>79,671.3</u>

(1) A business collaboration was made between the Bank and Fiduciaria Davivienda S.A., renewed annually, to promote trust business. The agreement splits revenues earned equally between the two parties.

31. Non-operating expenses

The following is the detail of non-operating expenses:

		<u>June 30</u>	<u>December 31</u>
Loss on sale of foreclosed assets	US\$	690.1	1,470.9
Loss on sale of property and equipment		143.3	71.3
Operating losses		4,944.7	5,783.0
Fines and sanctions		20,608.6	8,388.6
Expenses on foreclosed assets		550.2	488.8
Consortia and temporary unions		6.7	0.0
Amortization in excess of investment cost over book value		0.0	2,441.6
Minority interest		2,507.6	2,200.3
Other asset losses		321.4	511.5
Acknowledgements to customers		174.4	72.7
Return of home mortgage relief		7,624.3	989.8
Non-operating expenses of previous periods		0.0	274.8
Commercial deference		362.8	433.8
Legal action		572.1	121.5
Special cases, managed loans and accounts condoned		0.0	219.5
Return of income from previous periods		0.0	92.8
Other (less than 5%)		<u>3,070.2</u>	<u>764.7</u>
	US\$	<u>41,576.4</u>	<u>24,325.7</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

32. Income tax

Colombian tax law does not permit the consolidation of tax returns and therefore the losses of one consolidated company may not be used to offset the profits of another.

Under Law 863/ 2003, the consolidating entity is subject to transfer price regulations for operations with related parties abroad. It is not considered that any additional tax will be payable as a result of the transfer price study.

33. Transactions with related parties

The following are counted as related parties

- Sociedades Bolívar S.A. subsidiaries and affiliates.
- Shareholders holding 10% or more the of Bank's capital (Inversora Anagrama S.A.S. and Investments Financieras Bolívar S.A.S.).
- Corporate entities Lij which the Bank is the beneficiary of 10% of capital (Confinanciera S.A., Davivalores S.A., Fiduciaria Cafetera S.A., Fiduciaria Davivienda S.A., Bancafé Panamá S.A., ACH Colombia S.A., Compañía Promotora Investments del Café S.A., Deceval S.A., Finagro, Redeban Red Multicolor S.A., Titularizadora Colombiana S.A., Multiactivos S.A.).
- The Bank's management and the management of the companies in Grupo Empresarial Bolívar and companies in which Bank administrators hold 10% or shares or capital quotas directly or indirectly.
- Other shareholders holding 5% or more but less than 10% of the Bank's capital (Investments Cusezar S.A. and Investments Meggido S.A.).

The Bank may enter into operations, agreements or contracts with related parties on the understanding that such operations must be for reasonable amounts and considering, amongst other things:

- Market conditions and rates for the sector in which the operation takes place;
- The activities of the company involved
- The prospects of business growth

All operations are undertaken at market prices. Placement rates vary from 1.1% and 32.60%, a deposit rates between 0.0% and 7.25%.

At the close of June 2012 and December 2011, there is the following operation with shareholders holding more than 5% of computable capital but less than 10%:

Empresas Públicas de Medellín E.S.P	June 30	December 31
Indebtedness	US\$ 152.884.6	140,960.5
Computable capital limit (5%)	5.12%	5.68%

Regulations require that the Bank make and maintain mandatory investments in Fondo para el Financiamiento del Sector Agropecuario –FINAGRO. The following are the holdings in Títulos de Desarrollo Agropecuario (TDA):

Activo – Investments	June 30	December 31
Trading investments in debt securities	US\$ 140.358.5	74.302.6
Held to maturity	23.238.0	0.0
Total Assets	US\$ 163.596.5	74.302.6

Earnings Statement – Investment valuation gains	June 30	December 31
Loss on valuation of investments	US\$ (1.896.1)	(777.7)

The most important balances at June 30, 2012 and December 31, 2011 are:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

33.1. Operations with related parties

June 30

Holders of 10% or more of the Bank's capital	Corporate entities in which the Bank holds 10% or more	Other Grupo Bolívar companies	Management of Grupo Bolívar	Other shareholders with more than 5% but less than 10% of the Bank's capital	Total
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(1)

Assets	0.0	72,695.3	133,695.4	13,788.1	0.0	220,178.8
Money market and related asset positions	0.0	3,362.1	0.0	0.0	0.0	3,362.1
Investments	0.0	63,922.3	5,588.5	0.0	0.0	69,510.8
Loans and financial leasing operations	0.0	1,312.5	120,233.3	13,654.4	0.0	135,200.2
Accounts receivable	0.0	4,081.1	1,006.8	133.3	0.0	5,221.2
Other assets	0.0	17.3	6,866.9	0.4	0.0	6,884.6
Liabilities	711.9	185,799.0	85,775.9	3,879.3	1,429.3	277,595.5
Deposits and Demand Accounts	711.9	25,177.0	75,983.4	3,813.3	1,429.3	107,114.9
Bank loans and other financial obligations	0.0	150,768.6	0.0	0.0	0.0	150,768.6
Accounts payable	0.0	8,732.7	7,401.4	66.0	0.0	16,200.2
Bonds outstanding	0.0	1,120.7	2,386.2	0.0	0.0	3,506.9
Other liabilities	0.0	0.0	4.8	0.0	0.0	4.8
Income	0.0	42,331.4	27,143.4	841.3	0.0	70,316.1
Operating	0.0	42,280.9	26,794.1	841.3	0.0	69,916.3
Non-operating	0.0	50.5	349.3	0.0	0.0	399.8
Expenses	66.7	19,152.0	13,528.1	377.9	38.1	33,162.8
Operating	66.7	18,609.9	13,515.9	314.7	38.1	32,545.3
Non-operating	0.0	542.1	12.3	63.2	0.0	617.6

(1) Legal representatives and directors of Grupo Bolívar, Branch Managers and Deputy Managers of Banco Davivienda and Legal Representatives of the Bank and Bank-managed companies.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31

Holders of 10% or more of the Bank's capital	Corporate entities in which the Bank holds 10% or more	Other Grupo Bolívar companies	Management of Grupo Bolívar	Other shareholders with more than 5% but less than 10% of the Bank's capital	Total
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(1)

Assets	0.0	61,010.7	122,158.0	12,826.7	0.0	195,995.4
Money market and related asset positions	0.0	58,720.2	0.0	0.0	0.0	58,720.2
Investments	0.0	1,433.8	113,340.0	12,692.4	0.0	127,466.2
Loans and financial leasing operations	0.0	840.7	577.7	133.9	0.0	1,552.4
Accounts receivable	0.0	0.0	1,275.4	0.0	0.0	1,275.4
Other assets	0.0	15.9	6,964.9	0.4	0.0	6,981.2
Liabilities	108.9	214,185.3	41,744.4	3,053.9	2,665.5	261,758.0
Deposits and Demand Accounts	108.9	63,801.4	34,327.7	2,901.6	2,665.5	103,805.1
Bank loans and other financial obligations	0.0	134,786.0	0.0	0.0	0.0	134,786.0
Accounts payable	0.0	10,193.0	5,270.1	27.2	0.0	15,490.3
Bonds outstanding	0.0	5,404.8	2,145.9	125.1	0.0	7,675.9
Other liabilities	0.0	0.0	0.7	0.0	0.0	0.7
Income	1.8	31,205.6	21,175.4	644.1	0.0	53,026.9
Operating	1.8	31,171.3	20,958.2	639.2	0.0	52,770.5
Non-operating	0.0	34.4	217.2	4.8	0.0	256.4
Expenses	8.4	24,776.0	13,301.4	445.2	88.9	38,620.0
Operating	8.4	23,735.1	13,282.5	381.7	88.9	37,496.7
Non-operating	0.0	1,040.9	18.9	63.5	0.0	1,123.3

(1) Legal representatives and directors of Grupo Bolívar, Branch Managers and Deputy Managers of Banco Davivienda and Legal Representatives of the Bank and Bank-managed companies.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

34. 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.

34.1. 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, taking 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.



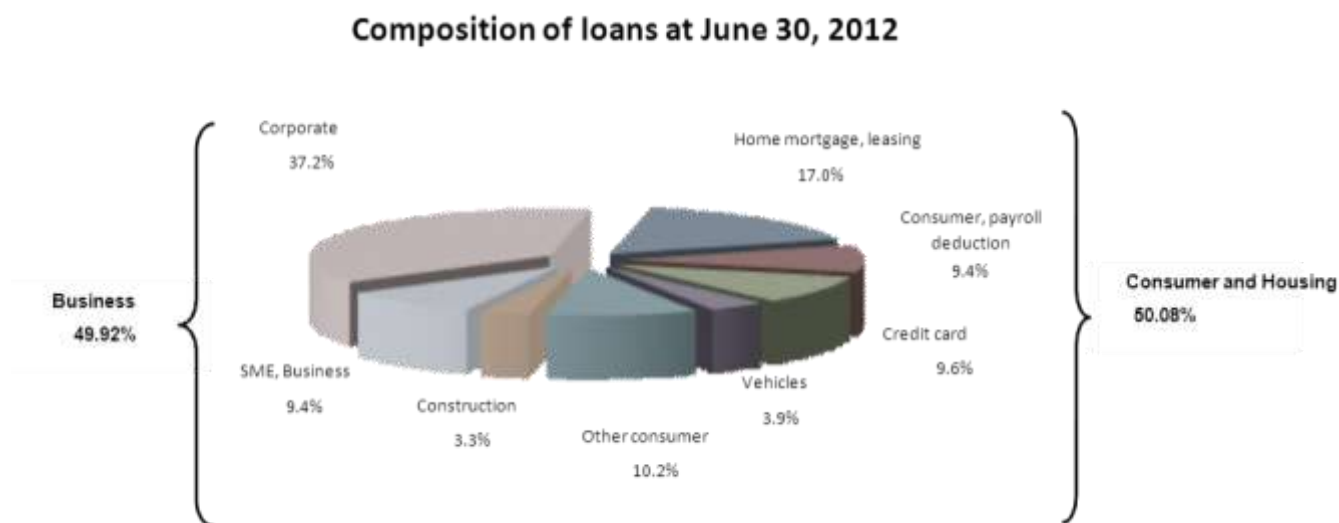
BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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.

34.2. Credit risk

The composition of loans claims by business lines is the following at June 30, 2012.



This chart shows that Personal Banking accounts for 50.8% of the total and Business Banking 49.92%.

Calculation of allowances and Superintendency Reference Models

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.

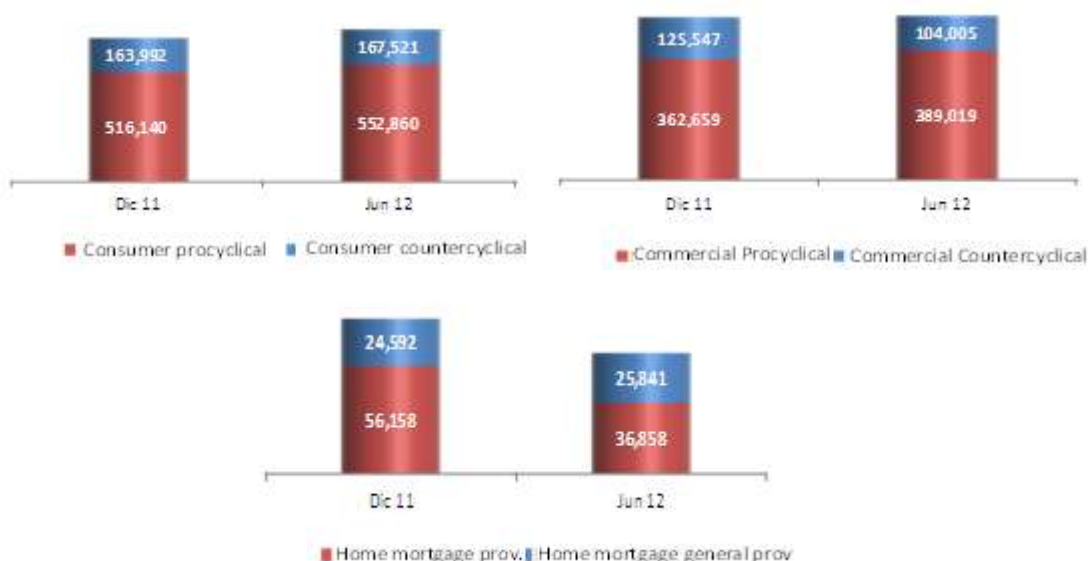
In Home Mortgage loans, the Bank continues to apply current Superintendency rules to classify and make allowances.

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements



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

(US\$ '000 million)	Total counter Cyclical allowance	Total Procyclical Allowance	Total General Allowance	Total Allowance
Allowances				
Dec-11	149.0	481.3	12.7	643.0
Jun-12	152.1	548.4	14.5	715.1

* Applies to home mortgage and microcredit loans.

Changes in allowances during the period.

Following Circular 043/2011, the Bank changed the loss given default in the unsecured consumer segment, from 65% to 75%, and further, shortened days' default. For this purpose, since the Bank had a generic allowance for loans classed D and E, the impact of this charge was not significant.

In March 2012, the percentages of allowance for mortgage loans was changed, since the existing allowance was overestimating the risk of that portfolio. The new percentages for allowances continue to be conservative with respect to the Superintendency model.

Further, in May 2012, loss-given-default for the payroll deduction loans was changed, since this form of collection was beginning to be recognized as a non-admissible guarantee. This reduced the loss given default from 75% to 60%. The impact on the allowance account was to release some US\$12,321.7.

In order to promote sound origination and growth in consumer loans, the Superintendency decided that an additional individual allowance should be charged as a transitory measure on this portfolio, for banks in which past due accounts showed the greatest deterioration. Therefore, an additional 0.5% had to be provided against the capital balances of each loan, and added to the individual pro cyclical component, and be reflected in the financial statements at December 2012.

The impact of the application of this Circular represents an increase in allowances of some US\$16,810.5, which will be introduced during the second half of the year.



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

Personal Banking

These loans include credit for individuals, principally for house purchase and consumer loans.

Policies for originating credit changed for the consumer portfolios¹, seeking to improve the risk profile of customers at the time of engagement.

For these classes of loan, the Bank has developed appropriate tools for risk management, based on the analysis of quality of origination, in accordance with volume of placements and risk personal profile of customers engaged. Likewise, an analysis is being made of follow-up of the new accounts in accordance with Personal Banking segments. These tools were developed with the support of the Risk Research and Strategy Analysis Division of Grupo Bolívar.

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

(US\$000 MILLION)		Balance	% C, D, E	Allowance	Coverage C,D,E
PERSONAL BANKING	Home mortgage/leasing				
	Dec-11	2,144.5	1.8%	79.1	200.1%
	Jun-12	2,513.9	1.7%	73.9	171.9%
	Credit card				
	Dec-11	1,199.6	5.1%	75.1	123.4%
	Jun-12	1,420.0	5.4%	98.6	128.8%
	Other consumer				
	Dec-11	1,475.4	12.6%	171.1	92.3%
	Jun-12	1,504.2	12.6%	187.2	98.5%
	Consumer/payroll deduction				
	Dec-11	1,183.8	3.9%	68.2	148.5%
	Jun-12	1,396.2	4.1%	72.6	127.6%
	Vehicle				
	Dec-11	514.3	6.5%	35.7	106.1%
	Jun-12	571.9	7.4%	45.4	107.7%
	Total				
	Dec-11	6,517.5	5.6%	429.2	117.5%
	Jun-12	7,406.2	5.5%	477.5	116.9%

Other Consumer Crediexpress Fixed, Crediexpress Revolving, Preference and Normalized

During the first half of 2012, the increase in the share of personal banking was 4.4% compared to previous half year, as a consequence of adjustment in origination policy for Crediexpress revolving loans and Crediexpress fixed loans.

Reduce coverage in the home mortgage and payroll deduction segments was due to attend this percentages of allowances described in Section 32.2.1 (Changes in allowances during the half year). It should be noted that these two segments are the highest risk items in Personal Banking, and therefore the new allowance adequately covers the loans classed C, D and E.

The following is the composition of Personal Banking loans and variations during the first half of 2012.

¹ Adjustments to policies refer to cut-off points and minimum income required



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(US\$000 million)		Balance	Variation	Allowance	Variation
PERSONAL BANKING	Home mortgage and leasing				
	Dic-11	2,144.5	10.4%	202.8	32.9%
	Jun-12	2,513.9	7.7%	179.4	33.9%
	Credit Card				
	Dic-11	1,199.6	11.0%	119.3	18.4%
	Jun-12	1,420.0	8.7%	114.1	19.2%
	Others Consumer				
	Dic-11	1,475.4	-5.3%	-81.8	22.6%
	Jun-12	1,504.2	-6.3%	-101.8	20.3%
	Consumer – payroll deduction				
	Dic-11	1,183.8	1.3%	15.7	18.2%
	Jun-12	1,396.2	8.3%	107.5	18.9%
	Vehicle				
	Dic-11	514.3	2.1%	10.6	7.9%
	Jun-12	571.9	2.2%	12.0	7.7%
	Total				
	Dic-11	6,517.5	4.3%	266.5	100.0%
	Jun-12	7,406.2	4.4%	311.3	100.0%

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

Business Banking.

These loans include loans to businesses, classified internally into segments depending on size: SME, business and corporate. Construction banking is also included in this portfolio.

For the purposes of risk management, the Bank has developed its own evaluation models, and seek to provide appropriate Credit Risk management.

In relation to the model used for corporate credit risk management, the system uses quantitative and qualitative factors, and indicators have been developed based on financial studies and the individual characteristics of businesses.

Subsidiaries

Confianciera S.A

This is a finance company, and a subsidiary of Banco Davivienda S.A., whose main business is to place vehicle loans to the productive sector (freight, passengers, taxis); but it also focuses on the individual private customer.

Confianciera's risk measurement policies include the implementation of the commercial reference model (MRC) as of July 2007 and the consumer reference model (MRCO) as of July 2008.

The following are the most important balances by class of loan and risk allowances assigned to each.



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(US\$000 million)			Balance	% C, D, E	Allowance	Coverage C,D,E
LOANS OF CONFIANCIERA	Commercial	Dic-11	133.9	3.20%	8.8	202.80%
		Jun-12	153.4	2.60%	10.6	264.10%
	Consumer	Dic-11	45.2	4.80%	2.6	121.80%
		Jun-12	50.3	4.90%	2.9	116.90%
	Microcredit	Dic-11	47.4	2.70%	6.2	4.871
		Jun-12	50.7	3.20%	3.4	207.20%
	Total	Dic-11	226.5	3.40%	17.6	226.70%
		Jun-12	254.4	3.20%	16.8	208.10%

Bancaf  Panama S.A

As part of its management policies, Bancaf -Panam  has adopted orders 6-2000 of June 28, 2000 and 2-2008 of February 2008 of the Panamanian Superintendency, setting out the rules for establishing allowances and general criteria for estimating losses.

As a means of continuous improvement of risk measurement and management, the Bank is engaged in building up a model for the classification of consumer, mortgage and international credit. The main application of this model aims to provide an individual and portfolio-wide response to the credit risk to which the Bank is exposed, not only for the Colombian operation but also internationally.

The model consists of a subjective commercial model using know-how developed by the Bank and a statistical model with internal information from the Bank and from the financial sector for consumer and home mortgage lending. The statistical model is being built up based on variables of internal and external comportment, demographic, financial and indebtedness variables. The model is supported by a logistical regression model segmented by modules: the aim is to construct an internationally-valid model, including the concepts of Loss Identification Period, Unexpected Loss and Country Risk.

Finally the Bank seeks to respond to the following concerns with this exercise: (a) Determination of individual risk of all Bank customers in an international assessment system, (b) Determination of the Expected Loss associated with this distribution of assessments for the whole Bank, and allowances required to monitor it; (c) Quantification of credit risk as a function of concepts such as expected cash flows, unexpected loss and country risk; and (d) Monitoring credit risk in an equivalent fashion in all financial institutions in the Organization.

34.3. Market Risk

Financial Risk Management

Risk management in Grupo Bol var companies uses a strategy of synergy between companies, consolidating a Risk Area for all companies to optimize technological resources and risks assumed. The Area is accountable to the Investment Risk Division of Grupo Bol var, and is supervised by the Executive Finance and Risk Division of the Group.

A Financial Risks and Investments Committee has been set up in the Group, along with an Assets and Liabilities Management Committee, or its alternate (GAP) and the Board of each Group company are responsible for defining institutional policy non exposure to the range of financial risks, given that those



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policies must be consistent with each financial and operating structure, and with corporate strategy and objectives.,

The Group Financial Risks Management Manual (MARF) consolidates matters related to financial risk management in Treasury and liquidity in Group companies; and it is the document that sets up the management system for this.

The Companies have therefore designed an appropriate structure for exposure limits for each risk, in order to control portfolios and activities related to their management. Amongst other things, each company has defined investment and counterpart limits using the applicable rules, the Financial and Investment Risk Committee and its Collective Portfolio Committee, the GAP Committee and the Boards of each company.

Credit Risk for Investments

Credit risk is the possibility that an entity may suffer a loss and reduce the value of its assets as a consequence of default by a debtor or counterpart²

The definition of the entities authorized to operate with the Bolívar Group companies in which investments can be made using a model that evaluates the financial performance of the counterpart by their leading scores in financial Indicators, taking into account qualitative criteria and expert judgment.

The incursion into new markets and products is effected only after the impact and related risk profile have been approved by the relevant Committees and the Board, following regular procedures.

Market Risk

Market risk is understood to be the possibility that an entity may suffer a loss associated with a reduction of the value of its portfolios, a decline in the value of collective portfolios or funds that it manages due to the effect of changes in prices of the financial instruments in which it has a position on or off the balance sheet³.

Investment Portfolio

The accounting classification of the consolidated investment portfolio of Banco Davivienda S.A. and its subsidiaries at June 30, 2012 includes trading investments (US\$2,008,017.1), investments available for sale (US\$687,667.8) and investments held to maturity (US\$264,328.8). This in turn includes fixed and variable-yield Investments and repurchase rights. It does not include allowances and capital investments available for sale.

These include among others, fixed income, equity and repurchase rights. It excludes allowances and investments available for sale as participating bonds.

Value at Risk

The calculation of the consolidated Value at Risk "VaR" of Banco Davivienda S.A. and its subsidiaries is made using the method described in Chapter XXI, Annex I of the Superintendency's Basic Accounting and Financial Circular. The VaR at the close of June 30, 2012 was US\$105,496.7. The decrease of this value for the month of June is explained by the decrease in the position and duration of the investment portfolio.

² Definition of Credit Risk taken from the Superintendency's Basic Accounting and Financial Circular Chapter II.

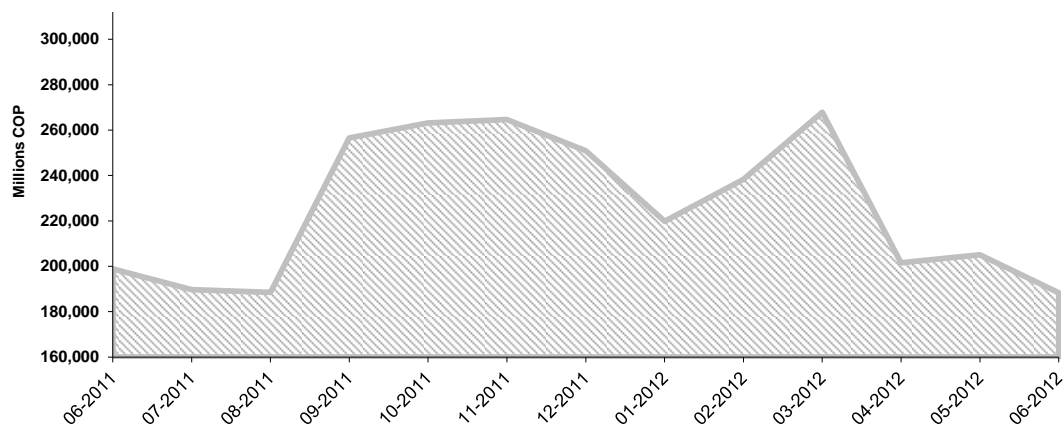
³ Definition of Market Risk, Chapter XXI - Rules Relating to the System of Market Risk Management, Superintendency Basic Circular for Financial Accounting.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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Evolution of Consolidated VaR June 2011 – June 2012



Includes: Banco Davivienda S.A, Bancafé Panamá S.A, Fiduciaria Davivienda S.A, Fiduciaria Cafetera S.A, Davivalores S.A Sociedad Comisionista de Bolsa y Confinanciera S.A.

Liquidity Risk

Liquidity risk is understood to be the possibility that present and future expected and unexpected cashflows may not be able to be satisfied fully, promptly and efficiently without affecting the normal course of operations or financial situation. This contingency (funding liquidity risk) is manifested in the lack of liquid assets available to it and/or the need to take unusual funding costs. In turn, the ability of banks to generate or break financial positions at market prices is limited, either because there is no proper market depth or because there are dramatic changes in rates and prices (market liquidity risk)⁴.

The risk is managed attending parameters to be met by supervised entities, as given in the guidelines set out in Chapter VI - Rules for the Management System of Liquidity Risk in the Superintendency's Basic Accounting and Financial Circular

The liquidity of the Bank and its subsidiaries is an essential ingredient to guarantee the sustainability of operations and is therefore a cornerstone of the administration of their individual financial activities. The companies have the greatest interest in maintaining availability of customer funds when required, and in securing the funds they need to meet obligations to suppliers, creditors and shareholders and any other persons with whom the companies do their regular business.

The scheme of identification, measurement, follow-up and control of the Bank's liquidity risk includes the possibility of contingencies in the subsidiaries; each subsidiary has implemented its own system of liquidity risk management, which is independently monitored by the various designated Committee and Boards and by the Group Investment Risk Division.

34.4. Internal Control System

As part of the process of quality checks for performance in internal control, the heads or leaders of each process have developed ongoing supervision of risks and controls for which they are responsible, and this has allowed them to identify weaknesses at an early stage, defining actions for any improvement required in accordance with changes of circumstance. This situation evidences a strengthening of the internal control system.

⁴ Definition of Liquidity Risk, Chapter VI - Rules Relating to the System of liquidity Risk Management, in the Superintendency's Basic Financial and Accounting Circular.



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Likewise, the Bank continues to strengthen its culture of control, through continuous development of action plans which secure appropriate and effective control environments, risk management, information management, communications channels, monitoring systems, support for accounting and technology, through the principles of self-control, self-regulation and self-management. All of this is achieved in harmony with Superintendency Circular 038/2009.

34.5. Financial Consumer Service system (SAC)

As part of its principles, the bank has been developing a range of strategies which have allowed it to consolidate its financial consumer service system, and to comply with the requirements of Law 1328/2009 and Superintendency Circular 015/2010, in particular in respect of the following.

- Due diligence: Compliance with high standards of quality, with prompt and pleasant service.
- Financial education. Development of a number of elements of education and industry integration, through the Banking Association (Asobancaria), which allows the financial consumer to acquire skills, and to be able to provide adequate management of financial products and services.
- Dissemination of information: the Bank has developed and implemented a website, which brings together all the information related to each of its products and services, so that the financial consumer can have to hand all the elements he requires to take decisions.
- Attention to complaints and claims. The mechanisms for attention to complaints and claims continues to be strengthened, seeking to ensure quality and promptness of response for financial consumers, and developing action plans to ensure that complaints and claims to not recur.

34.6. 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 rules of conduct for the application of all mechanisms and instruments of control are contained in the SARLAFT Manual and the Code of Conduct, which is known to and accessed by all Bank officers.

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.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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34.7. Operating Risk Management System (SARO)

SARO continues to move towards optimization, in particular, through the monitoring system for the following elements, which support the mitigation of risk.

- Follow-up to the effectiveness of controls. This ensures that the necessary controls are in place, and that they are adequate for the effective mitigation of risks, and if necessary, develop action plans to bring about a reaction to changes of circumstance.
- Generation of indicators. Indicators have been defined and established to identify and follow up trends and the comportment in the materialization of risk, and its causes, so that effective actions may be taken in mitigation.
- Follow-up to the operating risk profile. Following policies established by the board, operating risks are controlled within levels of tolerance set.

Operating risk management has been consolidated as part of the organizational culture, and has become a tool which allows the processes owners to manage the system appropriately, and improve the efficiency of areas in achieving corporate objectives, all in accordance with the terms of Superintendency Circular 041/2007.

35. Information Security Strategies - Circular 052/2007

In the context of the observance of regulatory requirements the Bank has used the Projects Method to validate all regulatory matters, especially those related to security, as expressed in Circular 052,

The techniques of the cyber-raiders continue to make advances and we find that they are designed or created particularly to attack financial institutions. In order to discover the controls they manage to prevent them from hosting Phishing and Pharming attacks and to set up new controls which will reduce the airtime of the attacks.

As part of the EMV Project and as a way of increasing the use of chip cards, the Bank has been analyzing and optimizing its ATM network and the use of pinpads to operate with these cards, in order to reduce levels of fraud from the copying of the magnetic strip; the Bank has controls to ensure that there has been no copying of information within our own infrastructure. The Bank also continues with the changeover to chip cards for designated customers.

During a Superintendency visit in April the Bank was able to demonstrate compliance with the main requirements of Circular 052; as a result of the report on that visit, adjustments and optimizations will be introduced to keep compliance levels up to date.

We await confirmation of the latest changes (Circular 022/2010) in order to coordinate compliance levels ,internally and develop plans for the work required.

The Bank and its subsidiaries work to maintain security levels appropriate to the services offered and are constantly evaluating threats to which the Organization is exposed in order to optimize controls implemented in the various environments, principally those for transactions.

36. Corporate Governance

The Bank and its subsidiaries, as members of the Bolívar Group, take advantage of synergies to potentiate their performance and to optimize results as a whole, thus contributing to the generation of value for stakeholders, particularly our customers and shareholders.

The scheme of relations between the parent and the subsidiaries is fundamentally based on the integration and standardization of policies, processes and systems, so that there can be constant interaction between



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their businesses and the assurance of an adequate flow of information as required to move forward in the processes of consolidation and alignment. At the same time, the performance of the subsidiaries is regularly analyzed by the Bank's management and – always respecting the autonomy of those businesses – they share strategies and guidelines so that their actions aim at the quest for a common purpose among Group companies.

37. Mandatory controls

At June 30, 2012 and December 31, 2011 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

The following is a report on the own position at June 30, 2012 and December 31, 2011 (US\$ millions):

		<u>June 30</u>
Average Own position (PP)	US\$	6.9
Maximum permitted: 20% of computable capital		586.7
Minimum permitted: -5% of computable capital		(146.7)
Average spot own position (PPC)		310.8
Maximum permitted: 50% of computable capital	US\$	1,466.8
Average gross leverage (PBA)		7,437.5
Maximum permitted 550% of computable capital		16,135.3

At June 30, 2012 and December 31, 2011 the Bank complied with limited set for own position.

At June 30, 2012 and December 31, 2011 the Bank and Confinanciera S.A. complied with regulatory own position limits.

Capital ratios

The following is the consolidated capital ratio of the Bank at June 30, 2012 and December 31, 2011:

	<u>June 30</u>	<u>December 31</u>
Tier 1	2,266,859.4	1,965,721.5
Tier 2	721,968.6	516,810.1
Computable capital	2,988,828.0	2,482,531.5
VaR, market risk	105,496.5	129,135.2
Risk-weighted assets	18,080,560.1	15,807,376.0
Capital ratio (PT/(APNR+((100/9)*VaR))	15.52%	14.40%



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The classification of risk assets in each category applies Superintendency percentages for each line of assets, contingent accounts, trust business and mandates in the standard accounting system PUC.

Individual compliance is checked monthly.

Mandatory cash reserves

The Bank complied with mandatory cash reserve requirements on local currency deposits, for the following percentages (Note 13):

11%

Current accounts

Savings

UVR savings

Special savings

Special deposits

Demand accounts for banking services

Collection services

Bank acceptances after term

Other demand accounts

4.5%

TDs under 18 months

UVR savings certificates under 18 months

Bonds under 18 months

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 and Confinanciera in FINAGRO at June 30, 2012.

		<u>Banco</u>	<u>Confinanciera</u>
TDA A (37%)	\$	190,074.0	2,668.1
TDA B (63%)		323,639.5	4,593.1
Total requirement		<u>513,713.5</u>	<u>7,261.3</u>
Substitute loans		(288,012.3)	0.0
Investment in TDA A and B:		<u>225,701.1</u>	<u>7,261.3</u>
TDA A (37%)		182,724.1	2,668.1
TDA B (63%)	\$	42,976.9	4,593.1



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38. Relevant events

Acquisition of HSBC Group in Costa Rica, Salvador y Honduras

The Bank is following a process of authorization for the authorization of HSBC's business in Central America with the authorities of El Salvador, Honduras and Costa Rica; and with the Colombian Superintendency. In parallel it has been developing and executing the integration plan for this business with the Bank.

39. Subsequent events

- Issue and Placement of Subordinated Dollar Bonds:

In order not to affect the Bank's liquidity due to the operation for the purchase of HSBC businesses in Central America, and to comply with mandatory limits for own position and own spot position regulated by Banco de la Republica, the Bank issued and placed subordinated bonds for US\$500 million on July 9, 2012, with the following characteristics:

Issuer: Banco Davivienda S.A.
Face value: US\$ 500,000,000
Placement: US\$ 497,205,000
Term: 10 years
Matures: July 9, 2022
Issue price: 99,441% of face value.
Interest payment dates: 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 / Credit Suisse

- Merger of Confinanciera:

In Minute No. 113 of March 28, 2012, the Shareholders' Meeting of Banco Davivienda S.A., approved the commitment or merger agreement between Banco Davivienda S.A. and Confinanciera S.A. Compañía de Financiamiento, and the ratio for the share exchange.

Under the commitment Confinanciera is absorbed by Banco Davivienda S.A..

In response to the merger notice lodged by Banco Davivienda S.A. (No. 2012028894-000 of April 13, 2012) at the Superintendency, the Superintendency replied on July 3, 2012 with No. 1013/ 2012, stating "No Objection" to the absorption of Confinanciera S.A. by Banco Davivienda S.A.

The merger of Confinanciera S.A., into Banco Davivienda S.A. was formalized by Deed 9557 of July 31, 2012, (Notary 29, and Bogotá) and registered at the Chamber of Commerce.



BANCO DAVIVIENDA S.A. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEET AND STATEMENTS OF INCOME

June 30 at 2012
(Thousands of U.S. dollars)

Consolidated Balance Sheet		Davivienda	Fiduciaria Davivienda	Davivalores	Confinanciera	Fiduciaria Cafetera	Ban café Panamá	Standardisation and eliminations	Consolidated
Assets									
Cash and due from banks	USD	1,305,578.8	813.3	253.2	30,309.0	599.7	100,519.4	(37,283.8)	1,400,789.5
Money-market and related asset positions		428,842.5	-	448.0	-	-	-	-	429,290.6
Investment securities, net		2,637,180.1	26,580.9	4,804.6	9,947.6	38,792.4	228,769.8	(111,357.4)	2,834,717.9
Acceptances, spot operations and derivatives		36,567.6	-	-	-	-	2,115.6	-	38,683.3
Loans and financial leasing operations		14,074,939.9	-	-	237,093.1	-	513,252.9	(17,248.6)	14,808,037.3
Accounts receivable		235,066.6	327.8	565.8	4,221.3	505.4	4,033.2	180.4	244,900.5
Foreclosed and restored assets - net		23,713.2	-	(18.4)	62.4	-	-	-	23,757.1
Property and equipment		218,952.2	264.6	138.1	3,956.5	291.8	749.2	(11.6)	224,340.8
Other Assets		1,244,236.1	4,042.6	3,080.1	7,344.7	5,317.4	7,867.0	(97,345.7)	1,174,542.1
Total Assets	USD	20,205,077.0	\$ 32,029.3	9,271.3	292,934.6	45,506.7	857,307.1	(263,066.7)	21,179,059.4
Liabilities and shareholders' equity									
Deposits and demand accounts	USD	11,958,456.9	-	-	190,105.7	-	741,002.6	(27,908.7)	12,861,656.4
Money-market and related liability positions		733,441.0	-	-	-	-	-	(9,375.0)	724,066.0
Acceptances and derivatives		48,179.5	-	-	-	-	2,115.6	-	50,295.0
Bank loans and other financial obligations		1,580,890.2	2.3	-	45,005.4	-	-	(9,525.9)	1,616,371.9
Accounts payable		508,323.9	1,278.4	450.1	6,840.5	2,144.5	5,514.4	(262.4)	524,289.5
Bonds outstanding		2,188,003.2	-	-	-	-	-	-	2,188,003.2
Other liabilities		187,279.8	152.5	22.2	382.2	1,828.4	3,566.6	(2,500.0)	190,731.6
Accruals and provisions		138,787.2	2,129.4	357.2	4,031.9	1,754.3	3,407.4	17,917.7	168,385.2
Total Liabilities		17,343,361.7	3,562.6	829.4	246,365.7	5,727.2	755,606.6	(31,654.4)	18,323,799.0
Shareholders' equity		2,861,715.3	28,466.7	8,441.9	46,569.0	39,779.6	101,700.5	(231,412.3)	2,855,260.4
Total Liabilities and shareholders' equity	USD	20,205,077.0	32,029.3	9,271.3	292,934.7	45,506.7	857,307.1	(263,066.7)	21,179,059.2
Consolidated Statement of Earnings									
Operating Income	USD	1,632,728.2	8,694.6	1,015.6	26,113.9	5,414.8	21,710.2	(1,652.5)	1,694,024.6
Operating Expenses		806,625.6	131.4	137.1	9,125.5	317.6	9,118.8	(897.4)	824,558.6
OPERATING INCOME		826,102.6	8,563.2	878.5	16,988.4	5,097.2	12,591.4	(755.1)	869,466.1
Other Operating Income		356,899.8	6.0	2,414.1	4,511.0	2,522.4	-	(18,266.4)	348,086.9
Other Operating Expenses		404,715.5	2,195.7	1,675.1	5,892.1	3,576.7	2,633.4	(6.4)	420,682.1
OTHER OPERATING INCOMES & EXPENSES - NET		(47,815.7)	(2,189.7)	739.0	(1,381.0)	(1,054.3)	(2,633.4)	(18,260.0)	(72,595.1)
ALLOWANCES		504,856.3	240.3	2.1	7,823.9	631.3	691.6	4,160.4	518,405.9
DEPRECIATIONS - PROPERTIES AND EQUIPMENT		11,624.5	17.8	12.3	84.2	40.8	80.1	(6.5)	11,853.2
AMORTIZATIONS		24,978.8	-	30.2	49.4	22.2	219.2	(2,278.2)	23,021.6
OPERATING INCOME - NET		236,827.3	6,115.3	1,572.9	7,649.8	3,348.6	8,967.1	(20,890.8)	243,590.4
Non-Operating Income		66,267.4	122.2	211.5	2,696.8	551.8	84.3	3,578.8	73,512.9
Non-operating Expenses		38,837.9	55.3	20.0	97.8	57.8	43.0	2,507.6	41,619.4
NON-OPERATING INCOME - NET		27,429.5	66.9	191.5	2,599.0	494.0	41.4	1,071.2	31,893.5
NON-OPERATING INCOME - NET		57,982.3	1,947.0	231.2	3,700.8	1,212.8	827.0	-	65,901.2
Profit for the period	USD	206,274.6	4,235.3	1,533.3	6,548.0	2,629.8	8,181.5	(19,819.6)	209,582.9
ROE (Tasa E.A.)		32.1%	74.2%	94.9%	69.3%	29.2%	36.3%		32.8%
ROA (Tasa E.A.)		4.1%	64.3%	84.4%	9.2%	25.2%	3.9%		4.0%



BANCO DAVIVIENDA S.A.

The Financial Statements Homologation Effect Foreign Subsidiaries

at June 30 at 2012

(Thousands of U.S. dollars)

BALANCE SHEET		Bancafé Panamá	Homologation Effects	Bancafé Panamá Homologation
Assets				
Cash and due from banks	USD	100,519.4	(9,375.1)	91,144.3
Interbank and overnight funds		0.0	9,375.0	9,375.0
Investment securities, net		228,769.8	(3,272.0)	225,497.8
Bankers' acceptances and derivatives		2,115.6	0.0	2,115.6
Loans and financial leases, net		513,252.9	(7,722.7)	505,530.3
Accrued interest receivable on loans and financial leases, net		4,033.2	442.8	4,476.0
Foreclosed assets, net		0.0	0.0	0.0
Premises and equipment & Premises and equipment under operating leases		749.2	(11.6)	737.6
Other Assets		7,867.0	(5,552.5)	2,314.5
Total Assets	USD	857,307.1	(16,116.1)	841,191.0
Liabilities and shareholders' equity				
Deposits	USD	(741,002.6)	0.0	(741,002.6)
Interbank and overnight borrowing		0.0	0.0	0.0
Bankers' acceptances and derivatives instruments		(2,115.6)	0.0	(2,115.6)
Borrowings from financial institutions		0.0	0.0	0.0
Accounts Payable		(5,514.4)	0.0	(5,514.4)
Long-term debt		0.0	0.0	0.0
Others Liabilities		(3,566.6)	(2,500.0)	(1,066.6)
Accrued expenses		(3,407.4)	0.0	(3,407.4)
Total Liabilities		(755,606.6)	(2,500.0)	(753,106.6)
Shareholders' equity		(101,700.5)	(13,616.1)	(88,084.4)
Total Liabilities and shareholders' equity	USD	(857,307.1)	(16,116.1)	(841,191.0)
STATEMENTS OF INCOME				
Operating Income	USD	21,710.2	(1,159.7)	20,550.5
Operating Expenses		9,118.8	0.0	9,118.8
OPERATING INCOME		12,591.4	(1,159.7)	11,431.7
Other Operating Income		0.0	1,022.3	1,022.3
Other Operating Expenses		2,633.4	0.0	2,633.4
OTHER OPERATING INCOMES & EXPENSES - NET		(2,633.4)	1,022.3	(1,611.1)
ALLOWANCES		691.6	4,160.4	4,852.0
DEPRECIATIONS - PROPERTIES AND EQUIPMENT		80.1	(6.5)	73.6
AMORTIZATIONS		219.2	0.0	219.2
OPERATING INCOME - NET		8,967.1	(4,291.2)	4,675.9
Non-Operating Income		84.3	3,616.5	3,700.8
Non-operating Expenses		43.0	0.0	43.0
NON-OPERATING INCOME - NET		41.4	3,616.5	3,657.9
Income tax expense	USD	827.0	0.0	827.0
NET INCOME		8,181.5	(674.8)	7,506.7

BANCO DAVIVIENDA S.A. AND ITS SUBSIDIARIES

Main results

at June 30 at 2012

(Thousands of U.S. dollars)

Entity	Assets	Liabilities	Equity	Profit
Banco Davivienda S.A.	20,205,077	17,343,362	2,861,715	206,275
Bancafé Panamá S.A. - 99.9%	857,307	755,607	101,701	8,182
Confinanciera S.A. - 94.9%	292,935	246,366	46,569	6,548
Fiduciaria Cafetera S.A - 94.01%	45,507	5,727	39,780	2,630
Fiduciaria Davivienda S.A. - 60%	32,029	3,563	28,467	4,235
Davivalores S.A. - 79%	9,271	829	8,442	1,533
Banco and subsidiaries	21,442,126	18,355,453	3,086,673	229,403
Eliminations	(246,951)	(29,154)	(217,796)	(19,145)
Standardisation	(16,116)	(2,500)	(13,616)	(675)
Consolidated	21,179,059	18,323,799	2,855,260	209,583
December 31 at 2011	18,869,589	16,401,205	2,468,383	171,105
Variation	12.2%	11.7%	15.7%	22.5%
Banco Davivienda over total consolidated	95.4%	94.6%	100.2%	98.4%