BANCO DAVIVIENDA S.A.

Financial Statement

June 30, 2012 and December 31, 2011

(With Statutory Auditor's Report)

DAVIVIENDA

KPMG Ltda.
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EBF2012-220

FREE ENGLISH LANGUAGE TRANSLATION
STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco Davivienda S.A.:

I have audited the balance sheets of Banco Davivienda S.A., as of June 30, 2012, and December 31, 2011 and the related income statements, changes in shareholders' equity and cash flows, the summary of significant accounting policies and explanatory notes for the semester that ended on those dates.

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

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

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

In my opinion, the above mentioned financial statements, taken accurately from books and attached to this report, present fairly, in all significant respects, the financial position of Banco Davivienda S.A. at June 30, 2012 and December 31, 2011 the results of its operations and its cash flows for the six months ended on that date, in local currency (Colombian pesos), in conformity with generally accepted accounting principles in Colombia, and instructions by the Financial Superintendence of Colombia, applied on a consistent basis.

Without qualifying my opinion, I draw attention to notes 24 and 36 to the financial statements, in which it was indicated that:

Note 24: According to the provisions of Circular Letter No. 047 of 2008 issued by the Financial Superintendence of Colombia, as of January 1, 2009 the Bank recorded balances Portfolio universalities punished Trust memorandum accounts; however, to June 30, 2012 and December 31, 2011, the Superintendence has not agreed to such transfer, which is why the balance sheet forwarded to the Financial Superintendence of Colombia differs from the official books of the Bank Accounts on record such accounts.

Note 36: 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.

Based on the results of my examination, I believe:

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

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

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

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

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

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

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

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

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

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.

Balance Sheet

June 30, 2012 and December 31, 2011

[Amounts in millions of Colombian pesos]

ASSETS		**June 30**	**December 31**
Cash and due from banks (Note 3)	$	2,329,936.0	1,278,740.7
Money market and related asset positions (Note 4)		765,312.4	1,928,630.0
Investments (Note 5)		4,706,311.6	4,489,025.4
Trading, debt securities		2,257,171.0	2,970,948.5
Held to maturity		382,377.7	289,556.3
Available for sale, debt securities		629,276.2	710,590.5
Available for sale, capital securities		309,684.4	302,876.6
Investment transfer rights		913,719.6	0.0
Available for sale, delivered in guarantee		238,854.7	239,345.4
Less: Allowance		(24,772.0)	(24,291.9)
Loans and financial leasing operations (Note 6)		25,118,137.7	24,338,046.1
Home mortgage loans		2,584,123.4	2,459,215.0
Consumer loans		8,730,789.0	8,495,501.1
Microcredit		24.8	5.3
Commercial loans		15,079,304.9	14,632,416.1
Less: Allowance		(1,276,104.4)	(1,249,091.4)
Spot operations and derivatives (Note 7)		65,258.6	125,319.2
Accounts receivable (Note 8)		419,499.9	368,543.7
Interest receivable		268,449.4	245,090.0
Commissions and fees		2,389.6	2,229.2
Payment for account of borrowers		47,593.3	44,524.7
Other		190,928.4	192,922.0
Less: Allowance		(89,860.8)	(116,222.2)
Marketable assets, foreclosed assets and restored assets, net (Note 9)		42,318.5	38,821.5
Property and equipment, net (Note 10)		390,742.1	388,759.2
Other assets (Note 11)		1,547,947.6	1,557,869.1
Prepaid expenses, deferred charges and intangibles		1,366,740.0	1,411,890.7
Staff loans		118,792.8	125,385.2
Other		64,774.5	23,637.8
Less: Allowance		(2,359.7)	(3,044.6)
Net valuation gains		672,516.0	669,991.9
Investments (Note 5)		186,978.3	192,520.7
Property and equipment (Note 10)		481,924.0	473,857.5
Works of art and culture		3,613.7	3,613.7
TOTAL ASSETS	**$**	**36,057,980.4**	**35,183,746.8**
Contingent accounts - creditor per contra (Note 22)	**$**	15,200,449.9	15,276,180.1
Contingent accounts - debtor (Note 22)		1,838,022.2	476,062.0
Memorandum accounts - debtor (Note 23)		53,800,751.7	43,844,660.5
Memorandum accounts - creditor per contra (Note 23)		76,162,924.3	76,258,972.1
Total Contingent and Memorandum Accounts	**$**	**147,002,148.1**	**135,855,874.7**
Trust accounts (Note 24)			
Assets	**$**	40,926.4	46,284.7
Contingent accounts- debtor		364,532.6	372,006.6
Memorandum accounts - debtor		51,829.3	58,107.2
Memorandum accounts - creditor per contra		227,978.4	187,889.3

BANCO DAVIVIENDA S.A.
Balance Sheet (Cont.)
June 30, 2012 and December 31, 2011
[Amounts in millions of Colombian pesos]

LIABILITIES AND EQUITY		**June 30**	**December 31**
Liabilities			
Deposits and demand accounts (Note 12)	$	21,341,062.2	21,706,782.6
Current accounts		3,229,934.6	3,447,946.6
Term deposits		6,111,535.0	5,696,304.4
Savings deposits		11,803,082.3	12,323,674.7
UVR savings certificates		37,040.2	0.0
Other deposits and demand accounts		159,470.1	238,856.9
Money-market and related liability positions (Note 13)		1,308,898.8	81,451.5
Acceptances and derivatives outstanding (Note 14)		85,981.1	96,582.3
Speculative derivatives		66,262.7	90,182.8
Hedging derivatives		19,718.4	6,399.5
Bank loans and other financial obligations		2,821,256.6	3,466,820.8
Other institutions in Colombia		1,601,861.4	1,796,266.9
Institutions abroad		1,219,395.2	1,670,553.9
Accounts payable (Note 16)		907,155.0	886,674.9
Interest		150,991.3	134,609.5
Commissions and fees		3,123.7	4,022.7
Tax collections		141,276.4	56,899.9
Suppliers		93,709.8	168,645.8
Other		518,053.8	522,497.0
Bonds outstanding (Note 17)		3,904,710.5	3,700,988.4
Other liabilities (Note 18)		334,219.5	320,710.4
Long-term employment obligations		31,169.9	35,065.4
Other		303,049.6	285,645.0
Provisions and accruals (Note 19)		247,679.8	111,181.7
Taxes		100,843.1	0.0
Other		146,836.7	111,181.7
TOTAL LIABILITIES	**$**	**30,950,963.5**	**30,371,192.6**

BANCO DAVIVIENDA S.A.
Balance Sheet (Cont.)
June 30, 2012 and December 31, 2011
[Amounts in millions of Colombian pesos]

EQUITY		**June 30**	**December 31**
Capital (Note 20)	$	55,483.3	55,479.6
Reserves (Note 21)		3,988,155.9	3,796,979.3
Legal reserve		2,272,787.6	2,269,996.3
Statutory and voluntary reserves		1,715,368.3	1,526,983.0
Surplus		695,260.2	667,432.8
Unrealized gains (losses) on investments available for sale		22,744.2	(2,559.1)
Net valuation gains (Notes 5 and 10)		672,516.0	669,991.9
Profit for the period		368,117.5	292,662.5
TOTAL EQUITY		**5,107,016.9**	**4,812,554.2**
TOTAL LIABILITIES AND EQUITY	**$**	**36,057,980.4**	**35,183,746.8**
Contingent accounts - creditor (Note 22)	**$**	15,200,449.9	15,276,180.1
Contingent accounts - debtor per contra (Note 22)		1,838,022.2	476,062.0
Memorandum accounts - debtor per contra (Note 23)		53,800,751.7	43,844,660.5
Memorandum accounts - creditor (Note 23)		76,162,924.3	76,258,972.1
Total Contingent Accounts and Memorandum Accounts	**$**	**147,002,148.1**	**135,855,874.7**
Trust accounts (Note 24)			
Liabilities	**$**	40,926.4	46,284.7
Contingent accounts - debtor per contra		364,532.6	372,006.6
Memorandum accounts - debtor per contra		51,829.3	58,107.2
Memorandum accounts - creditor		227,978.4	187,889.4

See the notes accompanying the financial statements.

EFRAIN ENRIQUE FORERO FONSECA
Legal Representative

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

JORGE ENRIQUE PEÑALOZA PORRAS
Statutory Auditor
T.P No.43402-T
Member of KPMG Ltda.
(See my report of August 15, 2012)

BANCO DAVIVIENDA S.A.

Statement of Earnings

Half-years ended on June 30, 2012 and December 31, 2011

[Amounts in millions of Colombian pesos, except profit per share]

		June 30	December 31
Direct operating income	$	2,974,847.4	2,947,038.7
Interest and amortized discount on loans and other accounts		1,667,492.9	1,537,000.5
Commissions and fees		282,455.8	286,059.8
Valuation gains on investments		137,009.0	99,391.2
Profit on investments available for sale		200.6	9,286.6
Profit on short positions, open repos, simultaneous operations and securities transfers		54.9	245.8
Exchange		194,099.9	123,159.7
Valuation of spot and derivative operations		646,531.3	862,783.3
Profit on sale of loans		11,155.0	9,547.3
Profit on sale of investments		35,848.0	19,564.5
Direct operating expenses		1,452,195.4	1,520,793.7
Interest, amortized premium and discount and other (Note 12)		581,796.6	487,153.2
Commissions		45,611.3	54,534.0
Loss on valuation of spot and derivative operations		640,110.1	827,832.3
Loss on short positions, open repos, simultaneous operations and securities transfers		172.0	869.6
Exchange		167,833.1	140,895.7
Loss on sale of investments		16,672.3	9,508.9
Direct operating result		**1,522,652.0**	**1,426,245.0**
Operating income		575,842.6	634,233.6
Dividends and other capital yields (Note 5)		49,359.8	8.8
Recovery of loan allowances (Note 6)		428,414.0	533,075.0
Recovery of receivables allowances (Note 8)		19,733.5	23,155.6
Other (Note 25)		78,335.3	77,994.2
Operating expenses		709,563.6	718,370.7
Payroll		316,100.9	275,039.8
Other (Note 26)		393,462.7	443,330.9
Operating result before alloowances, depreciation and amortizations		**1,388,931.0**	**1,342,107.9**

BANCO DAVIVIENDA S.A.

Statement of Earnings (Cont.)

Half-years ended on June 30, 2012 and December 31, 2011

[Amounts in millions of Colombian pesos]

		June 30	December 31
Provisio ns		900,966.7	971,343.2
Investments (Note 5)		3,621.7	8.7
Loans and financial leasing operations (Note 6)		845,335.9	881,125.9
Accounts receivable (Note 8)		46,184.3	84,675.8
Property and equipment (Note 10)		444.8	190.4
Other (Note 27)		5,380.0	5,342.4
Depreciation		20,745.0	25,110.9
Amortizations		44,577.2	59,927.1
Net operating result		**422,642.1**	**285,726.7**
Non-operating income (Note 28)		118,260.8	137,886.5
Profit on sale of foreclosed assets		1,358.1	2,395.2
Profit on sale of property and equipment		1,714.4	9,605.3
Recoveries		101,132.1	108,857.9
Otrher non-operating income		14,056.2	17,028.1
Non-operating expenses (Note 29)		69,310.1	38,102.0
Loss on sale of foreclosed assets		1,219.9	2,845.2
Loss on sale of property and equipment		255.8	132.9
Insurance losses		8,824.4	11,236.7
Other non-operating expenses		59,010.0	23,887.2
Net non-operating result		**48,950.7**	**99,784.5**
Profit before tax		**471,592.8**	**385,511.2**
Income tax (Note 30)		103,475.3	92,848.7
Profit for the period	**$**	**368,117.5**	**292,662.5**
Profit per share (pesos) (Note 20)	$	829.34	704.77

See the notes accompanying the financial statements.

EFRAIN ENRIQUE FORERO FONSECA
Legal Representative

CARMEN ANILSA CIFUENTES BARRER
Finance Director
TP. No. 35089-T

JORGE ENRIQUE PEÑALOZA PORRAS
Statutory Auditor
T.P No.43402-T
Member of KPMG Ltda.
(See my report of August 15, 2012)

BANCO DAVIVIENDA S.A.

Statement of Cash Flows

Half-years ended on June 30, 2012 and December 31, 2011

[Emounts in millions of Colombian pesos]

		June 30	December 31
Cash flows from operating activities:			
Profit for the period	$	**368,117.5**	**292,662.5**
Reconciliation of profit for the period and net cash			
used in operating activities			
Allowance against investments		3,621.7	8.7
Allowance against loans and financial leasing operations		845,335.9	881,125.9
Allowance against accounts receivable		46,184.3	84,675.8
Allowance against marketable, foreclosed and restored assets		4,371.9	4,396.6
Allowance against property and equipment		444.8	190.4
Allowance against other assets		221.2	288.6
Allowance for severance		12,163.1	11,382.4
Other allowances		478.3	384.8
Depreciation		20,745.0	25,110.9
Amortizations		44,577.2	59,927.1
Profit on sale of loans		(11,155.0)	(9,547.3)
Valuation of investments, net		(137,009.0)	(99,391.2)
Valuation of spot and derivative operations		(6,421.2)	(34,951.0)
Profit on sale of investments, net		(19,175.7)	(10,055.6)
Profit on sale of marketable, foreclosed and restored assets net		(138.2)	(687.7)
Profit on sale of property and equipment, net		(1,458.6)	(8,335.2)
Recovery of allowance against investments		(3,141.6)	(3,419.2)
Recovery of allowance against loans and financial leasing operations		(428,414.0)	(533,075.0)
Recovery of allowance against accounts receivable		(19,733.6)	(23,155.6)
Recovery of allowance against marketable, foreclosed and restored assets net		(5,455.0)	(3,448.9)
Recovery of allowance against property and equipment		(807.8)	(5,515.5)
Recovery of allowance against other assets		(906.1)	(1,188.3)
Reexpression of property, plant and equipment		849.5	(479.7)
Other recoveries of accruals		(2,923.8)	(6,578.0)
Increase in deferred income tax, net		16,114.1	32,994.4
Payment of Wealth Tax		11,166.9	22,333.8
Payment of severance		(4,809.8)	(5,190.8)
Changes in operating assets and liabilities			
Increase (Decrease) in unrealized gain on investments		25,303.2	(16,945.1)
Increase in loans and financial leasing operations		(1,548,528.1)	(2,851,930.6)
Increase in accounts receivable		(77,406.9)	(128,554.5)
Additions to foreclosed assets		(10,822.0)	(13,645.2)
Proceeds of sale of marketable, foreclosed abd restored assets.		7,514.7	10,773.6
(Increase) Decrease in other assets		(33,970.8)	28,367.2
(Decrease) Increase in deposits and demand accounts		(365,720.5)	1,746,859.3
Increase (Decrease) in accounts payable		9,230.8	(41,669.8)
(Decrease) Increase in other iabilities		(9,577.2)	9,583.5
Increase (Decrease) in accruals and provisions		138,943.5	(33,187.0)
Net cash used in operating activities	$	**(1,132,191.2)**	**(619,885.7)**

BANCO DAVIVIENDA S.A.

Statement of cash flows (cont.)

Half-years ended on June 30, 2012 and December 31, 2011

[Amounts in millions of Colombian pesos]

		June 30	December 31
Cash flows from investment activities			
Increase de investments	$	(61,581.6)	(564,719.5)
Decrease in acceptances, spot operations and derivatives		66,481.8	21,597.4
Additions to property and equipment		(23,751.9)	(35,345.5)
Proceeds of sale of property and equipment		2,646.5	21,037.0
Net cash used in investment activities		**(16,205.2)**	**(557,430.6)**
Cash flows from financing activities			
Proceeds of sale of loans		362,669.6	376,069.0
Increase in money-market and related liability positions		1,227,447.3	39,150.3
Decrease in derivatives		(10,601.2)	(41,852.9)
(Decrease) Increase in bank loans and other financial obligations		(645,564.2)	758,677.7
Increase in bonds outstanding		203,722.1	209,780.2
Donations		(4,429.2)	(2,126.3)
Share subscriptions		0.0	715,595.3
Preference shares pending payment		597.7	0.0
Dividends paid in cash		(97,568.0)	(86,748.2)
Net cash provided by financing activities		**1,036,274.1**	**1,968,545.1**
Net (Decrease) Increase in cash and cash equivalents		**(112,122.3)**	**791,228.8**
Cash and cash equivalent at the beginning of the period		**3,207,370.7**	**2,416,141.9**
Cash andcash equivalent at the end of the period	**$**	**3,095,248.4**	**3,207,370.7**

See the notes accompanying the financial statements.

EFRAIN ENRIQUE FORERO FONSECA	**CARMEN ANILSA CIFUENTES BARRERA**	**JORGE ENRIQUE PEÑALOZA PORRAS**
Legal Reperesentative	**Finance Director**	**Statutory Auditor**
	TP. No. 35089-T	**T.P No.43402-T**
		Member of KPMG Ltda.
		(See my report of August 15, 2012)

BANCO DAVIVIENDA S.A.
Statement of Changes in Equity
Half-years ended on June 30, 2012 and December 31, 2011
[Amounts in millions of Colombian pesos, except per-share information]

	Capital	Legal Reserve	Voluntary Reserves	SURPLUS: Unrealized gain (loss) on investments available for sale	SURPLUS: Net valuation gains	Profit for the period	Total equity
Balance at June 30, 2011	51,007.1	1,558,873.5	1,318,731.5	14,386.0	589,392.2	300,150.3	3,832,540.6
Donations			(2,126.3)				(2,126.3)
Issue of preference shares 35.809.649 at $20.000 each	4,476.2	711,716.8					716,193.0
Preference shares receivable 29.886	(3.7)	(594.0)					(597.7)
Distribution of profits for the half-year ended on June 30, 2011:							
Voluntary reserve at the disposal of shareholders as taxed reserves.			182,555.9			(182,555.9)	0.0
Voluntary reserve at the disposal of shareholders for future distributions.			27,821.9			(27,821.9)	0.0
Cash dividends declared at $220 per share on 408,056,976 subscribed and paid shares. September 22, 2011						(89,772.5)	(89,772.5)
Movement in the half-year				(16,945.1)	80,599.7		63,654.6
Profit for the period						292,662.5	292,662.5
Balance at December 31, 2011	55,479.6	2,269,996.3	1,526,983.0	(2,559.1)	669,991.9	292,662.5	4,812,554.2
Donations			(4,429.2)				(4,429.2)
Payment of 29,886 preference shares receivable	3.7	594.0					597.7
Distribution of profits for the half-year ended on December 31, 2011:							
Legal reserve		2,197.3				(2,197.3)	0.0
Voluntary reserve at the disposal of the shareholders as untaxed reserves			171,150.4			(171,150.4)	0.0
Voluntary reserve at the disposal of shareholders for future distributions.			21,664.1			(21,664.1)	0.0
Cash dividends declared at $220 per share on 443,866,625 subscribed and paid shares. March 15, 2012						(97,650.7)	(97,650.7)
Movement in the half-year				25,303.2	2,524.2		27,827.4
Profit for the period						368,117.5	368,117.5
Balance at June 30, 2012	$ 55,483.3	2,272,787.6	1,715,368.3	22,744.1	672,516.1	368,117.5	5,107,016.9

See the notes accompanying the financial statements.

EFRAIN ENRIQUE FORERO FONSECA
Legal Representative

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

JORGE ENRIQUE PEÑALOZA PORRAS
Statutory Auditor
T.P No.43402-T
Member of KPMG Ltda.
(See my report of August 15, 2012)

June 30, 2012 and December 31, 2011
(amounts in millions of Colombian pesos)

1. Reporting Entity

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

The most important changes to articles have been:

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

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

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

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

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

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. The Bank owns 60% of the shares of Fiducuaria 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. (See detail in Note 6. 9).

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

2. Summary of Principal Accounting Policies

2.1 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 Superintdency´s special accounting rules aren in some cases not the same as accounting standards generally accepted in Colombia, as described bellow:

Property and Equipment

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

Share premium

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

Financial statements

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

2.2 Statement of cash and cash equivalent flows

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

3.1. 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.

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

Simultaneous Operations

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

Liability Position: The ownership of securities is transferred in exchange for cash and a commitment to repurchase securities of the same type and characteristics from the counterparty on the same day or at a later date (but not more than |1 years ahead), at a predetermined price or amount.

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

Accounting and valuation of repos and simultaneous operations

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

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

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

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

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

(Continued)

2.3 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:

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.	The difference between the current and previous market value is charged or credited to the value of the investment and credited or charged to earnings. Investments are valued at market as of the acquisition date and therefore the recording of changes from acquisition to market is made as of that date. .

Held to maturity

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

Available for sale – debt securities

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

Available for sale – capital investments

Low/minimum turnover or unquoted held by the Bank as controlling interest or parent	Capital investments are valued depending on their turnover indicator at the time of valuation: Low/minimum turnover or unquoted equities are valued monthly and the percentage share of equity variations subsequent to acquisition calculated on the basis of the latest certified financial statements are calculated. If the Bank has a controlling interest, the variation is made on the basis of financial statements at the half-.yearly close of each company in which an investment is held	Low/minimum turnover or unquoted: - The difference between market or the updated book value of the investment is recorded as follows: -If higher, the allowance or loss on valuation is reduced until exhausted and any excess is recorded as a surplus or gain. -If lower, the valuation gains are affected until exhausted,, and any further loss is recorded as a valuation loss. – If dividends or profits are distributed in kind (including those arising from the capitalization of the equity revaluation account) this is recorded as income for the portion related to the revaluation surplus and charged to the investment, and the surplus is reversed. – If the dividend or profit is distributed in cash, it is recorded as a valuation surplus, the surplus is reversed and the amount of dividends that exceeds that total is written down against the value of the investment.
High-medium turnover. These investments are classified as such by turnover level at valuation date, using calculations authorized by the Superintendency. The turnover indicator represents the degree of liquidity of a share on the exchanges. .	Medium turnover equities are valued on the average prices published by the exchanges on which they are traded. The average is the weighted average price for the quantity traded on the last five days on which the share is traded. High-turnover equities are valued on the latest weighted average daily dealing rice on the exchange where they are traded.	**Low/minimum turnover or unquoted** - The updated market value of high/medium turnover securities or those quoted on internationally-recognized foreign exchanges are recorded as accumulated unrealized gains or losses in the equity section and credited or charged to the investment. - Dividends or profits distributed in kind or in cash, including those from the capitalization of the equity surplus account, are recorded as income for up to the amount corresponding to the investor on profits or equity revaluation of the issuer recorded by the issuer from the date of acquisition of the investment and charged to accounts receivable.

(Continued)

Reclassification of Investments

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

Investment transfer rights

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

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 investments, the amount of allowances is based an internally-developed method, which must be approved in advance by the Superintendency.

- Chapter I of Circular 100/1995 sets the base value for the calculation of allowances against debt securities as their face value

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 Garantias de Instituciones Financieras known as Fogafin in Colombia**.**

2.4 Loans and Financial Leasing

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:

- **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.

(Continued)

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 ofrepayment 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 than120 minimum legal monthly salaries (approximately US$35,000), at the time of approval of the loan operation. “Balance of indebtedness” means that the amount of current debt for account of the micro-enterprise as registered with credit database sources consulted, excluding home mortgage loans but including the new loan applied for.

Restructured Loans

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

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

Rules for recording restructured loans. In cases where the result of restructuring agreements or any other mode of agreement provides for the capitalization of interest recorded in Memorandum Accounts or loan balances written off, including capital, interest and other items, they will be recorded as deferred credits, and amortization to capital will be made in proportion to amounts effectively collected.

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

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

Insolvency regime-Law 1116/2006.
The insolvency regime is intended to protect credit and recovery and preservation of the a business as an unit of economic exploitation and a source of employment, through processes of reorganization and judicial liquidation, always following criteria of added value.

Fiscal reorganisation,-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.

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	Default for:
Commercial	3 months
Consumer	2 months
Home mortgage	2 months
Micro-credits	1 month

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

For cases in which as a result of restructuring agreements or any other mode of agreement, it is agreed that interest recorded in memorandum accounts or the balances of loans written off, including capital, interest and other items will be capitalized, this income is recorded as a deferred credit, and is carried to earnings as and when effective collection is made.

Loans which are in arrears and which on a previous occasion have ceased to accrue interest, monetary correction, exchange adjustment, leasepayments 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

(Continued)

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.

Portfolio	**Default Levels**
Commercial	570
Consumer	180 (other than unsecured vehicle)
Home mortgage	540
Residential Leasing	540 (Commercial Portfolio)
Commercial Vehicles	360
Consumer Vehicles	360
Microcredit	180

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

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

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

Rules for 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.

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

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 the compatibilization of risk classification for the purpose of reports to the risk bureaus, indebtedness reports and recording the financial statements uses the following table:

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

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

Consumer loans

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

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

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

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

Homre mortgage and micro credit

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

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

Classification of loans to regional government.

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

2.6. 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 counter cyclical.

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	>= 9%
2. Net allowance expensed as % of portfolio revenue	>= 17%
3. Net allowance expensed as % of Adjusted Gross Financial Margin	<= 0% ó >= 42%
4. Real annual growth of Gross Loanso	< 23%

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

Method of calculation for the accumulative phase

Individual procyclical component (CIP). 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 (CIC). This is the maximum value between the individual countercyclical component for the preceding period affected by exposure, and the difference between the

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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:

Company Size	**Asset Level**
Large:	Over 15,000 minimu m 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:

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

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:

	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:

Guarantee type	LGDI.	Days in arrears	New LGD.	Days after default	New LGD.
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%.

- Exposed asset value

  Exposed asset value is the balance of capital, interest, receivables and other accounts in commercial loans.

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".

Consumer loans.

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

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

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

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

Where:

- Probability of default (PI)

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

The probability of default is defined by the following matrix.

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

Guarantee type	LGD	Days after default	New LGD.	Days after default	New LGD.
Unsecured	75.00%	30	85.00%	90	100.00%
Non-admissible guarantee	60.00%	210	70.00%	420	100.00%

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

<u>Exposed asset value.</u>

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.

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 mínimum %		% Bank´s minimum	
	Covered	NJot covered Descubierta	Covered	Not covered Descubierta
A	1.00%	1.00%	1.00%	3.00%
B	3.20%	100.00%	4.00%	100.00%
C	10.00%	100.00%	10.00%	100.00%
D	20.00%	100.00%	30.00%	100.00%
E	30.00%	100.00%	100.00%	100.00%

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

Microcredit

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

Category	Regulatory minimum%		Bank´s minimum%	
	Capital balance	Not covered Covered	Capital balance	Not covered
A	1.00%	0.00%	1.60%	1.60%
B	2.20%	1.00%	4.00%	5.00%
C	0.00%	20.00%	0.00%	30.00%
D	0.00%	50.00%	0.00%	60.00%
E	0.00%	100.00%	0.00%	100.00%

Effect of admissible 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 t he guarantee for the purposes of the allowances apply as follows.

Non-mortgage guarantees:

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

Mortgage guarantees:

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

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 Cof 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.

2.7. Spot and derivative operations.

Spot operations	**Derivatives**
Financial assets acquired through spot operations are recorded in the balance sheet on the settlement date and not the dealing date, unless the two coincide, as follows: The seller records financial asset in his balance sheet until delivery affected, and meanwhile records the right to receive cash from the transaction as an asset, and the obligation to deliver the asset sold. The buyer of the asset does not record the financial asset in his balance sheet and it is delivered, but records the right to receive the asset amount in his assets, with the obligation to deliver the cash agreed for the operation. Changes in market value of instruments sold must be shown in the earnings statement as of the date of the trade, as appropriate. If the operation is effectively completed, the buyer and seller of the asset will reverse the right and the obligation recorded at the time the trade took place.	Recorded in the balance sheet, from the date of the trade, for a fair market price. If the initial contract has a value of zero, that is, if no payment or physical delivery is made by the parties, the earnings statement is not affected. In subsequent valuations, price the variations in the price must be recorded in the earnings statement or in equity accounts, depending on the classification of the derivative. 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. 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. 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. 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. **Accounting of derivatives for hedging purposes.** 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. 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.

Forwards	Futures
Speculative forwards will be booked in the balance sheet from the date of the trade, for the fair price. Where the initial value of the contract is zero on that date, that is, there has been no payment or physical delivery of between the parties, the earnings statement is not affected. In subsequent valuations, the variations in the prices must be recorded in the earnings statement, following the rules given below. Forwards that have a positive fair price (i.e. favourable to the Bank) are recorded as assets , separating the right and the obligation. If the fair price is negative (i.e. unfavourable to the bank) the operation is recorded as a liability, with the same separation. Where the price of the derivative is zero, either on the initial date or on some subsequent date, the books must show the asset entry if the derivative is for speculative purposes. But if it is a financial derivative for hedging purposes, the books in this case will show an asset or a liability, as appropriate on the opposite side to that of the primary position hedged. The balance sheet accounts do not net out favourable and unfavourable balances of Derivatives, even if they are of the same type, but it must be recorded as an asset or a liability, as appropriate.	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.

Options
When the Bank buys call or put options -the premium paid and the variations in day to day valuation to the fair price must be made in the sub accounts for options, on the asset side. When the Bank sells a call or put option- the premium received and day to day variations in the fair price are recorded in the subaccount for the appropriate option on the liability side (accounts on the cards are recorded in a single account). Supervised institutions must report the 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.

(Continued)

Swaps.		
Hedging swaps.	**Speculative swaps**	**Hedging swaps**
These are traded operations which are designed to reduce or remove a specific risk which may have an impact on earnings as a consequence in variations in the fair price or on cash flow, or on the exchange rate of one or more items in the "primary positions". In compliance with current regulations, this 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.	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.	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.

2.8. 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.

2.9. 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 n for which the asset is received is lower than the balance sheet value, the difference is immediately charged to earnings, as an allowance.

If the value for which the asset is received is in excess of the value of the loan repayable (i.e.in favour of the debtor) the difference is recorded as an account payable.

These assets are received on a temporary basis, and must be sold within two years following receipt, unless the Bank's Board has ordered an extension of the term for sale, which may not be for longer than two years.

Valuations used are not more than three years old at the closing date on which they apply. The result of the valuation is recognized as a valuation gain for foreclosed properties and recorded in Memorandum Accounts, or conversely, a valuation costs appear as an allowance charged to earnings.

Profits generated as a consequence of the disposal of these assets through loan or term sale operations are deferred over the term agreed for the operation; amortization is charged to earnings, as and when collection is actually made.

Where the sale is a spot sale, the profit on the operation is recorded as revenue in the earnings statement.

Restored Assets

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

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

Assets not used in the business

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

(Continued)

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

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

2.10. Allowance against marketable assets and foreclosed assets.

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

Period	Movable	Real property
Year 1	30%	35%
Year 2	30%	35%
Total	60%	70%
2 years or more	20%	30%
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.

2.11. 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:

	Useful life	Annual rate
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

2.12. Branches and agencies.

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

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

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

2.13. 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 to the generation of income, on the following basis:

P**repaid 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.
- 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.

(Continued)

- 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 seven years for Confinanciera S.A., by the exponential method at a time of 20 years for Granbanco S. A.

2.14. 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 recordedon 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.

- Foreclosed assets.

Valuation gains on foreclosed assets are recorded in Memorandum Accounts.

2.15. 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.

2.16. Income received in advance and deferred liabilities.

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

UVR adjustment

Law 546/1999, Article 3, created the UVR, as a unit of account, which reflects the purchasing power of the 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.

2.17. 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.

2.18. 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.

2.19. 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 doubts with regard to a possible gain or loss by the Bank in a court case, or in actions pursued against it, which generate a contingent liability. The doubt is finally resolved when one or more of the future events occurs or fails to occur.

2.20. Memorandum Accounts.

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

2.21. 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 compatibilzed he 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 of books of account of the Bank with respect to the bookkeeping of these accounts.

2.22. Net profit per share.

In order to determine the net profit per share at June 30, 2012 and December 31, 2011, the bank used the weighted average method for shares subscribed and paid for the time they had been outstanding, which was $829.34 and $704.77, respectively.

2.23. 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.

(Continued)

3. Cash and due from Banks

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

		June 30	December 31
Local currency:			
Cash	$	868,128.4	795,003.6
Banco de la República		743,867.9	249,669.0
Banks and other financial institutions		6,040.5	25,847.6
Clearing		72,381.9	36,203.1
Remittances in transit		27.3	145.9
Allowance		(541.0)	(353.0)
		1,689,905.0	1,106,516.2
Foreign currency expressed in local currency:			
Cash		542.2	1,262.1
Banco de la República		54.8	60.4
Banks and other financial institutions		635,240.8	170,762.2
Remittances in transit		4,193.2	155.4
Allowance		0.0	(15.6)
		640,031.0	172,224.5
		$2,329,936.0	1,278,740.7

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

These deposits are not remunerated.

3.1. Reconciliation items

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

Pending more than 30 days	No.		Amount
Statement Debit Notes not in books	68	$	227.4
Statement credit notes not in books	90		(296.6)
Book debit notes not in statement	14		66.4
Book credit notes not in statement	1		(1.2)
	173	$	(4.0)

(Continued)

At June 30, 2012 the reconciliation of local bank account scontained 96 items pending under 30 days, for a net value of $(862.6). Reconciliation ítems pending over 30 days have no significant impact. Allowances total $293.8.

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

Items pending over 30 days	No.		Amount
Statement Debit Notes not in books	41	$	187.4
Statement credit notes not in books	117		(317.6)
Book debit notes not in statement	18		79.2
Book credit notes not in statement	1		(1.2)
	177	$	(52.2)

At December 31, 2011 local bank account reconciliations contained 38 items under 30 days for a net value of $27.5, reconciliation ítems pending over 30 days have no significant impact. Allowances total $251.8.

3.2. Foreign currency reconciliation items

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

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

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

Items over 30 days	No.	US$000
Statement credit notes not in books	2	(11.9)
Book debit notes not in statement	2	8.0
Book credit notes not in statement	10	(9.4)
	14	(13.3)

There is an allowance of $15.6 against reconciliation ítems.

 (Continued)

There is a restriction on the availability of foreign currency cash at june 30, 2012 and December 31, 2011 of US$9,020,000, equivalent to $16.097.1 and $6.799.5 respectively, needed to attend to liquidity requirements ofg the US Branch.

3.3. Allowance against cash

The movement of the allowance against cash is as follows:

		June 30	December 31
Opening balance	$	368.6	411.2
Plus:			
Allowance expensed		308.6	272.4
Less:			
Allowance recovered		136.2	315.0
Closing balance	$	541.0	368.6

3.4 Mandatory cash reserve

At June 30, 2012 and December 31, 2011, mandatory cash reserves were held as required by Banco de la República Circular 11 (October 2008) (Note 36).

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

	June 30	December 31
Average reserve required	$1,979,652.6	1,834,538.2
Average reserve held	1,999,347.7	1,860,700.6

4. Money market and related asset operations – asset positions

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

June 30

Item	US$		Rate	Date struck	Date matured	Peso amount	TRM* (Pesos)
Foreign currency							
Overnight , banks abroad:	US$	5,000,000.0	0.45%	Jun.22.2012	Jul.20.2012	$ 8,923.0	1,784.60
		2,475,000.0	0.01%	Jun.29.2012	Jul.02.2012	4,416.8	1,784.60
		7,475,000.0				13,339.8	
Local currency							
Simultaneous operations							
Banco República			5.60%	Jun.28.12	Jul.04.12	$18,144.8	
			5.70%	Jun.26.12	Jul.04.12	177,022.6	
			5.75%	Jun.29.12	Jul.06.12	48,292.8	
			5.80%	Jun.25.12	Jul.03.12	86,312.5	
			6.10%	Jun.29.12	Jul.03.12	2,668.3	
						332,441.0	
Exchange brokers			5.40%	Jun.27.12	Jul.03.12	20,479.5	
			5.60%	Jun.27.12	Jul.05.12	74,867.9	
			5.70%	Jun.27.12	Jul.04.12	95,245.9	
			5.75%	Jun.28.12	Jul.05.12	70,441.6	
			5.80%	Jun.29.12	Jul.04.12	91,359.5	
			5.85%	Jun.29.12	Jul.05.12	3,106.4	
			6.40%	Jun.27.12	Jul.03.12	6,244.0	
			6.50%	Jun.29.12	Jul.03.12	2,562.2	
						364,307.0	
Insurance companies			6.25%	Jun.29.12	Jul.03.12	6,660.6	
Trust companies			5.60%	Jun.27.12	Jul.03.12	2,669.9	
			5.70%	Jun.29.12	Jul.03.12	21,843.1	
			5.85%	Jun.29.12	Jul.05.12	6,051.0	
						30,564.0	
Interbank funds							
Banks			5.28%	Jun.30.12	Jul.11.12	6,000.0	
			5.30%	Jun.27.12	Jul.25.12	6,000.0	
						12,000.0	
State agencies			5.31%	Jun.29.12	Jul.03.12	6,000.0	
						751,972.6	
						$ 765,312.4	

(Continued)

Item	US$		December 31 Rate	Date Struck	Matured	Amou nt in pesos	TRM* (Pesos)
Foreign currency							
Overnight – Banks abroad:	US$	2,400,000.0	0.030%	Dic.30.11	Ene.03.12	$ 4,662.5	1,942.70
		5,000,000.0	0.350%	Dic.28.11	Ene.03.12	9,713.5	1,942.70
	US$	7,400,000.0				14,376.0	
Local currency							
Simultaneous operations							
Banco República			5.25%	Dic.15.11	Ene.04.12	50,020.3	
			5.30%	Dic.16.11	Ene.05.12	77,714.0	
			5.20%	Dic.20.11	Ene.13.12	161,203.0	
			5.10%	Dic.22.11	Ene.04.12	68,566.8	
			5.15%	Dic.22.11	Ene.06.12	126,424.2	
			4.75%	Dic.26.11	Ene.06.12	436,293.0	
			4.80%	Dic.26.11	Ene.05.12	556,177.4	
			4.85%	Dic.26.11	Ene.04.12	47,121.1	
			4.90%	Dic.27.11	Ene.11.12	96,552.1	
						1,620,071.9	
Exchange brokers			4.85%	Dic.27.11	Ene.02.12	21,158.4	
			6.50%	Dic.27.11	Ene.02.12	1,933.0	
			5.00%	Dic.27.11	Ene.02.12	9,933.8	
			4.80%	Dic.28.11	Ene.04.12	42,332.8	
			4.90%	Dic.28.11	Ene.03.12	16,324.1	
						91,682.1	
Clearing banks			4.60%	Dic.14.11	Ene.02.12	145,000.0	
			4.65%	Dic.21.11	Ene.25.12	12,000.0	
			4.64%	Dic.29.11	Ene.02.12	22,000.0	
						179,000.0	
Investment banks			4.62%	Dic.16.11	Ene.02.12	23,500.0	
						1,914,254.0	
						$ 1,928,630.0	

At June 30, 2012 and December 31, 2011, the balance and average monthly yield on asset positions (local and foreign currency) was $765,312.4 and $4,768.5, and $1,928,630.0 and $2,167.1 respectively.

There are no restrictions on these funds

(Continued)

5. Investments

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

June 30		Cost	Allowance
Trading, debt securities	$	2,257,171.0	8,740.3
Held to maturity		382,377.7	295.5
Available for sale, debt securities		629,276.2	2,293.6
Available for sale, capital investments		309,684.4	13,442.6
Transfer rights on trading investments in debt securities		913,719.6	0.0
Available for sale, delivered in guarantee of derivatives or other debt securities		238,854.7	0.0
	$	4,731,083.6	24,772.0
December 31			
Trading, debt securities		2,970,948.5	9,640.3
Held to maturity		289,556.3	167.0
Available for sale, debt securities		710,590.5	1,042.0
Available for sale, capital investments		302,876.6	13,442.6
Available for sale, delivered in guarantee of derivatives or other debt securities a		239,345.4	0.0
	$	4,513,317.3	24,291.9

5.1. Investment portfolio by classification, type and credit rating

- Trading investments - debt securities		June 30	December 31
TES	$	674,375.9	1,673,832.9
TRD		1,580.0	1,545.1
Bonds		199,114.0	221,690.6
TDA Finagro (1)		250,483.8	144,347.6
TDS		452,818.3	284,090.1
TIPS		580,583.1	557,168.2
Debt instruments		35,558.6	21,887.2
Issues of entities abroad		32,073.1	41,589.4
Mulitaterals ´issues		7,834.1	6,827.8
Other investments		22,750.1	17,969.6
	$	2,257,171.0	2,970,948.5
- Investments held to maturity			
TRD		292,333.3	288,665.7
TDA (1)		41,470.5	0.0
TIPS		48,573.9	890.6
	$	382,377.7	289,556.3

(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 freserve requirement 5,8% on current and savings accounts and 4.3% on TDs.

These percentages apply base don mthe calculation of the mandatory investment in TDA (agricultural development issues), corresponding to demand accounts fpor the wuarter March-June 2009 and are the percentages in force today. (Note 36).

		June 30	December 31
- Investments available for sale, debt securities			
TIPS	$	608,256.3	688,148.0
Foreign issues		21,019.9	22,442.5
	$	629,276.2	710,590.5
- Available for sale, capital investments			
Low/mínimum turnover : Note 6.9)	$	309,684.4	302,876.6
- Trading investments delivered in guarantee			
Trading, debt securities			
TES	$	913,719.6	0.0
- Avaoilable for sale, delivered in guarantee			
Available for sale, debt securities			
TES	$	238,854.7	239,345.4
- Allowance against investments		(24,772.0)	(24,291.9)
Total net investments	$	4,706,311.6	4,489,025.4

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 guarahntee 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 mn favour of the Florida Office of Financial Regulation

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

5.2. Reclassification of investments

At June 30, 2012 y December 31, 2011, no investments were reclassified.

5.3. Investment portfolio ratings

	June 30	% Share	Allowance	December 31	% Share	Allowance
Long-term ratings						
AAA	$1,174,662.7	26.57%	$0.0	1,189,283.1	28.25%	0.0
AA+	22,423.3	0.51%	0.0	47,004.0	1.12%	0.0
AA	176,203.4	3.99%	0.0	126,252.2	3.00%	0.0
AA-	50,775.3	1.15%	0.0	40,834.5	0.97%	0.0
A+	33,621.3	0.76%	0.0	60,368.0	1.43%	0.0
A-	9,078.7	0.21%	0.0	35,374.2	0.84%	0.0
A	123,878.1	2.80%	0.0	79,071.4	1.88%	0.0
BBB+	47,114.8	1.07%	0.0	23,830.7	0.57%	0.0
BBB	56,816.0	1.29%	0.0	47,565.6	1.13%	0.0
BBB-	44,464.3	1.01%	0.0	52,383.6	1.24%	0.0
BB+	4,029.7	0.09%	662.6	2,276.3	0.05%	227.6
BB-	637.8	0.01%	86.7	1,037.8	0.02%	103.8
BB	11,387.4	0.26%	1,725.6	8,143.5	0.19%	814.4
B+	14,192.7	0.32%	4,327.0	15,636.4	0.37%	4,690.9
CC	351.1	0.01%	218.3	471.4	0.01%	235.8
C	8,051.7	0.18%	4,309.2	9,553.7	0.23%	4,776.8
Multilateral	0.0	0.00%	0.0	3,815.6	0.09%	0.0
Sovereign	2,155,779.2	48.76%	0.0	2,257,906.3	53.63%	0.0
	3,933,467.5	88.96%	11,329.4	4,000,808.3	95.02%	10,849.3
Short-term ratings						
1	7,179.6	0.16%	0.0	10,086.7	0.24%	0.0
1+	460,751.8	10.43%	0.0	194,888.4	4.63%	0.0
2	20,000.3	0.45%	0.0	4,657.3	0.11%	0.0
	487,931.7	11.04%	0.0	209,632.4	4.98%	0.0
	4,421,399.2	100.00%	11,329.4	4,210,440.7	100.00%	10,849.3
Capital investments						
A	309,674.6	100.00%	13,440.7	302,866.8	100.00%	13,440.7
B	9.8	0.00%	1.9	9.8	0.00%	1.9
	309,684.4	100.00%	13,442.6	302,876.6	100.00%	13,442.6
	$ 4,731,083.6	100.00%	24,772.0	4,513,317.3	100.00%	24,291.9

(Continued)

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 $81.415.6 and $61.288.0, respectively.

5.4. Investment portfolio by issuer

		June 30		ecember 31	
		Gross value	Allowance	Gross value	Allowance
Foreign currency					
Financial institutions	$	64,905.7	0.0	79,945.2	0.0
Banks abroadr		60,739.6	0.0	39,608.1	0.0
Foreign governments		0.0	0.0	7,324.2	0.0
Multilaterals		539.2	0.0	7,211.0	0.0
Corporateo		9,775.8	0.0	0.0	0.0
Other		0.0	0.0	8,639.4	0.0
Local currency					
Sovereign		2,155,711.5	0.0	2,257,812.4	0.0
Regional and local authorities		12,385.5	0.0	3,296.2	0.0
Financial institutoinsFinancieras		2,346,349.7	11,329.4	1,993,381.3	10,851.1
Corporate		80,676.6	13,442.6	116,099.5	13,440.8
	$	4,731,083.6	24,772.0	4,513,317.3	24,291.9

5.5. Investment portfolios by currency

		June 30	December 31
Pesos	$	3,763,987.9	3,830,672.8
Dollars		135,960.3	142,727.8
UVR		831,135.4	539,916.7
	$	4,731,083.6	4,513,317.3

5.6. Investment portfolios by maturity

June 30		0 - 1 years	1 - 5 years	5 - 10 years	Over 10 years	Total
Trading investments	$	954,335.6	998,564.8	566,090.1	651,900.1	3,170,890.6
Available for sale, debt securities		0.0	259,914.5	356,417.0	251,799.4	868,130.9
Available for sale, capital investments		0.0	0.0	0.0	309,684.4	309,684.4
Held to maturity		113,321.8	220,562.9	19,142.5	29,350.5	382,377.7
	$	1,067,657.4	1,479,042.2	941,649.6	1,242,734.4	4,731,083.6

December 31		0 - 1 years	1 .-5 years	5 - 10 years	Over 10 years	Total
Trading investments	$	403,589.7	1,435,114.2	497,963.6	634,281.0	2,970,948.5
Available for sale, debt securitires		0.0	261,772.9	459,135.1	229,027.9	949,935.9
Available for sale, capital investments		0.0	0.0	0.0	302,876.6	302,876.6
Held yto maturity		32,848.6	255,817.2	890.5	0.0	289,556.3
	$	436,438.3	1,952,704.3	957,989.2	1,166,185.5	4,513,317.3

5.7. Maximum, mínimum and average values

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

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

(Continued)

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

Investments		December 31		
By type		Minimum	Maximum	Average
Bonds	$	256,319.2	363,918.2	311,552.0
TDs		261,309.1	403,350.8	327,900.5
Issued abroad		0.0	18,506.4	14,955.2
Commercial paper		1,005.3	5,028.7	3,016.2
TDA Finagro		144,347.6	210,017.8	180,058.0
TES		756,638.0	1,673,832.9	1,242,936.1
TIPS		557,168.2	611,788.2	577,752.5
Loan securities		21,887.3	28,587.7	25,720.0
TRD		1,532.3	1,545.2	1,538.5
Available for sale				
TES		237,932.9	498,306.6	327,947.9
TIPS		688,148.1	714,720.1	704,220.1
Issued abroad		15,541.6	22,442.5	15,820.7
Held to maturity				
TDs		0.0	3,027.7	2,516.2
TIPS		890.6	1,483.6	1,113.7
TRD		288,610.1	300,780.7	293,638.5
	$	3,231,330.3	4,857,337.1	4,030,686.1
Asset positions in money market and related operations				
Interbank asset operations		0.0	202,500.0	76,250.0
Repos and simultaneous		50,000.0	1,711,754.0	664,475.3
	$	50,000.0	1,914,254.0	740,725.3
Liability positions in Money market and related operations				
Interbank liabilty operations		12,000.0	46,000.0	22,750.0
Repos and simultaneous		0.0	473,531.1	182,563.8
	$	12,000.0	519,531.1	205,313.8

(Continued)

5.8. Investment allowances

The movement of the investment allowance is the following:

		June 30	December 31
Opening balance	$	24,291.9	27,702.4
Plus:			
Allowance expensed		3,621.7	8.7
Less:			
Allowance recovered		3,141.6	3,419.2
Closing balance	$	24,772.0	24,291.9

5.9. Investmentsi available for sale, capital investments

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

June 30

Name	Capital	% held	Acquisition cost	Adjusted Costo	Valuation Gain/losss.	Allowance	Rating	Dividends cash	Dividends shares
Bancafé Panamá S.A.	USD29.100.000	99.999%	62,884.3	51,931.5	105,262.6	0.0	A		
Corporación Andina de Fomento	3,484.1	0.004%	328.8	351.8	99.2	0.0	A		
			63,213.1	52,283.3	105,361.8	0.0		0.0	
Finagro	156,606.6	12.670%	52,149.7	67,984.8	9,505.8	0.0	A		5,574.5
Fiduciaria Cafetera S.A.	33,462.4	94.011%	44,586.9	55,631.0	11,107.8	0.0	A	4,700.5	
Compañía de Inv. del Café S.A. *	8,024.0	29.537%	13,440.7	13,440.7	0.0	13,440.7	A	0.0	
Cámara de Riesgo Central de Contraparte	40,000.0	4.681%	1,563.7	1,872.4	-501.6	0.0	A	0.0	
Almacafé	14,472.4	0.009%	9.8	9.8	0.0	1.9	B	0.0	
Confinanciera S.A.	38,052.0	94.900%	31,880.4	66,140.6	12,727.8	0.0	A	10,517.1	11,339.0
Davivalores S.A.	2,384.0	79.000%	2,405.7	2,981.5	8,920.3	0.0	A	0.0	
Fiduciaria Davivienda S.A.	27,475.0	60.000%	381.0	16,204.6	14,276.4	0.0	A	7,200.0	
Titularizadora Colombiana S.A.	59,855.0	21.120%	17,499.8	14,563.2	12,369.2	0.0	A	6,498.8	
Redeban Multicolor S.A.	10,120.0	26.039%	8,229.8	8,229.9	8,803.3	0.0	A	0.0	
A.C.H. Colombia S.A.	6,595.0	18.418%	1,848.5	1,848.5	1,700.8	0.0	A	368.4	
Deceval S.A.	12,051.0	11.846%	4,488.9	5,072.1	1,189.2	0.0	A	3,037.0	
Cámara de Compensación Divisas de Colombia S.A.	2,500.0	6.375%	159.4	159.4	61.7	0.0	A	23.9	
Tecnibanca S.A.	16,410.0	0.941%	85.6	326.1	123.6	0.0	A	100.6	
Multiactivos	12,070.0	21.120%	2,548.9	2,936.5	1,332.2	0.0	A	0.0	
			181,278.8	257,401.1	81,616.5	13,442.6		32,446.3	16,913.5
		$	244,491.9	309,684.4	186,978.3	13,442.6		32,446.3	16,913.5

*Compañía de inversiones del Café S.A. in liquidation

In the period January-June 2012 dividends received totalled $49.359.8.

(Continued)

December 31

Name	Capital	% - held.	Acquisition cost	Adjusted cost	Valuation Gain/loss.	Allowance	Rating. Rating	Dividends in shares
Bancafé Panamá S.A.	USD29,100.000	99.999%	62,884.3	56,532.1	97,421.2	0.0	A	0.0
Corporación Andina de Fomento	3,182	0.004%	328.8	383.0	98.7	0.0	A	8.8
			63,213.1	56,915.1	97,519.9	0.0		8.8
Finagro	$156,607	12.670%	52,149.7	67,984.8	6,163.2	0.0	A	0.0
Fiduciaria Cafetera S.A.	33,462	94.011%	44,586.9	55,631.0	11,402.0	0.0	A	0.0
Compañía de Inv. del Café	8,024	29.537%	13,440.7	13,440.7	0.0	13,440.7	A	0.0
Cámara de Riesgo Central de Contraparte	40,000	4.681%	1,563.7	1,872.4	(496.8)	0.0	A	0.0
Almacafé	14,472	0.009%	9.8	9.8	0.0	1.9	B	0.0
Confinanciera S.A.	38,052	94.900%	31,880.4	54,801.6	23,426.7	0.0	A	0.0
Davivalores S.A.	2,384	79.000%	2,405.7	2,981.5	7,113.8	0.0	A	0.0
Fiduciaria Davivienda S.A.	27,475	60.000%	381.0	16,204.5	16,934.7	0.0	A	0.0
Titularizadora Colombiana S.A.	59,855	21.120%	17,499.8	14,563.2	15,411.0	0.0	A	0.0
Redeban Multicolor S.A.	10,120	26.039%	8,229.8	8,229.9	9,182.5	0.0	A	0.0
A.C.H. Colombia S.A.	6,595	18.418%	1,848.5	1,848.5	1,703.8	0.0	A	0.0
Deceval S.A.	12,051	11.846%	4,488.9	5,072.1	2,673.8	0.0	A	0.0
Cámara de Compensación Divisas de Colombia S.A.	2,500	6.375%	159.4	159.4	39.6	0.0	A	0.0
Tecnibanca S.A.	16,410	0.941%	85.6	225.5	159.8	0.0	A	0.0
Multiactivos	12,070	21.120%	2,548.9	2,936.6	1,286.7	0.0	A	0.0
			181,278.8	245,961.5	95,000.8	13,442.6		0.0
		$	244,491.9	302,876.6	192,520.7	13,442.6		8.8

6. Loans and financial leasing operations

6.1. Loans and leasing operations by mode

		June 30	December 31
Commercial:			
Corporate and construction	$	9,256,195.6	9,100,304.4
Other commercial lines		3,449,571.9	3,479,610.5
Credit card		312,233.8	268,023.6
Vehicles		1,900.4	3,102.1
Overdrafts		157,262.9	74,501.9
		13,177,164.6	12,925,542.5
Residential leasing operations		1,902,140.3	1,706,873.6
		15,079,304.9	14,632,416.1
Home mortgage loans		2,584,123.4	2,459,215.0
Consumer loans:			
Credit card		2,534,219.4	2,330,485.2
Other consumer lines		5,104,187.8	5,095,541.6
Vehicles		1,042,290.9	1,021,652.3
Overdrafts		50,090.9	47,822.0
		8,730,789.0	8,495,501.1
Microcredit		24.8	5.3
Total Gross Loans	$	26,394,242.1	25,587,137.5
Less: individual provison		(1,250,263.2)	(1,224,499.2)
Sub-total	$	25,143,978.9	24,362,638.3
Less: General allowancel		(25,841.2)	(24,592.2)
Total net loans	$	25,118,137.7	24,338,046.1

(Continued)

Al 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 $30,698.5. Cancelled on March 23, 2012.

6.2. Low-cost housing

At June 30, 2012 and December 31, 2011, the Bank placed $470,733.9: of which individual loans were $280.309.5 and construction loans $190,424.5; and $405,341.1, of which individual loans were $233,585.4 and construction loans were $171.755.7 respectively.

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

	June 30		December 31	
	No. Loans	Value	No. Loans	Value
Individual	81,625	$1,845,148.0	75,329	$1,649,529.7
Construction	178	223,380.9	147	173,325.1
	81,803	2,068,528.9	75,476	1,822,854.8

6.3. Subsidized rate loans

In compliance with Government Decree 1143/2009, which created "Conditional Cover", the Bank implemented procedures to mapply 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:

Property value (Minimum salaries)	Rate cover %
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 disbusrsement of the loan or initiation of the fresidential leasing operation, reducing interest rates as follows:

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 pf 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 proivision was made for s $14,907.7 and $11,283.0, based on a model that takes account of the real performance of the loans.

At June 30, 2012 and December 31, 2011, the Bank has disbursed 48.853 y 51.203 obligations of housing p ortfolio with this benefit for $1.719.982.1 y $1.768.630.7, respectively.

6.4. Cartera de créditos y leasing financiero por calificación de riesgo y garantía

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

June 30

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

(Continued)

June 30

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

(Continued)

December 31

	CAPITAL	INTEREST	OTHER	TOTAL	SECURED	ALLOWANCE ON CAPITAL	ALLOWANCES INTEREST	ALLOWANCES OTHER
COMMERCIAL SECURED								
A – Normal	$ 2,887,956.7	25,452.7	1,618.9	2,915,028.3	10,902,929.0	59,206.4	584.6	224.8
B – Acceptable	119,733.1	1,690.6	240.1	121,663.8	476,494.6	10,667.9	157.8	130.5
C – Deficient	27,843.5	593.6	149.8	28,586.9	74,916.7	4,761.4	448.2	138.9
D – Doubtful	31,772.2	987.8	326.0	33,086.0	81,924.0	31,772.2	987.8	326.0
E – Unrecoverable	18,844.9	218.6	37.7	19,101.2	57,820.7	18,844.9	218.6	37.7
	3,086,150.4	28,943.3	2,372.5	3,117,466.2	11,594,085.0	125,252.8	2,397.0	857.9
COMMERCIAL OTHER GUARANTEES								
A - Normal	11,094,116.4	97,777.0	6,218.9	11,198,112.3	0.0	227,441.9	2,245.7	863.4
B - Acceptable	315,601.5	4,456.3	632.8	320,690.6	0.0	28,119.3	415.9	344.1
C - Deficient	35,169.8	749.8	189.2	36,108.8	0.0	6,014.3	566.1	175.5
D - Doubtful	69,234.1	2,152.5	710.5	72,097.1	0.0	69,234.1	2,152.5	710.5
E - Unrecoverable	32,143.9	372.9	64.3	32,581.1	0.0	32,144.0	372.9	64.3
	11,546,265.7	105,508.5	7,815.7	11,659,589.9	0.0	362,953.6	5,753.1	2,157.8
	$ 14,632,416.1	134,451.8	10,188.2	14,777,056.1	11,594,085.0	488,206.4	8,150.1	3,015.7
CONSUMER SECURED								
A - Normal	$ 852,369.0	8,577.7	2,169.3	863,116.0	2,298,737.6	26,265.3	328.9	113.7
B - Acceptable	37,087.5	764.6	120.9	37,973.0	103,507.1	4,630.0	247.9	45.1
C - Deficient	22,048.6	439.4	65.9	22,553.9	66,651.6	4,289.1	397.6	60.7
D - Doubtful	18,444.1	528.1	74.6	19,046.8	39,158.7	15,602.3	528.1	74.6
E - Unrecoverable	24,449.7	491.6	157.5	25,098.8	52,425.9	23,656.9	491.6	157.5
	954,398.9	10,801.4	2,588.2	967,788.5	2,560,480.9	74,443.6	1,994.1	451.6
CONSUMER OTHER GUARANTEES								
A - Normal	6,604,654.4	66,464.9	16,809.4	6,687,928.7	0.0	203,519.0	2,548.3	880.7
B - Acceptable	368,327.6	7,593.3	1,201.2	377,122.1	0.0	45,981.7	2,462.2	447.8
C - Deficient	208,848.8	4,161.7	623.8	213,634.3	0.0	40,627.2	3,766.1	575.3
D - Doubtful	263,551.6	7,546.8	1,065.9	272,164.3	0.0	222,944.4	7,546.8	1,065.9
E - Unrecoverable	95,719.8	1,924.5	616.4	98,260.7	0.0	92,616.2	1,924.5	616.4
	7,541,102.2	87,691.2	20,316.7	7,649,110.1	0.0	605,688.5	18,247.9	3,586.1
	$ 8,495,501.1	98,492.6	22,904.9	8,616,898.6	2,560,480.9	680,132.1	20,242.0	4,037.7

(Continued)

December 31

	CAPITAL	INTEREST	OTHER	TOTAL	SECURED	ALLOWANCE ON CAPITAL	ALLOWANCES INTEREST	ALLOWANCES OTHER
MICROCREDITOTHER GUARANTEES								
A - Normal	$1.1	0.0	0.0	1.1	0.0	0.0	0.0	0.0
C - Deficient	2.3	0.0	0.0	2.3	0.0	0.7	0.0	0.0
E - Unrecoverable	1.9	0.0	0.0	1.9	0.0	2.0	0.0	0.0
	5.3	0.0	0.0	5.3	0.0	2.7	0.0	0.0
General provisión								
	5.3	0.0	0.0	5.3	0.0	2.7	0.0	0.0
HOME MORTGAGE LOANS								
A – Normal	2,312,501.8	11,529.8	9,066.0	2,333,097.6	5,684,146.5	34,808.9	879.8	2,340.4
B – Acceptable	97,421.9	232.2	1,251.1	98,905.2	275,081.9	5,081.8	232.2	1,251.1
C – Deficient	35,062.1	87.9	627.2	35,777.2	105,220.4	7,044.0	87.9	627.2
D – Doubtful	12,525.8	47.5	384.1	12,957.4	38,621.1	7,519.9	47.5	384.1
E – Unrecoverable	1,703.4	7.8	103.3	1,814.5	4,899.4	1,703.4	7.7	103.2
	2,459,215.0	11,905.2	11,431.7	2,482,551.9	6,107,969.3	56,158.0	1,255.1	4,706.0
General provisión						24,592.2		
	$2,459,215.0	11,905.2	11,431.7	2,482,551.9	6,107,969.3	80,750.2	1,255.1	4,706.0
	$ 25,587,137.5	244,849.6	44,524.8	25,876,511.9	20,262,535.2	1,249,091.4	29,647.2	11,759.4

(Continued)

6.5. Loans and financial leasing operations by economic sector

	June 30		December 31	
Sectores	Balance	% Share	Balance	% Share
Family, for acquisition of goods and services	$ 8,730,789.1	33.08%	8,495,501.1	33.20%
Family, for housing	4,486,263.7	17.00%	4,166,088.4	16.28%
Business services	1,215,907.2	4.61%	1,376,861.0	5.38%
Construcction	2,203,811.5	8.35%	1,413,968.1	5.53%
Wholesale and retail trade	1,234,384.9	4.68%	1,192,983.5	4.66%
Transport and communications	1,323,460.9	5.01%	1,027,708.4	4.02%
Agriculture, forestry, fishing and hunting	968,139.8	3.67%	548,843.0	2.14%
Food production	563,354.0	2.13%	765,417.2	2.99%
Health, education, leisure and culture	232,828.2	0.88%	382,359.5	1.49%
Vehicles	265,066.7	1.00%	285,719.2	1.12%
Public administration and defence	600,976.8	2.28%	473,121.4	1.85%
Mfr of textiles, clothing leather and leathergoods	292,584.8	1.11%	249,453.2	0.97%
Electricity, gas and water supplies	776,984.5	2.94%	949,241.1	3.71%
Mfr of based metal and prepared products	186,794.3	0.71%	272,440.2	1.06%
Mfr of non-metal minerals	300,629.1	1.14%	137,473.6	0.54%
Mfr of chemicals, chamicals products and rubber	506,301.7	1.92%	1,025,209.5	4.01%
Mfr of paper, paper products, printing and publishing	226,184.7	0.86%	171,508.1	0.67%
Mfr of other manufactured products, including wood	23,263.0	0.09%	21,901.3	0.09%
Coal mining, extraction of crude oil and natural gas	681,005.0	2.58%	651,570.6	2.55%
Mfr of transport materials	69,162.6	0.26%	3,063.9	0.01%
Mfr of machinery and eqiupment	118,828.2	0.45%	34,097.9	0.13%
Hotels and restaurants	172,294.2	0.65%	153,600.8	0.60%
Metal and non-.metal minerals extraction	2,843.9	0.01%	11,828.8	0.05%
Mfr of oil and coal by-products	240,956.9	0.91%	159,720.2	0.62%
Beverages and tobacco	8,045.6	0.03%	28,864.3	0.11%
Other	963,380.8	3.65%	1,588,593.2	6.22%
	$ 26,394,242.1	100.00%	$ 25,587,137.5	100.00%

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

6.6. Loans and financial leasing operations by geographical zone

COMMERCIAL LOANS

June 30

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

(Continued)

COMMERCIAL LOANS

December 31						ALLOWANCES		
	CAPITAL	INTEREST	OTHER	TOTAL	SECURED	CAPITAL	INTEREST	OTHER
Bogotá	$ 7,036,364.2	63,092.7	3,608.7	7,103,065.6	6,176,959.6	214,661.7	3,006.9	1,495.3
Antioquia	3,238,584.0	29,465.9	2,874.1	3,270,924.0	2,395,846.0	111,869.5	1,984.6	388.0
Nororiental	2,497,600.0	25,608.5	2,445.9	2,525,654.4	2,054,938.8	104,916.3	2,268.9	729.5
Suroccidental	1,663,953.2	14,891.0	1,259.5	1,680,103.7	964,489.9	53,983.4	871.6	402.9
Miami	195,914.7	1,393.7	0.0	197,308.4	1,850.7	2,775.5	18.1	0.0
	$ 14,632,416.1	134,451.8	10,188.2	14,777,056.1	11,594,085.0	488,206.4	8,150.1	3,015.7
CONSUMER LOANS								
Bogotá	4,247,144.3	51,152.2	12,067.3	4,310,363.8	1,393,576.5	362,652.0	11,637.4	2,158.0
Antioquia	1,310,395.4	13,935.3	3,279.3	1,327,610.0	385,722.9	88,669.6	2,249.4	464.7
Nororiental	1,812,713.8	21,034.9	4,599.4	1,838,348.1	496,605.3	144,796.4	4,072.3	904.2
Suroccidental	1,125,247.6	12,370.2	2,958.9	1,140,576.7	284,576.2	84,014.1	2,282.9	510.8
	8,495,501.1	98,492.6	22,904.9	8,616,898.6	2,560,480.9	680,132.1	20,242.0	4,037.7
MICROCREDITO								
Bogotá	2.2	0.0	0.0	2.2	0.0	1.9	0.0	0.0
Antioquia	3.0	0.0	0.0	3.0	0.0	0.8	0.0	0.0
Nororiental	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0
	5.3	0.0	0.0	5.3	0.0	2.7	0.0	0.0
HOME MORTGAGE LOANS								
Bogotá	1,704,667.5	8,087.2	7,469.0	1,720,223.7	4,127,156.6	39,701.4	861.5	3,100.3
Antioquia	220,654.5	1,107.5	1,193.2	222,955.2	639,695.7	4,650.2	115.8	445.9
Nororiental	296,982.5	1,545.4	1,993.5	300,521.4	790,951.3	6,666.3	176.5	862.7
Suroccidental	236,910.5	1,165.1	776.0	238,851.6	550,165.7	5,140.1	101.3	297.1
General allowance						24,592.2		
	2,459,215.0	11,905.2	11,431.7	2,482,551.9	6,107,969.3	80,750.2	1,255.1	4,706.0
	$ 25,587,137.5	244,849.6	44,524.8	25,876,511.9	20,262,535.2	1,249,091.4	29,647.2	11,759.4

(Continued)

6.7. Loans and financial leasing operations by currency

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

ITEM	December 31 Local Currency	Foreign Currency	UVR	Total
Commercial	$ 11,842,550.1	2,104,371.3	685,494.7	14,632,416.1
Microcredit	5.3	0.0	0.0	5.3
Consumer	8,479,972.4	15,528.7	0.0	8,495,501.1
Home Mortgage	1,748,329.5	0.0	710,885.5	2,459,215.0
	22,070,857.3	2,119,900.0	1,396,380.2	25,587,137.5

6.8. Loans and financial leasing operations by maturity

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

December 31		0 - 1 years	1-5years	5-10 years	Over 10 years	Total
Commercial	$	4,519,025.2	4,457,797.3	3,976,649.4	1,678,944.2	14,632,416.1
Consumer		1,562,300.1	5,846,520.7	1,009,828.7	76,851.6	8,495,501.1
Microcredit		5.3	0.0	0.0	0.0	5.3
Home Mortage		39,180.9	119,095.8	456,194.1	1,844,744.2	2,459,215.0
	$	6,120,511.5	10,423,413.8	5,442,672.2	3,600,540.0	25,587,137.5

(Continued)

6.9. Detalis of restructured loans

June 30	Ordinary Restructurings	Allowance	Secured
Commercial	$ 190,643.1	63,145.0	326,866.7
Consumer	751,032.5	179,171.7	82,594.7
Home Mortgage	85,246.5	5,852.6	293,008.8
	$ 1,026,922.1	$ 248,169.3	$ 702,470.2

December 31	Ordinary Restructurings	Allowance	Secured
Commercial	$ 182,355.0	49,203.5	306,277.8
Consumer	650,634.9	162,889.3	81,109.4
Home Mortgage	83,389.0	9,968.8	254,883.6
	$ 916,378.9	222,061.6	642,270.8

Restructured loans by classification

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

	COMMERCIAL		CONSUMER		HOME MORTGAGE	
December 31	No. Loans	Amounts	No. Loan	Amounts	No. Loans	Amounts
A - Normal	1,258	$76,432.5	24,075	361,957.3	2,170	37,118.6
B - Acceptable	469	37,696.1	4,050	65,336.1	992	21,067.4
C - Deficient	338	20,817.0	4,743	85,052.7	979	17,823.4
D - Doubtful	592	39,396.5	5,263	91,263.6	361	6,739.3
E - Unrecoverable	70	8,012.9	2,734	47,025.2	36	640.3
	2,727	$ 182,355.0	40,865	$ 650,634.9	4,538	$ 83,389.0

Restructured loans by geographical zone

June 30

	COMMERCIAL	CONSUMER	HOME MORTGAGE
Bogotá	$ 49,866.8	394,302.7	66,635.2
Antioquia	50,834.7	103,719.4	4,706.6
Nororiental	72,907.9	148,601.5	7,794.6
Suroccidental	17,033.7	104,408.9	6,110.1
	190,643.1	751,032.5	85,246.5

December 31

	COMMERCIAL	CONSUMER	HOME MORTGAGE
Bogotá	$ 51,602.5	333,499.1	63,877.5
Antioquia	43,574.4	92,754.9	5,375.8
Nororiental	69,334.8	130,210.0	8,148.0
Suroccidental	17,843.3	94,170.9	5,987.7
	182,355.0	650,634.9	83,389.0

6.10. Loans to shareholders and staff

These loans include:

		June 30	December 31
Shareholders	$	200,261.8	200,341.3
Staff (commercial and consumer)		129,699.6	115,127.3
	$	329,961.4	315,468.6

AER on loans to shareholders and staff is the following::

Mode	Jan-Jun 2012	Jul-Dec 2011
Individual loans	1.10%-32.60%	3.5% - 28.63%

Shareholder and staff loan terms are between 1 and 15 years

(Continued)

6.11. Loan securitization

The securitization process for housing loans fall under the rules of Law 549/1999 and Decree 1719/2001. All underlying assets in the securitization werde 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 od several types: TIPS A,, awaarded in auction, and TIPS B, C and Mz, which are a safety net for the privileged TIPS to which the originiators of the securitized loans subscribe and which are valued as required by the Superintendency´s Basic Accounting and Financial Circular, Chapter I.

The following is the detail of terwms 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

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

* 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

Issue	Date	No.	Rate	Capital	Interest	Other *	Total	Profit	Proceeds of sale	Recovery of allowances
Pesos N-2	Sept-16-2011	1,719	13.24	$148,603.0	780.3	(65.7)	149,317.6	3,715.1	153,813.1	3,727.8
Pesos N-3	Nov-11-2011	1,926	13.19	193,445.6	1,067.4	226.1	194,739.1	5,803.4	201,313.5	4,921.2
		3,645		$342,048.6	1,847.7	160.4	344,056.7	9,518.5	355,126.6	8,649.0

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

(Continued)

6.12. Sale of loans written off

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

Date	No. of loans	Capital	Interest	Other items	Total	Sale price
Jun30-2012	42,519	$150,343.6	1,685.6	5,546.0	157,575.2	13,382.6

The following is the detail of sales of loans written off in the period July-December 20o11:

Date	No. of loans	Capital	Interest	Other items	Total	Sale price
Aug-05-2011	77,027	$239,659.1	13,762.3	3,280.5	256,701.9	18,442.4
Dec-29-2011	86,722	274,708.0	11,245.5	1,778.4	287,731.9	13,405.0
	163,749	$514,367.1	25,007.8	5,058.9	544,433.8	31,847.4

6.13. Loans written off

The following is the detail of loans written off:

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

	December 31			
	Capital	Interest	Other con Ceptos	Total
Commercial	$47,182.6	1,494.7	358.8	49,036.1
Consumer	277,306.7	10,265.1	2,298.5	289,870.3
Home mortgage	6,753.6	50.0	355.2	7,158.8
Microcredit	2.5	0.0	0.0	2.5
Other receivables	0.0	0.0	467.0	467.0
	$ 331,245.4	11,809.8	3,479.5	346,534.7

The Bank did not conduct operations collector.

(Continued)

6.14. Allowance against loans and financial leasing operations

The movement of the loan allowance is the following

June 30

		Commercial	Consumer	Microcredit	Mortgage	Total
Opening balance	$	488,206.3	680,132.2	2.7	80,750.2	1,249,091.4
Plus:						
Allowance expensed		190,886.6	639,125.8	2.1	15,321.4	845,335.9
Less:						
Loans written off		24,257.6	358,787.6	4.2	6,579.5	389,628.9
Unrecovered from foreclosures		0.0	0.0	0.0	128.3	128.3
Reexpression of foreign branch		151.7	0.0	0.0	0.0	151.7
Recoveries		161,659.9	240,088.8	0.4	26,664.9	428,414.0
Closing balance	$	493,023.7	720,381.6	0.2	62,698.9	1,276,104.4

December 31

		Commercial	Consumer	Microcredit	Mortgage	Total
Opening balance	$	538,481.8	618,279.0	3.5	75,978.4	1,232,742.7
Plus						
Allowance expensed		223,310.5	631,760.9	2.7	26,051.8	881,125.9
Reexpreesion of foreign branch prov.		126.8	0.0	0.0	0.0	126.8
Less:						
Loans written off		47,182.6	277,306.7	2.5	6,753.6	331,245.4
Unrecovered from foreclosures		0.0	0.0	0.0	479.7	479.7
Reclassifications		0.0	103.9	0.0	0.0	103.9
Recoveries		226,530.2	292,497.1	1.0	14,046.7	533,075.0
Closing balance	$	488,206.3	680,132.2	2.7	80,750.2	1,249,091.4

At June 30, 2012 and December 31, 2011, the amounts unrecoverd fro foreclosures were $128.3 and $479.7, respectively. This represents the diffefrence between the lower of lcost of the asset and the balance of the debt in the balance sheet,, charged to loan allowances in the earnings statement.

An estímate of expected Commercial loan losses in November 2011 incorporated a new factor, the LGD on loans with “Property leasing”-type guarantees. They bwere assigned an LGD of 35%, tjhus generating a recovery of $22.514.0. 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 estímate of losses on Consumer loans incorporated Superintendency Corcular 043/2011, and in November the LGD was recalculated for unsecured loans mat 75%, mand days in arrears we5re also adjusted, leading to a charge of $106,253.0.

As of May 31, 2012, the LGD for "payroll deduction" loans in the Consumer portfolio was adjusted to classify as "unsecured" with a 60% allowance in the terms of the Superintendency Reference Model, generating a recovery of $22,000.0.

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 profesional valuations of guarantees active at the time of issue of the Circular but not updated by a profesional valuation for more than 3 years. The effect of this was $1,905,710.1.

The Bank apploed a policy to make additional allowances at June 30, 2012 and December 31, 2011 for $92,985.3 and $108,983.7, respectively.

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

Portfolio	June 30	December 31
Consumer	$167,521.3	163,992.1
Commercial	104,004.6	125,547.5
Total	$271,525.9	289,539.6

7 Acceptances, spot operations and derivatives

At June 30, 2012 and December 31, 2011, the Bank had not issued any bank acceptances

The following is the detail of spot operations and derivatives:

Product		June 30	December 31
Forwards	$	61,819.6	123,649.3
Spot operations		60.6	21.7
Speculative swaps		830.3	211.9
Speculative options		2,548.1	1,436.3
	$	65,258.6	125,319.2

(Continued)

Spot operations

		June 30		December 31	
		Right	Obligation	Right	Obligation
Currency purchases	$	9,234.7	(9,134.8)	19,210.7	(19,186.0)
Currency sales		18,631.0	(18,670.3)	926.4	(929.4)
		27,865.7	(27,805.1)	20,137.1	(20,115.4)
	$	60.6		21.7	

At June 30, 2012 and December 31, 2011, the half-year´s yield on spot operations was $(4.254.2) and $1.840.9, respectively.

The nrecording of derivative rights and obligations takes account of the result of a valuation at fiar prices:

Speculative derifvatives

June 30		Forward	Futures	Swaps	Total	Options
Currency purchases	Right	$ 2,427,759.8	585,648.9	0.0	3,013,408.7	0.0
	Obligation	(2,416,251.2)	(585,648.9)	0.0	(3,001,900.1)	0.0
Currency sales	Right	3,259,154.1	944,924.1	0.0	4,204,078.2	0.0
	Obligation	(3,209,505.3)	(944,924.1)	0.0	(4,154,429.4)	0.0
Securities purchases	Right	2,239.5	117,251.2	0.0	119,490.7	0.0
	Obligation	184,310.1	(117,251.2)	0.0	67,058.9	0.0
Securities sales	Right	(1,794.1)	50,369.6	0.0	48,575.5	0.0
	Obligation	(184,093.3)	(50,369.6)	0.0	(234,462.9)	0.0
Interest rates	Right	0.0	0.0	18,358.9	18,358.9	0.0
	Obligation	0.0	0.0	(17,528.6)	(17,528.6)	0.0
Call options	Purchase	0.0	0.0	0.0	0.0	1,739.7
Put options	Purchase	0.0	0.0	0.0	0.0	808.4
Total Rights		5,687,359.3	1,698,193.8	18,358.9	7,403,912.0	2,548.1
Total obligations		(5,625,539.7)	(1,698,193.8)	(17,528.6)	(7,341,262.1)	0.0
Net total		$ 61,819.6	0.0	830.3	62,649.9	2,548.1

(Continued)

December 31		Forward	Futures	Swaps	Total	Options
		Speculative derivatives				
Currency purchases	Right	$ 4,235,026.8	397,820.4	0.0	4,632,847.2	0.0
	Obligation	(4,117,395.2)	(397,820.4)	0.0	(4,515,215.6)	0.0
Currency sales	Right	813,427.9	753,673.6	0.0	1,567,101.5	0.0
	Obligation	(807,410.2)	(753,673.6)	0.0	(1,561,083.8)	0.0
Securities purchases	Right	0.0	61,354.7	0.0	61,354.7	0.0
	Obligation	0.0	(61,354.7)	0.0	(61,354.7)	0.0
Interest rates	Right	0.0	0.0	5,341.9	5,341.9	0.0
	Obligation	0.0	0.0	(5,130.0)	(5,130.0)	0.0
Call options	Purchase	0.0	0.0	0.0	0.0	957.3
Put options	Purchase	0.0	0.0	0.0	0.0	479.0
Total Rights		5,048,454.7	1,212,848.7	5,341.9	6,266,645.3	1,436.3
Total obligations		(4,924,805.4)	(1,212,848.7)	(5,130.0)	(6,142,784.1)	0.0
Net total		$ 123,649.3	0.0	211.9	123,861.2	1,436.3

The following is the detail of maturity periods of derivatives

		0-3months	3-6months	6-12 months	over 12 months	Total
				June 30		
Spot	$	60.6	0.0	0.0	0.0	60.6
Forwards		41,197.0	15,965.6	4,649.4	7.7	61,819.6
Swaps		89.1	36.5	682.9	21.8	830.3
Options		622.3	1,667.1	258.8	0.0	2,548.1
	$	41,969.0	17,669.1	5,591.0	29.5	65,258.6

		0-3 months	3 - 6 months	6 - 12 months	Over 12 months	Total
				December 31		
Spotontado	$	21.7	0.0	0.0	0.0	21.7
Forward		85,090.6	30,222.3	8,336.5	0.0	123,649.3
Swaps		0.0	211.9	0.0	0.0	211.9
Options		980.1	283.9	172.3	0.0	1,436.3
	$	86,092.4	30,718.1	8,508.8	0.0	125,319.2

(Continued)

8 Accounts receivable

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

		June 30	December 31
Interest:			
Interbank	$	17.8	185.7
Other		165.0	54.7
Loans (Note 6.4)			
Interest		257,298.7	235,187.9
Financial component of leasing operations		10,967.9	9,661.7
		268,266.6	244,849.6
		268,449.4	245,090.0
Commissions and fees		2,389.6	2,229.2
Payments for account of borrowers:			
Home mortgage		10,646.1	11,431.7
Consumer		25,849.7	22,904.7
Commercial and Microcredit		11,097.5	10,188.3
		47,593.3	44,524.7
Other:			
Dividends and other capital yields		7,277.2	0.0
Payments for customer account - foreign remittances		1,369.4	2,273.4
Downpayments for premises purchases		14,276.9	17,895.2
Advances to contractors and suppliers		23,738.4	12,425.9
Sundry:			
Cash nand clearing shortages		1,969.9	1,676.9
Insurance claims		4,164.5	4,179.1
Colombian Treasury		20,505.2	20,010.1
Forwards		13,687.1	1,477.8
Subsidiaries		398.4	1,880.5
Debtors for sale of assets and foreclosed assets		1,638.7	185.0
Government relief Law 546/1999, reliquidation of loans **		14,369.8	50,542.2
National tax collections pending application		3,726.9	0.0
Treasury and payment operations, general business		7,683.8	7,641.4
Receivables, consumer loans written off (Note 7.11)		14,222.8	13,722.9
Banco de la Republica - rate cover		6,787.3	8,176.6
Managed portfolios		12,396.7	17,952.0
Payroll deduction debtors		2,543.6	134.6
Blanket bond		2,429.6	937.2
Loan processes pending application		25,640.8	22,153.7
Sundry (less than 5%)		12,101.4	9,657.5
	$	190,928.4	192,922.0
Total receivables	$	509,360.7	484,765.9
Allowance		(89,860.8)	(116,222.2)
Net total receivables	$	419,499.9	368,543.7

(Continued)

**** Mortgage loan relief**

Mortgage relief arises from a mas s reliquidation of home mortgage loans due to the change in the financing of housing under Law 547/1999. The Bank reliqyuidated 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 Mlenders. 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 benefiiciary of the credit.
- Failure of the beneficiary to pay the individual loan.
- Paymemnt of more tan one mortgage credit to the same individual.
- Surrender of the credit.
- Excess liquidation.

8.1 Allowance against acocunts receivable:

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

		June 30	December 31
Loan interest (note 7)	$	32,678.4	29,647.2
Payment for customer´s account (note 7)		12,762.3	11,759.4
Government relief		14,369.8	48,736.0
Treasury debtors		2,906.0	2,290.0
Insurance companies		4,117.3	3,915.8
Daviplan		6,058.3	9,535.5
Supplier advances		2,070.0	272.5
Deposit taking and networks		883.3	2,622.4
Other receivables		2,147.1	2,141.8
Loan receivables		5,715.9	0.0
Card debtors		2,396.3	483.1
Sundry		3,756.1	4,818.5
	$	89,860.8	116,222.2

The movement of the allowance against receivables is the following:

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

December 31		Commercial	Consumer	Microcredit	Mortgage	Other	Total
Opening balance	$	10,585.9	17,905.0	0.2	6,212.8	35,292.1	69,996.0
Mas:							
Allowance expensed		4,497.9	20,761.9	0.1	1,086.0	58,329.9	84,675.8
Less:							
loan written off and down		1,853.5	12,563.6	0.0	405.2	467.0	15,289.3
Reclassifications		0.0	4.7	0.0	0.0	0.0	4.7
Recoveries		2,064.3	1,819.1	0.2	932.2	18,339.8	23,155.6
Closing balance	$	11,166.0	24,279.5	0.1	5,961.4	74,815.2	116,222.2

9 Marketable assets, foreclosed assets and restored assets

The detail of marketable assets, forelclosed assets and restored assets is the following:

(Continued)

Foreclosed assets		June 30	December 31
For housing			
Real property	$	4,975.5	8,873.2
Assets received in auction		470.2	635.1
Inflation adjustment		0.0	0.1
Total for housing		5,445.7	9,508.4
Foreclosed assets:			
Other than housing			
Real property		20,004.5	16,066.7
Received in auction		154.6	1,533.2
Inflation adjustment		0.1	23.0
Adjusted cost		20,159.2	17,622.9
Movable assets (1)			
Rights and securities		1,379.8	1,341.4
Movable assets		991.8	1,494.8
		2,371.6	2,836.2
Total other than housing		22,530.8	20,459.1
Total Foreclosed assets	$	27,976.5	29,967.5
Assets restored from leasing agreements			
Residential	$	2,142.1	995.3
Assets not used in the business			
Land		6,598.7	6,776.5
Buildings		26,238.0	26,949.4
Depreciation		(7,658.5)	(7,171.7)
	$	25,178.2	26,554.2
Less:			
Allowance against housing assets		2,600.6	5,373.3
Allowance against non-housing assets		6,227.6	8,198.0
Allowance against movable assets		1,650.8	1,902.2
Allowance againbst assets restored from leasing agreements		371.0	79.6
Allowance against assets not used in the business		2,128.3	3,142.4
		12,978.3	18,695.5
	$	42,318.5	38,821.5

(1) The detail of movable foreclosed assets is the following:

(Continued)

	June 30		December 31	
	Balance	Allowance	Balance	Allowance
Rights and securities:				
Shares	$ 27.3	27.3	27.3	27.3
Rights Zuana - Timejhare	1,352.5	1,154.2	1,314.1	1,105.5
	1,379.8	1,181.5	1,341.4	1,132.8
Movable assets:				
Vehicles	990.8	468.4	1,301.8	576.3
Movable assets	1.0	0.9	193.0	193.1
	991.8	469.3	1,494.8	769.4
	$ 2,371.6	1,650.8	2,836.2	1,902.2

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

	Less than 1 year	1-5 5 years	5-10 years	Over 10 years	Total	Allowance
June 30						
Housing	$3,726.9	1,321.5	286.7	110.6	5,445.7	$2,600.6
Other than housing	13,567.5	5,499.3	1,033.5	58.9	20,159.2	6,227.6
Moavble	892.9	303.7	1,156.6	18.4	2,371.6	1,650.8
Restored	2,142.1	0.0	0.0	0.0	2,142.1	371.0
Not used in the business, net	0.0	24,561.4	616.8	0.0	25,178.2	2,128.3
	$20,329.4	31,685.9	3,093.6	187.9	55,296.8	12,978.3
December 31						
Housing	4,649.3	4,116.0	583.2	159.9	9,508.4	5,373.3
Other than housing	8,660.0	5,483.2	2,779.1	700.6	17,622.9	8,198.0
Movable	1,228.8	497.2	1,091.7	18.5	2,836.2	1,902.2
Restored	995.3	0.0	0.0	0.0	995.3	79.6
Not used in the business, net	0.0	26,400.5	153.7	0.0	26,554.2	3,142.4
	$15,533.4	36,496.9	4,607.7	879.0	57,517.0	18,695.5

(Continued)

At June 30, 2012 and December 31, 2011, valuations were made of foreclosed assets for housing, and the valuation gains were $10,795.4 and $10,820.8, 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:

	June 30		December 31	
	No.	Amount	No.	Amount
Foreclosed asssets	65	$ 7,032.0	124	7,675.7
Assets not used in the business	5	725.5	7	1,664.3
Total sales	70	7,757.5	131	9,340.0
Profit on sale		145.1		364.9
Amortization of deferred profit		583.6		937.9
Profit on sale ,assets not used in the business		629.4		1,092.4
Total profit on sale		1,358.1		2,395.2
Losses on sale				
Loss on sale of foreclosed assets		1,136.9		1,643.7
Loss on sale, assets not used in the business		83.0		1,201.5
Total losses on sale		1,219.9		2,845.2
Net effect on earnings (notes 29 and 30)		$138.2		(450.0)

9.1 Allowance against Foreclosed Assets and Restored Assets

The movement of the allowance against foreclosed assets is the following:

		June 30	December 31
Opening balance	$	18,695.5	17,747.8
Plus:			
Allowance expensed		4,371.9	4,396.6
Less:			
Written off		4,634.1	0.0
Recoveries		5,455.0	3,448.9
Closing balance	$	12,978.3	18,695.5

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

June 30		December 31	
No	Allowance	No	Allowance
119	$4,300.1	171	9,963.9

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, explosión, volcanic eription, power failure and loss or damage to property, offices and vehicles.

10 Property and Equipment

The detail of property and equipment is the following:

		June 30			December 31		
		Cost	Inflation adjustment	Adjusted Cost	Cost	Inflation adjustment	Adjusted cost
Land, buildings, construction in progress	$	398,778.1	35,036.6	433,814.7	390,667.1	35,185.4	425,852.5
Office equipment, furniture and fittings, vehicles,		92,141.2	9,392.8	101,534.0	89,221.4	9,433.8	98,655.2
Computer equipment		200,881.3	17,513.7	218,395.0	201,115.8	18,415.9	219,531.7
		691,800.6	61,943.1	753,743.7	681,004.3	63,035.1	744,039.4
Less: Accumulated depreciation		(335,183.2)	(19,921.9)	(355,105.1)	(326,578.0)	(20,442.7)	(347,020.7)
Less: Allowance		(7,896.5)	0.0	(7,896.5)	(8,259.5)	0.0	(8,259.5)
	$	348,720.9	42,021.2	390,742.1	346,166.8	42,592.4	388,759.2

At June 30, 2012 and December 31, 2011, , there is insurance cover for theft, fire, earthquake, civil disturbance, riot, explosión, volcanic eription, power failure and loss or damage to property, offices and vehicles.

(Continued)

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

		June 30	December 31
Valuation gains on buidlings used in the business	$	467,618.2	459,936.2
Valuation gains on buildings not used in the business		14,305.8	13,921.3
	$	481,924.0	473,857.5

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 $20.745.0 and $25.110.9, respectively.

10.1 Allowance against property and equipment

The movement in the provision against property and equipment for the periods ended on June 30, 2012 and December 31, 2011 is the following:

		June 30	December 31
Opening balance	$	8,259.5	13,584.6
Plus:			
Allowance expensed		444.8	190.4
Less:			
Recoveries		807.8	5,515.5
Closing balance	$	7,896.5	8,259.5

11 Other Assets

11.1 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:

		June 30	December 31
Prepaid expenses and deferred charges			
Prepaid expenses			
Interest	$	1.9	1.0
Insurance		21,175.4	14,854.3
Equipment maintenance		102.0	91.4
Other		432.1	7.5
		21,711.4	14,954.2
Deferred charges			
Remodelling		20,651.6	34,141.2
Deferred income tax - timing differences		20,391.5	21,813.9
Uniforms		5,400.6	0.0
Contributions and affiliatoins		105.2	0.0
Wealth tax and surcharge		111,705.0	134,100.9
Professoinal and advisory services		2,009.5	0.0
Commissions		1,439.9	2,058.3
Rent		55.8	66.6
Commercial strategy for ticket prepurchase		24.7	382.7
Software and licences		13,083.6	6,958.0
Other (less than 5%)		380.0	202.7
		175,247.4	199,724.3
	$	196,958.8	214,678.5
Intangibles:			
Goodwill	$	1,169,781.2	1,197,212.2
	$	1,366,740.0	1,411,890.7

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

		Balance December 31	Charges	Credits	Balance at June 30
Prepaid expensess	$	14,954.2	47,226.1	40,468.9	21,711.4
Deferred charges		199,724.3	75,219.8	99,696.7	175,247.4
Intangibles		1,197,212.2	0.0	27,431.0	1,169,781.2
	$	1,411,890.7	122,445.9	167,596.6	1,366,740.0

(Continued)

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

		Under 1 year	1-5 years	5- 10 years	Over10 years	Total
June 30						
Prepaid expenses:						
Interest	$	1.9	0.0	0.0	0.0	1.9
Insurance		1,502.5	19,672.9	0.0	0.0	21,175.4
Eqipmewnt maintenance		0.0	102.0	0.0	0.0	102.0
Other		0.0	432.1	0.0	0.0	432.1
		1,504.4	20,207.0	0.0	0.0	21,711.4
Deferred charges:						
Contributions and affiliations		105.2	0.0	0.0	0.0	105.2
Remodelling		6,516.0	14,135.6	0.0	0.0	20,651.6
Softwarew and licences		24.1	13,059.5	0.0	0.0	13,083.6
Deferred income tax - timing differences		0.0	20,391.5	0.0	0.0	20,391.5
Wealth tax and surcharge		0.0	111,705.0	0.0	0.0	111,705.0
Commissions		0.0	1,439.9	0.0	0.0	1,439.9
Commercial strategy, ticket prepayment		24.7	0.0	0.0	0.0	24.7
Uniforms		5,400.6	0.0	0.0	0.0	5,400.6
Professional and advisory services		0.0	2,009.5	0.0	0.0	2,009.5
Other		380.0	0.0	0.0	0.0	380.0
Rent		55.8	0.0	0.0	0.0	55.8
		12,506.4	162,741.0	0.0	0.0	175,247.4
Intangibles:						
Goodwill		0.0	11,519.3	284,159.7	874,102.2	1,169,781.2
	$	14,010.8	194,467.3	284,159.7	874,102.2	1,366,740.0
December 31						
Prepaid expenses						
Interest	$	1.0	0.0	0.0	0.0	1.0
Insurance		2,845.2	12,009.1	0.0	0.0	14,854.3
Equipment maintenance		91.4	0.0	0.0	0.0	91.4
Other		7.5	0.0	0.0	0.0	7.5
		2,945.1	12,009.1	0.0	0.0	14,954.2
Deferred charges:						
Rent		66.6	0	0	0	66.6
Remodellingciones		23,356.6	10,784.6	0.0	0.0	34,141.2
Software and licences		6,947.1	10.9	0.0	0.0	6,958.0
Deferred income tax - timing differences		107.2	21,706.7	0.0	0.0	21,813.9
Wealth tax and surcharge		0.0	134,100.9	0.0	0.0	134,100.9
Commissions		0.0	2,058.3	0.0	0.0	2,058.3
Commercial strategy, ticket prepayment		382.7	0.0	0.0	0.0	382.7
Other		202.7	0.0	0.0	0.0	202.7
		31,062.9	168,661.4	0.0	0.0	199,724.3

(Continued)

Intangibles:						
Goodwill		0.0	15,585.0	0.0	1,181,627.2	1,197,212.2
	$	34,008.0	196,255.5	0.0	1,181,627.2	1,411,890.7

Intangibles

The goodwill corresponds to credit establishments purchased. At June 30 , 2012 and December 31, 2011, it totals $1,169,781.2 and $1,197,212.2, respectively.

Goodwill is as follows:

Goodwill Confinanciera S.A.

Confinanciera S.A.was purchased in December 2006. Goodwill totalled $56.918.8, to be amortized in 84 equal monthly installments as of that month.

The following is the detail of the amortization of that goodwill:

Initial value in December 2006	$ 56,918.8
Amortization to June 2012	(45,399.5)
Balance pending at June 30, 2012	$ 11,519.3

Goodwill Granbanco S.A. - Bancafé

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

Following Superintendency Circular 034/ 2006, goodwill must be valued by an expert independent professional with no conflict of interest with the Bank eand 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 requirs that goodwill be written down exponentially over 20 years, as follows:

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

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

- The definition and determination of business lines was a process carried out jointly with the directors of Davivienda and Granbanco, 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).

(Continued)

- The general criteria to define the business lines were: characteristics of the lines (average placement rates, average balance by customer/product, customers 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 methodconsists 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:

Business line	Share	Book goodwill	Accumulated amortization	Balance
Consumer	21.3%	$ 292,103.0	45,587.8	246,515.2
Commercial	43.8%	600,872.0	93,776.6	507,095.4
SME	6.9%	95,195.0	14,856.8	80,338.2
Credit card	16.2%	222,395.0	34,708.6	187,686.4
Home mortgage	11.2%	153,150.0	23,901.7	129,248.3
Subsidiaries	0.6%	8,743.0	1,364.6	7,378.4
Total	100.0%	$ 1,372,458.0	214,196.1	1,158,261.9

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 looss 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, amnd is amortizing this account ovetr 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.

 (Continued)

11.2 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:

June 30	Home Mortgage	Admissiblke guarantees	Allowance
A -Normal	$ 118,646.1	405,045.1	1,195.7
B -Acceptable	121.7	289.7	7.0
C -Deficient	25.0	105.4	2.8
	$ 118,792.8	405,440.2	1,205.5
December 31			
A-Normal	$ 125,291.8	364,834.7	1,885.6
B-Acceptable	93.4	226.0	4.9
	$ 125,385.2	365,060.7	1,890.5

Staff home-purchase loans are secured by admisible guarantees.

11.3 Other assets - other

The detail of Other Assets is the following:

		June 30	December 31
Permanent contributions	$	251.7	251.7
Deferred payment letters of credit		5,600.2	6,812.4
Other deposits		5,318.9	7,077.3
Assets delivered on commodatum agreements		2,081.6	2,153.0
Works of art and culture		2,191.0	2,134.5
Trust rights (1)		1,677.4	1,745.9
Advance income tax		16,696.0	0.0
Tax withholdings		27,654.5	0.2
Excess income tax		2,902.7	2,902.7
Remittances bought and unpaid		216.9	268.0
Advance payment of turnover tax		122.0	231.0
Other (less than 5%)		61.6	61.1
	$	64,774.5	23,637.8

(Continued)

(1) Trust Rights

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

		June 30		December 31	
		Balance	Allowance	Balance	Allowance
Agropecuaria Molina Vivas		37.0	37.0	37.0	37.0
Textiles Omnes S.A.		465.6	465.6	465.6	465.6
Fiduciaria Superior *		1,130.6	0.0	1,199.1	0.0
Other		44.2	0.0	44.2	0.0
	$	1,677.4	502.6	1,745.9	502.6

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

11.4 Allowance against other assets

El movement of the provisión is as follows:

		June 30	December 31
Opening balance	$	3,044.6	3,944.3
Plus:			
Allowance expensed		221.2	288.6
Less:			
Recoveries		906.1	1,188.3
Closing balance	$	2,359.7	3,044.6

(Continued)

12 Deposits and demand accounts

The following is the detail of deposits and demand accounts:

	Maximum annual interest rate	June 30	December 31
Current accounts	0.0% - 1.70%	$ 3,229,934.6	3,447,946.6
TDs in pesos			
Up to 6 months	4.50%-5.80%	1,178,125.7	1,189,838.8
6- 12 months	4.80%-6.10%	1,685,430.8	1,372,834.8
12- 18 months	4.90%-6.30%	951,843.9	971,523.5
Over 18 months	5.05%-7.25%	2,296,134.6	2,162,107.3
		6,111,535.0	5,696,304.4
Savings deposits			
Ordinary savings	0.00% - 4.60%	11,757,921.0	12,274,605.5
Special savings		45,161.3	49,069.2
		11,803,082.3	12,323,674.7
UVR savings deposits			
- 6-12 months	UVR+ 2.40	37,040.2	0.0
Other deposits and demand accounts			
Banks and correspondents		1,262.5	2,184.7
Special deposits *		8,099.6	0.0
Demand accounts for banking services		143,586.4	229,765.6
Affiliated establishments		6,521.6	6,906.6
		159,470.1	238,856.9
		$ 21,341,062.2	21,706,782.6

*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 eferring to deposit insurance on electronic deposits.

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

(Continued)

Mode		June 30	December 31
Interest on deposits and demand accounts:			
Ordinary deposits	$	190,300.1	145,032.8
Term deposits		37.8	361.2
TD certificates in pesos		167,238.6	141,170.2
Current accounts		10,644.4	11,116.8
		368,220.9	297,681.0
UVR adjustment		7,485.5	3,663.8
Other Interest:			
Bank loans and other financial obligationss		67,018.5	55,414.7
Interbank funds		1,018.0	802.5
Bonds		133,612.6	123,756.8
Repo and sumultaneous transfer commitments		3,818.7	5,203.1
Other		622.4	631.3
		206,090.2	185,808.4
	$	581,796.6	487,153.2

13 Liability poisitions in money-market and related operations

The following is the detail of liability positions in money-market and related operations:

June 30

	US $		Rate	Date of Deal	Date of Maturity	Market Value	TRM (Pesos)
Foreign currency							
Banks abroac:							
	USD	9,375,000.0	0.20%	Jun.29.2012	Jul.02.2012	$16,730.6	1,784.6
Local currency	Monto en pesos						
Interbank funds							
Banks			5.26%	Jun.29.2012	Jul.03.2012	$50,000.0	
			5.27%	Jun.06.2012	Jul.04.2012	6,000.0	
			5.28%	Jun.20.2012	Jul.18.2012	6,000.0	
			5.32%	Jun.29.2012	Jul.03.2012	22,000.0	
						84,000.0	
Finance company			5.25%	Jun.29.2012	Jul.03.2012	8,000.0	
Liabitlity repos:							
Banks			5.25%	Jun.29.2012	Jul.03.2012	1,200,168.2	
						$ 1,292,168.2	
Total liabilitys positions in money-market and related operations						$ 1,308,898.8	

(Continued)

December 31

		US$	Rate	Date of Deal	Date of Maturity	Market Value	TRM (Pesos)
Foreign currency							
Banks abroad:							
	US$	1,675,000.0	0.35%	Dec.30.11	Jan. 03.12	$3,254.0	1,942.70
		4,075,000.0	0.30%	Dec.30.11	Jan.03.12	7,916.5	1,942.70
		20,000,000.0	0.40%	Dec.29.11	Jan.03.12	38,854.0	1,942.70
		10,000,000.0	0.38%	Dec.29.11	Jan.03.12	19,427.0	1,942.70
		35,750,000.0				69,451.5	
Local currency							
Liability Repos:							
Banks			4.66%	Dec.07.11	Jan.04.12	6,000.0	
			4.65%	Dec.14.11	Jan.11.12	6,000.0	
						12,000.0	
Total liability positions in money-market and related operations						$ 81,451.5	

In January-June 2012 and July-December 2011 the balances and average monthly yield on these local and foreign currency liability positions were $1,308,898.8 and 806.1 and $81,451.5 and 1,000.9 respectively.

There are no restirctions on these funds.

14. Derivatives

The following is the detail of this account

Product	June 30	December 31
Forwards	$62,219.3	86,828.5
Speculative swaps	695.7	195.8
Speculative options	3,347.7	3,158.5
Hedging swaps	19,718.4	6,399.5
	$85,981.1	96,582.3

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

(Continued)

Hedging derivatives

December 31		Forward	Swaps	Options	Total	Swaps
Currency purchases	Right	($ 788,510.2)	0.0	0.0	(788,510.2)	0.0
	Obligation	792,157.3	0.0	0.0	792,157.3	0.0
Currency sales	Right	(3,824,919.8)	0.0	0.0	(3,824,919.8)	0.0
	Obligation	3,908,101.2	0.0	0.0	3,908,101.2	0.0
Interest rates	Right	0.0	(4,517.9)	0.0	(4,517.9)	0.0
	Obligation	0.0	4,713.7	0.0	4,713.7	0.0
Interest rates CCS	Right	0.0	0.0	0.0	0.0	(321,193.5)
	Obligation	0.0	0.0	0.0	0.0	327,593.0
Call options	Sale	0.0	0.0	2,359.9	2,359.9	0.0
Put options	Sale	0.0	0.0	798.6	798.6	0.0
Total Rights		(4,613,430.0)	(4,517.9)	0.0	(4,617,947.9)	(321,193.5)
Total obligations		4,700,258.5	4,713.7	3,158.5	4,708,130.7	327,593.0
Net total		$ 86,828.5	195.8	3,158.5	90,182.8	6,399.5

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

	June 30				
	0-3 months	d3-6 months	6-12 months	Over 12months	Total
Forwards	$46,459.2	12,415.0	3,308.7	36.4	$62,219.3
Speculative swaps	75.9	108.3	203.9	307.6	695.7
Hedging swaps	6,113.4	0.0	6,478.6	7,126.4	19,718.4
Options	1,258.2	1,239.0	850.5	0	3,347.7
	53,906.7	13,762.3	10,841.7	7,470.4	85,981.1

	December 31				
	0-3 months	4-6 months	6-12months	Over 12 months	Total
Forwards	60,354.1	19,930.7	6,543.7	0.0	$86,828.5
Spot operations	0.0	195.8	0.0	0.0	195.8
Hedging swaps	0.0	0.0	0.0	6,399.5	6,399.5
Options	2,275.5	749.9	133.1	0	3,158.5
	62,629.6	20,876.4	6,676.8	6,399.5	96,582.3

14.1 Hedging operations – purchase of 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, thbe bank has two IRS (Currency Swaps) outstanding to cover the issue of IFC boinds 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.

					Amount $		
Period	Item	Term (years)	Initial period	Final periodl	Right	Obligacion	Net
Jun-12	Swap: IFC bond hedging	7	Feb.07.07	Feb.07.14	295,606.8	315,325.2	(19,718.4)
Dec-11	Swap: IFC bond hedging	7	Feb.07.07	Feb.07.14	321,193.5	327,593.0	(6,399.5)

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 $11.876.3.

Operation	Counterpart	Date		Amount paid USD	Exchange rate agreed*	Amount paid COP
1	Deutsche Bank	Ene.17.12	US$	1,933.5	1,842.5	$3,562.3
2	The Royak Bank of Scotland	Ene.17.12		1,789.0	1,842.5	3,296.1
3	IFC Bonds	Ene.17.12		2,732.3	1,836.5	5,017.9
			US$	6,454.8		11,876.3

In nthe second half of 2011 Coupon 9 of the IFC Bonds was paid, with a cash payment of $11.110.9.

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

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

There were no reset payments.

Recording of CCS hedging swap

These hedging operatoins 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:

		June 30	December 31
Effect of Swap CCS	$	20,177.3	(19,111.6)
Effect of IFC Bond		(20,995.6)	33,195.8
Net effect	$	(818.3)	14,084.2

(Continued)

14 Bank loans and other financial obligations

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

		June 30					
Name		Interest payable	Under 1 year	1-5 years	5-10 years	Over 10 years	Total Capital
Other institutoins in Colombia:							
Local currency							
Bancoldex	$	197.0	25,316.0	21,493.1	7,970.6	0.0	54,779.7
Finagro		3,465.8	101,213.7	118,697.4	48,862.9	287.5	269,061.6
Findeter		5,714.5	968,884.4	22,849.7	51,345.3	0.0	1,043,079.4
		9,377.3	1,095,414.1	163,040.2	108,178.8	287.5	1,366,920.7
Foreign currency							
Bancoldex		1,111.5	3,656.6	45,732.8	112,362.9	0.0	161,752.4
Findeter		309.2	0.0	0.0	0.0	73,168.6	73,168.6
Overdrafts		0.0	19.7	0.0	0.0	0.0	19.7
		1,420.7	3,676.3	45,732.8	112,362.9	73,168.6	234,940.7
		10,798.0	1,099,090.4	208,773.0	220,541.7	73,456.1	1,601,861.4
Institutions abroad:							
		7,124.7	1,022,591.2	145,547.8	51,256.2	0.0	1,219,395.2
	$	17,922.7	2,121,681.6	354,320.8	271,797.9	73,456.1	2,821,256.6

		December 31					
Entidad		Interest payable	Under 1 year	1-5years	5-10 years	Over 10 years	Total Capital
Other institutions in Colombia							
Local currency							
Bancoldex	$	359.4	5,096.5	54,363.5	19,501.4	0.0	78,961.4
Finagro		2,905.0	7,789.4	132,761.2	80,402.6	40,895.5	261,848.7
Findeter		6,561.1	31,812.5	135,387.8	743,907.1	188,987.2	1,100,094.6
		9,825.5	44,698.4	322,512.5	843,811.1	229,882.6	1,440,904.7
Foreign currency							
Bancoldex		1,489.6	82,149.5	86,578.1	103,794.4	0.0	272,522.0
Findeter		340.4	0.0	0.0	79,650.7	0.0	79,650.7
Overdrafts		0.0	3,189.5	0.0	0.0	0.0	3,189.5
		1,830.0	85,339.0	86,578.1	183,445.1	0.0	355,362.2
		11,655.5	130,037.4	409,090.6	1,027,256.2	229,882.6	1,796,266.9
Institutions abroad:		6,220.8	1,579,893.5	90,660.4	0.0	0.0	1,670,553.9
	$	17,876.3	1,709,930.9	499,751.0	1,027,256.2	229,882.6	3,466,820.8

(Continued)

16 Accounts payable

The following is the detail of accounts payable:

		June 30	December 31
Interest:			
Deposits and demand accounts	$	95,080.1	82,098.5
Money market and related operations		536.0	204.4
Bank loans, other financial obligations (Note 16)		17,922.8	17,876.3
Bonds outstanding		37,436.4	34,417.4
Other		16.0	12.9
		150,991.3	134,609.5
Commissions and fees		3,123.7	4,022.7
Collections effected			
Company income tax		94,296.7	36,108.4
Turnover tax, property tax, vehicle tax		37,412.1	5,377.0
Other		9,567.6	15,414.5
		141,276.4	56,899.9
Suppliers:			
Supplier accounts payable		16,947.6	7,016.9
Clearing ACH network		23,684.3	99,258.3
Clearing VISA, MASTER CARD networks		25,172.4	22,092.4
Cheques for expenses payable		5,987.8	7,865.1
Civil liability policy, credit and debit cards		10,846.0	7,453.0
Payables for services rendered		10,857.6	24,738.8
Other		214.1	221.3
		93,709.8	168,645.8
Other:			
Wealth tax (1)		111,669.2	134,003.0
Income and related taxes		0.0	40,192.7
Turnover tax		0.0	12,760.0
Tax payable		3,106.9	3,024.3
Taxes payable		6,045.0	5,665.5
Bank transaction tax		18,439.7	17,144.2
Purchase commitments		2,902.2	3,637.1
Payroll withholdings and contributions		55,389.7	41,934.6
Insurance premiums		1,907.6	795.5
Remittances payable		22,695.7	13,495.6
Cheques drawn and not collected		17,339.0	13,405.9
Payable to the State Law 546/1999		91,976.6	95,015.7
carried forward	$	331,471.6	381,074.1

(Continued)

		June 30	December 31
Brought forward	$	331,471.6	381,074.1
Sundry:			
Business establishments		29,689.2	58,168.1
Forwards		7,376.9	13,275.8
Balances and commission credits		8,105.7	7,664.0
Loan overages		9,835.8	10,328.5
Pensions I.S.S.		65,757.8	0.0
Bonds: Paz y Solidaridad		20,283.7	20,564.7
Balances available VISA prepayment		14,629.9	9,520.1
Collection costs		5,753.9	3,352.9
Disbursements pending payment		5,056.4	1,623.5
Sundry (less than 5%)		20,092.9	16,925.3
		518,053.8	522,497.0
	$	907,155.0	886,674.9

(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 your be recorded, one possibility being an amortization of the equity surplus account for 2011-2014; and if the suplus 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 payahble as filed	$178,670.3
Amortized in 2011 and 2012	(67.001.1)
Balance pending amortization as deferred charge	$111.669.2

17 Bonds outstanding

At June 30, 2012 and December 31, 2011, the Bank had bonds outstanding for $3,904,710.5 and $3,700,988.4 respectively, correspondienting to ordinary, mortgage and subordinated bonds.

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

	Date	Amount offered	Term (Months)	Yield	Matures	Book value June 30	Book value December 31
Ordinary bonds 2011							
Issue 4 IBR Tranche 2 - Series B30	10-Mar-11	244,211.0	30	IBR + 1.35	10-Sep-13	$244,211.0	244,211.0
Issue 1 IBR - Tranche 2, Series B27	10-Mar-11	90,000.0	27	IBR + 1.68	10-Jun-13	90,000.0	90,000.0
						334,211.0	334,211.0
Issue 4 CPI - Series C39	10-Mar-11	86,482.0	39	CPI + 2.80	10-Jun-14	86,482.0	86,482.0
Issue 4 CPI - Series C84	10-Mar-11	76,055.0	84	CPI + 3.88	10-Mar-18	76,055.0	76,055.0
Issue 4, CPI - Series C120	10-Mar-11	193,252.0	120	CPI + 4.19	10-Mar-21	193,252.0	193,252.0
						355,789.0	355,789.0
Issue 1 CPI - Tranche 2 - Series C120	10-Mar-11	90,000.0	48	CPI + 3.60	10-Mar-15	90,000.0	90,000.0
Issue 1 CPI - Tranche 2 - Series C120	10-Mar-11	159,230.0	90	CPI + 3.99	10-Sep-18	159,230.0	159,230.0
Issue 1 CPI - Tranche 2 - Series C120	10-Mar-11	160,770.0	126	CPI + 4.23	10-Sep-21	160,770.0	160,770.0
						410,000.0	410,000.0
Subordinated bonds 2012							
Issue 2 Tranche 1 -Unsecured Series C	25-Abr-12	181,400.0	120	CPI + 4.37	25-Apr-22	181,400.0	0.0
Issue 2 - Tranche 1 - Unsecured Series C	25-Abr-12	218,600.0	180	CPI + 4.56	25-Apr-27	218,600.0	0.0
						400,000.0	0.0
						1,500,000.0	1,100,000.0
				carried forward		$1,500,000.0	1,100,000.0

(Continued)

	Date	Amount offered	Term (Months)	Yield	Matures	Book value June 30	Book value December 31
				Brought forward		$1,500,000.0	1,100,000.0
Ordinary and subordinated bonds 2010							
Issue 2 - Ordinary - IBR Tranche 1-							
- Series B3	12-Feb-10	101,837.0	36	IBR + 1.36	12-Feb-13	101,837.0	101,837.0
Issue 3 - Ordinary - IBR Tranche 2 - Series B2	07-Oct-10	91,550.0	24	IBR + 1.10	07-Oct-12	91,550.0	91,550.0
- Series B3	07-Oct-10	92,250.0	36	IBR + 1.31	07-Oct-13	92,250.0	92,250.0
						183,800.0	183,800.0
Issue 2 - Ordinary - CPI Tranche 1 - Series C5	12-Feb-10	215,062.0	60	CPI + 3.98	12-Feb-15	215,062.0	215,062.0
Issue 3 - Ordinary - CPI Tranche 2 - Series C5	07-Oct-10	120,150.0	60	CPI + 3.14	07-Oct-15	120,150.0	120,150.0
Issue 3 - Ordinary - CPI Tranche 2 - Series C7	07-Oct-10	196,050.0	84	CPI + 3.63	07-Oct-17	196,050.0	196,050.0
						316,200.0	316,200.0
Issue 2 - subordinated - CPI unsecured - Series C7	24-Feb-10	138,497.2	84	CPI + 5.25	24-Feb-17	138,497.2	138,497.2
Issue 2 - subordinated UVR Unsecured - Series U10	24-Feb-10	111,503.0	120	UVR + 5.50	24-Feb-20	121,146.6	118,472.7
Tercera - Ordinary - DTF Tranche 1 - Series T2	12-Feb-10	86,051.0	24	DTF + 0.95	12-Feb-12	0.0	86,051.0
						1,076,542.8	1,159,919.9
Bonds - Ordinary - 2009							
Issue 1 CPI Tranche 2 - Series G5	16-Jul-09	215,000.0	60	CPI + 4.79	16-Jul-14	215,000.0	215,000.0
Issue 1 CPI - Series G	05-Feb-09	123,433.0	84	CPI + 5.50	05-Feb-16	123,433.0	123,433.0
Issue 2 Fixed rate Tranche 1 - Series F5	05-Feb-09	121,800.0	60	TF 10.40%	05-Feb-14	121,800.0	121,800.0
Issue 2 Fixed rate Tranche 2 - Series E3	16-Jul-09	73,000.0	36	TF 7.89%	16-Jul-12	73,000.0	73,000.0
Segunda DTF Tranche 1- Series E3	05-Feb-09	89,800.0	36	DTF + 1.35	05-Feb-12	0.0	89,800.0
						533,233.0	623,033.0
				Brought forward		$3,109,775.8	2,882,952.9

(Continued)

	Date	Amount offered	Term (Months)	Yield	Matures	Book value June 30	Book value December 31
				Brought forward		$3,109,775.8	2,882,952.9
Bonos - Ordinary and Subordinated 2008							
Issue 2 - Ordinary - CPI - Series G	05-Ago-08	$ 170,570.0	60	CPI + 6.24	05-Ago-13	170,570.0	170,570.0
Issue 1- Subordinated- CPI Unsecured - Series C	19-Feb-08	147,777.0	84	CPI + 6.65	19-Feb-15	147,777.0	147,777.0
Issue 1- Subordinated- UVR Unsecured - Series D	19-Feb-08	151,577.5	84	UVR + 6.65	19-Feb-15	180,980.9	176,986.4
Issue 1 Mortgage VIS Structured Tranche 1 - Series G	23-Jun-06	60,173.5	84	UVR + 0.75	23-Jun-13	0.0	1,508.6
						499,327.9	496,842.0
Subordinated bonds 2007							
Guarantee: A-Class Mortgage loans, prepayment option every months - Series G (1)	07-Feb-07	368,641.1	84	Libor6 + 2.75	07-Feb-14	295,606.8	321,193.5
						3,904,710.5	3,700,988.4

(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 arreas using the LIBOR 6-month rate.

In order to hedge this dollar risk the Bank arranged two peso CCS for $368,575.5 which enables it to change exposure from LIBOR rates and dollar rates (Note 15)

Bonds by monetary unit

	June 30	December 31
Local currency	$ 3,306,976.2	3,082,827.2
Foreign currency	295,606.8	321,193.5
UVR	302,127.5	296,967.7
	$ 3,904,710.5	3,700,988.4

(Continued)

Bonds by maturity

		June 30	December 31
Under 1 year	$	356,387.0	430,401.0
1-5 years		2,241,819.9	2,228,260.5
5 - 10 years		1,087,903.6	1,042,326.9
Over 10 years		218,600.0	0.0
	$	3,904,710.5	3,700,988.4

18. Other Liabilities

Other liabilities include:

		June 30	December 31
Long-term employment liabilities	$	31,169.9	35,065.4
Income received in advance		6,578.4	6,443.5
Other		296,471.2	279,201.5
	$	334,219.5	320,710.4

The following is the detail of other liabilities:

18.1 Employment liabilities

The detail of employment liabilities is the following:

		June 30	December 31
Severance accrual	$	6,622.5	12,236.0
Interest on several accrual		393.9	1,438.0
Holidays		15,971.4	14,342.2
Other employment benefits		8,182.1	7,049.2
	$	31,169.9	35,065.4

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

The Bank has no pension liabilities.

18.2 Income received in advance

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

		Balance at December 31	Credits	Charges	Balance at June 30
Interest	$	6.3	77.3	83.6	0.0
Commissions		6,431.8	54,077.9	53,936.7	6,573.0
Other		5.4	0.0	0.0	5.4
	$	6,443.5	54,155.2	54,020.3	6,578.4

18.3 Other

The movement of Other Laibilities – Other at June 30, 2012, is the following:

		Balance at December 31	Credits	Charges	Balance at June 30
Deferred income (1)	$	41,148.1	64,663.4	69,715.1	36,096.4
Deferred payment letters of credit		6,812.4	10,076.6	11,288.8	5,600.2
Deferred income tax		165,037.8	31,509.3	16,817.6	179,729.5
Payments pending application		27,479.5	20,082,941.7	20,073,405.1	37,016.1
Clearing overages		108.4	62,552.1	62,660.5	0.0
Cash overages		5,776.5	61,575.6	61,480.0	5,872.1
Cancelled accounts		31,991.8	2,738.6	2,916.6	31,813.8
Other		847.0	961,200.5	961,704.4	343.1
	$	279,201.5	21,277,257.8	21,259,988.1	296,471.2

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

		June 30	December 31
Loans expressed in UVR	$	6,723.3	0.0
Restructured loans deferrals for amortization		25,338.6	23,764.0
Gain on sale of foreclosed assets		2,426.4	2,803.3
Gain on sale of assets		840.2	13,723.0
Other		767.9	857.8
	$	36,096.4	41,148.1

(Continued)

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

		June 30	December 31
0- 1 year	$	7,586.9	13,722.9
1-5 years		3,136.4	3,198.2
Over 10 years		25,373.1	24,227.0
	$	36,096.4	41,148.1

19. Accruals and Allowances

The following is the detail of accruals and allowances:

		June 30	December 31
Taxes			
Income tax 2010	$	87,369.9	0.0
Turnover tax		13,473.2	0.0
		100,843.1	0.0
Other:			
Interest TES Law 546/1999		88.0	171.3
Superintendency fines		300.0	410.0
Fines, sanctions, litigation, claims		118,030.3	85,869.3
Accrual of financial costs, commercial strategies		25,626.5	21,916.5
Other allowances (less than 5%)		2,791.9	2,814.6
		146,836.7	111,181.7
	$	247,679.8	111,181.7

Filings for 2009 and 2010 are still open to DIAN review.

Fines and penalties in litigation

Cases that generate contingent liabilities for the Bank are detailed as follows::

(Continued)

a. Litigation covered by Fogafín

These are cases inherited from Granbanco S.A. Fiduciaria Cafetera S.A, Bancafe Panamá S.A. and Bancafé International Corporation, that already existed on January 31, 2007 but which were served after February 16, 2007 and before Fenruary 16, 2010. They are current cases and are expressly guaranteed by Fogafín.

b. **Litigation against the Bank**

These are other cases that generate a contingent liability to the Bank, not covered by Fogafin.

The following is a summary of the processes, as at June 30, 2012 and December 31, 2011:

June 30 Class of case	No of cases	Amount of Allowance	Amount of Claims
Litigation covered by Fogafin guarantee	293	$ 13,084.1	59,508.0
Bank			
Fines and sanctions of other administrative authorities	16	87,625.3	92,651.4
Labour court claims	50	1,277.4	3,581.4
Civil litigation	947	16,043.5	78,060.8
	1,306	$ 118,030.3	$ 233,801.6

December 31 Class of case	No of Cases	Amount of allowance	Amount of Claims
Litigation covered by Fogafin guarantee	363	$ 13,417.0	63,511.8
Bank			
Fines and sanctions of other administrative authorities	17	58,985.0	92,277.6
Labor court claims	58	1,154.9	3,707.2
Civil litigation	1,061	12,312.4	87,427.4
	1,499	$ 85,869.3	246,924.0

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 amnd 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, 2011 and December 31, 2011 there was one such case, the amount involved is less than $70.0.

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 $233,801 and $246,924 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 casesw that may generate the most important economic impact on the Bank:

c. Tax cases

Income tax 2003:

The Bank filed its tax return on the basis of "presumed income" and claimed a credit balance of $7,004.8. The tax authority DIAN rebated this amount.

Subsequently, the Bank corrected the income statement to reduce the base of calculation of "presumed income" and this increased the credit balance by $3,046.5.

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

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

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

So, at 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 $3,046.0 and imposing a fine for falsification totaling $4.222.0

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 $3.814,3 for a rebate out of order.

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

The 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 $3,046.4

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

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

Turnover Tax (ICA)

At present there are eleven cases in progress with the Municipality of Medellin related to turnover tax returns of 1993 - 2001.

The Medellin 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 $2,692.0, 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 $305,9, 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.

(Continued)

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 was concliated, 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 $4,485.0 of the Wealth Tax that the Bank had paid for 2007. The basis for this rebate was that, for purposes of the merger that occurred with GRANBANCO S.A. BANCAFE, the Bank enjoyed the protection of the tax stability regime at that time.

DIAN sued for recovery of the proportional rebate. This suit would not in itself attract any penalties, but penalty interest, which at June 30, 2012 amounted to $6,056.0, giving a total of $10,541.0. The details of these cases are as follows:

The Tax Administration filed two 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 t the accumulation of this case with the other claim for damages. The case was sent on February 28, 2011.

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

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

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

Income Tax - 2004

An assessment was issued on December 28, 2007,in which DIAN claims to disallow deductions for loan allowances, Government relief, losses, and investments in productive fixed assets. This produces a higher tax liability of $13,694.0 and imposes a penalty for “falsity declaration” of 160% for a total of $21,043.0, plus penalty interest at June 30, 2012 for $33,048.0, that is, a total of $67,785,0. On February 28, 2008, the Bank submitted a claim for reconsideration against the assessment.

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

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

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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 $20,800.9.

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 $67.140.0, that is, the tax assessment for $13,694.0 plus the fine for false declaration of $20,801.0 and the penalty interest of $ 32,645.0. A full allowance had been made at June 30, 2012.

<u>Taxes on the Bank Transaction Tax (GMF) - 2005</u>

DIAN issued an assessment on January 19, 2007 for 52 weeks filed during 2005, proposing to modify the tax liability. The argument was that overdraft transactions are subject GMF. At present the filings for 25 weeks have exhausted ordinary process, and DIAN is attempting to increase the tax liability by $ 2.369.0, plus a fine for falsification of 160% or $3.789.0, plus penalty interest which at June 30, 2012 amounted to $5,815 million pesos, for a total value of claims of $11.973.0.

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.

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.

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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 $6.947.0.

Fogafin Guarantee of Contingent Liabilities

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

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

The guarantee envisages the existence of a contingencies account composed of the various allowances that Granbanco S.A. had incorporated previously as at January 31, 2007, and which amounted to $21.067,0. Any award or other item guaranteed by Fogafin should be deducted from these accounts until reaching the limit covered. If the limit is reached, Fogafin must reimburse the corresponding net economic effect to the Bank within the terms of the contract. The existence of the account referred to with the allowances that existed at that time determines that any possible losses in the litigation covered by the guarantee do not affect the Bank´s earnings statement.

As of June 30, 2012 and December 31, 2011 Fogafin is covering 363 and 433 cases with an allowance of $13.084.1 and $13.417.0 and claims of $59.508.0 and $63.511.8, 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 thereforeentirely 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 $382.0, and applied it improperly to settle other loans in his name. He argues that this act of the Bank caused him damages he rates at $4,000.0. 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.

2. Before Civil Court 2, Barranquilla, Mr. Yuri Lora Escorcia initiated ordinary proceedings by which he seeks compensation for the alleged damages caused by improperly opening a current account at the Bank, based on which a cheque was drawn which could not be collected by the plaintiff and which ultimately caused him disciplinary and criminal problems. While the process was in the judgment phase, which ordered the Bank to

pay a sum in excess of $3,500.0, the court nullified all proceedings, and then revoked that decision.. Currently, Bank´s appeal against this decision is pending at the Barranquilla court. There are strong arguments that demonstrate the illegality of the sentence against Davivienda. The criminal investigations are now in progress and the contingency has been rated as probable, given the court´s finding against the Bank.

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

Court cases concerning the former UPAC system

1. In a class action Alberto Botero Castro sued the Bank on the grounds that it over-invoiced the State for Law 646/1999 relief in favour of mortgage debtors with UPAC-denominated loans at December 31, 1999. He claimed that the Bank should return the excess amounts claimed to the Treasury. The case is in the evidence-gathering stage. Although the exact size of the claim cannot be defined, it could eventually be large, and exceed $5.000.0. The contingency was classed as “remote” since there is no evidence of the alleged irregularities and inconsistencies that the Bank might have committed in the course of this process.

2. Mercedes López Rodríguez entered a class action against the Bank alleging that it and other financial institutions have not returned the TES in cases where Law 546/1999, had stated that there was no reason to collect on them and they should revert. The case is before Bogotá Civil Court 4, whose decision is awaited on the request for revocation entered by the Bank against the order to admit the suit.. The contingency is classed as “remote “. At present it is not possible the size of the plaintiff´s claim, and it is estimated as more than $1.000.0.

3. Asociación Comité Nacional de Usuarios UPAC-UVR. A non-profit organization, and certain individuals have brought a class action against Banco Davivienda S.A. and other financial entities to obtain a decision that these entities made errors in their liquidations of Law 546/1999 relief payments to mortgage debtors . They also claim that these institutions should return the TES produced by this irregular liquidation to the Treasury and their refusal to rebate the relief when there were legal grounds for doing so. The case is before the Administrative Tribunal of Cundinamarca, pending a decision on a request for revocation lodged by the Bank along with defendants against the order to admit the suit. The claims do not quantity amounts but it is estimated to be in excess of $5,000.0. The case is classed as ”remote”.

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

6 Mrs Clara Cecilia Murcia and others entered a class action in Administrative Court 5, Bogota against the courts that did not comply with the allowances of Law 546 on the termination of the mortgage enforcement cases. The application requests that all courts in Colombia be ordered to terminate these cases. The Bank is implicated as a third party for having filed enforcement claims at the time. The case is pending a comnciliation hearing under Law 472/1998. The contingency has been described as remote.

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, Bogota which refused to admit it as a result of a request for revocation against admission, and is pending resolution of the letter of remedy provided by the actor. The contingency is described as remote.

8 In Bogotá Civil Court 5 Henderson Sepúlveda and others have sued in a class action for excessive interest charges on credit card operations. The case is in the evidence-gathering stage. There are no criteria to calculate the amount of the claims, and the case is classed as “remote”.

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 $5,000.0. The contingency has been classed as remote as in similar cases the claims of the plaintiffs have been denied.
2. Mr. Oscar Zambrano-Parada and others sued before Civil Court 31, Bogotá seeking recognition of damages for allegedly unlawful charges of commissions for bank and financial services. The Bank contested the claims in time and the case is now in the evidence collection stage. There are no objective parameters to calculate the amount of the claims, and therefore no allowance has been made for the contingency until some possible risk can be identified the course of the proceedings. The contingency was treated as remote.
3. Mrs. Rosemary Roa-Sarmiento brought a class action before Civil Court 20, Bogotá, for allegedly unlawful charges for financial services provided by the Bank. The data currently available have not made it possible to determine an amount for the claims. Evidence ordered by the Court are being produced at this time. In similar cases against other Banks, the courts have rejected suits for lack of legal support. This contingency has therefore been treated as remote. There is a similar class action brought by José Guillermo T Roa in Civil Court 5, Bogotá Circuit currently also in the evidence-gathering stage, and the considerations of this case also apply to it.

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

1 Through an action for Direct Reparation, Martha Esperanza Suarez and others sued the Bank and others, who claimed that declaring that Davivienda and other defendants should pay compensation in damages allegedly incurred by the plaintiffs during the construction of urbanization "Parques del Sol II in Soacha", where the faults in the land made the houses uninhabitable. The process is currently in progress at

Administrative Tribunal 38, Bogotá pending a decision on the Bank´s challenge against admission. The amount of the claim is estimated in $5,200.0 plus any interest; the contingency is rated as remote.

2 In Administrative Court 14, Barranquilla a class action was filed by Silvana Heredia and others, seeking to relocate persons who acquired low-cost housing in an area of the city, which have experienced foundation problems, in other homes of similar conditions,. The matter is currently pending the lower court´s decision. The Bank was implicated as a defendant because it has granted mortgages to buy those homes. The contingency is classed as remote.

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

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

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

Other cases

1. Grupo Empresarial Los Andes S.A. sued the Bank for damages caused by the claims for recovery of ownership that Luis Hernando Murcia-Castro made against Los Andes with regard to part of property (Ref. No. 206-33327) that Davivienda sold to 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 $9,000.0. The contingency is rated as remote
2. Mr. Cornelio Villada- Rubio and others entered a class action before the Administrative Court 7, Ibague, for payment of compensation for damages arising from a report to credit bureaus, without their permission, or for remaining reported for a term longer than the legally permitted. The claims were contested on June 9, 2009, but because of a challenge by one of the defendants, the suit was admitted again, and the Bank was served on December 13, 2010, and contested on January 7, 2011. ,The preliminary objections raised, are pending in process. The amount in dispute is not determined. The contingency is classed as remote.

Cases with asset contingencies in which the Bank is plaintiff

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

A. Tax cases

1. Taking into account the fact that the Council of State decided to grant Tax Stability to Bancafé,

established that the Bank is entitled to request the reimbursement of amounts paid before that decision became effective, with related indexation and interest for tax purposes, the Bank had requested DIAN to allow $35,128.7 of interest. On December 2, 2008, DIAN Resolution No. 09036 decided to recognize $7,110.6.

As a consequence, the Bank entered a claim for enforcement against the DIAN in February 2009 for it to pay interest ordered by the Council of State ruling that defined the issue of tax stability in favor of Bancafé. The amount in dispute is $29,131.1. Cundinamarca Court Section III denied the payment order in April 2009, and an appeal was filed against the aforementioned decision, and was upheld in October 2009. Then, on November 12, 2009, the presiding justice decided to refer the case to Section IV. On March 5, 2010 the appeal was admitted and the decision is now awaited.

2. It was understood that for purposes of the merger of Granbanco S.A. and Banco Davivienda S.A., the latter becomes the holder of the Tax Stability Agreement, and on June 10, 2008 the Bank sought rebates of $13.095.0 $9.728.0 payment of Wealth Tax not due and Bank Transaction Tax (GMF) not due paid in 2007. The Bank received the DIAN decisions to rebate $4,485.0 of wealth tax on July 23, 2008and on December 18, 2008 DIAN Resolution No. 6081795 decided that a GMF rebate of $263.6 should be made.

Regarding the application for refund of wealth Tax, the Bank filed an appeal for reconsideration on June 16, 2009 and DIAN Resolutions 1007 and 1008, confirmed the assessment, denying the refund in the amount of $8,610.0, and thus exhausted ordinary process.The Bank proceeded to present the claims:

- Action for nullity and restoration of law (2009-210) to annul Resolutions 608-0887/2008 and 001007/ 2009 (reconsideration) in which DIAN denied the rebate $4.305.2 from $6.547.5 paid on account of the first installment of the Wealth Tax for 2007. The 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 $4.305.2 from $6.547.5 paid on account of the second installment of the Wealth Tax for 2007. The suit was filed with the Administrative Tribunal of Cundinamarca 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 $ 26,000.0 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.
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 $5.531.0. The case is before Civil Court 6, Bogota where it is in the evidence-gathering stage.

20. Capital

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

		June 30	December 31
Authorized	$	60,000.0	60,000.0
Subscribed and paid		55,483.3	55,479.6
Subscribed and pending payment		0.0	3.7

Authorized, subscribed and paid capital is represented by the following shares:

		June 30	December 31
Ordinary shares and preference shares, subscribed and paid		443,866,625	443,836,739
Subscribed and pending payment		0	29,886
Outstanding		443,866,625	443,866,625
Weighted average subscribed shares		443,866,625	415,257,829
Par value (pesos)	$	125.0	125.0
Intrinsic value (pesos)		11,505.75	10,842.34
Profit per share (pesos)	$	829.34	704.77

The capital generated by equity revaluation to May 31, 2006 was $252,185.2

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

At 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, $80.65, which will be paid preferentially over and above the ordinary shares. The minimum preference dividend may not be accumulated.

– Share issue.

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

(Continued)

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 $220 per share for the period July-December 2011, for $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 $125 per share.

21. Reserves

The detail of reserves is the following:

		June 30	December 31
Legal (mandatory) reserve:			
Appropriation of profits	$	27,739.8	25,542.5
Ordinary share ´premium		1,120,427.6	1,120,427.6
Preference share premium		1,124,620.2	1,124,620.2
Preference share premium pending receipt		0.0	(594.0)
		2,272,787.6	2,269,996.3
Statutory and voluntary reserves			
Charities and donations, at Board discretion		8,614.3	8,043.6
At the disposal of the shareholders		1,670,223.3	1,480,345.2
For ntax regulations		36,530.7	38,594.2
		1,715,368.3	1,526,983.0
	$	3,988,155.9	3,796,979.3

At June 30, 2012 and December 31, 2011 donations were made for $4,429.2 and $2,126.3, 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 peroids for $5,000 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 $2,063.7, to make an untaxed reserve if capitalized for future distribution.

22. Contingent Accounts

A detail of contingent accounts is the following:

		June 30	December 31
Creditor			
Securities received in repo and simultaneous operations	$	734,681.4	1,712,318.3
Bank guarantees		1,729,163.2	1,008,897.2
Letters of credit		111,296.5	148,305.2
Loans approved and not disbursed		4,385,877.5	4,168,269.2
Credit cards opened		7,707,155.1	7,625,862.5
Obligations under options		225,356.4	226,633.2
Payables to the State Law 546/99 *		0.0	21,582.6
Litigation (note 20)		233,801.6	246,924.0
Other (less than 5%)		73,118.2	117,387.9
	$	15,200,449.9	15,276,180.1
Debdor:			
Securities delivered under repos and simultaneous operations	$	1,361,751.6	0.0
Interest on loans		52,232.3	47,447.8
Interest on residential leasing operations		3,018.9	3,002.8
Rights under options		142,764.2	117,824.8
Home mortgage loans relief Law 546/99 *		0.0	66,405.6
Purchase options receivable		451.6	0.0
Moentary correction on loans		6,598.0	6,021.5
Leasepayments receivable		26,444.2	0.0
Restructured loans written off		715.0	695.0
Rights under securitization contract		17,193.0	17,193.0
TIPS E-4 Class C		9,297.8	9,297.8
Litigation		80,444.1	83,928.1
Class C Securitization II		33,903.2	33,154.9
Income tax credit balance		0.0	7,756.5
Residual value of securitizations		81,415.6	61,288.0
Other debtor contingencies less than 5%)		21,792.7	22,046.2
	$	1,838,022.2	476,062.0

*The Bank recognizes the account payable to the State and therefore there is not contingent Edebot for the reversión of the relief and recognition of the expense due to the dynamics of the account.

(Continued)

23. Memorandum Accounts

A detail of Memorandum Accounts is the following:

	June 30	December 31
Debtor:		
Assets and securitirs delivered in custody	$ 4,337,722.6	4,124,628.5
Assets and securities delivered in guarantee	1,152,574.3	239,345.3
Valuation gains on foreclosed real property	10,795.4	10,820.8
Valuation gains on movable foreclosed assets	6,532.3	6,541.8
Remittances and other outward collections	13,796.4	13,767.0
Assets written off	1,291,611.1	1,102,574.8
Asset inflation adjustment	58,466.1	58,834.2
Distribution of subscribed and paid capital	55,483.3	55,479.6
Loans to shareholders and related parties	41,513.4	248,776.3
Loans to parents, affiliates, subsidiaries	217,000.0	7,001.2
New agricultural loans	1,018,926.6	948,032.1
Property and equipment fully depreciated	203,580.3	198,893.5
Fiscal value of non-mentary assets	34,110,107.5	27,522,825.9
Trading investments in debt securities	2,257,171.0	2,970,948.5
Investments held to maturity	382,377.7	289,556.3
Investments available for sale, debt securities	629,276.2	710,590.5
Reciprocal asset operations with parents/subsidiaries	398,752.2	388,931.2
Reciprocal operations affecting parent costs and expenses	18,141.4	24,871.7
Capital, interest and insurance, securitizations	2,204,781.1	2,124,430.6
Capital, interest, and other items on loans written off ("universalities")	84,884.8	90,374.4
Assets, expenses and contingencies in "universalities"	264,294.8	280,177.1
Interest, UVR and guarantees written off	837,135.2	691,685.6
Home mortgage loans - bonds	0.0	30,622.7
IVA tax base, purchases	21,154.4	17,054.8
Special litigation	76,555.4	79,615.8
TZ Temp assets f, currency > 3days and <= 1 month	119,379.0	0.0
TZ Temp assets f.currency ME >1 month and <= 12 months	1,006,932.8	0.0
Linear accrual of syndicated poan and bonds	4,739.8	5,258.5
Indirect depositors DCV	2,229,482.2	1,250,786.8
Other debtor accounts (less than 5%)	747,584.4	352,235.0
	$ 53,800,751.7	43,844,660.5

(Continued)

		June 30	December 31
Creditor:			
Assets and securities received in custody	$	10,036.8	11,425.8
Assets and asecutiries received in guarantee of future loans		0.0	5,987,033.8
Guarantees pending cancellation		0.0	3,964,202.8
Assets and securities received in guarantee		24,719,976.2	20,262,255.3
Assets and securities received in non-admissible guarantee		25,717.5	20,903.6
Recovery of assets written off		71,798.9	71,605.4
Equity inflation adjustment		252,185.2	252,185.2
Capitalization of equity surplus		252,185.2	252,185.2
Yields on fixed-yield investments		152,796.1	237,628.7
Fiscal value of eqiutyo		4,126,513.8	3,130,997.9
Capital, interest and other, commercial loans		15,239,493.8	14,777,056.3
Capital, interest and other, consumer loans		8,862,967.2	8,616,898.3
Capital, interest and other, home mortgage loans		2,615,807.9	2,490,719.1
Reciprocal liability operations with parent/subsidiaries		125,432.2	61,385.3
Reciprocal operations affecting equity with parent		0.0	13,869.1
Reciprocal operations affecting income with parent		71,535.2	34,395.1
Guarantees, liabilities and income"universalities"		246,924.0	189,546.2
Guarantees - securitized loans		7,264,643.9	6,227,141.5
Subordinated bonds		295,596.0	320,812.3
Comptable capital January-February/12		5,227,544.6	4,036,739.6
Computable capital October-November /11		5,235,467.6	4,075,313.7
Base for self-withholdings Decree 700 - Investments		987,252.9	780,312.0
Other debtor contingencies (less than 5%)		379,049.3	444,359.9
	$	76,162,924.3	76,258,972.1

24. Trust accounts

24.1 “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 provisión had been made against them – and simultaneously, to issue securities.

The portfolios of written-off home mortgsage loans CCV, CCVII and CCVIII were removed from equity and the balance sheet under Article 12 of Law 546/ 1999, regulated by Superintdenency 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 nthat Resolution.

24.2 "Universality" CCVIII

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

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

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

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

DECEVAL holds and manages the issue under thedeposit 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 issuesI.

The characteristics of CCVIII mortgage paper are:

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

- Designation: Títulos Hipotecarios CCVIII.
- Denomination: CCVIII securities will be expressed in UVR.
- No. of securities in the issue: 4.800
- Face value: 10.000 UVR
- Regulatory:: CCVIII securities are freely traded on the secondary market. They are securities To Order.
- Minimum investment: eqiuvalent of 200.000 UVR.
- Minimum trading volume on the secondary market: 10.000 UVR.
- Regime: classed as securities, with attendant privileges and those of mortgage paper, subject to rules of Law 546/1999.

- Profitability: uncertain, based on collections on written off loans, net of expenses, over the life of the securities.
- Yield payments: yields on CCVIII securities are paid quarterly in arrears following payment priority ranking.
- Amortization: CCVIII securities holders are entitled to receive from the Universlaity, 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 beyod 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.

24.3 <u>"Universality" - CCVII</u>

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

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

The portfolio contains 5,866 loans at a weighted rate of UVR. + 12.10%. 45% of them are for low-cost hosuing nand 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 thedeposit and issue administration agreement signed with the Bank..

On May ,3 2011 Fitch Ratings Colombia SCV rated this paper C(Col) , to match their risk situation.

Some Bank shareholders acquired all the CCVII.paper.

The characteristics of CCVII are:

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

- Designation: Títulos Hipotecarios CCVII.
- Denominación: 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: eqiuvalent 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 Universlaity, 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 beyod Q32 of the issue term.
- Placement: CCVII securities were placed on the secondary market through the broker DAVIVALORES S.A., on the basis of best efforts underwriting
- Subscription price: Face value plus a premium set in the offer document.
- As stated in Section1.5 Chapter IV, the duration mand tgermination of the "Universality" will be equal to the máximum 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.

24.4"Universality"– CCV

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

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

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

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

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

On December 26, 2003Fitch Ratings Colombia SCV rated these securities D(Col), to match their risk situation.

Some Bank shareholders acquired all of these securities.

The characteristics of the CCV paper are the following:

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

- Designation: Títulos Hipotecarios CCV.
- Denominación: los títulos CCV will be expressed in UVR.
- No. of securities in the issue: 10.140
- Face value: 10.000 UVR
- Regulatory:: los títulos CCV are freely traded on the secondary market. They are securities To Order.
- Minimum investment: eqiuvalent 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 onlos títulos CCV are paid quarterly in arrears following payment priority ranking.
- Amortization: los títulos CCV holders are entitled to receive from the Universlaity, 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 beyod Q32 of the issue term.
- Placement: los títulos CCV were placed on the secondary market through the broker DAVIVALORES S.A., on the basis of best efforts underwriting
- Subscription price: Face value plus a premium set in the offer document.

The Shareholders´ Meeting of June 15, 2012, approved the liquidation of the "Universality" CCV, the realizatoin of the asset, the donation of foreclosed assetsof Parques del Sol; once the assets are realized, debts for account of "Universality" CCV will be paid, or failing that,m the investors will pay.

(Continued)

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

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

(Continued)

		December 31 CCV	CCVII	CCVIII	Total
Balance sheet					
Cash	$	0.0	1,161.5	1,850.3	3,011.8
Portfolio		16,993.1	8,601.0	5,448.0	31,042.1
Debtors		8,020.8	2,340.3	1,869.7	12,230.8
Total Assets		25,013.9	12,102.8	9,168.0	46,284.7
Creditors		8,020.8	3,501.8	3,720.0	15,242.6
Securities outstanding		16,993.1	8,601.0	5,448.0	31,042.1
Total Liabilities	$	25,013.9	12,102.8	9,168.0	46,284.7
Results					
Operating income		0.0	0.6	0.4	1.0
UVR adjustment		192.7	107.3	66.7	366.7
Loan recoveries		3,026.5	2,302.2	2,958.6	8,287.3
Foreclosed asset recoveries		1,310.5	1,023.1	439.4	2,773.0
Total operating income		4,529.7	3,433.2	3,465.1	11,428.0
Other Interest		(6,334.6)	(2,320.3)	(1,614.1)	(10,269.0)
Commissions		344.5	223.7	185.6	753.8
Fees		101.3	124.4	76.8	302.5
Insurance		2,077.6	1,077.5	474.1	3,629.2
Sundry		8,340.9	4,327.9	4,342.7	17,011.5
Total operating expenses	$	4,529.7	3,433.2	3,465.1	11,428.0
Contingent accounts					
Portfolio		186,347.4	94,242.8	32,385.6	312,975.8
Other contingencies		23,319.9	21,636.4	14,074.5	59,030.8
Total contingencies	$	209,667.3	115,879.2	46,460.1	372,006.6
Debtor					
Portfolio	$	22,759.4	19,585.6	15,762.2	58,107.2
Creditor					
Portfolio	$	73,570.7	56,999.4	57,319.3	187,889.4

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.

(Continued)

25 Other Operating Income

The detail of other operating income is the following:

		June 30	December 31
traveller retirement	$	12,091.9	12,599.4
Charge for use of networks		15,418.1	15,761.8
Sale of savings passbooks		2,722.1	2,433.3
Business services		15,422.4	15,171.8
Sale of chequebooks		12,188.0	12,812.3
SARO - fraud recoveries		3,878.8	1,901.0
Credit cards declined and reissued		1,543.1	2,253.0
National and local deposits		9,652.2	9,387.7
Bank cheques		819.8	1,556.9
Other (less than 5%)		4,598.9	4,117.0
	$	78,335.3	77,994.2

26 Other Operating Expenses

The detail of other operating expenses is the following:

		June 30	December 31
Fees	$	40,076.2	58,756.2
Taxes		67,688.3	58,424.4
Rent		28,607.5	30,178.2
Contributions and affiliations		24,026.9	27,499.3
insurance		63,038.4	60,148.7
Maintenance and repairs		10,514.1	14,507.0
Office remodelling		7,580.7	9,564.0
Cleaning and security		14,796.6	15,785.6
Temporary services		1,695.2	2,693.8
Advertising		29,856.8	55,088.6
Public services		29,118.3	30,696.1
Data processing		23,282.1	30,485.7
Travel		7,349.2	6,211.9
Transport		27,776.0	27,401.6
Stationery		9,971.7	7,322.4
Other (less than 5%)		8,084.7	8,567.4
	$	393,462.7	443,330.9

(Continued)

27 Allowances – Other

The following is the detail of other allowances:

		June 30	December 31
Cash and due from banks	$	308.6	272.4
Foreclosed assets		4,371.9	4,396.6
Other assets - staff loans		221.2	288.6
Accruals		3.1	384.8
Other		475.2	0.0
	$	5,380.0	5,342.4

28 Non-operating income

The following is the detail of non-operating income:

		June 30	December 31
Profit on sale of:			
Foreclosed assets	$	1,358.1	2,395.2
Property and eqiupment		1,714.4	9,605.3
		3,072.5	12,000.5
Recoveries:			
Loans and assets written off		71,798.9	71,605.4
Recovery of allowances on property and equipment		807.8	5,515.4
Recovery of allowanceson foreclosed assets		5,455.0	3,448.9
Recovery of allowances on investments		3,141.6	3,419.3
Recvery of allowances on other assets		906.1	1,188.3
Recovery of other allowances		6,127.3	11,575.2
Recovery of deposit insurance		7,419.5	0.0
Recovrey of year´s accruals		0.0	4,368.3
Recovery of previous years´ accruals		2,923.8	2,209.7
Other recoveries		2,552.1	5,527.4
		101,132.1	108,857.9
Business collaboratiohn agreement (1)		9,121.7	9,014.0
Rent		840.4	668.9
Sundry (less than 5%)		4,094.1	7,345.2
		14,056.2	17,028.1
	$	118,260.8	137,886.5

(Continued)

(1) A business collaboratrion 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.

29 Non-operating expenses

The following is the detail of non-operating expenses:

		June 30	December 31
Loss on sale of foreclosed assets	$	1,219.9	2,845.2
Loss on sale of property and eqiupment		255.8	132.9
Loss on sale of loans		8,824.4	11,236.7
Other non-operating expenses:		59,010.0	23,887.2
Fines and penalties		36,770.9	16,293.0
Expenses of foreclosed assets		981.8	912.9
Other asset losses		573.6	993.7
Payments to customers		311.2	141.3
Return of housing relief		13,606.3	1,922.8
Non-operating expenses of previous periods		674.0	533.8
Commercial deference		690.3	842.7
Legal actions		1,021.6	236.0
Special processes, managed portfolios and items condoned		2,398.0	426.5
Other (less than al 5%)		1,982.3	1,584.5
	$	69,310.1	38,102.0

30 Income tax

The following is the reconciliation of book profit and estimated taxable profit at June 30, 2012 and December 31, 2011:

(Continued)

		June 30	Decemebr 31
Profit before tax	$	471.592,8	385.511,2
Plus or (less) items that increase (decrease) taxable profit:			
Bank transaction tax - non-allowable		11.859,6	14.818,4
Fines and sanctions		18.222,3	16.317,8
Non-deductible allowances against foreclosed asseta, litigation etc		43.350,2	8.041,1
Fiscal income, sale of loans		(11.307,7)	16.008,7
Difference from application of special net valuation 2010 and 2009		34.412,0	(56.351,9)
Untaxed dividends and income		(49.359,8)	(8,8)
Difference between book and fiscal depreciation of goodwill		(75.030,1)	(77.543,2)
Recovery of non-deductible allowances		(11.148,3)	(16.807,8)
Other non-deductible expenses		65.795,4	103.218,4
Net income		498.386,4	393.203,9
Presumed income tax		31.994,8	30.574,8
Exempted income		(233.629,0)	(211.855,8)
Net taxable income		264.757,4	181.348,1
Income tax		87.369,9	59.844,9
Inciome tax expense, Miami}		49,2	0,0
Deferred income tax		16.056,2	33.003,8
Total tax and surcharge	$	103.475,3	92.848,7

The following timing differences originated movements in the Deferred Tax account in the periods ended on June 30, 2012 and December 31, 2011:

(Continued)

		June 30	December 31
Difference between book and fiscal income:			
Investment valuations	$	6,030.5	10,468.8
Allowance for turnover tax		(235.5)	(2,171.7)
Fiscal income from loan sales		0.0	(105.3)
Allowance Davipuntos and Frech		(1,253.9)	(5,963.0)
Increased value of goodwill		24,561.9	25,032.1
Syndicated loan, IFC bonds and other derivatives		(16,321.7)	5,742.9
Deferred income		3,274.9	0.0
	$	16,056.2	33,003.8

The difference between book and fiscal equity at June 30, 2012 is the following:

Book equity	$	5,107,016.9
Plus (less) items that increase (decrease) equity for tax purposes		
Asset allowances		59,266.9
Accruals and allowances		146,748.7
Effect of derivatives		(20,722.4)
Effect of inflation and other adjustments		39,202.7
Book valuation gains on property nand equipment		(673,017.7)
Effect of deferred tax		(159,338.0)
Increased amortizationof goodwill		(535,103.0)
Fiscal equity	$	3,964,054.1

Tax filings for 2010 and 2011 are open to review by the tax authority DIAN.

(Continued)

31 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 Inversiones 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 Inversiones 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 amnd 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% bof the Bank´s capital (Inversiones Cusezar S.A. and Inversiones Meggido S.A.).

The Bank may enter into operations, agreements or contracts with related parties on the understanding that such operations must be for reeasonbable 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 oeratoins 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 trhe following operation with shareholders holding more tan 5% of computable capital but less tan 10%:

Empresas Públicas de Medellín E.S.P	June 30	December 31
Indebtedness	$ 272.837.8	273,843.9
Computable capital limit (5%)	5.20%	5.74%

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):

Asset – Investments	June 30	December 31
Trading investments in debt securities	$ 250.483.8	144.347.6
Held to maturity	41.470.5	0.0
Total Assets	$ 291.954.3	144.347.6

Earnings Statement – Investment valuation gains	June 30	December 31
Valuation of investments	$ (3.383.8)	(1.510.8)

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

(Continued)

Operations with related parties :

June 30

	Holders of 10% or more of the Bank´s capital	Corporate entities in which the Bank holds10% or more (1)	Other Grupo Bolívar companies	Management of Grupo Bolívar (2)	Other shareeholders with more than 5% but less than 10% of the Bank´s capital	Total
Assets	0.0	369,213.8	238,592.8	24,606.2	0.0	632,412.8
Cash	0.0	29,327.0	0.0	0.0	0.0	29,327.0
Money market and related asset positions	0.0	6,000.0	0.0	0.0	0.0	6,000.0
Investments	0.0	306,964.8	9,973.2	0.0	0.0	316,938.0
Loans and financial leasing	0.0	19,342.3	214,568.3	24,367.6	0.0	258,278.2
Accounts receivable	0.0	7,548.8	1,796.7	237.9	0.0	9,583.4
Other assets	0.0	30.9	12,254.6	0.7	0.0	12,286.2
Liabilties	1,270.5	373,356.6	153,075.7	6,923.0	2,550.8	537,176.6
Deposits and demand accounts	1,270.5	69,839.9	135,600.0	6,805.2	2,550.8	216,066.4
Money market and related liability positions	0.0	16,730.6	0.0	0.0	0.0	16,730.6
Bank loans and other financiall obligations	0.0	269,061.7	0.0	0.0	0.0	269,061.7
Accounts payable	0.0	15,724.4	13,208.6	117.8	0.0	29,050.8
Bonds outstanding	0.0	2,000.0	4,258.5	0.0	0.0	6,258.5
Other liabilties	0.0	0.0	8.6	0.0	0.0	8.6
Income	0.0	109,972.0	48,440.2	1,501.4	0.0	159,913.6
Operating	0.0	109,864.2	47,816.8	1,501.4	0.0	159,182.4
Non operating	0.0	107.8	623.4	0.0	0.0	731.2
Expenses	119.0	35.188.5	24,142.3	674.4	68.0	60.192.2
Operating	119.0	34.221.1	24,120.4	561.6	68.0	59.090.1
	0.0	967.4	21.9	112.8	0.0	1,102.1

(1) Includes subsidiaries (Confinanciera S.A., Davivalores S.A., Fiduciaria Cafetera S.A., Fiduciaria Davivienda S.A., Bancafé Panamá S.A.)
(2) 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.

(Continued)

December 31

	Holders of 10% or more of the Bank´s capital	Corporate entities in which the Bank holds10% or more (1)	Other Grupo Bolívar companies	Management of Grupo Bolívar (2)	Other shareholders with more than 5% but less than 10% of the Bank´s capital	Total
Assets	0.0	344,817.6	237,316.4	24,918.4	0.0	607,052.4
Cash	0.0	28,951.0	0.0	0.0	0.0	28,951.0
Investments	0.0	300,226.5	0.0	0.0	0.0	300,226.5
Loans and financial leasing	0.0	9,786.8	220,185.6	24,657.5	0.0	254,629.9
Accounts receivable	0.0	3,764.1	1,122.3	260.2	0.0	5,146.6
Property and equipment	0.0	0.0	2,477.7	0.0	0.0	2,477.7
Other assets	0.0	2,089.2	13,530.8	0.7	0.0	15,620.7
Liabilties	211.6	436,992.3	81,096.9	5,932.8	5,178.2	529,411.8
Depositsand demand accounts	211.6	136,703.9	66,688.4	5,636.9	5,178.2	214,419.0
Money market and related liability positions	0.0	7,916.5	0.0	0.0	0.0	7,916.5
Bank loans and other financial obligations	0.0	261,848.7	0.0	0.0	0.0	261,848.7
Accounts payable	0.0	20,023.2	10,238.2	52.9	0.0	30,314.3
Bonds outstanding	0.0	10,500.0	4,168.9	243.0	0.0	14,911.9
Other liabilities	0.0	0.0	1.4	0.0	0.0	1.4
Income	3.5	60,814.5	41,137.5	1,251.2	0.0	103,206.7
Operating	3.5	60,716.3	40,715.5	1,241.8	0.0	102,677.1
Non operating	0.0	98.2	422.0	9.4	0.0	529.6
Expenses	16.3	52,437.0	25,840.6	864.9	172.8	79,331.6
Operating	16.3	50,412.8	25,803.9	741.6	172.8	77,147.4
Non operating	0.0	2,024.2	36.7	123.3	0.0	2,184.2

(1) Includes subsidiaries (Confinanciera S.A., Davivalores S.A., Fiduciaria Cafetera S.A., Fiduciaria Davivienda S.A., Bancafé Panamá S.A.)
(2) 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.

During the period July-December 2011,there were loan securitization operatoins with Titularizadora Colombiana for $344,056.7.

(Continued)

Operations with subsidiaries:

June 30

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

(Continued)

	December 31					
	Fiduciaria Davivienda S.A.	Fiduciaria Cafetera S.A.	Davivalores S.A.	Confinanciera S.A.	Bancafé Panamá S.A.	Total
Assets	17,637.8	55,631.0	2,981.5	64,558.7	85,483.2	226,292.2
Cash	0.0	0.0	0.0	0.0	28,951.0	28,951.0
Investments	16,204.6	55,631.0	2,981.5	54,801.6	56,532.2	186,150.9
Loans and financial leasing	1.2	0.0	0.0	7,000.0	0.0	7,001.2
Accounts receivable	1,432.0	0.0	0.0	698.8	0.0	2,130.8
Other assets	0.0	0.0	0.0	2,058.3	0.0	2,058.3
Liability	341.7	2,143.5	2,329.1	7,732.2	8,348.1	20,894.6
Deposits and demand accounts	341.7	2,137.0	2,115.5	7,731.2	431.5	12,756.9
Money-market and related liability positions	0.0	0.0	0.0	0.0	7,916.5	7,916.5
Accounts payable	0.0	6.5	213.6	1.0	0.1	221.2
Income	0.7	8.7	28.9	146.7	6.3	191.3
Operating	0.7	1.4	4.8	146.7	6.3	159.9
Non operating	0.0	7.3	24.1	0.0	0.0	31.4
Expenses	36.6	273.1	3,334.9	627.0	32.9	4,304.5
Operating	36.6	273.1	3,332.9	627.0	32.9	4,302.5
Non operating	0.0	0.0	2.0	0.0	0.0	2.0

(Continued)

32 Risk management

Comprehensive risk management is based on a structure of government which is designed to achieve strategic objectives, based on the management, administration and control of risks, supporting business growth and the taking of opportunities. On this basis, the focus is on efforts to implement strategy and to control associated risks.

Risk management and control is achieved a number of areas, which is which have specialized functions by lines specific segments, such as credit risk, market risk and liquidity; and some focus their efforts transversely, such as in the functioning of the operating risk system or internal control.

The implementation of strategy is the responsibility of Finance Control and the President´s Committee.

The fundamental principle of comprehensive risk management is the maintenance of business over time, and on that definition, policies and principles which regulate risk management at all levels of the organization are constructed.

32.1. Organizational structure.

Following the basic guidelines for security and professionalism, the risk and commercial operating areas of the Bank function separately from each other. Nonetheless, in order to take advantage of synergies between group companies, the transverse support programs provide assistance in the development of tools for risk management.

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

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

The principal homogeneous groups in Personal Banking are:

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

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

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

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

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

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

32.2. Credit risk.

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

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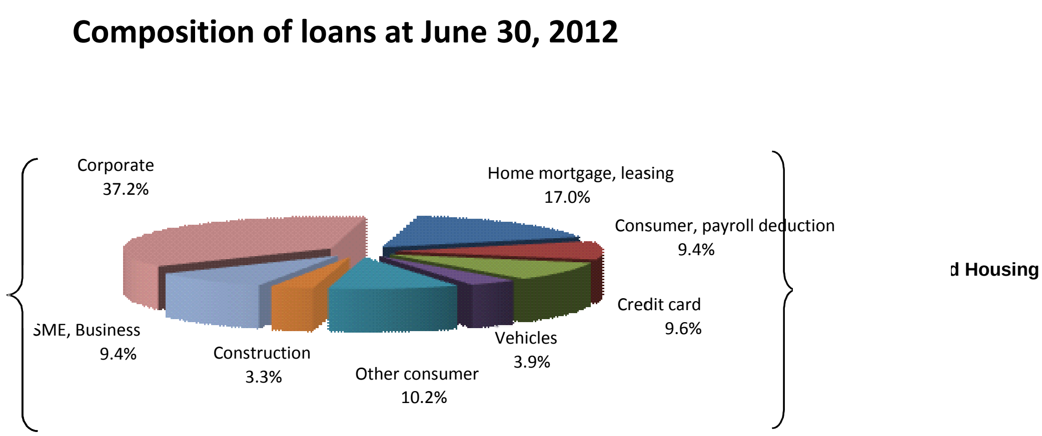


This chart shows that Personal Banking accounts for 50.8% of the total and Business Banking 49.92%.

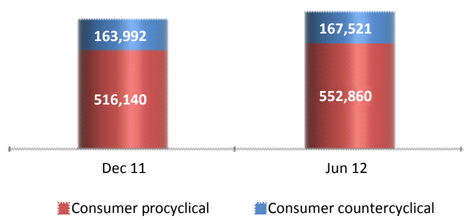
32.2.1. Calculation of allowances and Superintendency Reference Models

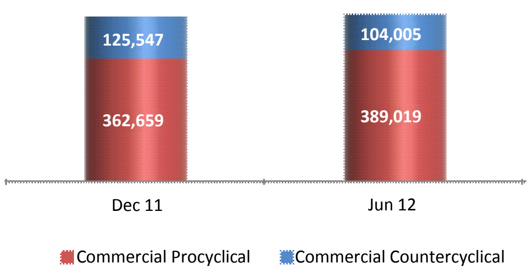
As part of its credit risk management measurement policies, the Bank has implemented the Commercial Reference Model and the Consumer Reference Model, following Superintendency definitions.

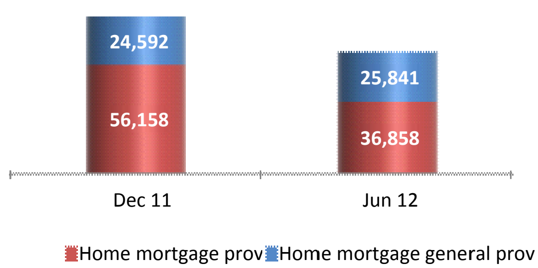
The method for calculating allowances includes the countercyclical effect, in accordance with the Superintendency definitions for consumer and commercial business.

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.







(Continued)

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

($ 000 million)	Total counter Cyclical allowance	Total Procyclical Allowance	Total General Allowance	Total Allowance
Allowances				
Dec-11	289.5	935.0	24.6	1,249.1
Jun-12	271.5	978.7	25.8	1,276.1

* Applies to home mortgage and microcredit loans.

Changes in allowances during the period.

Following Circularr 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 $22,000.

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 $ 30,000, which will be introduced during the second half of the year.

32.2.2. Personal Banking.

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

Policies for originating credit changed for the consumer portfolios[1], seeking to improve the risk profile of

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

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 is 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 Bolivar.

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

	($000 MILLION)	Balance	% C, D, E	Allowance	Coverage C,D,E
PERSONAL BANKING	**Home mortgage/leasing**				
	Dec-11	4,166.1	1.8%	153.6	200.1%
	Jun-12	4,486.3	1.7%	131.9	171.9%
	Credit card				
	Dec-11	2,330.5	5.1%	145.9	123.4%
	Jun-12	2,534.2	5.4%	175.9	128.8%
	Other consumer				
	Dec-11	2,866.2	12.6%	332.4	92.3%
	Jun-12	2,684.4	12.6%	334.0	98.5%
	Consumer/payroll deduction				
	Dec-11	2,299.8	3.9%	132.4	148.5%
	Jun-12	2,491.6	4.1%	129.5	127.6%
	Vehicle				
	Dec-11	999.1	6.5%	69.4	106.1%
	Jun-12	1,020.6	7.4%	81.0	107.7%
	Total				
	Dec-11	12,661.6	5.6%	833.8	117.5%
	Jun-12	13,217.1	5.5%	852.2	116.9%

Other Consumer Fixed Crediexpress, Rotative Crediexpress, Preferenel and Normalizados

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.

(Continued)

	($000 million)		Balance	Variation %	Variation $	Share %
PERSONAL BANKING	**Home mortgage and leasing**	Dec-11	4,166.1	10.4%	393.4	32.9%
		Jun-12	4,486.3	7.7%	320.2	33.9%
	Tarjeta Credito	Dec-11	2,330.5	11.0%	231.8	18.4%
		Jun-12	2,534.2	8.7%	203.7	19.2%
	Other consumer	Dec-11	2,866.2	-5.3%	-159.0	22.6%
		Jun-12	2,684.4	-6.3%	-181.7	20.3%
	Consumer – payroll deduction	Dec-11	2,299.8	1.3%	30.5	18.2%
		Jun-12	2,491.6	8.3%	191.8	18.9%
	Vehicle	Dec-11	999.1	2.1%	20.6	7.9%
		Jun-12	1,020.6	2.2%	21.5	7.7%
	Total	Dec-11	12,661.6	4.3%	517.3	100.0%
		Jun-12	13,217.1	4.4%	555.5	100.0%

Other Consumer: Fixed Crediexpress, Rotative Crediexpress, Preference and Normalizados

32.2.3. 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.

With regard to quantitative considerations, based on financial information from the business, the comparison is made with the results achieved over a defined period, in order to determine the precise way in which elements such as cash flow, indebtedness capacity, profitability and efficiency are working. Likewise, the model allows these results to be contrasted with peers in the sector in which they work.

The risk model for construction loans evaluates the financial and commercial viability of a project, the builders capacity, and progress in the work.

In SME Banking, the policies for evaluation and acceptance of customers for loan operations are based on historical analysis and the financial prospect of customer, involving analysis of the sector, and future prospects, and an alternative evaluation of the capacity and suitability of management of companies, and a measurement of the capacity to pay in the analysis of projected cash flows.

 (Continued)

In Agricultural Banking, the analysis includes the viability of productive agricultural projects, giving relative importance to the customer´s experience in the activity, and to fundamental technical parameters for acceptance in each subsector.

In the official sector, the analysis designed to check strict compliance with regulatory directives of the Ministry of Finance, Law 617/2000, Law 358/1997 and Law 819 /2003, and a complementary analysis is made of the medium-term fiscal context, and sufficiency of revenues offered as pledge, to attend to debt servicing for public sector loans.

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

(000 MILLION)		Balance	% C,D,E	Allowance	Coverage C,D,E
BUSINESS BANKING	**Construction**				
	Dec-11	740.9	3.6%	38.5	143.6%
	Jun-12	883.2	2.9%	38.4	151.1%
	Corporate				
	Dec-11	9,847.6	0.3%	206.7	457.7%
	Jun-12	9,818.9	0.5%	197.8	377.6%
	SME				
	Dec-11	2,337.1	4.8%	170.1	152.2%
	Jun-12	2,475.0	5.0%	187.7	151.3%
	Total				
	Dec-11	12,925.5	1.3%	415.3	242.5%
	Jun-12	13,177.2	1.5%	423.9	210.0%

32.3. Market risk.

32.3.1. Treasury book.

- **Financial risk management.**

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

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

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

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

(Continued)

- **Operations.**

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

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

The Bank has designed an appropriate structure for exposure limits to control the various portfolios in the Treasury Book, operations with derivatives, and activities to implement management. Investment limits, counterpart limits, simultaneous operations and derivative limits have been defined, together with limits by trader, position limits, by duration, sensitivity and value limits to control treasury operations.

Management is implemented with the support of internally-designed robust tools and applications for the dealing and recording platforms.

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

Portfolio composition

The following is the composition of the Bank´s investment portfolios at June 30, 2012 and December 30, 2011.

Investment portfolios – Accounting classification

($000 million)

	June 30	Share %	December 31	Share %
Trading	$3,170.9	71.7%	2,971.3	70.6%
Available for sale	868.1	19.6%	949.7	22.6%
Held to maturity	382.4	8.6%	289.6	6.9%
Total	4,421.4	100,0%	4,210.6	100,0%

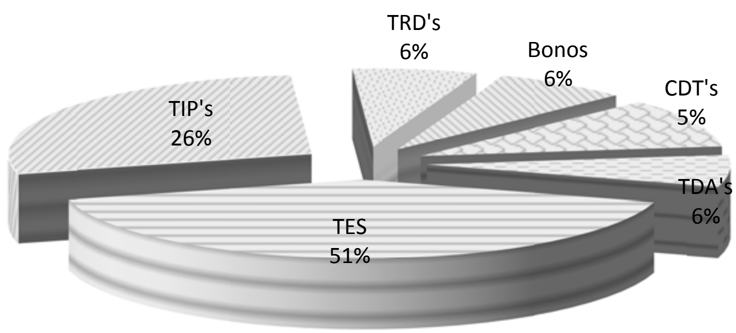
Investment portfolio - Accounting classification by instrument

($000 million)

Instrument	Trading	Share .%	Avail. for sale	Share %	Until maturity	Share.%	Total (1)	Share %
Bonds	$297.3	9.4%	$21.0	2.4%	$0.0	0.0%	$318.3	7.2%
TDS's	452.8	14.3%	0.0	0.0%	0.0	0.0%	452.8	10.2%
TDA's	250.5	7.9%	0.0	0.0%	41.5	10.8%	292.0	6.6%
TES	1,588.1	50.1%	238.9	27.5%	0.0	0.0%	1,827.0	41.3%
TIP's	580.6	18.3%	608.3	70.1%	48.6	12.7%	1,237.4	28.0%
TRD's	1.6	0.0%	0.0	0.0%	292.3	76.5%	293.9	6.6%
Total	$ 3,170.9	71.7%	$ 868.1	19.6%	$ 382.4	8.6%	$ 4,421.4	100%

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

Composition of the investment portfolio at
June 30, 2012



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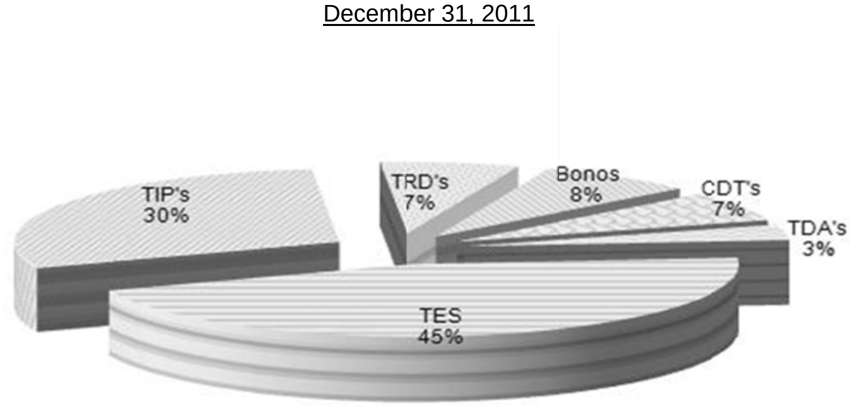
December 31, 2011



- **Internal Model for Value at Risk.**

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

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

For the calculation of return volatility, the EWMA model is used[2], and this gives greater weight to more recent information and less weight to past situations, declining exponentially over time.

The calculation of VaR in the internal model is as follows at June 30, 2012

($000 millions)

Book classification	NPV	Share %	Modificed duration.	VaR 95% 1 day	VaR 99% 1 day	VaR 99% 10 days
Trading	$ 3,170.9	71.7%	2.90	$ 2.9	$ 4.2	$ 13.1
Available for sale	868.1	19.6%	4.03	1.6	2.3	7.4
Held to maturity	382.4	8.6%	3.02	0.0	0.0	0.0
Total Portfolio	$ 4,421.4	100%	3.10	$ 4.6	$ 6.5	$ 20.5

[2] Exponentially Weighted Moving Average

Maximum	5.0
Minimum	3.8
Average	4.4
Latest (30 Jun)	4.5

($'000 million)

32.3.2 Policy for limits and risk positions.

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

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

Here, any proposal that implies a change of policy defined by the Board, whether for an existing product or a new one, is studied by the Investment Risk Division together with the areas involved[3], and evaluated and authorized by Financial Risks and Investment Committee and/or the GAP Committee,and subsequently presented to the board for ratification.

32.2.3. Regulatory Value at Risk.

- **Value at Risk (VaR)**

According to the method established in Annex I Chapter XXI of Superintendency Basic Financial and Accounting Circular (Circular 100/1995), the value at Risk (VaR) at June 30, 2012 is $175,150. The legal limit responds to 10% of computable equity.

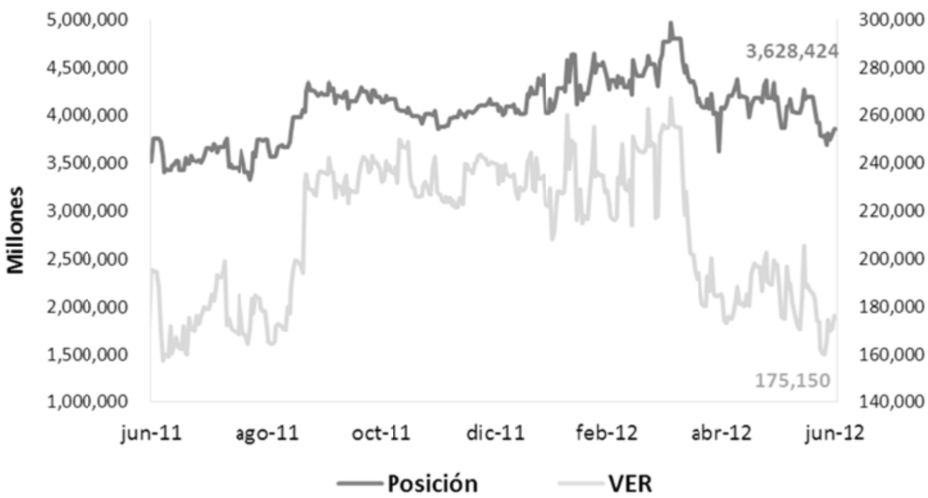
The following is the comportment of monthly VaR from June 30, 2011 to June 30, 2012:

Maximum	267.5
Minimum	157.1
Average	211.1
Latest (Jun 30. 12)	175.2

($000 million)

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

Evolution of Regulatory VaR



- **Liquidity Risk**

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

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

Schedule 1. I of Chapter VI of Superintendency Circular 100/1995 sets out the method for measurement and characteristics of the weekly liquidity risk report (IRL) for the credit establishments, and the this method was amended as of 2012.

The following is an evaluation of liquidity risk for the various asset and liability positions and expected flows, through the liquidity risk indicator (IRL) from December 31, 2011 to June 30, 2012.

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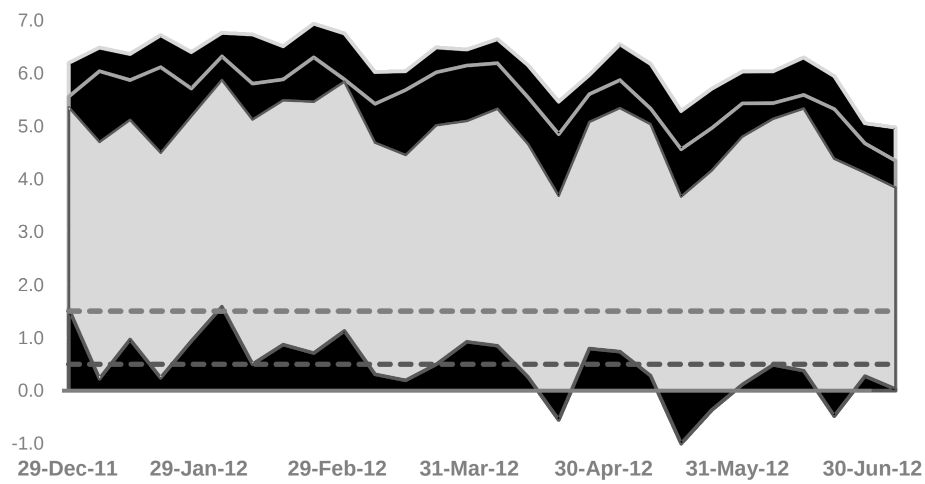


The results for the IRL calculation by bands, and the high-quality liquid assets indicator at June 30, 2012 are as follows:

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

The Superintendency has determined that Band III[4] of IRL must always be zero or higher. Internally in the Bank, the Board has defined limits for Band I and Band II of $1.5 billion and $500,000 million, respectively.

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

High-quality liquid asset indicator 72.28%.

The high-quality liquid asset indicator shows the relationship between the most liquid assets (cash and liquid assets received by the central bank for expansion and contraction operations), compared to total liquid assets adjusted for market liquidity. This indicator must be maintained as required by regulations, at a level of 70% or more, which is the restriction which still applies today.

Taking account of the liquidity risk indicator limit (IRL) for Bands I and Band III and the 70% limit for the high-quality liquid asset indicator, the Bank has constantly complied with limits and levels established, showing a positive comportment in expected flow mismatches.

32.4. Internal control system.

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

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

32.5. Financial Consumer Service system (SAC).

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

- Due diligence: Compliance with high standards of quality, with prompt and pleasant service.

- Financial education. Development of a number of elements of education and industry integration, through the Banking Association (Asobancaria), which allows the financial consumer to acquire skills, and to be able to provide adequate management of financial products and services.

- Dissemination of information: the Bank has developed and implemented a website, which brings together all the information related to each of its products and services, so that the financial consumer can have to hand all the elements he requires to take decisions.

- Attention to complaints and claims. The mechanisms for attention to complaints and claims continues to be strengthened, seeking to ensure quality and promptness of response for financial consumers, and developing action plans to ensure that complaints and claims to not recur.

(Continued)

32.6. <u>Management system for the financing for asset-laundering and the financing of terrorism (SARLAFT).</u>

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.

<u>32.7. Operating Risk Management System (SARO).</u>

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

- <u>Follow-up to the effectiveness of controls</u>. 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.

- <u>Generation of indicators</u>. 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.

- <u>Follow-up to the operating risk profile</u>. Following policies established by the board, operating risks are controlled within levels of tolerance set.

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

33. Information Security Strategies-Circular 052/2007.

Giving continuity to compliance with Superintendency Circular 052/2011, it was decided to include verification of compliance with regulatory requirements as part of the development of each project started in the Bank, from the planning stage onwards. In the same way, these requirements were taken into account in introducing improvements and optimization to processes, guaranteeing permanence and sustainability over time.

Taking account of the mutation and appearance of new "Trojans", and ever-more powerful malicious codes, the Bank has constantly updated and monitored its transaction channels, in order to provide prompt mitigation measures to new risks which appear and can affect customers.

In support of this strategy, there are third-party contracts with specialized research organizations ijn the investigation and management of incidents of phishing and Trojans, which are affecting banks more and more often all over the world.

As part of a review of the updating project for requirements published in October 2011, in respect of the latest amendment, known as Superintendency Circular 022/2010, the Bank conducted an internal validation to identify levels of compliance, and produce the impact analysis on the mobile banking channel.

With regard to EMV (Eurpay MasterCard Visa interoperability standards for smartcards with chips), account was taken of dates proposed for internal adjustment plans which have already been made for the full implementation of the EMV pinpad, at the level of acquisition, and for a complete change-out of all cards, since the Bank had started to issue chip cards at the beginning of 2011.

The Bank and its subsidiaries research new trends in security matters, and therefore, in tools and controls that mitigate risks identified and to be prepared for new threats; and it places controls at the service of our customers, to guarantee delivery of products and services with high levels of quality and security.

34. Corporate governance

The board amended the Good Government Code at a meeting on December 18, 2007, and adopted Board Regulations in accordance with guidelines for the Best Corporate Practices Code - Country Code-, and based on principles of transparency, respect for the rights of shareholders, disclosures, due diligence, and loyalty of consultants and managers; at the same time, it determined the regime of functions of corporate organs, in order to promote the participation of shareholders.

Here also, the Ordinary Shareholders´ Meeting of March 7, 2008 adopted regulations for General Meetings and implemented mechanisms for the dissemination of calls for meetings, and development of on-line meetings through the webpage.

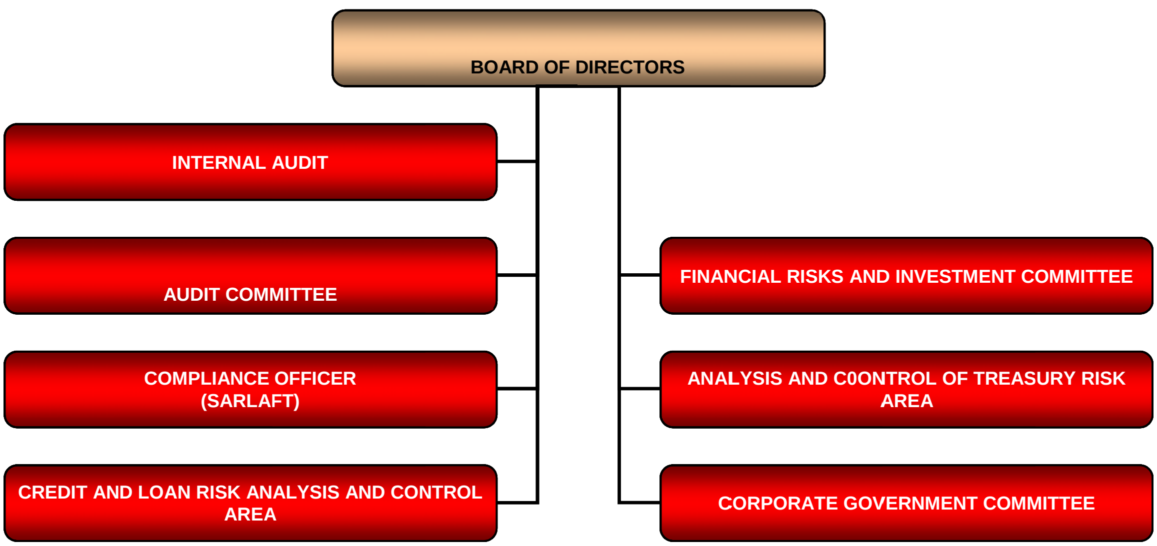
Further, the Bank has strengthened its information channels for shareholders and investors, including financial and non-financial information on the webpage, for the consultation of documents, which form the system of government, including the Bank´s articles, guides to the rights and obligations of shareholders, the Good Corporate Government Code, the regulations of the Board Meetings and General Meetings, and information related to financial performance, administrative performance, administrators, control bodies, shares, etc. In addition, through the Corporate Government Code, the Bank follows its policy for the disclosure of information to stockholders and investors, in order to ensure that the supply of information is prompt, accurate, and reliable

The Corporate Good Government Code contains policies in relation to:

- Evaluation and control of the activities of management, senior executives and directors.
- Disclosure of information to shareholders investments on matters related to institutional policies of the Bank, structures of government and capital composition, the handling of conflict of interest, risks to which the Bank may be exposed in the course of its activities, detection of important findings of the Statutory Auditor, financial information, and development of relevant events.
- Internal control system

With regard to the structure of government and risk management, the Board has created the committees required by law, and others which – although not being required by law - also provide support to Board action, keeping it informed in relation to processes, the structure and management of risk to each line of business, bringing in an appropriate flow of information, monitoring and follow-up on a regular basis. In this scheme, the Board and senior management are aware of the Bank´s risk positions and intervene actively in risk management, defining methods for measurement used in order to identify exposure by product, policies, profiles and limits, amongst other matters. Further, the Board determines the strategy and general direction of the Bank, and supervises implementation and follow-up.

The following scheme illustrates the most important organs of support for the functions of these organs.



Functions of the organs

a) Internal Audit.

Internal Audit effects the analysis and follow-up of internal control system, supplying each of the areas audited and the Audit Committee and the Board with recommendations to strengthen internal control systems, so that they meet the Bank´s needs.

b) Audit Committee.

The Committee supervises the structure of internal control, checks that transactions are being appropriately authorized and recorded, supervises the functions of internal audit, oversees transparency of financial information and appropriate dissemination, evaluates internal control reports made by Internal Auditor and the Statutory Auditor, and verifies that management has attended to their suggestions and recommendations, and approving or rejecting the Statutory Auditor´s opinion with regard to the sufficiency and adequacy of internal control measures, setting policies, criteria and practices used by the Bank the construction, disclosure and dissemination of financial information, and mechanisms for the consolidation of information supervisory bodies for presentation to the Board.

c) Financial Risks and Investment Committee.

The Financial Risks and Investment Committee is a collegiate body responsible for analyzing, evaluating and authorizing alternatives in operations and investment for each of the companies in the Group, recommending subsequent ratification by the Board of the company concerned.

d) Compliance Officer.

The Compliance Officer has oversight of all specific procedures to prevent asset-laundering and the financing of terrorism, checking that all necessary mechanisms have been implemented to obtain adequate knowledge of customers and the market, and mechanisms which will allow suspect usual operations to be detected, and to control cash operations; and in particular, to promote the development of training programs for all Bank officers to provide them with instructions on compliance with current regulations in the matter of the prevention of money-laundering.

e) Risk Analysis and Control Area in Treasury.

This area identifies, estimates, administers and controls credit and counterpart risks, and market and liquidity risks inherent in the Treasury's business, and set limits and maximum levels of exposure for the various risks, ensuring that they are consistent with the Bank´s equity position and specifically, the capital allocated to each activity and business.

f) Credit Risk and Loan Control Area.

This area establishes, measures, manages and controls the risks generated due to the activities of evaluation, approval, administration and collection loans offered by the Bank, in order to estimate foreseeable and unforeseeable losses.

g) Corporate Government Committee.

This Committee is responsible for supporting the Board in relation to the implementation of corporate governance practices and compliance with Bank policies in this area.

In relation to the Internal Control System, which Superintendency Circular 014/2009, amended by Circular 038/2009, has ordered to be installed, the Bank currently has its system of comprehensive control following the principles mentioned in the Circular, with self-control, self-regulation and self-management, and identifies elements of the system of internal control within the structure of the organization. The Bank implemented requirements for the control environment, information and communications, and has policies and mechanisms to provide adequate cover for requirements in the areas of control activities, with actions to optimize and document functioning.

(Continued)

With regard to reporting and dissemination mechanisms set up so that the Board and senior management will be properly informed as to risk positions, it is considered that the structure described above confirms that the Bank has mechanisms which secure an appropriate flow of information to provide proper support, monitoring and follow-up.

Further, the methods and results for this measurement are explained in Note 32 - Risk Management - with a mention of the methods used to identify various types of risk, and systems to measure them.

The staff of risk areas are qualified individuals, with strong formation and professional experience, who have passed through a selection process, in which the intention is also have shared principles and values, and to ensure that human resources are ideally qualified in personal, moral and professional terms.

The risk area has technological infrastructure, tools and systems required to ensure efficient, effective and optimum functioning of the Treasury's management, with technological support which matches the size, nature complexity and volume of operations, and processes which enable timely control and monitoring to be applied to established policies and limits.

The Internal Audit area checks operations at random, with risk analysis, to determine processes, limits and controls in accordance with policies and responsibilities laid down in the manuals. At the same time, it takes part in projects which are being developed to provide new user advisory services in the definition of controls, so that users will be properly versed in new applications. As a result, Audit facilitates management with its analysis and recommendations to strengthen internal control. Likewise, it encourages the culture of control in staff at all levels of the organization, with the emphasis on information security and compliance with rules and procedures.

The Board has determined the segregation of functions between Front, Middle and Back offices, as independent areas, in order to avoid any conflict of interest. Front Office is accountable to the Treasury Committee and is directly responsible for dealing, for customer relations, and for commercial matters. The Middle Office is responsible for other functions, such as risk measurement, the verification of compliance with established policies and limits, and risk analysis. This area is accountable to the Financial Risk and Control Division of the Group. Finally, there is the area responsible for the operational aspects of deals, such as accounting, recording and final authorization for operations, and is accountable to the Operations Division.

The information on loans and investment portfolios used for risk management is on a robust platform, with applications that allow information to be handled for creating reports. Likewise, this information complies with information security policies and has sufficient capacity for the size of the databases of the various types of business.

In addition to the models, and adequate organizational and technological structures there are administrative and operational processes which are documented and audited. In respect of the prevention of money-laundering and the financing of terrorism, matters related to Know-Your-Customer, exchange operations, the civil liability of the Compliance Officer and the personal liabilities of the directors have been strengthened, as required by new regulations.

With regard to information for third parties and minority shareholders, the Bank is subject to an annual rating. Likewise its financial statements are public information for each half yearly close, as is the report to the shareholders.

(Continued)

35. 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 ma report on the own position at June 30, 2012 and December 31, 2011 (US$ millions):

		June 30	December 31
Average Own position (PP)	US$	6.9	18.1
Maximum permitted: 20% of computable capital		586.7	414.3
Minimum permitted: -5% of computable capital		(146.7)	(103.6)
Average spot own position (PPC)		310.8	2.6
Maximum permitted: 50% of computable capital	US$	1,466.8	1,035.9
Average gross leverage (PBA)		7,437.5	5,492.7
Maximum permitted 550% of computable capital		16,135.3	11,394.4

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

Capital ratios

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

	June 30	December 31
Tier 1	$ 3,885,625.3	3,691,417.0
Tier 2	1,360,553.5	1,079,160.6
Computable capital	5,246,178.9	4,770,577.6
VaR, market risk	175,152.1	239,520.7
Risk-weighted assets	30,641,538.0	29,246,155.7
Capital ratio (PT/(APNR+((100/9)*VeR))	16.10%	14.95%

(Minium permitted: 9%)

(Continued)

The classification of risk assets in each category applies Superintendency percentages for each line of assets, contiungent 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 localo 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

(Continued)

Mandatory invstments

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 investment in FINAGRO at June 30, 2012 and December 31, 2011:

	June 30	December 31
Finagro		
TDA A (37%)	$339,206.1	323,324.6
TDA B (63%)	577,567.1	550,525.7
Total requirement	916,773.2	873,850.3
Substitute loans	(513,986.7)	(462,773.2)
Investments in TDA Classes A and B:	402,786.1	411,077.6
TDA A (37%)	326,089.5	323,110.6
TDA B (63%)	76,696.6	87,967.0

36 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.

37. 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 withmandatory 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 e years
Matures:	July 9, 2022
Coupon	5,875%
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 absorptoin of Confinanciera S.A by Banco Davivienda S.A.

The merger of Confinanciera S.A., intol Banco Davivienda S.A. was formalized by Deed No. 9557 of July 31, 2012, (Notary 29, Bogota) and registered at the Chamber of Commerce.