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EBF2011-141

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

To the Shareholders
Banco Davivienda S.A.:

I have audited the consolidated balance sheets of Banco Davivienda S.A. and Subsidiaries mentioned in the note 1 to the consolidated financial statements at December 31, and June 30, 2010, and the related consolidated statements of income, changes in the shareholders' equity and cash flows, a summary of significant accounting policies and other explanatory notes, for the semesters then ended, expressed in local currency (Colombian pesos).

Management's Bank is responsible for the preparation and fair presentation of these financial statements according to the rules and instructions in Colombia 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 examination in accordance with auditing standards generally accepted in Colombia. Such standards require that comply with the ethical requirements, plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free of material misstatement.

The financial statements the June 30, 2010 of consolidated subordinate Fiduciaria Davivienda S.A., Confinanciera S.A. Compañía de Financiamiento Comercial, Davivalores S.A. Comisionista de Bolsa, Fiduciaria Cafetera S.A., Bancafe International Corporation S.A. y Bancafe Panamá S.A., consolidated subsidiaries, are of intermediate character, and not audited.

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

In my opinion, the mentioned consolidated financial statements, attached to this report, present fairly, in all significant respects, the consolidated financial position of Banco Davivienda S.A., and Subsidiaries at December 31, and June 30, 2010, the consolidated results of its operations and its consolidated cash flows for the semesters then ended in local currency (Colombian pesos), in accordance to rules and instructions in Colombia by the Financial Superintendence of Colombia, applied on a consistent basis.



As indicated in note 21 to the consolidated financial statements, as of December 31st, 2010, in each of the consolidated equity accounts, the indirect share of some of the bank's shareholders in some Banco Davivienda's.

As indicated in note 38 of the financial statements, the Financial Superintendence of Colombia had no objections to the conversion of Bancafé Internacional S.A subsidiary in the offices of Banco Davivienda S.A in Miami from January 1, 2011.

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

Original signed by
Pedro Ángel Preciado Villarraga
Statutory Auditor of Banco Davivienda S.A.
Registration No. 30723 - T
Member of KPMG Ltda.

February 7, 2011

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balances Sheets

Decembre 31 and June 30 2010

Thousand of United States Dollars

ASSETS	December 31	June 30
Cash and Banks (note 3)	\$ 779,551.8	695,165.9
Active Positions in Monetary market operations and those related (note 4)	100,138.4	173,599.9
Investments (note 5)	2,294,531.2	2,114,642.2
Trading - debt securities	1,282,184.9	1,433,173.6
Equity securities trading	402.1	885.2
Debt securities held to maturity	201,311.2	219,623.4
Available for sale debt securities	745,963.0	366,186.4
Available for sale equity securities	58,080.4	58,066.9
Investment repurchase rights and trading given in guarantee	27,987.1	55,159.7
Less: Allowance	(21,397.6)	(18,453.0)
Credit Portfolio and financial leasing (note 6)	10,850,717.4	9,736,374.8
Housing Portfolio	925,987.6	1,206,493.6
Consumption Portfolio	3,973,827.3	3,517,508.5
Micro-credits Portfolio	35,644.2	28,890.3
Commercial Portfolio	6,525,042.6	5,586,376.3
Less: Allowance	(609,784.4)	(602,893.9)
Banker's acceptances, spot transactions and derivatives (note 7)	38,913.2	32,059.4
Debtors and Bank Acceptances	1,157.4	3,229.5
Cash Operations	25.4	13.6
Derivatives:	37,014.9	28,369.7
Options	715.5	446.5
Accounts receivable (note 8)	176,100.8	165,440.0
Interests receivable	98,171.7	93,598.0
Commissions and Fees	1,192.5	2,717.4
Canons of goods given on leasing	131.0	141.8
Payments of costumers	22,568.6	22,102.8
Others	91,285.3	88,828.5
Less: Allowance	(37,248.3)	(41,948.7)
Foreclosed Assets (note 9)	27,416.3	27,675.8
Goods given in operating lease (note 10)	3,950.3	3,726.7
Properties and equipment (note 10)	193,567.2	193,878.6
Others Assets (note 11)	777,150.4	840,632.8
Prepaid expenses and deferred charges	702,070.7	713,658.4
Excess on cost of investment on book value	5,452.0	8,429.6
Employees portfolio	55,774.3	59,471.8
Others	21,112.3	66,394.5
Less: Allowance	(7,259.0)	(7,321.4)
Valuations	228,318.0	219,458.7
Investments (note 5)	17,212.8	12,794.9
Properties & equipment (note 10)	209,216.8	206,663.8
Others	1,888.4	0.0
TOTAL ASSETS	\$ 15,470,354.8	14,202,654.9
Creditor Contingent Accounts (note 24)	6,425,339.6	5,055,852.0
Debtor Contingent Accounts (note 24)	1,119,757.6	717,477.2
Debtor Memorandum Accounts (note 25)	11,165,849.8	20,388,952.5
Creditor Memorandum Accounts (note 25)	39,599,483.6	33,689,381.3
Total Contingent and Memorandum Accounts	\$ 68,515,794.2	59,851,663.1
Trust Memorandum Accounts (note 26)		
Assets	\$ 3,105,956.0	3,092,395.7



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balances Sheets

December 31 and June 30 2010

Thousand of United States Dollars

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31	June 30
Liabilities		
Deposits (note 12)	\$ 10,108,900.8	9,629,744.1
Deposits in bank current accounts	1,703,708.6	1,468,841.1
Term deposits	3,646,521.9	3,620,151.4
Savings deposits	4,616,654.8	4,475,627.6
Savings Certificates real value	11,378.6	0.0
Others deposits and callabilities	130,636.8	65,124.0
Passive positions in monetary market operations and those related (note 13)	30,309.6	72,437.8
Bank acceptances outstanding and Financial Derivatives (note 14)	43,052.6	37,233.3
Banking Acceptances Outstanding	1,157.4	3,229.5
Operations with derivative financial instruments - speculation	35,941.7	24,999.0
Rights	(1,518,108.8)	(977,425.0)
Obligations	1,553,424.6	1,001,654.7
Operations with derivative financial instruments - speculation	625.8	769.4
Operations with derivative financial instruments - hedging	5,953.6	9,004.7
Banking credits and other financial obligations (note 15)	1,254,047.1	889,803.1
Others entities in the country	629,709.2	542,287.8
Entities abroad	624,337.9	347,515.2
Accounts payable (note 16)	351,032.0	378,239.1
Interests	68,706.2	74,681.6
Commissions and Fees	926.6	1,332.9
Fundraising	32,507.4	98,627.9
Suppliers	80,484.5	70,231.5
Others	168,407.5	133,365.2
Long term-debt (note 17)	1,610,568.3	1,449,734.8
Others Liabilities (note 18)	146,987.0	141,542.0
Accrued benefit obligations to the employees	18,807.2	14,488.4
Anticipated Income	198.3	229.3
Others	127,981.4	126,824.3
Estimated liabilities and allowance (notes 19 and 21)	60,775.0	79,565.2
Labor Liabilities	1,571.6	2,263.1
Tax	175.8	21,019.3
Minority Interests (note 21)	13,581.4	11,671.5
Others	45,446.1	44,611.3
TOTAL EXTERNAL LIABILITIES	\$ 13,605,672.3	12,678,299.3



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Balances Sheets
December 31 and June 30 2010
Thousand of United States Dollars

<u>Stockholders' equity</u>	<u>December 31</u>	<u>June 30</u>
Capital stock (note 22)	24,299.1	22,490.2
Reserves (note 23)	1,446,974.1	1,139,094.6
Legal reserve	820,433.0	605,035.3
Statutory and occasional reserves	626,541.1	534,059.3
Surplus	233,167.8	227,809.7
Gross unrealized gain or loss on investments available for sale	7,564.2	10,791.2
Net Valuations (note 5)	226,545.4	217,960.6
Stockholders' equity revaluation	(941.8)	(942.1)
(Loss) Income previous years	6,604.4	(14,125.6)
Net income	153,637.1	149,086.7
TOTAL STOCKHOLDERS' EQUITY	1,864,682.5	1,524,355.6
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 15,470,354.8	14,202,654.9
Creditor Contingent Accounts (note 24)	6,425,339.6	5,055,852.0
Debtor Contingent Accounts (note 24)	1,119,757.6	717,477.2
Debtor Memorandum Accounts (note 25)	21,371,213.3	20,388,952.5
Creditor Memorandum Accounts (note 25)	39,599,483.6	33,689,381.3
Total Contingent and Memorandum Accounts	\$ 68,515,794.2	59,851,663.1
Total Trust Accounts (note 26)		
Liabilities	\$ 3,105,956.0	3,092,395.7

See the notes accompanying the consolidated financial statements

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

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

PEDRO ÁNGEL PRECIADO VIL
Statutory Auditor of Banco Davi
Registration 30723-T
Member of KPMG Ltda.
(See my opinion dated February 1



BANCO DAVIVENDA AND SUBSIDIARIES

Consolidated Statements of Income

Semesters ended on December 31 and June 30, 2010

(Thousand of United States Dollars)

	<u>December 31</u>	<u>June 30</u>
Directs Operating Income	\$ 1,207,325.2	1,122,611.6
Amortized interests & discounts - Credit portfolio and others interests	657,562.3	616,309.5
Commissions and Fees	142,225.8	131,925.5
Investment Valuation	58,124.5	58,538.8
Changes	71,724.9	91,639.8
Profit on the appraisal of derivatives	239,104.0	188,074.6
Profit on portfolio sale	21,426.0	2,102.7
Profit on investments sale	17,157.7	34,020.6
Directs Operating Expenses	535,804.7	523,327.3
Interests, amortized premium and discount amortized (note 12)	181,925.8	198,360.3
Loss on the appraisal of Investments available for sale in debt securities	72.5	0.0
Loss on valuation Investments until maturity	210.0	0.0
Loss on Valuation of Available for Sale Investments in Debt Securities	1,034.4	0.0
Commissions	24,194.3	18,398.4
Loss on the appraisal of derivatives	254,393.7	201,543.9
Changes	64,423.2	80,509.9
Loss on investments sale	8,925.7	23,918.8
Depreciation and amortization of assets given on lease	625.0	595.9
Directs Operating Income	671,520.5	599,284.3
Operating Income	306,174.3	316,802.2
Dividends and Participations (note 5)	664.4	7,904.5
Refund Allowances Portfolio (note 6)	237,390.9	242,457.7
Refund Allowances Accounts Receivable (note 8)	18,100.6	23,783.9
Others (note 27)	50,018.3	42,656.2
Operating Expenses	378,457.4	318,237.6
Employees expenses	154,448.1	133,277.6
Others (note 28)	224,009.3	184,960.0
Operating Income-Net before allowances, depreciations and amortizations	\$ 599,237.5	597,848.9



BANCO DAVIVENDA AND SUBSIDIARIES

Consolidated Statements of Income (continued)

Semesters ended on December 31 and June 30, 2010

(Millions of pesos)

	December 31	June 30
Allowances	\$ 388,606.7	417,119.9
Investments (note 5)	5,052.4	281.4
Credit portfolio (note 6)	360,000.8	378,765.9
Accounts receivable (note 8)	20,500.2	35,348.5
Properties and equipment (note 10)	1,028.2	0.0
Others (note 29)	2,025.0	2,724.2
Depreciations - Properties and Equipment	11,411.9	9,191.1
Amortizations	36,951.9	35,120.0
Operating Income - Net	162,267.0	136,417.8
Non-Operating Income (note 30)	78,874.2	71,628.1
profit on sale of assets received in payment	1,008.2	1,386.2
Profit on Sale of Property, Equipment and Other Assets	851.9	868.9
Recoveries	68,749.7	59,917.7
Other non-operating income	8,264.5	9,455.3
Non-Operating Expenses (note 31)	39,308.9	22,935.6
Loss on sale of assets received in payment	832.2	879.2
Loss on Sale of Property, Equipment and Other Assets	1,673.0	32.2
Loss Claims	9,496.4	8,202.8
Other non-operating Expenses	27,307.2	13,821.5
Non-Operating Expenses - Net	39,565.4	48,692.5
Profit before Income Tax	201,832.3	185,110.3
Income Tax and Complementary	48,195.2	36,023.6
Income Net	\$ 153,637.1	149,086.7

See the notes accompanying the consolidated financial statements

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

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

PEDRO ÁNGEL PRECIADO VILLARRAGA
Statutory Auditor of Banco Davivienda S.A
Registration 30723-T
Member of KPMG Ltda.
(See my opinion dated February 7, 2011)

BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Consolidated Statements of Changes in the Stockholders' Equity
Semesters ended on December 31 and June 30, 2010
(Thousand of United States Dollars, except the information per share)

	Stock Capital		Adjustment for Financial Statements Conversion	Legal Reserve	Statutory Reserves and Occasional	Unrealized Gains or Losses	Surplus of Deficit for		Stockholders' Equity Revaluation	Profit (Loss) prior years	Net Income	Total Stockholders' Equity
	Subscribed and paid in capital						Revaluation	Devaluation				
\$	24,962.5		(1,559.5)	603,036.1	427,366.2	4,975.4	221,435.3	(131.8)	284.9	15,249.9	114,471.4	1,410,092.3
					(1,145.8)							(1,145.8)
					16,787.8						(16,787.8)	0.0
					104,579.3						(104,579.3)	0.0
					(33,974.1)		(3,394.6)	(58.5)	(1,228.0)	(29,395.8)	6,563.7	(33,974.1)
					20,187.2						330.1	2,420.4
					446.7		110.3		0.9	20.3	149,086.7	149,086.7
					534,059.3		218,151.0	(190.4)	(942.2)	(14,125.5)	149,086.7	1,524,355.5
					533,827.8		218,056.4	(190.3)	(941.8)	(14,119.5)	149,022.0	1,523,694.5
					(2,121.1)					149,022.0	(149,022.0)	0.0
					217,352.3					(8,753.5)	0.0	0.0
					(1,872.2)					(86,097.5)	(86,097.5)	(34,111.7)
					86,097.5					(34,111.7)	(34,111.7)	0.0
							20,025.7	(58.5)	0.0		17,644.5	17,644.5
					(19.5)					684.5	(88.1)	(88.1)
					(17.1)		(12,167.9)	0.0	(0.0)		(11,576.7)	(11,576.7)
							226,794.1	(248.7)	(941.8)	6,604.4	153,637.1	153,637.1
												1,864,682.5

Balance at December 31, 2009 (Market Representative Exchange Rate Col\$1,913.15 June, 2010)

Donations

Distribution of the net income of the semester ended on December 31, 2009:

Occasional revaluation reserve investment at market prices Decree 2338 of 1995

Occasional reserve available to the General Stockholders' Meeting for future profit distribution.

Dividends paid in cash at Col\$1,361 pesos per share on 47,757,122 shares subscribed and paid, March 11, 2010

Movement by elimination in consolidation

Participation of certain shareholders of the Bank in the assets of some companies subordinate

Net Income

Balance at June 30, 2010 (Market Representative Exchange Rate Col\$1,913.15 June, 2010)

Balance at June 30, 2010 (Market Representative Exchange Rate Col\$1,913.98 December, 2010)

previous year profit

Donations

Adjustment for financial statements conversion

Issuing of 25,993,997 preferred shares

Discount for cash payment of preferred shares

Distribution of the net income of the semester ended on December 31, 2009:
Occasional reserve valuation of investments at market prices - Decree 2338 of 1995

Occasional reserve available to the General Stockholders' Meeting for future profit distribution.

Dividends paid in cash at Col\$1,361 pesos per share on 47,757,122 shares subscribed and paid, March 11, 2010

Movement of the semester

Change Participation of shareholders in bank equity

Movement by elimination in consolidation

Net Income

Balance at December 31, 2010 (Market Representative Exchange Rate Col\$1,913.98 December, 2010)

See the notes accompanying the financial consolidated statements.

OLGA LUCIA RODRIGUEZ SALAZAR
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Financial Director
Registration 35089-T

PEDRO ANGEL PRECIADO VILLARRAGA
Statutory Auditor to Banco Davivienda S.A.
Registration 30723-T
Member of KPMG Ltda.
See my opinion dated February 1, 2011



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Semesters ended on December 31 and June 30, 2010
(Thousand of United States Dollars)

	December 31	June 30
Cash flows provided by operating activities:		
Net Income	\$ 153,637.1	149,086.7
Reconciliation between net income profit to net cash used in provided by operating activities:		
Allowance for investment	5,052.4	281.4
Allowance for credit portfolio and Financial Leasing	360,000.8	378,765.9
Allowance Accounts receivable	20,500.2	35,348.5
Allowance of realizable property, foreclosed assets, and returned goods	1,669.5	1,814.9
Allowance properties and equipment	1,028.2	0.0
Other allowance assets	89.7	364.4
Allowance for severance payments	6,094.7	5,002.3
Others Allowances	140.9	237.1
Depreciation goods for own use	11,411.9	9,191.1
Depreciation leasing	625.0	595.9
Amortizations	36,951.9	35,120.0
Profit on portfolio sale and assets leasing - net	(21,426.0)	(2,102.7)
Profit on sale investments - net	(8,231.9)	(10,101.8)
(Loss) Profit on sale of realizable property, foreclosed assets and returned goods - net	(176.0)	(507.1)
Profit on sale of properties and equipment - net	821.1	(836.8)
Reimbursement of the investments allowance	(1,903.1)	(2,956.0)
Reimbursement of the credit portfolio and leasing allowance	(237,390.9)	(242,457.7)
Reimbursement of the accounts receivable allowance	(18,100.6)	(23,783.9)
Reimbursement of realizable property, foreclosed assets and returned goods allowance	(1,558.6)	(994.6)
Reimbursement of the property and equipment allowance	(413.2)	(458.4)
Reimbursement of the other assets allowance	(148.6)	(3,076.8)
Other recoveries of estimated liabilities	(9,197.5)	(2,017.2)
Reclassification prior period profit effect	0.0	3,600.1
Adjustment for financial statements conversion	209.1	(2,163.8)
Increase Deferred income tax	10,703.5	7,121.0
Changes in operating assets and liabilities:		
Increase (decrease) of gross unrealized gain on investments	(3,222.2)	5,815.8
Increase in credit portfolio and financial leasing operations	(1,994,175.0)	(1,055,002.7)
Decrease (increase) in accounts receivable	(13,132.2)	10,254.4
Decrease in others assets	26,489.4	15,006.4
Increase in deposits and callabilities	483,332.6	42,347.3
Increase (decrease) in accounts payable	(27,043.1)	55,050.2
Increase in long term - debt	161,462.2	308,851.3
(Decrease) increase other liabilities	(8,025.9)	(8,324.1)
Increase (decrease) in estimated liabilities and allowance	(11,614.0)	14,832.5
(Decrease) increase minority interest	1,915.0	(2,722.8)
Severance payments	(3,265.9)	(2,034.2)
Net Income cash used in operating activities	\$ (1,076,889.6)	(280,853.4)



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Consolidated Statements of Cash Flows (continued)
Semesters ended on December 31 and June 30, 2010
(millions of pesos)

	December 31	June 30
Cash flows by investment activities:		
Decrease (increase) investment	\$ (175,723.4)	289,832.5
(Increase) decrease acceptances, cash and derivatives operations	(6,867.6)	(41,549.6)
Additions to property and equipment	(14,567.9)	(9,401.5)
Retirement (additions) of realizable property, goods received in payment	(6,226.9)	921.8
Product from the sale of realizable property, goods received in payment and property returned	6,155.3	77.6
Sale of properties and equipment	1,481.3	224.6
Net income to cash (used in) by investment activities	(195,749.1)	459,357.6
Cash flows provided by financing activities:		
Product of sale loan portfolio	774,426.4	109,406.1
(Decrease) increase in passive positions in market operations mounted and connected	(42,096.8)	(197,392.5)
Increase (decrease) Bankers Acceptances outstanding	5,835.4	36,094.4
Increase (decrease) in banking credits and other financial obligations	364,629.8	158,152.8
share subscription	219,049.9	0.0
Descuento por pago de contado acciones preferenciales	(1,672.2)	0.0
Donations	(2,121.1)	(1,145.8)
Dividends paid in cash	(34,111.7)	(33,974.1)
Net income cash provided by financing activities	1,283,939.9	71,140.9
Increase in cash and cash equivalents	11,301.2	30,393.0
Cash and cash equivalents at the beginning of the semester	868,389.0	838,372.8
Cash and cash equivalents at the end of the semester	\$ 879,690.2	868,765.8

See the notes accompanying the consolidated financial statements.

OLGA LUCIA RODRIGUEZ SALAZAR
Legal Representative

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

PEDRO ANGEL PRECIADO VILLARRAGA
Statutory Auditor fo Banco Davivienda S.A.
Registration 30723-T
Member of KPMG Ltda.
See my opinion dated February 7, 2011



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

December 31 and June 30, 2010

(Thousand of United States Dollars)

(Market Representative Exchange Rate Col\$1.913.98 December, and Col\$1.913.15 June, 2010)

1. Reporting Entity

Banco Davivienda S.A. is a private entity incorporated by means of Public Deed Number 3892 dated October 16, 1972 from Notary Fourteen of the Bogotá Circle; it has its main domicile in the city of Bogotá, D.C. By means of Resolution 562 dated July 10, 1997, it obtained its operating permit. The term established by Public Deed 5145 of October 2003, is up to October 17, 2053, but it may be dissolved or extended prior to that term. The Bank is part of the Sociedades Bolívar Business Group and its purpose is to enter into or perform all operations and contracts legally permitted to banking institutions of a commercial nature subject to the requirements and limitations of the Colombian Law.

The most representative bylaw reforms are:

- By means of Resolution 562 dated June 10, 1997, the Superintendencia Financiera de Colombia approved the transformation from saving and Loan Corporation to a Commercial Bank.
- By Public Deed No. 4541 dated August 28, 2000, prepared by the Eighteenth Notary's Office in the Bogotá Circle, Davivienda legalized the acquisition of 100% of Delta Bolívar shares. As a consequence, Delta Bolívar S.A. was dissolved without liquidation and the company and its stockholders' equity were absorbed by the Bank on September 1, 2000, and the Delta Bolívar legal capacity was extinguished.
- By means of Public Deed No. 2369 dated April 27, 2006, from Notary One of the Bogotá Circle, Banco Davivienda S.A. formalized the absorption by merger of Bansuperior S.A. Consequently, Bansuperior S.A. was dissolved without liquidation and the company and stockholders' equity were absorbed by the Bank on May 2, 2006, extinguishing the legal status of Bansuperior S.A.
- Through Public Deed No. 7019 dated August 29, 2007, the Notary Seventy One from Bogotá, registered on September 3, 2007 in the Chamber of Commerce, Banco Davivienda S.A. formalized the takeover through merger of Granbanco S.A. As a consequence, Granbanco S.A. was dissolved without liquidation and the company and the stockholders' equity were absorbed by the Bank on September 1, 2007, extinguishing Granbanco S.A. as a legal entity.
- By Public Deed No. 3202 of April 30, 2010 in Notary Seventy-one in the District of Bogotá, registered on May 4, 2010 in the Chamber of Commerce, the Banco Davivienda S.A. formalized the change of nominal share value from one thousand pesos (\$ 1,000.00) to one hundred twenty-five pesos (\$ 125.00). The authorized capital remains as 480 million shares.

As of December 31, 2010, it operated with ten thousand three hundred eighty-eight employees (10,338) in five hundred forty five (545) offices in twenty one (21) branches and agencies in the Colombian territory. The Fiduciaria Davivienda S.A. it operated with seventy seven (77) employees, Fiduciaria Cafetera S.A. with one hundred six (106), Davivalores S.A. with thirty five (35), Confinanciera S.A. with one hundred eighty seven (187), Bancafé Panamá S.A. with fifty nine (59) and Bancafé International Corporation S.A. with twenty nine (29).

It possesses 60% of Fiduciaria Davivienda S.A. shares, 94.90% of Confinanciera S.A. shares, 79% of Broker Davivalores S.A. shares, 100% of Bancafé International Corporation S.A. shares, 99.99% of Bancafé Panamá S.A. shares and 94.011% of the Fiduciaria Cafetera S.A.

The consolidated financial statements of the Banco Davivienda S.A., includes the followings Subsidiaries:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

CONFINANCIERA S. A. – Commercial Financial Company

This company was incorporated by means of the Public Deed No. 2663 dated June 8, 1977, prepared by the Fourth Notary's Office in Bogotá, with an initial operation permit in accordance with the Resolutions 1983 dated June 21, 1977, 3141 dated June 19, 1980, and 2350 dated June 29, 1990, and by means of Resolution 3140 dated November 24, 1993 the operation permit was definitively renewed by the Superintendencia Financiera de Colombia.

The term of this company is up to June 8, 2077, with its main domicile in the city of Bogotá, D.C., has its main office in Bogotá, one (1) branch in Barranquilla and five (5) offices in the Colombian territory. The main purpose of this Company is fund raising through term deposits, with the primordial purpose of making credit active operations addressed to facilitate the commercialization of assets and services, without damage of the operations and investments that in accordance with the system applicable to the Trading Financing Companies can be made within the conditions or limits indicated for such effect. Its TDC's are registered with the Bolsa de Valores de Colombia (BVC).

BANCAFÉ PANAMÁ S.A.

Constituted on January 15, 1976 under the Republic of Panamá Law, beginning operations under protection of the General License granted by the Supervision of Banks, which allows it to carry out banking transactions in Panamá or abroad. On May 3, 1998, by means of Resolution 34-88, that Entity additionally granted an international license. With this type of license, the Bank can lead exclusively; transactions getting perfect, consume, or have effect outside, from an office established in Panamá, without damage, to allow it to do other activities authorized by the Supervision of Banks of Panamá. With main domicile in the city of Panamá, Republic of Panamá.

The banking operations in the Republic of Panamá are regulated and supervised by the Superintendencia de Bancos, according to the Law - Decree 9 dated February 26, 1998 and the others effective legal norms.

BANCAFÉ INTERNATIONAL CORPORATION S.A.

An entity incorporated, under the figure of "Edge Act Corporation" of the United States of America, with the Federal Reserve Bank of New York authorization, on October 15, 1981, to perform bank activities with residents abroad.

The bank focuses its activities in basic deposits services and cash administration for individual and Colombian incorporated clients, which are mainly placed in safe investment portfolios with immediate availability. The bank grants loans, with low financial risk mainly to Colombian institutions and companies.

After having received authorization from the Federal Reserve of the United States (FED), an operating license from the Florida Office of Financial Regulation (OFR) and the non-objection from the Financial Superintendent's office in Colombia, the international branch of the Davivienda Bank, on January 3rd, 2011 began operations in Miami. As a consequence, surrendering of assets and liabilities from the subsidiary "Banco Cafetero International Corporation" to "Banco Davivienda S.A. Miami International Bank" Branch was made official.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

FIDUCIARIA DAVIVIENDA S.A.

A private company, it was incorporated in accordance with the Public Deed No. 7940 signed on December 14, 1992 at the 18th Notary in Bogotá, D.C., authorized by the Superintendencia Financiera de Colombia by Resolution No. 5413 dated December 30, 1992, with an operation permit in effect up to December 14, 2043, with main domicile in the city of Bogotá, D.C., and its term is up to December 14, 2043.

This Company's purpose is entering into mercantile trust agreements and trust mandates that do not transfer domain, in accordance with the legal provisions. Its basic purpose is acquiring, selling, encumbering, administering personal property and real estates, and investing as debtor or as creditor in all kind of credit operations.

FIDUCIARIA CAFETERA S.A. – FIDUCAFÉ

Of private nature, constituted by means of Public Deed 5587 prepared for the Eighteen Notary's office in Bogotá D.C dated September 3, 1991, with main domicile in Bogotá D.C., properly authorized by the Superintendencia Financiera de Colombia by means of Resolution 3505 dated September 27, 1991, with effective operation permission and duration until December 31, 2050.

The social object is the celebration of mercantile trust contracts and non translativos fiduciary mandates of dominion according to legal dispositions. Its fundamental object is acquiring, selling, encumbering, administering personal property and real estates, and investing as debtor or as creditor in all kind of credit operations.

DAVIVALORES S. A. - Comisionista de Bolsa

This company was constituted in accordance with the Public Deed No. 5397 dated September 19, 1974, prepared by the Second Notary's Office in Bogotá, and it is supervised by the Superintendencia Financiera de Colombia, with operation permit in effect up to April 2, 2021, with main domicile in the city of Bogotá, D.C. This Company's purpose is developing and/or performing Commission Contracts for the purchase and sale of securities. It also offers advisory services related to capital market activities.

Starting in the year 1994, DAVIVALORES S.A. was authorized by the Superintendencia Financiera de Colombia of Securities to manage or administer securities belonging to its principals, with the purpose of carrying out the collection of the capital and its reinvested yields, in accordance with the directions given by its client.

The figures of assets, liabilities, stockholders' equity, and profit in the individual Financial Statements of the Parent Company and its Subsidiaries at December 31, 2010 and were as follows:

December 31, 2010

		Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A.	USD	14,752,972.5	12,888,500.7	1,864,471.9	140,980.0
Confinanciera S.A.		217,704.8	180,696.9	37,008.0	4,843.7
Fiduciaria Cafetera S.A.		39,894.0	3,661.5	36,232.5	1,681.7
Fiduciaria Davivienda S.A.		30,508.4	3,110.9	27,397.5	3,942.7
Davivalores S.A.		6,218.2	652.2	5,566.1	61.5
Bancaf� Panama S.A.		526,337.2	443,901.9	82,435.3	7,820.3
Bancaf� International Corporation S.A.		103,468.7	91,315.9	12,152.7	77.2



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2010

		Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A.	USD	13,483,924.5	11,960,981.9	1,522,942.6	129,018.6
Confinanciera S.A.		221,307.2	189,165.4	32,141.9	3,425.8
Fiduciaria Cafetera S.A.		38,875.1	4,309.9	34,565.2	2,150.8
Fiduciaria Davivienda S.A.		26,607.4	3,367.9	23,239.5	3,956.7
Davivalores S.A.		5,399.6	227.8	5,171.8	137.1
Bancafé Panamá S.A.		524,328.4	448,716.4	75,612.0	7,181.2
Bancafé International Corporation S.A.		111,048.7	98,703.3	12,345.3	(333.8)

2. Summary of Main Accounting Policies

2.1 Basic Accounting Policy

The bank's consolidated financial statements accounting and preparation policies, are in compliance with the consolidation and submission regulation, established by the Superintendencia Financiera de Colombia,

The consolidated financial statements of Banco Davivienda S.A. in accordance with the Code of Commerce, include the financial statements of its Subsidiaries, in which its direct participation or share is 50% or more of their outstanding shares, and they are supervised by the Superintendencia Financiera de Colombia, as well as the foreign Subsidiaries in which it is direct or indirect participation of 50% or more of the circulations shares. The incomes, disbursements, assets, liabilities and stockholders equity accounts of the Subsidiaries are included in the respective accounts in the consolidated financial statements, after the elimination of the inter-company accounts and transactions

The special accounting rules established by the Superintendencia Financiera de Colombia present some differences with the accounting standards generally accepted in Colombia, such as the following:

Properties and Equipment

Generally accepted accounting standards determine that as of the closing of the period, the net value of properties, plant and equipment, which adjusted value exceeds twenty (20) minimum monthly legal wages, must be adjusted to their realization value or to their present value, recording the revaluations and Allowances that may be necessary, while the special rules do not establish conditions for this kind of assets.

Premium on placement of shares

The special rule establishes that the premium on placement of shares is recorded as legal reserve; the generally accepted accounting standard indicates that it will be accounted for separately within equity.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Credit portfolio

The bank sets up provisions for the Panamá and Miami subordinates assets, in order to cover the homologation effects of the Financial Statements, according to the parameters set forth by the Financial Superintendence of Colombia in Chapter X – Consolidated or Combined Financial Statements, of External Bulletin 100 of 1995 – Basic Accounting and Finance.

Financial statements

In the case of the Statement of Changes in the Financial Situation, Decree 2649 of 1993, defines it as a basic financial statement, the Financial Superintendence of Colombia, does not require it.

For the consolidation, was taken care of effective legal norms stipulate for the consolidation, doing the homologations that result precedents to uniform the accounting norms of general acceptance with the one applicable in Colombia.

The exchange rate difference originated by the re-expression of the organization investor's investments product of the re- expression of the investment value, from the date of acquisition to the date of consolidation, has been eliminated in the consolidated financial statement with charge to the equity accounts of the consolidated denominated "Adjustment by Translation of Financial Statements", determined in agreement with the effective norms established.

The general balance sheet of the subordinates abroad, was converted into Colombian Pesos using the Market Exchange Rate, whose value as of December 31, 2010 and June 30, 2010 was \$1.913,98 (Colombian pesos) and \$1913,15 (Colombian pesos), respectively; for the equity used exchange rates to September 1, 2007 was \$2.160.99 (Colombian pesos), date of acquisition of the investment of Bancefé International S.A. and Bancafé Panamá.

On the other hand, the profit and loss statement for the affiliates overseas is converted into Colombian pesos using the average Market Exchange Rate of respectively semester. At December 31 2010, and At June 30, 2010, an average rate of \$1.949,38 (Colombian pesos) and \$1.948,80 (Colombian pesos) were used, respectively.

The Bancafé Panamá S.A. Subsidiary financial statements are expressed in Balboas, which is at par and is free of trade with the dollar of the United States of America. The Republic of Panamá, does not issue its own currency, and instead, the dollar of the United States of America is used as legal tender.

2.2 Accounting Period

The accounting closings of the Bank are biannual, and the Subsidiaries has closings annual ending in December.

According to what is set forth by the Superintendencia Financiera de Colombia, for consolidation purposes, the submission of financial statements must be done with the periodicity the Holding company does.

2.3 Monetary Unit

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



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

2.4 Cash flow status and Cash Equivalents

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

2.5 Active and Passive Positions in Monetary Market Operations and those Related

Groups all operations of interbank funds, repo operations, simultaneous operations and temporary transfer of securities.

Interbanking Funds

Are operations that are agreed to a period not exceeding thirty (30) calendar days, also, included transactions denominated overnight, performed with foreign banks.

Interest yields derived from the operation are registered in the profit and loss statement.

Inter-banking funds purchased and repurchasing agreements

Records funds obtained directly from other financial entities, guaranteed with their investment portfolio or credit portfolio. The maximum term for cancelling these operations is 30 calendar days.

The operations that are not cancelled within the indicated term, must be accounted for under Bank Credits and Other Financial Obligations, except for those carried out with Banco de la República to regulate liquidity of the economy by means of monetary contracting operations and those carried out by Fogafin and performing support operations to member entities.

The difference between the present value (received in cash) and future value (repurchasing price) constitutes a financial expense.

Repo Operations

Asset or Active Position: Securities acquired in exchange for a sum of money (with or without discount), assuming in this same act and at the same time the commitment to retransfer ownership to the counterparty at a given date.

Liability or Passive Position: The transfer of ownership of securities in exchange for a payment of a sum of money, assuming in this same act and at the same time the commitment to reacquire securities of the same type and features from the counterpart on the same day or at a later date, which shall not exceed one (1) year, at a predetermined price or amount.

The initial amount may be calculated with a discount on the market price for the value of the operation; it may be established that throughout the duration of the operation, initially delivered values be substituted by others and, restrictions may be placed on the mobility of the values subject of the operation.



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

Simultaneous Operations

Asset or Active Position: Securities acquired at market price in exchange for a sum of money assuming in this same act and at the same time the commitment to retransfer ownership of securities of the same type and features to the counterparty on the same day or at a later date, which shall not exceed one (1) year, at a predetermined price.

Liability or Passive Position: The liability in a repurchase operation occurs when a person transfers ownership of securities in exchange for a sum of money, assuming in this same act and at the same time the commitment to reacquire securities of the same type and features from the counterparty on the same day or at a later date, which shall not exceed one (1) year, at a predetermined price or amount.

It can not be established that the initial amount may be calculated with a discount on the market price for the value of the operation; it may not be established that throughout the duration of the operation, initially delivered values be substituted by others and, restrictions may be placed on the mobility of the values subject of the operation.

Accounting and valuation of Repo, Repurchase transactions.

The transferor of ownership, the originator or the recipient as applicable, shall reclassify the securities that have been delivered in repo, repurchase or temporary transfer of securities agreements in its balance sheet and, additionally, must register them within their accounts in order to show their delivery.

The purchaser, the recipient or the originator as the case may be, must register the receipt of securities from the said operations in their accounts.

All persons participating in repo, repurchase and temporary transfer of securities agreements must register the monetary resources from these operations within their respective balances as an obligation or right, depending on the position.

When the purchaser, the originator or the recipient is in a short position a financial obligation must be recorded in the balance sheet on behalf of the transferor, originator or initial receiver for the correct exchange price of the respective securities.

Yields from repo or repurchase agreements will be produced exponentially by the parties during the term of the respective agreement and will be an expense or revenue for each, as appropriate.

2.6 Investments

It includes investments acquired by the Bank and its Subsidiaries with the purpose to maintain a secondary liquidity reserve, acquiring the direct or indirect control of any company of the financial or technical service sector, comply with legal or regulatory Allowances, or with the exclusive purpose of eliminating or reducing significantly the market risk to which assets, liabilities or other elements of the financial statements are exposed.

Investments appraisal It has as its fundamental objective the calculation, accounting posting and disclosure of the amount and just price of interchange, to which a title or security may be negotiated at a determined date, according to its specific characteristics and within the prevalent market conditions on such date.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Investments are classified, evaluated and accounted according to the established in the first chapter of the basic accounting memorandum 100 of 1995, issued by the Superintendencia Financiera de Colombia, which may be summarized as follows:

Classification	Characteristics	Valuation	Accounting
Negotiable	Titles acquired in order to obtain profits from price fluctuation short-term.	Use just price interchange, reference rates and/or margins, calculated and published daily by the Bolsa de Valores de Colombia. or principal market	<p>The difference is between the current market value and that immediately before recorded as greater or lesser than the initial investment and its counterpart affecting prior results.</p> <p>The investments are valued at market prices, as of the same day of their acquisition, therefore accounting of changes between the acquisition cost and market value of the investments are done as of the date of Purchase.</p>
To keep until maturity	Instruments to which the bank has a serious purpose and the legal, contractual, financial, and operative capacity, to maintain until their maturity.	<p>Exponentially as of the internal rate of return calculated at the time of purchase.</p> <p>When the terms of the issue established the use of the value indicator for the starting date of the compensation period, the internal rate of return must be recalculated every time the face value of the indicator is changed with which the next flow is to be paid.</p> <p>In the case of securities that incorporate prepay options, the internal rate of return must be recalculated every time the future cash flows and payment dates change. The value at the recalculation date of future cash flows should be taken as the purchase value.</p> <p>This procedure is done on a daily basis.</p>	This amount is accounted as the greater value of investment and its counterpart is recorded in period results.
Available-for-sale – debt titles	Assets that are not classified in either of the two categories above are classified in this category; they should be kept at least 1 year. Once the year is up, the first business day after words they may be reclassified to the above categories.	Use just price interchange, reference rates and margins, calculated and published daily by the Bolsa de Valores de Colombia. or principal market	<p>Are counted according to the following procedure:</p> <p>The difference between the amount on the first day of valuation in the one immediately quito it is recorded as a lesser or greater investment with credit or better to P&L accounts.</p> <p>The difference between the market amount and the current amount is recorded as accumulated income or loss not carried out, within the equity accounts.</p>



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

Available-for-sale – share titles	With little or minimum marketability, have no quotes, titles that the bank keeps just as control to the matrix	Investments in share titles are valued according to the marketability index that they have on the date of valuation as follows: Little or minimal marketability or without any quotes, our valued monthly increasing or decreasing participation percentage in equity variations, subsequent to the acquisition of the investment, calculated based on the last certified financial statements. When the Bank is controlling the valuation it should be done using the end of semester Financial Statements of each company in which it has investments.	Little or minimum marketability without any quotes. The difference between market value or updated investment and the value which is recorded in the investment, is accounted as follows: If it is greater, the first instance decreases the provision or devaluation until exhausting it and the excess is recorded as surplus from valuation. If it is less, it affects surplus for valuation until exhausting and the excess is recorded as devaluation. When dividends or profits are distributed in kind, including those from capitalization of the equity revaluation account, they are recorded as income for the part being accounted as surplus for valuation, charged to investment and reverted as surplus. When dividends or profits are distributed in cash, they are recorded as income in the accounted amount as surplus for valuation, reverting such surplus and the amount of dividends that exceeds it accounted as a lesser value of investment.
Available-for-sale – share titles	High and medium marketability: The participative securities and assets which according to the marketability index they maintain at the date of valorization, in accordance to the calculations performed or authorized by the Superintendencia Financiera de Colombia are classified in this category. The capital marketability index determines the degree of liquidity that a share holds in the stock market.	Mid marketability, are valued daily, based on an average price determined and published by the stock markets where they are traded. This average corresponds to the average price for the quantity traded during the last five (5) days before negotiations. High marketability, they are valorized based on the last daily average price considered for negotiation by the stock market in which they are negotiated	High and mid marketability. The updating of market value for the titles of high or mid marketability or those traded in international markets, are accounted as a profit or loss accumulated not performed, waited in the equity accounts, with debit or charge to investment. Dividends or profits distributed in-kind or in cash, including those from capitalization of patrimony revaluation account, are recorded as revenue on the part of the corresponding investor on profits or revaluation of equity of the issuer are accounted since the date of acquisition of the investment, charged to accounts receivable.

The Bank and its subordinate Confinanciera registers compulsory investments in agricultural development securities and which are classified as marketable investments



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Reclassification of investments

The Bank can reclassify investments at any time with due authorization from the Superintendencia Financiera de Colombia, as stipulated in paragraph 4 of Chapter 1 of the Basic Accounting and Financial Circular and the annual maturity investments available for sale.

Investment Transfer Rights

Registers investments in securities, assets or equities that the transferor, the originator or the recipient, as applicable, have delivered in a repo, repurchase or temporary transfer of securities agreement.

Represents investment in titles, debt securities, assets or restricted equities resulting from transferring ownership of these securities in exchange for a sum of money, or the receipt of securities as a backup in the TTV agreement (temporary transfer of securities) securities against securities, assuming in this same act and at the same time the commitment to reacquire them from the counterparty or to acquire securities of the same type and features on the same day or at a later date at a predetermined price or amount.

It also records investment in securities, assets or equities that a credit institution has endorsed to the Banco de la República when using the temporary liquidity support resources, in accordance with regulations issued by the Banco de la República.

Allowances or Losses by Credit Risk Rating

Debt securities as well as equity securities with low or minimum marketability or not quoted, must be adjusted on each valuation date based on the credit risk rating, as follows:

- Debt securities that have one or several ratings granted by external credit rating agencies recognized by the Superintendencia Financiera de Colombia, or the securities issued by entities that are rated by them, cannot be accounted for an amount exceeding the percentages of their net face value of amortizations made up to the valuation date.

Long Term Rating	Maximum Amount %
BB+, BB, BB-	Ninety 90%
B+, B, B-	Seventy 70%
CCC	Fifty 50%
DD, EE	Zero 0%

Short Term Rating	Maximum Amount %
3	Ninety 90%
4	Fifty 50%
5 y 6	Zero 0%

- For debt securities that do not have an external rating, for debt securities issued by entities that are not rated or for equity securities, the amount of the Allowances must be determined based on the methodology that for this purpose may be determined by the investor entity. Said methodology must be previously approved by the Superintendencia Financiera de Colombia.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- The bank, evaluate the financial risk for Investments which do not have rating, provisions are assessed and set up, according to the ranges defined by the Financial Superintendence of Colombia.

Category	Risk	Maximum Amount and %
A	Normal	Does not proceed
B	Acceptable	Debt securities 80% of the nominal net amortization value, equity securities 80% of the acquisition cost.
C	Appreciative	Debt securities 60% of the nominal net amortization value, equity securities 60% of the acquisition cost.
D	Significant	Debt securities 40% of the nominal net amortization value, equity securities 40% of the acquisition cost.
E	Irrecoverable	The value of this investments is provisioned to 100%

Not subject to this adjustment are the internal or external public debt securities issued or guaranteed by the Nation, those issued by the Banco de la República (Central Bank) and those issued or guaranteed by the Fondo de Garantías de Instituciones Financieras FOGAFIN.

2.7 Credit Portfolio and Financial Leasing

It records the credits and Financial Leasing granted by the Bank and its Subsidiaries under the different modalities authorized. The funds used in the granting of credits originate from the Bank's own funds, from the public in the modality of deposits and from other external and internal financing sources.

Loans are accounted for based on their face value, except purchases of portfolio which are recorded at cost; the interest rate agreed does not affect the value at which loans are recorded.

Credit arrangements

The credit portfolio structure contemplates the following modes for credits:

- Commercial

Commercial credits are defined as those granted to individuals or companies in order to perform to organized economic activities, different to those granted under the mode of microcredit.

Home Leasing.

The Superintendencia Financiera de Colombia established that for classification purposes, the operations of Home Leasing must be classified as commercial loans.

The real estate properties of this type of operations are owned by the Bank, and are insured for fire and earthquake.

It records the value financed of homes delivered under leasing to the user for his use and enjoyment, in exchange for the payment of a periodic rent, during the term agreed, at the expiration of which the good is returned to the owner or transferred to the lessee, if the latter decides to exercise the repurchase option agreed in his favor and pay its value.

The value to be financed of the financial leasing operations is repaid with the payment of the financial leasing rent in the portion corresponding to repayment of principal.



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

They are loans that regardless of their amount, granted to individuals whose objective is to finance consumer goods acquisition, or payment of non commercial or entrepreneurial services, different from the ones provided under the microcredit type.

- **Housing**

Independently registers its amount, the loans granted to individuals, assigned to new or used homes acquisition or to build individual homes. They should be agreed in Current Value Units (UVR) or in local currency and secured by first grade mortgage, upon the funded home. The amortization term, should be between five (5) years as a minimum and thirty (30) years as a maximum.

Loans can be totally or partially prepaid, at any time without sanctions whatsoever. In case of partial prepayments, the debtor will be entitled to choose whether the amount paid, reduces the liabilities payments or the term. To have a remuneration interest rate which is applied to the balance of the debt denominated in UVR or pesos, depending on whether the loan is denominated in UVR or legal tender, respectively.

Interest should be charged on expiration and cannot be capitalized. The credit amount may be up to seventy percent (70%) of the property value. This value will be the purchase price or a valuation carried out within six (6) months prior to the granting of credit. In loans for community housing, the amount of the loan may be up to eighty percent (80%) of the property value.

Property value should be insured against fire and earthquake.

- **Micro-credit**

A micro credit is defined as a set of credit active operations to which article 39 of Law 590 of 2000, is referred to, or the regulations that modify, substitute or add it, as well as those carried out with micro enterprises, in which the main source of payment comes from income derived from their activity.

A micro-company is any unit of economic exploitation performed by an individual or a legal entity in entrepreneurial, agricultural, industrial, commercial or service activities, rural or urban, which payroll does not exceeds ten (10) employees and its total assets are smaller than five hundred (500) minimum current monthly legal wages.

The amount of indebtedness by the debtor may not exceed one hundred twenty (120) minimum daily wages in force at the time of approval of the corresponding credit operation. Balance of indebtedness is understood to mean the amount of current obligations by any corresponding micro-company with the financial sector and other sectors, which are recorded by bank operators with the data consulted by the corresponding creditor, excluding those mortgage credits for financing housing and adding to the amount of the new obligation.

Restructured Credits

A restructured loan is one, that through an agreement of any judicial business, has the objective to modify the conditions initially established, in order to allow the debtor, to adequately manage his/her obligation. For these effects, the restructurings are considered novations. Previous to restructuring a loan, it should be reasonably established, that same will be recovered under the new conditions.



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

Credit alleviations granted by Laws, as it was the case of what was set forth by Law 546 of 1999 for home loans, are not considered loan restructuring.

Rules for accounting for interest on restructured loans: In those cases where as a result of restructuring agreements or any other form of agreement, contemplating the capitalization of interests posted in memoranda accounts or balance of uncollectible portfolios, including capital, interest and other concepts, they shall be accounted as deferred debit and their amortization to the shall be done proportional to those amounts effectively collected.

Rules for reclassification of restructured loans: Loans can improve their qualification, after having been restructured, only when the debtor proves a regular and effective payment behavior.

When restructuring a must we maintain the classification in effect at the time of restructuring and at the 3 regular payments it is considered normalized and improved to "A". If the credit becomes overdue again in more than 30 days it will return to the initial classification and will remain thus until it is up to date again and normalized to return to an "A"; if after two years the restructured credit is found up to date, it is transferred to normal, , except those registered below:

Bankruptcy rules Law 1116 of 2006

The judicial bankruptcy rules objective is to protect the loan and the recovery and conservation of the company as a unit of economic exploitation and a source of employment, through the reorganization and judicial liquidation processes, always under the value aggregation criterion.

Fiscal Restructuring Law 617 of 2000

The Government grants guarantees for territorial entities liabilities, with entities regulated by the Superintendencia Financiera de Colombia, when all requirements established in the law, are fulfilled; among others, that the fiscal adjustment agreements were subscribed before June 30, 2001. Such guarantee is up to forty per cent (40%), for loans in force as to December 31, 1999 and up to a hundred per cent (100%), for new loans intended for fiscal adjustment.

These restructurings have the characteristic of reverting the provisions recorded on the liabilities subject to restructuring, the portion secured by the Government and the portion subject to restructuring that is not secured by the Government, can keep the qualification they had as of June 30, 2001.

Restructuring Law 550

Law 550 of 1999 and 1116 of 2006 promotes and facilitates business reactivation and restructuring of territorial entities. As of the date on which the restructuring negotiation is initiated, the Bank suspends the accrual of interest on current credits and maintains the rating that they had as of the date of initiation of the negotiation.

Suspension of causation of interest

Not cause the profit and loss statement the accrual interests, adjustment for inflation, exchange rate adjustments, fees and income for other concepts, when the loan is in arrears as indicated in the following table:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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	Default level to	
Credit Modality	Banco and Confinanciera	Bancafe Internacional and Bancafé Panamá
Commercial	3 months	3 months
Consumption	2 months	3 months
Housing	2 months	3 months
Micro-credit	1 month	Does not exist

The accrual is recorded in memorandum accounts without affecting the income statement until such time as the cash collection.

In those cases in which, as a result of restructuring agreements or any other type of agreement, the capitalization of interests that are recorded in memorandum accounts or the balance of written off loans, including capital, interests and other concepts, is considered, they will be recorded as a deferred payment and taken to the profit and loss statement to the extent that cash collection occurs.

Regulation for penalties

The penalties of loans portfolio, accounts receivable and other assets are approved by the Board of Directors of the Bank, bearing in mind the stipulations provided in the external Memorandum 100 of 1995 of the Superintendencia Financiera de Colombia.

Following internal policies for writing offs, these are recorded at the time in which the different loans, reach the following arrears levels and Requires loans to be 100% provisioned in capital, interest and other concepts.

Portfolio	Bank and Confinanciera	Bancafé International Corporation S.A. and Bancafé Panamá S.A.
Commercial	570	For individual assessment
Consumption	180 (different of vehicle without guarantee)	
Housing	540	
Housing Leasing	540 (Commercial Portfolio)	
Commercial Vehicles	540	
Consumer Vehicles	360	

The writing off does not release the Bank and its subordinate's management from continuing with the collection procedures that are considered appropriate.

Regulations for the guarantees

The guarantee is an instrument whereby the Expected Loss (EL) is reduced in the event of a non-compliance event. The guarantee encompasses the right the Bank is entitled to when the debtor ceases the payment of his/her obligations due to lack of compliance.

The loan approval in the Bank and its subordinate should include the guarantee whereby the operation is being authorized. Improvement thereto will be prior to the outlay of the resources.



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The analysis of the guarantees must include the following characteristics:

- Suitability: According to the legal definition.
- Lawfulness: Document duly improved in order to provide legal support that facilitates the management of the granted obligations surety.
- Value: Calculated on the basis of technical criteria and objectives.
- Completion possibility: Properly reasonable possibility to collect the guarantee.

For the consumption and commercial loans admissibility and non-admissibility guarantees are accepted as provided by the decree 2360 of 1993.

In the case of mortgages for home loans, these shall be classified as first degree and by an unspecified amount in favor of the Bank over the mortgaged property. Mortgages must be completed through public deed before a notary and registered at the corresponding Public Document Registration Office.

The value update of the guarantee for the mortgage guarantee portfolio is done by taking the value of the initial registration of the guarantee adjusted for the housing price index published by the National Planning Department.

Criteria for the Evaluation and Reclassification of credit risk

The Bank and Confinanciera has adopted a Credit Risk Management System (Sistema de Administración de Riesgo de Crédito - SARC), which includes policies, processes, models and control mechanisms to identify, measure and adequately mitigate credit risk; not only from the perspective of their coverage through a reserves system but also through the administration process for granting credit and ongoing monitoring.

The Bank and its subordinate evaluates and ranks the credit agreements of customers regardless of the credit class. The behavior of the customers' portfolios is updated monthly with respect to payments, cancellations, penalties and amount of arrears of the agreements.

It has methodologies and analytical techniques to measure the credit risk inherent in a credit transaction and future potential changes in its service conditions. These methodologies and techniques are based on information relating to historical performance of the portfolios and loans; the particular characteristics of borrowers, their loans and guarantees to support them; the credit performance of the borrower with other organizations and financial information from it, or alternative information that allows the financial situation to be adequately known; and the sector and macroeconomic variables that affect their normal development.

In the payment capability assessment of the regional public bodies, the Bank verifies compliance with the indicators of Law 617 - Operating costs - Law 358 - solvency and sustainability - and Law 819 Primary surplus.

The Bank and its subordinate carries out the valuation and re-evaluation of the loan portfolio in May and November at least, recording the results at the close of the following month.



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Notes to the Consolidated Financial Statements

Fiduciaria Davivienda S.A., Fiduciaria Cafetera S.A. and Davivalores assess the accounts receivable, assimilating them as commercial loans by time on default, according to what is set forth in Chapter II of External Bulleting 100 of 1995, from the Financial Superintendence of Colombia.

Alignment Rules

The Bank performs the internal alignment process for each debtor, monthly, and for such purpose, it will take to the greatest credit risk category, the same types of loans granted to a debtor, unless that they have reasons enough for qualification at a lower risk category, according to the extent permitted by the rules.

For normal customers of the Bank and Subsidiaries with which financial statements are consolidated, the same rating is given to the loan as is granted to a borrower, unless they can prove the existence of grounds for classification in a lower risk category.

Credit Risk Rating for reports

For the purpose of approving the credit ratings for the reports to credit bureaus, the following table is applied for the credit debt reports and registration in the statements

Commercial Portfolio

Risk Type	Reporting Rating	Rating Group	Default levels (days)
Normal	AA	A	0-29
Acceptable	A	B	30-59
Acceptable	BB	B	60-89
Appreciative	B	C	90-119
Appreciative	CC	C	120-149
Unpaid	D	D	150- 569
Irrecoverable	E	E	More than 569

A commercial credit is considered unpaid when it is in arrears equal to or greater than 150 days, the same applies to liquidity credits that are in arrears.

Consumption Portfolio

To determine the consumer credit rating for loans depending on the segment, the reference model calculates a score which is a product of the particular characteristics of each debtor as set out in Annex 5 of Chapter II of the External Circular 100 of 1995 of the Financial Superintendence of Colombia, as shown below:

Risk Type	Reporting Category	Rating Group	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 credit is considered unpaid when in arrears equal to or greater than 90 days.



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* In order not to affect portfolio indicators, the Superintendencia Financiera de Colombia defined a delay range of between 0 and 30 days to be reported in the accounts defined as group A in addition to the characteristics of the reference model of consumption for this qualification.

Micro-credit and Housing

The Bank classifies the housing loan and microcredit operations into one of the following credit risk categories.

Rating	Risk	Housing	Micro-credit
		Months in arrears	
A	Normal	0 until 2	0 until 1
B	Acceptable	More than 2 until 5	More than 1 until 2
C	Appreciative	5 until 12	More than 2 until 3
D	Significative	12 until 18	More than 3 until 4
E	Uncollectibility	More than 18	More than 4

Qualification of Loans to Territorial Entities

For qualification of loans granted to territorial entities, the Entity reviews and verifies the fulfillment of the different conditions set forth in Law 358 of 1997.

Rules on provisions for credits portfolio

The Bank constitutes provisions in reference to the results as follows

General Allowance

As of December 31, 2010 and June 30, 2010, the provision for micro loans and housing loans types, equivalent to 1.0% of total gross loan portfolio.

Individual provisions using reference models.

From the April 1, 2010 in accordance with the provisions of External Circular 035 of September 23, 2009 of the Superintendencia Financiera de Colombia, for commercial and consumer reference models, the individual provisions for credit holdings are established as the sum of the individual components, one Procyclical and another Countercyclical.

The individual procyclical component reflects the current credit risk of each borrower.

The individual countercyclical component reflects the possible changes in the credit risk of borrowers at the time in which the deterioration of these assets increases. This component is used to reduce the impact on the Bank's income statement when the situation arises.

In no case may the individual countercyclical component of each obligation be less than zero or exceed the value of the expected loss calculated using matrix B; neither may the sum of these two components exceed the exposure value.



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The two components are calculated separately for capital and accounts receivables of the holdings and leasing obligations.

The following indicators should be evaluated monthly to determine the calculation methodology to use from the next month for the calculation of individual provisions:

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

If for three consecutive months the conditions of these indicators are jointly met, the calculation methodology to be applied during the next six months will be that established for the disaccumulation phase. On December 31, 2010, the Bank and its subordinate applied the cumulative phase methodology.

Calculation methodology in accumulation phase

Individual procyclical component (IPC): For holdings A, it is the expected loss calculated with matrix A, i.e. the result obtained by multiplying the exposure of the borrower, the PI (Probability of Default) of matrix A and the PDI (Loss on default) associated with the borrower's security. For Portfolio B, C, D, and E it is the expected loss calculated with matrix B, i.e. the result obtained by multiplying the exposure of the borrower, the PI of matrix B and the PDI associated with the borrower's security.

Individual countercyclical component (ICC): It is the maximum value between the individual countercyclical component in the previous period affected by the exposure, and the difference between the expected loss calculated with matrix B and the expected loss calculated with matrix A at the time of calculating the provision.

The countercyclical component allows entities to maintain a reserve (individual countercyclical provision) to be used during periods of deterioration in credit quality to meet the increase in provisions without significantly impacting the profits generated by the unfavorable environment.

Up until March 31, 2010 holdings provisions that have a reference model were calculated without considering the individual countercyclical component, accumulation phase. For the Bank the change in methodology to accumulation phase implied a lower value in the recovery of holdings provisions of USD12,007.4 and USD5,934.1 during the first and second semester, 2010 respectively.

Individual Allowance

Without prejudice of the general provision, the individual provisions, for the protecting loans qualified in all risk categories, have the following parameters at and June 30, 2010 December 31, 2010



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Commercial Portfolio

The Bank and Confinanciera adopted the Commercial Reference Model (MRC), established by the Superintendencia Financiera de Colombia, which is used for recording provisions resulting from its application.

The Leasing Operations provisions are recorded in compliance with the commercial loans portfolio policies.

To estimate the expected loss, segments are differentiated by the borrowers' assets level thus:

Company Size	Assets Level
Large Companies	More than 15.000 MCMLW
Medium Companies	From 5.000 to 15.000 MCMLW
Small Companies	Less 5.000 MCMLW

MRC also has a category named "individuals" in which all individuals that are commercial loans debtors, are grouped.

The estimation of expected loss (provisions) results from applying the following formula:

$$\text{Expected Loss} = [\text{Probability of failing}] \times [\text{Asset exposure at the time of failing}] \times [\text{Loss due to failing}]$$

Where:

Probability of failing (PF)

It is related to the probability, that in a period of twelve (12) months, debtors of a specific commercial portfolio incur in failing.

The Individual allowance are calculated using the percentages given in the following matrix:

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



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- Loss due to failing (LDF)

It is defined as the economic deterioration the Bank will suffer, in case any of the situations of failing materializes. The LDF for debtors qualified in the failing category, will increase, according to the days after the classification in such category. The LDF applied by the Bank, contemplates the type of guarantee range "without guarantee", and in addition, applies a greater percentage in the first range of failing debtors, as follows:

Type of guarantee	L.D.F.	Days after failing to pay	New L.D.F.	Days after failing to pay	New L.D.F.
Without guarantee	55,00%	210	80,00%	420	100,00%

Additionally, the portfolio described in D and E is provisioned 100%.

For the second half of 2010 the Bank modified the interest rate from 58% to 55% in line with the standard, a change that generated an effect of USD 8,084.1 in the recovery of provisions, which neutralizes the effect on P and L from the countercyclical effect.

- Exposed value of asset

The exposed value of assets, is the current balance of capital, interests, accounts receivable for interests, and other accounts receivable, of the commercial portfolio liabilities.

- Foreign Subsidiaries

For the commercial portfolio of international filials Bancafé Panamá S.A. and Bancafé International Corporation S.A., the portfolio provisions for clients with economic activities in Colombia, are calculated applying the Colombia's MRC; for clients with economic activity abroad in other countries an internal An internal model which in addition to the provisions formed in the country of origin that considers additional factors such as country risk is applied that takes into account the different credit risk categories, write-off factor (previous two years history); these additional factors do not apply to countries with lower risk than Colombia or for debt collateralized deposits.

Additional factors:

Country Risk rating

Country	Rating	Default rate
USA	AAA	0,00
Panamá	BBB	2,14
Puerto Rico	BBB	2,14
Ecuador	CCC	7,49
Colombia	BB	5,42

Source S&P (December 3, 2010)
Assessment factor



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Rating	Assessment factor
A	0,00
B	1,25
C	1,50
D	1,75
E	2,00

Rating and Allowances (Country Risk rating *Assessment factor)

Probability in default in others countries

Rating	BBB	BB	CCC
A	2,14	5,42	7,49
B	2,68	6,78	9,36
C	3,21	8,13	11,24
D	3,75	9,49	13,11
E	4,28	10,84	14,98

Methodology applied

Taking into account additional provisions for this type of loans, they are calculated applying the following equation:

$$\text{Allowance} = [(\text{Country Risk} * \text{Assessment factor}) + \% \text{ punishment}] * [\text{Assest exp.} - \text{Collateral}]$$

Concordat Processes Provisions

As refers to credits due by persons who are admitted in processes of composition or arrangement with creditors, they are immediately rated in category "E" becoming subject to the establishment of allowances, suspension of accrual of returns and other items foreseen for this category.

If the agreement to recover the company is approved prior to the year following the admission to the arrangement with creditors, the credits may be reclassified to category "D".

Consumption Portfolio

The Bank and Confinanciera adopted the Reference Model for consumption portfolio (MRCO), established by the Superintendencia Financiera de Colombia, which is used for recording allowances that result from their application.

Is based on differentiated segments, according to the products, vehicles general, others general and credit card, in order to preserve the particularities in the market niches and the products granted.



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The expected losses are determined, and the allowance are recorded according to the following formula

$$\text{Expected Loss} = [\text{Probability of failing}] \times [\text{Asset exposure at time of failing}] \times [\text{Loss due to failing}].$$

Where:

- Probability of failing (PF)

It corresponds to the probability that in a period of twelve (12) months, debtors of a specific segment and commercial portfolio qualification incur in failing.

The bank defines the probability of failing according to the following matrix:

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

- Loss due to failing (LDF)

It is defined as the economic deterioration the Bank will suffer, in case any of the situations of failing materializes. The LDF for debtors qualified in the failing category, will increase, according to the days after the classification in such category. The LDF applied by the Bank, contemplates the type of guarantee range "without guarantee", and in addition, applies a greater percentage in the first range of failing debtors, as follows:

<u>Type of guarantee</u>	<u>L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>	<u>Days after failing to pay</u>	<u>New L.D.F.</u>
Without guarantee	<u>65.00%</u>	<u>180</u>	<u>85.00%</u>	<u>360</u>	<u>100.00%</u>

additionally, the D and E rated portfolio are 100% provisioned.

For the second half of 2010 the Bank modified the interest rate from 69% to 65% in line with the standard, a change that generated an effect of USD7,378.9 in the recovery of provisions, which neutralizes the effect on P and L from the countercyclical effect.



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- Exposed value of the asset

Inside the Commercial Reference Model, the exposed value of asset is the current balance of capital, interests, accounts receivable for interests, and other accounts receivable, of the consumption portfolio liabilities.

Foreign Subsidiaries

The allowances of the foreign Subsidiaries consumption portfolio, are calculated according to the following table:

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

In all cases the allowances won't be lower than those estimated by the foreign subsidiary.

Mortgage portfolio

The individual provisions, for the protecting loans qualified in all risk categories, have at least the following percentages at December 31, 2010 and June 30, 2010.

Rating	% Minimum standard		% Mínimo del Banco	
	Covered Part	Uncovered Part	Covered Part	Uncovered Part
A	1.00%	1.00%	1.50%	3.00%
B	3.20%	100.00%	5.00%	100.00%
C	10.00%	100.00%	20.00%	100.00%
D	20.00%	100.00%	60.00%	100.00%
E	30.00%	100.00%	100.00%	100.00%

For the housing loans, an allowance must be maintained on the portion guaranteed, by the percentage corresponding according to the rating. On the non guaranteed portion the allowance must be of one hundred percent (100%) as of a credit rating of "B" (Acceptable).



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If during two (2) consecutive years the credit has remained in category "E", the allowance percentage on the guaranteed portion will be increased to sixty percent (60%). If one (1) additional year elapses in these conditions, the allowance percentage on the guaranteed portion will be increased to one hundred percent (100%).

Foreign Subsidiaries

For housing portfolio of the subordinates abroad, the provisions are calculated according to the following table:

Rating	Portion covered %	Defect %
A	1,5	3,0
B	5,0	100,0
C	20,0	100,0
D	60,0	100,0
E	100,0	100,0

In all cases the allowances won't be lower than those estimated by the foreign subsidiary.

Micro-credit portfolio

The individual provisions, for the protecting loans qualified in all risk categories, have at least the following percentages at December 31, 2010 and June 30, 2010

Rating	% Minimum Standard		% Bank's minimum	
	Capital Balance	Uncovered Part	Capital Balance	Uncovered Part
A	1.60%	0.00%	1.60%	1.60%
B	4.00%	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 Suitable Guarantees on the Establishment of Individual Allowance

Guarantees for consumption and housing loans only support the capital of the credits; consequently, the balances pending amortization of the credits covered with securities that have a suitable guarantee nature, are provisioned by the percentage corresponding according to the credit rating, by applying that percentage to the difference between the value of the outstanding balance and seventy percent (70%) of the guarantee value.

With regard to home loans, in the non secured part, the difference between the unpaid balance and hundred percent (100%) of the guarantee. For the secured part, a hundred per cent (100%) of the amount of the guarantee will be applied.



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However, depending on whether the guarantee is or not a mortgage, and of the number of past due days of the respective credit, the percentages of the total value of the guarantee for the establishment of allowances will only be considered as follows:

For Non-Mortgage Guaranties:

<u>Credit Time in Delay</u>	<u>Percentage</u>
0 to 12 months	70%
More than 12 months to 24 months	50%
More than 24 months	0%

For Mortgage Guaranties:

<u>Credit Time in Delay</u>	<u>Percentage</u>
0 to 18 months	70%
More than 18 months to 24 months	50%
More than 24 months to 30 months	30%
More than 30 months to 36 months	15%
More than 36 months	0%

As of December 31, 2010 and June 30, 2010, in order to calculate the expected loss for the reference models in the MRC commercial portfolio and in the MRCO consumption portfolio, the amount of the collateral was not contemplated.

2.8 Acceptances, Cash Operations and Derivates

Cash Operations

Definition

A cash trade operation is one which is registered with a deadline for its compensation and liquidation, said deadline has the same date as that of completion or registration of the operation, in other words, "from today for today" (1+0), or up to three (3) business days starting from the day after the registration of the operation (1+3).

Valuation

The seller of the asset value of the obligation. For its part, the buyer values the right, at market prices, according to the rules laid down in Chapter I of External Circular 100 of 1995 of the Superintendencia Financiera de Colombia

Accounting Records



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The financial assets purchased in cash transactions are recorded on the balance sheets of entities on the date of compliance or settlement thereof and not on the trade date, unless the two coincide.

Changes in market value of disposed instruments must be reflected in the income statement from the trade date, as appropriate.

Under the settlement date method the seller will record the financial asset on its balance sheet until its delivery. Additionally, a right to receive the money from the transaction and an obligation to deliver the asset traded will be recorded in the accounting records in the accounts designated for this type of operation.

The purchaser of the asset will not register the financial asset on its balance sheet until its delivery, but will register a right to receive the assets in the accounting records of the accounts designated for this type of operation, and an obligation to deliver the money agreed upon in the transaction.

Derivatives Transactions

This is an operation whose main characteristic is that a fair trade value depends on one or more underlying and compliance or liquidation takes place at a later time. That liquidation can be made in cash, financial instruments or tradable products or goods, as set forth in the contract or in the regulations concerning the trading of securities, the registration system of securities transactions or the securities clearing and settlement system.

A financial derivative allows the administration or accession of one or more risks associated with the underlyings and complies with either of the following two (2) alternative conditions: (i) Does not require an initial net investment. (ii) Requires an initial net investment lower than would be necessary to acquire instruments that provide the same expected payoff in response to changes in market factors.

Financial derivatives for hedging purposes: This is negotiated to cover a primary position of any losses caused by adverse movements in market factors or credit affecting the assets, liabilities or contingencies. Negotiation of this type of instrument seeks to limit or control one or more of the financial risks generated by the primary position being hedged.

Financial derivatives for speculative purposes: This is one which does not fall within the definition of financial derivatives for hedging purposes, nor satisfies all conditions set forth in paragraph 6 of Chapter XVIII of the External Circular 100 of 1995 of the Superintendencia de Colombia. These are instruments whose purpose is to profit from any market movements

Financial derivatives can be traded for one of the following reasons: 1) Insurance against other positions. 2) Speculation looking for a profit, or 3) Conducting market arbitrage.

The Bank operates a policy of trading derivatives exclusively for speculative purposes, as of December 31, 2010, there is only one hedge transaction registered as fair exchange price coverage according to what is defined in paragraph 7.3.2.1 of Chapter XVIII of the External Circular 100 of 1995 of the Superintendencia Financiera de Colombia for the CCS swaps transaction taken by Davivienda Bank S.A., to cover the financing of the Granbanco S.A. purchase.

Basic Financial Instrument

Forward Contracts

A 'forward' is a derivative formalized by a contract between two (2) parties tailored to their needs, to buy/sell a specific amount of a specified underlying at a future date, fixing at the date of entering into the contract the basic



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conditions of the financial derivative, including primarily the price, the delivery date of the underlying and the mode of delivery. The settlement of the instrument on the compliance date may result in the physical delivery of the underlying or settlement of differences, depending on the underlying and the mode of delivery agreed, the latter may be modified by mutual agreement of the parties during the term of the instrument.

Valuation

Peso-dollar 'forward' transactions

The valuation of the peso-dollar 'forward' transactions with term remaining of less than or equal to the last period for which daily information is published must be conducted using 'forward points' (PIPS, expressed in COP/1USD) recorded at the daily closing of the 'forward' market, published by accredited price suppliers that offer permanent quotes throughout the trading day. In all cases, to value the 'forward' transactions, both buying and selling, the average of the quoted closing bid price and asking price should be used, i.e. the 'mid' price.

However, when timely information is constantly available on the valuation date for individual peso-dollar 'forward' transactions traded on the market, the valuation should be made using the weighted average for each different term of the prices and amounts actually traded during the day. When this level of information is available, the Financial Superintendence of Colombia will determine the publication and calculation source for such weighted averages.

For the purposes of the valuation of derivative financial instruments with terms remaining that do not correspond directly to the most liquid quotes published, the bank must calculate the 'forward points' for the respective period through simple linear interpolation between existing quotes (lower and upper) closest to the term.

To quantify the gains or losses in this type of contract, the difference between the agreed 'forward' rate and the 'forward' rate on the valuation date that corresponds to the remaining term of the derivative must be established, after which it must be brought to present value using a zero-coupon interest rate.

Forward foreign exchange transactions:

To calculate the gains or losses in Colombian pesos for this type of instrument, the difference between the 'forward' rate agreed and the 'forward' market rate at the valuation date corresponding to the remaining term of the instrument must be established, both rates expressed in terms of currency X per unit of currency Y. When the 'forward' rate of the foreign exchange market is sufficiently liquid, this is obtained by adding to the 'spot' rate valuation the 'forward' points of the corresponding market, i.e. taking into account the devaluation expected by the market. If there are no 'forward' points for the term of the instrument being valued, the bank must use an appropriate methodology that is based on the differential of zero coupon interest rates of the two currencies in the transaction (currency X, currency Y).

It must then be brought to present value using the zero-coupon low risk interest rate of currency X for the same period, multiplying that value by the respective exchange rate calculated on the valuation date (to change currency X to US dollars), and then by the representative rate of the peso-dollar market calculated on the same date (to change US dollars to Colombian pesos) and by the nominal value of the contract.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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Accounting records

Financial derivatives that yield a positive fair exchange price, that is favorable to the Bank, are recorded as assets, separating the rights value and the obligation value, except in the case of options, where the accounting record is performed in a single account. Those that yield a negative fair exchange price, that is unfavorable to the Bank, must be registered as a liability, performing the same separation.

When the fair exchange price of the financial derivative yield is zero (0), either at the start date or later, for a financial derivative for speculative purposes its accounting records must show it as an asset. But if it is a financial derivative for hedging purposes, the accounting records in this case, must be done on the appropriate side of the balance sheet, asset or liability, on the basis that it must be recorded on the opposite side to that in which the primary position being covered is registered.

Netting should not be made carried out in the balance accounts between favorable and unfavorable balances of various financial derivatives, even if they are similar types. cannot be netted, but each should be recorded as assets or liabilities, as appropriate.

Since derivative financial instruments should be valued on the day of its conclusion, the fair value of exchange may be different from zero (0) at the end of the start date and must be recorded in the accounts.

Future Contracts

Definition

A future is a standardized contract with regards to its compliance date, size or value, the respective characteristics of the underlying, the place and manner of delivery (in kind or cash). This is negotiated in a stock exchange with central counterparty risk, whereby two (2) parties have an obligation to buy / sell an underlying at a future date (maturity date) at a price set when entering into the contract.

Under this classification the Bank registers transactions denominated as TRM Futures and Notional Bond Futures

Valuation

The futures should be valued on the basis of the corresponding market price on the valuation date. These prices are provided by the respective stock exchange or trading system where the entity has negotiated the financial derivative instrument.

To quantify the gains or losses on futures contracts, it is necessary to calculate the difference between the market price of each unit of the relevant contract and the agreed price, multiplied by the value of the contract and the number of contracts traded.

Accounting records

Futures transactions are settled daily, the fair value of the Derivative financial instruments must be valued the same day as completion, their fair exchange price may be different from zero (0) at the closing of the start date and must be registered as an asset or liability depending on what it corresponds to.



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Swaps

A 'swap' is a contract between two (2) parties which establishes the bilateral obligation to exchange a series of flows for a period of time on predetermined dates. Basic 'swaps' are those known as Interest Rate Swap (IRS), Cross Currency Swap (CCS) or a combination of the two (2) types.

Hedging Swaps

These are negotiated transactions that are designed to reduce or cancel a specific risk that may impact the balance sheet as a result of changes in fair trade value, in cash flow or the exchange rate of several items, called primary positions.

In keeping with the existing legislation, financial derivatives traded for hedging purposes must be clearly identified when they are entered into and must be authorized by the Superintendencia Financiera de Colombia

The Superintendencia Financiera de Colombia recognizes three types of accounting hedges:

Coverage of fair exchange price: These cover the exposure to changes in the fair exchange price of a primary position, provided that such variation is attributable to one or more risks in particular and affect, or may affect, the income statement of the controlled entity.

Cash Flow Coverage: These cover the exposure to variability in cash flows of a primary position, provided that such variation is attributable to one or more risks and affect, or may affect, the income statement of the controlled entity.

Coverage of assets or liabilities in foreign currency: These cover only the exchange rate risk of a particular value of assets or liabilities which are denominated or indexed in currencies other than the Colombian peso

To evaluate the effectiveness of a hedge with financial derivatives, must calculate the hedging effectiveness ratio, defined as the ratio between the cumulative absolute change in fair exchange price or cash flows of the financial derivative attributable exclusively to the risks being covered and the cumulative absolute change in the present value or cash flows of the primary position covered, from the date on which coverage was initiated to the date of the valuation. In all cases, the lower of the two mentioned absolute changes should always be the numerator for the calculation of the ratio.

A hedge is considered highly effective if, in the initial evaluation and any evaluation during the same period, the ratio of effective coverage lies in the eighty percent (80%) to one hundred percent (100 %) range.

In two (2) consecutive months closures after the inception of the hedge, the derivative financial instrument should no longer be considered for hedging purposes, i.e. it loses that capacity.

In this case, the derivative financial instrument for hedging is no longer subject to special accounting rules established for these operations and must immediately comply with the accounting procedures established for transactions of financial derivatives for speculative purposes.



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Valuation

The valuation of a currency 'swap' in which one end is denominated in foreign currency and the other is in Colombian pesos and when the flows in one currency flows coincide in time with the flow in the other currency, it can be dealt with through accepted standard methodology according to which it is valued as a portfolio or series of 'forwards'. One party acts as seller of the 'forwards' and the other party as the purchaser. Then the net value of the 'forwards' portfolio is obtained by adding the ratings of the various 'forwards' where it can be broken down into the currencies 'swap'.

Since the net value of the 'forwards' portfolio is established as indicated above, the bank must finally estimate the fair price of the 'swap' contract exchange.

Accounting records

The accounting for financial derivatives for hedging depends on the specific type of coverage involved, in our case the existing coverage corresponds to fair trade prices.

Flow coverage of the fair exchange price should be accounted for as follows:

a) Financial derivatives for hedging purposes: The total gain or loss arising in valuing financial derivatives of fair exchange price for hedging should be recognized immediately in the income statement, using the corresponding PUC accounts for hedging instruments.

b) Primary Positions: The total profit or loss attributable to the risk being covered should be recognized in the book value of the primary position, so that the fair exchange price is found. The variations are counterbalanced by the relevant sub-statement, even if it is a primary position covered that is valued at cost.

Where a controlled entity signs a firm commitment to acquire an asset or assume a liability that is a primary position within a fair exchange price coverage, the initial book value of the asset or liability resulting from compliance with the firm commitment must be adjusted to include the cumulative change in fair exchange price of the commitment attributable to the covered risk that is recognized in the balance.

As of January 1, 2010 and as described in Chapter XVIII of the External Circular 100 of 1995 of the Superintendencia Financiera de Colombia, the accounting of this operations is done taking into account the outcome of the fair exchange price valuation, as follows:

Financial derivatives that yield a positive fair exchange price, that is favorable to the Bank, are recorded as assets, separating the rights value and the obligation value. Those that yield a negative fair exchange price, that is unfavorable to the Bank, must be registered as a liability, performing the same separation. This accounting treatment should apply whether the financial derivatives are held for speculation or for hedging purposes.

Speculation Swaps

Definition

Swap transactions undertaken in order to profit from market movements.



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Notes to the Consolidated Financial Statements

Valuation

The valuation of an interest rate 'swap' in which the two (2) points are in the same currency can be carried out using the accepted standard methodology in accordance with that which resembles the way of setting the fair trade price for a portfolio of two (2) bonds, one (1) as a short position and the other as a long position, both in the same currency, including in each case the capital of the operation. The fundamental distinction between the way the IRS 'swap' is valued and the bonds lies in two aspects: 1) That the valuation of a bond in the spot market is done by discounting the interest rate negotiated by the market on the valuation date, while the valuation of the 'swap' flows is done using the appropriate zero coupon rates as discount rates, and 2) that the projection of future flows of variable rate bonds is calculated using the market rates in force on the date of valuation, while the projection of the swaps flows is done using implicit future rates.

The net value of the portfolio is then obtained from the difference between the present values of the two (2) 'bonds'. This methodology should be applied both for fixed rate against variable rate 'swaps', as well as for 'swaps' where parties exchange flows at a variable rate. If the currency of the flows is not Colombian pesos the conversion to pesos should be carried out using the corresponding exchange rate, calculated on the valuation date.

From the net value of the portfolio of the two 'bonds', established as indicated above, the fair trade value of the 'swap' can be estimated and registered in the financial statements.

To perform the valuation, future cash flows should be projected to estimate the present value thereof and determine the fair trade value of the 'swaps'.

Accounting records

The accounting records must isolate the effect of the valuation model used. Therefore, at the end of the day in which the 'swap' is agreed (day zero (0)) the controlled entity should not affect the income statement and / or property, nor the profit or loss for valuation purposes of the right and the obligation must be registered in a deferred account.

Between the day immediately following the agreement date of the 'swap' and the maturity date, the controlled entity must account for the daily value of the linear amortization of the deferred, increasing or decreasing the valuation daily, as the case may be.

Options

Definition

An "option" is a contract that gives its holder the option or the right, but that does not imply an obligation to buy or sell a specific amount of an asset at a certain price or date, or for a certain amount of time. Such contract forces the subscriber to sell or buy the asset in the date the "option" is taken by the holder, in accordance with the conditions of quantity, quality and Price established to that effect in the contract.

Standard European options to buy or sell (Call - Put)

Definition

The standard European options are contracts which establish the buyer's option of the right, but not the obligation, to buy or sell the underlying security, depending on whether it is a call or put option respectively, at a set price, called the option price, at a previously established future date which corresponds to the maturity date.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In options contracts involving two (2) parties:

a) The party who buys the option takes a long position in the option and, therefore, pays a premium to its counterpart to accept the risk. The buyer of an option call obtains the right, but not the obligation, to buy (receive) the underlying in the case that the option price is favorable. The buyer of a put option obtains the right, but not the obligation, to sell (deliver) the underlying in the case that it wants to exercise it.

b) The party who issues the option takes a short position in it and therefore has the right to receive a premium for assuming the risks of the buyer. The seller of an option call has the obligation to sell (deliver) the underlying if the buyer exercises the option. The seller of a put option is obliged to buy (receive) the underlying if the buyer exercises the option.

Valuation

European options traded through stock exchanges or stock trading systems must always be treated on the basis of the relevant market price on the valuation date. These prices are provided by the respective stock exchange or securities trading system where the controlled entity has negotiated the financial derivative instrument.

In the case of European options traded in the counter market, the Black-Scholes/Merton pricing model should be used, regardless of the underlying type. It should be emphasized that this model requires that the interest rates used correspond to ongoing compound rates and the use of a base year of 365 days.

Accounting records

When the bank buys options, whether 'call' or 'put', the accounting records of both the premium paid as well as the daily variations in the fair trade value should be provided in the respective sub-accounts on the Assets side. For its part, when the bank sells options, whether 'call' or 'put', the accounting for the premium received and the daily variations in the fair trade value should be placed in the respective sub-accounts on the Liabilities side.

The agreed nominal fixed amount multiplied by the respective price or option rate agreed by the contracting parties should be reported by the monitored entities in the respective contingency accounts authorized for this purpose.

2.9 Accounts Receivable

It records the amounts pending collection such as the returns derived from financial intermediation, commissions for services rendered and payment for account of customers, as well as the resulting sums originated in the sale of goods and services, leases, purchase-sale promises, dividends and participations, contract and supplier advances, fees and advances to employees.

The Bank establishes allowances for the total interest, monetary correction and other items accrued and not paid of credits, at the same time that the accrual of their financial returns is suspended. The court fees in mortgage credits are 100% provisioned.

The Bank establishes allowances for the protection of its rated accounts receivable with charge to the statement of income, whenever the existence of contingencies of probable and reasonable quantified loss is established, also, when maturity exceeds one hundred eighty (180) days.



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

2.10 Foreclosed Assets, Goods Returned and Goods not used in the corporate object

Foreclosed Assets

In this item is recorded the value of goods received as payment of the unpaid balances resulting from obligations in favor of the Bank and its subordinate.

The goods received in payment represented in real estate properties are received based on the technically determined commercial appraisal and personal properties, vehicles, shares and participations, based on fair market value.

The goods are records, taking into account the following conditions:

- The initial record is done according to the amount determined in the legal award or that amount agreed with the debtors, registered by public deed and legalized by the office for registration of public documents
- When the amount received of the goods received in payment is lower than the amount of the debt recorded in the balance, the difference is immediately recognized in the profit and loss statement in the portfolio provision account
- If there should be an amount in favor of the debtor between the amount for which the good is received and the amount of the credit to be canceled, this difference is accounted for as an accounts payable.
- These goods are received on a temporary basis and the Bank must make the sale within two (2) years following the date of their receipt. However, the Bank may request an extension for the sale of the goods received as payment, which shall not exceed in any event two (2) years, counted as of the expiration of the initial term.

The valuations are used only for three (3) years before closure of the accounts in which they are used; and the outcome of these is recognized as the valuations of the property received in lieu of payment that are recorded in clearing accounts and in all cases the devaluations are provisioned on the statement

The profits generated as a result of the sale of these assets through the mutual holding operations and forward sale shall be different in the agreed period of operation; its amortization is carried out against the income statement to the extent that its collection is effective.

When the sale is in cash, the profit derived from the transaction is registered as income in the statement.

Goods Returned

In this item is recorded the value of the goods that are returned to the Bank and its subordinate Confinanciera S.A. of financial leasing operations by non-compliance in the mentioned agreement by the lessees or tenants or for failure to exercise the purchase option, which will not be subject to depreciation.

For returned assets a term of two (2) years for their sale shall apply.

Goods not used in the corporate object

In this item is recorded the value of the goods of the Bank's own use that it has ceased to use for the performance of its corporate object.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

These goods are depreciated until the time of their realization and computation along with the fixed assets of the Bank and its subordinate for the purpose of the limits established under item 1.2 of the Seventh Chapter of the First Part of the Basic Legal Memorandum issued by the Superintendencia Financiera de Colombia.

For assets not used for social purposes a term of two (2) years for their sale shall apply.

2.11 Allowance Foreclosed Assets

For the calculation of provision for the properties received in lieu of payment, the Bank has no internal model, therefore, these are recorded in accordance with the provisions of Chapter 3 of the External Circular 034 of 2003 of the Superintendencia Financiera de Colombia, according to which the following criteria apply.

- Within the year following the receipt of the good, an allowance in monthly aliquots equivalent to 30% of the acquisition cost of the good (value of receipt), which must be increased within the second year by an additional 30% until 60% of the acquisition cost of same is reached
- Upon expiration of the legal term for the sale (from two to four years), allowance adjusted to 100%.

In all cases, independent of the 100% provision constitution and before the expiry of the two year-term for the sale of the assets, an additional extension of two years for their sale is requested from the Superintendencia Financiera de Colombia. If the commercial value of the property is less than the book value of the goods received in payment a provision for the difference is recorded.

For the recording allowance the properties received in payment constitutes an allowance equivalent to 35% of the acquisition cost of the goods, which increased in the second year in a 35% additional until 70% of the value of the books before allowances. Upon expiration of the legal term for the sale independent of the extension approval, the allowance was set to 100% of the book value.

2.12 Properties and Equipment

It records the tangible assets acquired, constructed or in process of import, construction or set up that are permanently used in the performance of the corporate object and which useful life exceeds one (1) year. It includes direct and indirect costs and expenses accrued up to the time when the asset is in conditions of use.

As an exception in accordance with the provisions of Article 6 of Decree 3019, fixed assets whose purchase price is equal to or less than 50 Tax Value Units may be depreciated in the same year.

Extraordinary additions, improvements and repairs that significantly increase the useful life of the assets, are recorded as higher value of the assets and the disbursements for maintenance and repairs made for the conservation of these assets, are charged to expenses as they are accrued.

The Bank updates appraisals of the properties on a regular basis, which are performed by specialized experts registering valuation increases and / or decreases as appropriate.



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For those assets acquired up to December 31, 2006, such as equipment, furniture goods, office supplies, and computers, the Bank calculates the depreciation under the balance reduction method. Calculation for purchases made as from January 1, 2007, is done depreciation through the straight-line method and the useful life of the assets at the following annual rates of depreciation:

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

Straight line method

This method consists of dividing the amount of the asset into the useful life of the same. The result of the annual depreciation is distributed in equal monthly amounts. This procedure is done every period until the entire asset is depreciated.

Balance reduction method

This method allows accelerated depreciation of the asset; maintaining the same periods of depreciation but presenting a larger monthly outlay for the early years. For its implementation, it necessarily demands the utilization of a salvage value.

2.13 Branches and Agencies

It records the movement of operations carried out between the General Direction, the Branch and the Agencies of the Bank and its subordinate.

The balances are reconciled monthly and the items that result pending are cleared within a term not exceeding thirty (30) calendar days.

As of the accounting closing the net balances reflected by the subaccounts of branches and agencies are reclassified to asset or liability accounts and the respective income and expenses are recognized.

2.14 Prepaid Expenses, Deferred Charges and Intangible Assets

Expenses paid in advance correspond to disbursements incurred by the Bank and its subordinate in performance of its activity, which benefit is received in several periods, may be recoverable and suppose the successive performance of the services to be received.

The deferred charges correspond to goods and services received by the Bank and its subordinate, from which it is expected to obtain a future economic benefit and due to its amount and nature, are considered amortizable in a specific moment.

The Bank has as intangible assets the Commercial Credit from the purchase of Granbanco S.A., Bansuperior S.A. and Confinanciera S.A., according to Articles 260 and 261 of the Commercial Code (as amended by Articles 26 and 27 of Act 222 of 1995).

The expenses whose amounts are of two hundred ten (210) tax value units do not have treatment of deferred charges.



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Amortization is recognized as of the date on which they contribute to the generation of income taking into account the following:

Prepaid Expenses

- Interests during the prepaid period
- The rents are amortized in accordance to the terms of the contract
- Insurance during the effective term of the policy.
- Equipment maintenance is redeemed in a period of twelve (12) months.
- Other items are amortized in a period of twelve (12) months.

Deferred charges

- Renovations to private property are depreciated over a period not exceeding two (2) years, and for the term of the contract for leased property.
- Computer software in a period not exceeding three (3) years.
- Deferred income tax generated by effect of temporary differences, will be amortized in the periods in which the temporary differences that originated it are reversed.
- Provisions in a period of twelve (12) months.
- Commissions and advisory in a sixty (60) months period, Corresponding to larger scale projects with long term recovery expectation.
- The contributions and affiliations in a period no greater than one (1) year.
- Prior to the purchase of tickets' business strategy in a period of twelve (12) months.
- The other items are amortized during the estimated period of recovery of the disbursement or of obtaining the expected benefits

2.14 Valuation and Revaluation

Assets object of Valuation:

- Investments available for sale in equity securities.

Valuation and Revaluations of investments available for sale in equity securities are accounted for based on the equity variations of the issuer.

- Properties and equipment, specifically real states.

The valuations of immovable property correspond to the exceeding commercial value appraised, which are conducted by people or companies of recognized specialty and independence, over the net cost in books. Counterparties are recorded in equity accounts

In the event of devaluation, provision against the status of results is applied for each individual immovable property.



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– Foreclosed Assets

Valuations of goods received as lieu of payment are recorded in memorandum accounts.

2.16 Deferred Tax

Recognize the effect of taxes caused by the temporal difference generated between the valuation at market prices and the straight line investment portfolio valuation, and the IFC bonds. Likewise, it recognizes the deferred tax on the provision for industry and trade tax and requested the most value as a deductible expense of goodwill. As was mentioned in the note of deferred charges, the deferred income tax generated by the effect of temporary differences shall be amortized in the periods in which the temporary differences which originated them are reversed.

2.17 Income in Advance and Deferred Liabilities

Interests received in advance correspond to quarterly interest paid by constructors, which are amortized in accordance to the period covered by the payment and capitalized interest on the restructured loans for which income is amortized in proportion to the values collected by capital.

The profit from sale of Goods Received in Payment which were sold on credit is amortized in proportion to values collected by capital

Real Value Unit – R.V.U. Adjustment

Law 546 of 1999 in its article 3, created the R.V.U., as an account unit that reflects the purchasing power of the currency based exclusively on the variation of the consumer price index certified by the DANE, which value is calculated in accordance with the methodology adopted by the National Government.

In order to eliminate the distortion generated by the seasonality of inflation in operations agreed in that unit, the income by these items must be amortized in a period of one year.

2.18 Estimated Liabilities and Allowances

Record provisions to cover estimated liabilities related to fines, lawsuits, penalties and demands that may exist and that fulfill the following conditions:

- a. There is a right acquired and, consequently, an obligation contracted,
- b. The payment is enforceable or probable.
- c. The allowance is rationalized, quantifiable and verifiable.
- d. In addition, it records the estimated values corresponding to taxes, contributions and enrollments.
- e. In accordance with the provisions of Decree 2649 of 1993 which regulates general accounting and issues rules and principles generally accepted in Colombia, the classification of the possible outcome of legal proceedings initiated against the Bank, the provision is made depending on a contingency that is designated as probable, possible or remote and according to this classification, provisioning rates have been defined up to:

Probable Contingency	100%
Possible Contingency up to	50%
Remote Contingency	0%



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- f. The estimated labor liabilities are recorded based on laws and labor agreements in force based on calculations of the amounts that must be paid to employees

2.19 Translation of Transactions in Foreign Currency

Transactions and balances in foreign currencies are translated into pesos at the current representative market rate on the corresponding dates, certified by the Superintendencia Financiera de Colombia. On December 31, 2010 and June 30, 2010 a, the rates were \$1,913.98 (pesos per dollar) and \$ 1,913.15 (pesos per dollar), respectively.

2.20 Contingent Accounts

In these accounts are recorded the operations whereby acquires a right or assumes an obligation which coverage conditioned upon the occurrence or not occurrence of a fact, depending on future, eventual or remove factors. Within the debtor contingencies are recorded the financial returns as of the time when the accounts receivable are suspended.

The contingencies for fines and penalties are reviewed by the Legal Department and legal advisors. The estimated contingencies for losses necessarily involve a trial exercise, evaluating among other things: merit of the claim, case law on the subject and the current status of the process.

The judicial contingency by definition is a condition, situation or set of existing circumstances, which implies doubt about a potential gain or loss by the Bank from judicial proceedings or litigation brought against it that will generate liability contingency, doubt that is finally resolved when one or more future events occur or fail to occur

2.21 Memorandum Accounts

In these accounts are recorded the operations carried out with third parties which, because of their nature, do not affect the financial condition of the Bank and its subordinate. Furthermore, fiscal memorandum accounts are included, where the figures for the preparations of tax returns are recorded; in addition, they include those recording accounts used for internal control fiscal effects or management information.

2.22 Fiduciary accounts

The bank records the operations of portfolio universalities in the fiduciary accounts.

In accordance with the provisions of External Circular 047 of September 2008 issued by the Superintendencia Financiera de Colombia, from January 1, 2009, the Bank updated and approved instructions concerning the determination and accounting for the securitization process.

Because the Superintendencia Financiera de Colombia has not authorized the corresponding accounts, the Balance sheet sent to the Superintendencia differs from the Bank's official accounts.

The Subsidiaries Fiduciaria Davivienda S.A. and Fiduciaria Cafetera S.A., register in these accounts, the balance corresponding to trusted money or goods, separately from their assets and are independent equities, according to the legal dispositions of the Code of Commerce and the Superintendencia Financiera de Colombia.



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The goods subject to trust transactions are not part of the creditors' general guarantee to the trust company and only guarantee the committed liabilities in compliance with the purpose contemplated in the trust contract.

Davivalores S.A., according to Resolution 497 of 2003 and the modifications established in Resolution 02374 of 2006 from Superintendencia Financiera de Colombia, records in these accounts the assets, liabilities, equity and other operations from entities that by reason of the regulation or a contract are under the temporary or permanent administration of the respective regulated entity.

2.23 Excess of Investment Cost on the Book Value

This excess is determined comparing the investment cost against the proportional stockholders' equity value, calculated on each one of the acquisitions made by the Parent Company in the Subsidiaries.

2.24 Substantial Variations of Uniformity

The Bank approved the account plans and standardized the accounting regulations. of Subsidiaries abroad, to the applicable regulation in Colombia, according to the guidelines established by the Superintendencia Financiera de Colombia, mainly in those that may affect the structure of consolidated financial statements, such as those related with investments, provisions recording, fixed assets depreciation, etc. For the commercial and consumption portfolio, a Commercial Reference Model was applied and the Bank's MRCO for customers with an economic activity in Colombia and for the other customers, an expert model is applied which involves among other variables, the country risk and writing off factor.

The effect of this procedure as of December 31, 2010 and June 30, 2010, is the following

	<u>December 31, 2010</u>			<u>June 30, 2010</u>		
Profit Panamá – subsidiary	USD	7,820.3		USD	7,181.2	
(Loss) Profit Miami – subsidiary		<u>77.2</u>			<u>(333.8)</u>	
Profit Abroad – subsidiary	USD	<u>7,897.5</u>		USD	<u>6,847.4</u>	
Homologation:	Income for provisions			Income for provisions		
	<u>Expense</u>	<u>Reimbursement</u>	<u>Net</u>	<u>Expense</u>	<u>Reimbursement</u>	<u>Net</u>
Investment Allowance	4,190.4	196.8	(3,993.7)	0.0	438.6	438.6
Credit Portfolio Allowance	2,451.8	1,998.6	(453.2)	5,847.1	12,948.9	7,080.9
Accounts Receivable Allowance	14.4	15.5	1.0	38.2	74.3	36.1
Foreclosed Assets Allowance	0.9	0.0	(0.9)	0.0	140.2	140.2
Trusteeship	2.2	0.0	(2.2)	0.0	2,589.2	2,589.2
Transfer of investment valuation for sale to tradeables	46.0	1,726.3	1,680.3	0.0	3,527.2	3,527.2
Sales of installments	0.0	0.0	0.0	0.0	853.3	853.3
Depreciations	<u>(6.3)</u>	<u>8.8</u>	<u>15.0</u>	<u>(6.6)</u>	<u>9.2</u>	<u>15.8</u>
	USD	<u>6,699.5</u>	<u>(2,753.6)</u>	<u>5,878.7</u>	<u>20,581.0</u>	<u>14,681.4</u>
Total foreign utility subsidiary homologation			<u>5,143.8</u>			<u>21,528.8</u>



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

Second Half Year 2010 Main effects

Portfolio

For the commercial and consumption portfolio the Commercial Reference Model was applied and for clients having their economic activity in Colombia the Bank's Commercial Reference Model of Consumption was applied, and for the rest of the clients the internal model was applied, which involves among other variables, the country risk and the writing off factor; there is a portfolio provisions reimbursement for USD1,998.6, mainly due to portfolio decrease overdues and a provision expense of USD2,451.8 originated mainly by the provisions homologation.

Accounts Receivable

Inside the homologation process, a provision for interests of USD38.2 was included in the balance sheet of the Bancafé Panamá S.A. subordinate and Bancfe INternational. The applying of the individual provision has an effect on the income statement of USD15,5 as a reimbursement and USD14,4 as an expense.

Foreclosed Assets

Inside the homologation process, a provision for goods intended for housing and others different from housing for USD2,046.3, was included in the Bancafé Panamá S.A. subordinate, with a net movement in the income statement of USD0.9 net mainly because of exchange rate fluctuation.

Trusts

The provision of the "H&L Barú" Trust fund as of the 31st of December is of USD5,041.2 with a provisional expense of USD2.2 mainly due to exchange rate fluctuation.

Installment Plan

The loan to "Constructora Bolivar S.A." that gave birth to the registration of the installment plan was completely paid for on August 22nd, 2010.

Valuation of Investments

Standardization of the available investment portfolios was carried out for the sale to negotiators with a say over the possible outcome of transferal of the valuation of securities equivalent to net USD1,680.3.



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

Main effects First semester of 2010

Accounts receivable

Inside the standardization process a provision of USD39.3 was included in the balance of the subordinate "Bancafé Panamá S.A." The individual implementation of this provision resulted in a reimbursement of USD73.3 and USD38.1 as an expense.

For the "Bancafé International Corporation S.A." subordinate, a provision of USD1.6 was included in the balance. The individual implementation of this provision resulted in a reimbursement of USD1.0 and USD0.1 as an expense.

Goods received as deeds of assignment in payment

Inside the standardization process, a provision of USD2,046.4 was included in the balance of the subordinate "Bancafé Panamá S.A.", with a net movement in the results statement of USD140.2 corresponding to a reimbursement of provisions, mainly due to the TRM increase

Trusts

The Bank's share in the H&L Barú trusts right was reduced to 70.02% and in addition the Market Representative Exchange Rate was reduced in USD68.5, originating a provision reimbursement of USD2,589.2, during the first semester of 2010.

Hire Purchase

In February and May, 2010, payments for USD853.3 were received, which are recognized in the income statement in compliance with the regulation applicable to hire purchase, for homologation purposes.

3. Cash and Cash Equivalents

The detail of available funds in local and foreign currency, reduced to local currency, is the following:

		<u>December 31</u>	<u>June 30</u>
Legal Currency			
Cash and Cash equivalents	USD	397,113.5	384,892.4
Banco de la República		241,985.6	221,160.0
Banks and other financial entities		8,520.0	32,160.9
Exchange		13,577.8	14,978.2
Remittances in transit		81.5	189.3
Allowance		<u>(316.9)</u>	<u>(358.5)</u>
		<u>660,961.5</u>	<u>653,022.3</u>

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

Notes to the Consolidated Financial Statements

Foreign currency translated into local currency

Cash and Cash equivalents	1,586.9	908.6
Banco de la República	31.1	31.1
Banks and other financial entities	114,789.7	40,336.3
Remittances in transit	2,193.6	889.1
Allowance	(11.0)	(21.5)
	<u>118,590.3</u>	<u>42,143.6</u>
USD	<u>779,551.8</u>	<u>695,165.9</u>

Deposits in cash and Banco de la República, amounts that compute for the purpose of the reserve that the Bank and Confinanciera is required to maintain over deposits received from clients, pursuant to legal provisions.

These deposits don't have compensation

3.1 Reconciliations of Transactions in Legal Currency

The following is the detail of the banking reconciliations at December 31, 2010

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value</u>
Debit notes to reconcile	34.0	95.9
Credit notes to reconcile	314.0	(249.6)
ND accounted for not taken by the Bank	22.0	71.0
NC accounted for not taken by the Bank	250.0	(977.4)
	<u>620.0</u>	<u>(1,060.1)</u>

At December 31, 2010, reconciliations of accounts in local Banks show 714 items less than 30 days, for a net value of USD3,805.4 the conciliatory items longer than 30 days, which have no significant impact on the financial statements. The conciliatory items are provisioned for USD328.0.

The following is the detail of the banking reconciliations at June 30, 2010

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value</u>
Debit notes to reconcile	1,480	184.3
Credit notes to reconcile	364	(456.9)
ND accounted for not taken by the Bank	62	37.8
NC accounted for not taken by the Bank	243	(82.0)
	<u>2,149</u>	<u>(316.9)</u>

On June 30, 2010, reconciliations of accounts in local Banks show 2.680 items longer than 30 days, for a net value of USD1,112.7 the items longer than 30 days which have no significant impact on the financial statements. The conciliatory items are provisioned for USD358.5.



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

3.2 Reconciliations of Transactions in Foreign Currency

The following is the detail of the banking reconciliations at December 31, 2010:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value</u>
Debit notes to reconcile	5.0	5.8
Credit notes to reconcile	9.0	(19.0)
ND accounted for not taken by the Bank	0.0	0.0
NC accounted for not taken by the Bank	12.0	(6.3)
	<u>26.0</u>	<u>(19.6)</u>

The following is the detail of the banking reconciliations at June 30, 2010:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value</u>
Debit notes to reconcile	5	7.5
Credit notes to reconcile	7	(37.5)
ND accounted for not taken by the Bank	1	3.7
NC accounted for not taken by the Bank	12	(17.4)
	<u>25</u>	<u>(43.7)</u>

The conciliatory items are provisioned for USD21.5

These deposits don't have compensation.

3.3 Allowance on liquid assets:

The movement of the allowance on liquid assets is as follows:

		<u>December 31</u>	<u>June 30</u>
Opening balance	USD	379.8	303.8
Plus:			
Allowance charged to operating expenses		229.6	288.3
Less:			
Penalties		71.1	16.1
Refund revenue		210.4	196.0
Closing balance	USD	<u>327.9</u>	<u>380.0</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

4. Active Positions in Monetary Market Operations and those Related

The following is the detail of the Active Positions in Monetary Market Operations and those Related:
December 31

<u>Amount of dollars</u>	<u>Rate</u>	<u>Initiation</u>	<u>Date of Cancellation</u>	<u>Amount of USD</u>	<u>TRM (Pesos)</u>
<u>Foreign Currency</u>					
Overnight Foreign Banks:					
USD 1.950.000,0	0,030%	Dic.31.10	Ene.03.11	1.950,0	1.913,98
USD 89.892,0	0,200%	Oct.31.10	Ene.17.11	89,9	1.913,98
<u>\$ 2.039.892,0</u>				<u>2.039,9</u>	
Concurrent					
Banco de la Republica					
	3,25%	Dic.27.10	Ene.04.11	42.709,1	
	3,10%	Dic.28.10	Ene.03.11	3.134,5	
	3,35%	Dic.28.10	Ene.11.11	24.486,0	
	3,20%	Dic.28.10	Ene.04.11	<u>2.209,3</u>	
				<u>71.484,0</u>	
	<u>Rate</u>	<u>Date of Initiation</u>	<u>Cancellation</u>	<u>Amount of USD</u>	
SOC Exchange Brokers					
	3,50%	Dic.28.10	Ene.03.11	2.558,4	
	3,45%	Dic.29.10	Ene.04.11	1.138,7	
	4,50%	Dic.29.10	Ene.04.11	3.235,3	
	3,45%	Dic.30.10	Ene.04.11	5.124,0	
	5,00%	Dic.28.10	Ene.03.11	589,9	
	3,50%	Dic.28.10	Ene.03.11	1.246,8	
	3,40%	Dic.29.10	Ene.03.11	623,5	
	3,45%	Dic.29.10	Ene.04.11	1.423,4	
	5,00%	Dic.29.10	Ene.04.11	1.046,7	
	3,45%	Dic.30.10	Ene.03.11	\$ 623,6	
	3,40%	Dic.28.10	Ene.03.11	2.498,3	
	3,40%	Dic.30.10	Ene.03.11	1.365,6	
	5,00%	Dic.29.10	Ene.03.11	\$ 807,1	
	5,00%	Dic.29.10	Ene.04.11	3.145,2	
	3,30%	Dic.29.10	Ene.03.11	<u>1.188,1</u>	
				<u>26.614,5</u>	
				<u>100.138,4</u>	



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

June 30						
Entity	Amount of dollars	Rate	Date of		Amount of USD	TRM (Pesos)
			Initiation	Cancellation		
Foreign Currency						
Overnight Foreign Banks:						
	USD	20,000,000.0	0.500%	Mar.26.10	Jul.23.10	20,000.0 1,913.15
	USD	89,823.9	0.296%	Jun.30.10	Jul.01.10	89.8 1,913.15
	USD	<u>300,000.0</u>	0.040%	Jun.30.10	Jul.01.10	<u>300.0</u> 1,913.15
	USD	<u>20,389,823.9</u>				<u>20,389.8</u>
Entity	Amount of dollars	Rate	Date of		Amount of USD	TRM (Pesos)
			Initiation	Cancellation		
Currency Legal						
Concurrent						
Banks		2.950%	Jun.30.10	Jul.01.10	<u>5,356.9</u>	
Banco República		3%	Jun.28.10	Jul.01.10	5,773.0	
		3%	Jun.30.10	Jul.01.10	51,809.8	
		3%	Jun.30.10	Jul.01.10	19,940.2	
		4%	Jun.30.10	Jul.01.10	1,691.6	
		3%	Jun.30.10	Jul.01.10	52,222.1	
		3%	Jun.29.10	Jul.01.10	<u>8,598.6</u>	
					<u>140,035.2</u>	
SOC Exchange Brokers		5.50%	Jun.30.10	Jul.06.10	379.8	
		5.50%	Jun.30.10	Jul.06.10	732.1	
		5.50%	Jun.30.10	Jul.06.10	1,596.6	
		4.50%	Jun.30.10	Jul.01.10	4,557.8	
		4.00%	Jun.30.10	Jul.01.10	<u>532.8</u>	
					<u>7,799.2</u>	
					\$	<u>173,599.9</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the first and second half of 2010, the balance and the monthly average yield of active positions (local and foreign currency) totaled USD100,048.4 and USD465.3 and USD158,860.0 and USD183.2 respectively.

There are no restrictions on these funds.

5. Investments

At December 31th, 2010 and June 30th, 2010, the totality of the investments available to be sold as participating bonds or payment bonds in accordance with the established by the "Circular Externa" were evaluated and classified under credit risk

<u>December 31</u>	<u>Cost</u>	<u>Allowance</u>
Debt securities Trading	USD 1,282,184.9	13,483.6
Equity Securities Trading	402.1	0.0
Negotiable provided as a guarantee	20,962.0	0.0
Debt securities Held to maturity	201,311.2	302.6
Debt securities available for sale	745,963.0	588.0
Equity securities available for sale	58,080.4	7,023.4
Repurchase rights of marketable investments given in guarantee	7,025.2	0.0
	USD <u>2,315,928.8</u>	<u>21,397.6</u>

<u>June 30</u>	<u>Cost</u>	<u>Allowance</u>
Debt securities Trading	USD 1,433,173.6	11,070.5
Equity Securities Trading	885.2	0.0
Negotiable provided as a guarantee	21,527.9	0.0
Debt securities Held to maturity	219,623.4	356.1
Debt securities available for sale	366,186.4	0.0
Equity securities available for sale	58,066.9	7,026.4
Repurchase rights of marketable investments given in guarantee	33,631.8	0.0
	USD <u>2,133,095.2</u>	<u>18,453.0</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

5.1 Investment portfolio according to classification, kind and credit risk classification

- <u>Investments debt securities trading</u>		<u>December 31</u>	<u>June 30</u>
Tes	USD	452,170.8	475,727.5
TRD		2,072.4	11,629.0
CERTS		0.0	2.1
Bonos		114,554.2	119,847.7
Fogafin		0.0	44,160.3
TA Finagro		80,526.4	111,399.5
CDT's		59,395.6	39,337.9
Tips		415,619.4	402,616.8
Credit Content Securities		15,773.9	8,686.1
External public debt securities issued by Nation		32,367.5	77,725.7
Securities issued by foreign entities		16.2	35,842.5
Securities issued by multilateral agencies		7,273.7	799.2
Securities issued by foreign governments		99,734.4	101,409.6
BCIE Bonds		2,680.4	2,660.5
Commercial papers		0.0	1,328.9
	USD	<u>1,282,184.9</u>	<u>1,433,173.6</u>

- <u>Equity Securities Trading</u>		<u>December 31</u>	<u>June 30</u>
Interbolsa		0.0	191.1
Acciones y Valores		22.5	14.9
Correval		58.6	0.0
Corficolombiana		215.6	315.9
Fidubogota		105.5	0.0
Patrimonio Autónomo Fiducará		0.0	202.2
Fondo de valores de Correval		0.0	161.1
	USD	<u>402.1</u>	<u>885.2</u>

<u>Investment held to maturity</u>		<u>December 31</u>	<u>June 30</u>
TRD		165,297.5	166,119.6
TA Finagro (1)		3,410.6	5,694.3
CDT		1,577.2	1,581.0
Tips		28,772.4	16,461.6
Securities issued by foreign entities		0.0	2,582.3
Securities issued by foreign entities Cerpanes		2,253.5	2,148.8
Bladex		0.0	20,033.6
	USD	<u>201,311.2</u>	<u>219,623.4</u>



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

1) Corresponds to mandatory investments carried out in order to comply with legal regulations and are adjusted to established percentages on savings accounts, checking accounts, certificates of deposit, bank collection services and fiduciary liabilities (Note 12) in accordance with "Resolución 14 de 2008" as such: based on the daily average of payables in local currency of each trimester, having previously deducted the bank reserves, 5.8% from the savings and checking accounts, and 4.3% from the future certificates of deposit.

These percentages apply from the calculation of the investment required in agricultural TDA development bonds, corresponding to the payables of the March-June 2009 Trimester and are the percentages valid to this date. (Note 37).

<u>Debt securities available for sale</u>		<u>December 31</u>	<u>June 30</u>
Tes B	USD	257,154.6	259,687.2
Securities issued by foreign entities		55,662.7	6,833.8
Securities issued by foreign governments		63.5	1,941.7
Securities issued by Multilateral agencies		634.8	7,193.5
Structured Notes		0.0	20,534.3
TIPS		432,447.3	69,995.9
	USD	<u>745,963.0</u>	<u>366,186.4</u>
<u>Equity securities available for sale</u>		<u>December 31</u>	<u>June 30</u>
Shares with low and minimum marketability	(note 5.9)	58,080.4	58,066.9
<u>Marketable investments provided as guarantee</u>			
TES		20,962.0	21,527.9
<u>Repurchase Rights of Investments</u>		<u>December 31</u>	<u>June 30</u>
Trading in debt securities			
TES	USD	6,921.4	18,413.8
FOGAFIN		103.7	12,038.7
TES UVR		0.0	3,179.3
		<u>7,025.1</u>	<u>33,631.8</u>
- Investment allowance		(21,397.6)	(18,453.0)
Net total Investments	USD	<u>2,294,531.2</u>	<u>2,114,642.2</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

There are no additional restrictions on investments to those defined in the Basic Accounting and Financial Circular relating to the securities delivered as collateral for Interbank debit transactions, repos, repurchases and futures guarantees, these values are recorded in the accounts for Repurchase Rights and Transfer Rights.

On December 31, 2010 and June 30, 2010 the investments in equity securities and debt securities were evaluated and rated under credit risk in accordance with the provisions of External Circular 100 of the Superintendencia Financiera de Colombia; the result can be seen in note 5.9

5.2 Investment Reclassification Effect

During the second half-year 2010 and first half-year 2010 there were no investment reclassifications

5.3 Qualification under risk rating and allowance

Qualification Long Term	December 31	% partic.	Allowance	June 30	% partic.	Allowance
A	24,204.7	1.07%	0.0	32,872.4	1.6%	0.0
A-	10,447.0	0.46%	0.0	10,291.5	0.5%	0.0
A+	35,108.2	1.56%	0.0	28,657.9	1.4%	0.0
AA-	17,368.6	0.77%	0.0	7,903.7	0.4%	0.0
AA	70,055.4	3.10%	0.0	16,536.0	0.8%	0.0
AA+	19,328.6	0.86%	0.0	10,278.1	0.5%	0.0
AAA	815,571.4	36.13%	0.0	530,472.9	25.6%	123.4
B	8,435.4	0.37%	0.0	0.0	0.0%	0.0
B+	4,868.8	0.22%	2,530.6	27,678.7	1.3%	378.5
BB-	36,673.7	1.62%	598.2	10,408.3	0.5%	1,017.3
BB	19,623.1	0.87%	6,683.3	8,332.2	0.4%	2,493.9
BB+	23,182.7	1.03%	0.0	33,718.7	1.6%	0.0
BBB-	62,683.4	2.78%	1,051.2	113,053.9	5.5%	0.0
BBB	37,046.9	1.64%	116.6	42,799.8	2.1%	0.0
BBB+	20,241.7	0.90%	0.0	22,658.1	1.1%	0.0
C	20,336.6	0.90%	0.0	6,082.0	0.3%	3,041.0
CC	6,291.4	0.28%	0.0	1,119.9	0.1%	448.3
CCC	704.1	0.03%	3,042.3	7,848.1	0.4%	3,924.1
Multilateral	2,680.4	0.12%	352.0	4,809.4	0.2%	0.0
Nation	1,011,811.7	44.82%	0.0	1,095,357.7	52.8%	0.0
Fogafin	0.0	0.00%	0.0	56,199.1	2.7%	0.0
USD	<u>2,246,663.5</u>	<u>99.52%</u>		<u>2,067,078.3</u>	<u>99.7%</u>	<u>11,426.6</u>
Qualification short term						
1	2,095.0	0.1%	0.0	382.0	0.0%	0.0
1+	6,582.7	0.3%	0.0	6,682.8	0.3%	0.0
2	2,104.8	0.1%	0.0	0.0	0.0%	0.0
	<u>10,782.5</u>	<u>0.5%</u>	<u>0.0</u>	<u>7,064.8</u>	<u>0.3%</u>	<u>0.0</u>
USD	<u>2,257,446.3</u>	<u>99.6%</u>		<u>2,074,143.1</u>	<u>99.7%</u>	



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Equity Securities

A	58,097.7	99.3%	7,022.3	58,076.7	98.5%	7,025.4
AA	379.7	0.7%	0.0	870.3	1.5%	0.0
B	5.1	0.0%	1.0	5.1	0.0%	1.0
	<u>58,482.5</u>	<u>100.0%</u>	<u>7,023.4</u>	<u>58,952.2</u>	<u>100.0%</u>	<u>7,026.4</u>
USD	<u>2,315,928.8</u>		<u>7,023.4</u>	<u>2,133,095.3</u>		<u>7,026.4</u>

For the provisioning of titles that do not have an external rating, an internal evaluation is performed to provide a rating in accordance with the provisions of Chapter I of External Circular 100 of 1995

As a result of portfolio securitization processes, the Bank purchased "C" Tips securities, which are rated as CCC and are recorded, in tradeable investments in debt securities for (USD7,924.76) seven thousand nine hundred twenty four dollars and seventy six cents, as of December 31, 2010 and June 30, 2010. Likewise, there are records in contingent accounts for USD17,214.4 and USD17,205.1, as of December 31, 2010 and June 30, 2010, respectively.

5.4 Investment Portfolio by issuing

		<u>December 31</u>	<u>Partic.</u>	<u>June 30</u>	<u>Partic.</u>
Government National	USD	967,113.3	41.8%	1,064,611.6	49.9%
Decentralized entities and governmental order		2,004.7	0.1%	6,963.1	0.3%
Fogafin		0.0	0.0%	56,199.0	2.6%
Finagro		84,040.7	3.6%	117,093.7	5.5%
Findeter		10,754.0	0.5%	0.0	0.0%
Entities supervised by the Superintendencia Financiera de Colombia		930,905.2	40.2%	580,091.5	27.2%
Foreign Entities		199,876.7	8.6%	136,169.4	6.4%
Bladex		0.0	0.0%	20,033.6	0.9%
Securities issued by Foreign governments		79.7	0.0%	37,784.3	1.8%
Real Entities sector		68,652.6	3.0%	67,926.6	3.2%
Titularizadora Colombiana S.A.		43,912.8	1.9%	37,354.5	1.8%
Multilateral lending agencies		7,908.5	0.3%	7,992.8	0.4%
Others		680.7	0.0%	875.2	0.0%
	USD	<u>2,315,928.8</u>	<u>100.0%</u>	<u>2,133,095.3</u>	<u>100.0%</u>



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

5.5 Investment Portfolio per currency

	<u>December 31</u>	<u>June 30</u>
Pesos	1,816,236.3	1,455,789.6
Dollars	153,380.3	319,533.6
Uvr	346,312.2	357,772.1
USD	<u>2,315,928.8</u>	<u>2,133,095.3</u>

5.6 Detail of the maturity terms of the investments

<u>December 31</u>		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Trading Investments	USD	177,585.0	525,271.8	363,573.8	244,143.6	1,310,574.2
Investments debt securities						
Available for sale		5,088.2	285,666.1	367,264.1	87,944.6	745,963.0
Investments equity securities						
Available for sale		0.0	0.0	0.0	58,080.4	58,080.4
Investments debt securities						
Held to maturity		23,833.4	142,860.7	30,949.3	3,667.9	<u>201,311.3</u>
	USD	<u>206,506.5</u>	<u>953,798.6</u>	<u>761,787.2</u>	<u>393,836.4</u>	<u>2,315,928.8</u>
<u>June 30</u>		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Trading Investments	USD	331,963.0	621,291.9	300,554.8	234,538.5	1,488,348.2
Investments debt securities						
Available for sale		3,979.6	291,349.6	61,888.0	8,969.2	366,186.4
Investments equity securities						
Available for sale		870.3	0.0	0.0	58,066.9	58,937.3
Investments debt securities						
Held to maturity		45,904.6	128,966.6	44,752.2	0.0	<u>219,623.4</u>
	USD	<u>382,717.5</u>	<u>1,041,608.1</u>	<u>407,195.1</u>	<u>301,574.6</u>	<u>2,133,095.3</u>



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5.7 Maximum, Minimum and Average values

The Maximum, Minimum and Average values of Fixed Income Investment Portfolio, during the second semester of 2010, were:

<u>Investments</u>		<u>December 31</u>		
Instruments per kind		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Bonds	USD	2,165.3	115,891.1	100,691.1
Cdt's		0.8	78,861.5	55,999.1
Custom Trust		0.0	13,061.8	2,177.0
Fogafin		0.0	56,785.5	18,877.5
Foreign Entities		9,171.3	9,718.4	9,481.6
TA Finagro		77,618.1	105,558.3	91,596.7
Tes		384,086.8	664,999.7	511,014.8
Tips		672.5	399,386.8	369,141.9
Instruments per kind		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Credit content securities		6,902.1	20,629.1	12,506.0
TRD		2,072.4	11,574.7	6,916.0
Collective Portfolio		58.6	215.6	126.6
Available for sale				
Tes		257,154.7	271,897.7	264,718.0
Tips	USD	147,724.8	433,706.6	213,945.0
Held to maturity				
Cdt's		1,577.2	1,584.2	1,581.2
Tes		0.0	1,259.2	209.9
Tips		0.0	1,390.5	1,091.4
TRD		163,490.7	164,911.8	164,226.5
		<u>1,052,695.4</u>	<u>2,351,432.6</u>	<u>1,824,300.2</u>



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Active Positions in Monetary Market Operations and those Related		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Inter-bank assets	USD	0.0	41,797.7	10,623.6
Over Night Banks Abroad		917.5	9,339.2	4,328.0
Repos and inter-banks assets		98,098.4	399,777.8	204,357.8
	USD	<u>99,015.9</u>	<u>450,914.7</u>	<u>219,309.5</u>
Liabilities Positions in Monetary Market Operations and those Related				
Inter-bank liabilities	USD	8,468.8	32,537.3	24,624.7
Repos and inter-banks Liabilities		5,309.6	290,352.0	112,740.4
	USD	<u>13,778.4</u>	<u>322,889.3</u>	<u>137,365.1</u>

The Maximum, Minimum and Average values of Fixed Income Investment Portfolio, during the first semester of 2010, were:

<u>Investments</u>		<u>June 30</u>		
Instruments per kind		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
TA Finagro	USD	2,727.9	204,887.0	177,044.5
Bonds		2,620.1	148,338.7	117,056.6
Fogafin		56,958.9	65,014.6	62,268.7
TRD		1,523.7	188,375.8	179,550.3
Tes		3,784.3	1,353,931.4	1,027,746.6
Tips		4,028.8	544,270.7	461,230.3
Cdt'S		230.3	59,607.2	47,843.6
Certs		2.1	2.1	2.1
Credit content securities		11,364.8	13,242.4	12,606.5
Commercial papers		1,329.0	7,891.6	5,366.2
Tidis		0.0	0.0	0.0
Foreign Entities		9,354.9	9,936.6	9,578.2
Multilaterals		0.0	0.0	0.0
Carteras Colectivas		0.0	0.0	0.0
	USD	<u>93,924.7</u>	<u>2,595,498.1</u>	<u>2,100,293.5</u>



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Active Positions in Monetary Market Operations and those Related

Inter-bank assets	USD	0.0	166,218.0	32,930.0
Over Night Banks Abroad		1,481.7	9,921.0	3,945.2
Repos and inter-banks assets		10,837.2	153,210.0	56,563.0
	USD	<u>12,318.9</u>	<u>329,349.1</u>	<u>93,438.2</u>

Liabilities Positions in Monetary Market Operations and those Related

Inter-bank liabilities	USD	0.0	76,296.0	42,400.1
Repos and inter-banks Liabilities		36,756.8	333,499.9	152,482.2
	USD	<u>36,756.8</u>	<u>409,795.8</u>	<u>194,882.3</u>

Homologation Effects

For subordinate Bancafé Panama SA and Bancafé International Corporation SA approval rating was investment portfolio in accordance with Colombian regulations provided for in Chapter I - Classification, Valuation and Accounting for Investments, number 8 - Allowance or Loss on Credit Risk Rating of Basic Accounting and Financial Circular 100 of 1995.

5.8 Proportional Equity Value (V.P.P. for its abbreviation in Spanish)

It is the result of multiplying the Subsidiary's equity on the date of the investment by the percentage of the participation acquired by the investor entity on the same date.

The purposes of the stockholders' equity value are the following:

- Determining the excess or the lack of the investment cost in the issuer's value in books.
- Establishing the amounts that must be eliminated from each one of the Subsidiary's equity accounts against the acquisition cost of the investment recorded by the investor entity.



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The result of the calculation of the stockholders' equity value on the date of the acquisition of the Subsidiaries was the following:

Acquisition date	% Participation	Initial Value	Amortization	balance	Period
04-Dic-06	94.90%	56,918.8	46,483.7	10,435.1	5 Years

5.9 Investments Allowance

The movement of the investment allowance is the following:

		<u>December 31</u>	<u>June 30</u>
Beginning Balance	USD	18,445.0	21,127.6
Plus:			
Allowance charged to operating expenses		5,052.5	281.4
Reclassifications		(196.8)	0.0
Less:			
Reimbursement of allowance		1,903.1	2,956.0
Ending Balance	USD	<u>21,397.6</u>	<u>18,453.0</u>

Investment available for the sale in equity securities

Valuation of investments in foreign currency:

For the investments of "Bancafé Panamá S.A." and "Bancafé International Corporation S.A", the appreciations and/or depreciations are made on the balance standardized to Colombian regulations, including the cumulative effect from restatement.

The following presents in detail the investments available for sale as participating bonds, as well as their risk rating, as of December 31st and June 30th, 2010:



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December 31

<u>Entity</u>	<u>Stock Capital</u>	<u>%participation</u>	<u>Acquisition cost</u>	<u>Adjusted Cost</u>	<u>Valuation / Devaluation</u>	<u>Allowance</u>	<u>Rating Credit Risk</u>	<u>Dividends</u>
Corporación Andina de Fomento	USD 23	0.0034%	<u>171.8</u>	<u>192.2</u>	<u>30.3</u>	<u>0.0</u>	A	<u>4.8</u>
			<u>171.8</u>	<u>192.2</u>	<u>30.3</u>	<u>0.0</u>		<u>4.8</u>
Finagro	74,875	12.67%	<u>27,246.7</u>	<u>32,161.8</u>	<u>3,604.1</u>	<u>0.0</u>	A	<u>0.0</u>
Compañía de Inv. del Café	4,192	29.54%	<u>7,022.4</u>	<u>7,022.4</u>	<u>0.0</u>	<u>7,022.4</u>	A	<u>0.0</u>
Cámara de Riesgo Central	0	0.00%	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>		<u>0.0</u>
de Contraparte	17,764	5.51%	<u>817.0</u>	<u>978.3</u>	<u>-248.7</u>	<u>0.0</u>	A	<u>0.0</u>
Almacafé	7,561	0.01%	<u>5.1</u>	<u>5.1</u>	<u>0.0</u>	<u>1.0</u>	B	<u>0.0</u>
Titularizadora Colombiana S.A.	37,579	21.12%	<u>9,143.1</u>	<u>9,143.1</u>	<u>5,791.5</u>	<u>0.0</u>	A	<u>0.0</u>
Redeban Multicolor S.A.	5,287	26.04%	<u>4,299.8</u>	<u>4,299.9</u>	<u>4,733.5</u>	<u>0.0</u>	A	<u>0.0</u>
A.C.H. Colombia S.A.	3,446	18.42%	<u>965.8</u>	<u>965.8</u>	<u>1,162.5</u>	<u>0.0</u>	A	<u>0.0</u>
Deceval S.A.	6,296	11.85%	<u>2,345.3</u>	<u>2,654.9</u>	<u>1,592.6</u>	<u>0.0</u>	A	<u>659.6</u>
Cámara de Compensación Divisas de Colombia S.A.	1,306	6.38%	<u>83.3</u>	<u>83.3</u>	<u>2.7</u>	<u>0.0</u>	A	<u>0.0</u>
Bolsa de Valores de Colombia (BVC)	0	1.41%	<u>295.1</u>	<u>295.1</u>	<u>460.9</u>	<u>0.0</u>		<u>0.0</u>
BBVA	0	0.00%	<u>1.3</u>	<u>8.0</u>	<u>0.0</u>	<u>0.0</u>		<u>0.0</u>
Fondo de reposición Fogacol	0	0.00%	<u>152.9</u>	<u>152.9</u>	<u>13.4</u>	<u>0.0</u>	A	<u>0.0</u>
Tecnibanca S.A.	8,574	0.94%	<u>44.7</u>	<u>117.8</u>	<u>69.9</u>	<u>0.0</u>	A	<u>0.0</u>
			<u>52,422.6</u>	<u>57,888.2</u>	<u>17,182.5</u>	<u>7,023.4</u>		<u>659.6</u>
			<u>52,594.4</u>	<u>58,080.4</u>	<u>17,212.7</u>	<u>7,023.4</u>		<u>664.4</u>



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June 30

<u>Entity</u>	<u>Stock Capital</u>	<u>%participation</u>	<u>Acquisition cost</u>	<u>Adjusted Cost</u>	<u>Valuation / Devaluation</u>	<u>Allowance</u>	<u>Rating Credit Risk</u>	<u>Dividends</u>
Master Card International	2,134,294.0	0.0000%	0.0	0.0	0.0	0.0	A	2.8
Corporación Andina de Fomento	2,725,060.0	0.0034%	171.9	162.1	17.5	0.0	A	0.0
	-		<u>171.9</u>	<u>162.1</u>	<u>17.5</u>	<u>0.0</u>		<u>2.8</u>
Finagro	74,907.1	12.67%	27,258.6	32,175.7	1,611.2	0.0	A	4,169.5
Compañía de Inv. del Café	4,194.0	29.54%	7,025.4	7,025.4	0.0	7,025.4	A	0.0
Cámara de Riesgo Central de Contraparte	17,771.7	5.51%	817.3	978.7	-190.4	0.0	A	0.0
Almacafé	7,564.7	0.01%	5.1	5.1	0.0	1.0	B	0.0
Titularizadora Colombiana S.A.	37,595.1	21.12%	9,147.1	9,147.1	4,533.0	0.0	A	1,953.8
Redeban Multicolor S.A.	5,289.4	26.04%	4,301.7	4,301.8	4,039.7	0.0	A	597.0
A.C.H. Colombia S.A.	3,447.1	18.42%	966.2	966.2	906.9	0.0	A	482.7
Deceval S.A.	6,299.0	11.90%	2,351.2	2,656.0	1,477.5	0.0	A	657.0
Cámara de Compensación Divisas de Colombia S.A.	1,306.7	6.38%	83.3	83.3	0.8	0.0		0.0
Bolsa de Valores de Colombia (BVC)	0.0	1.41%	295.2	295.2	354.3	0.0		2.9
BBVA	46,927.4	0.00%	3.9	3.9	0.0	0.0	A	0.0
Fondo de reposicion Fogacol	0.0	0.00%	148.4	148.5	0.0	0.0		0.0
Tecnibanca S.A.	8,577.3	0.94%	44.7	117.9	44.3	0.0	A	38.8
			<u>52,448.2</u>	<u>57,904.8</u>	<u>12,777.4</u>	<u>7,026.4</u>		<u>7,901.7</u>
			<u>52,620.0</u>	<u>58,066.9</u>	<u>12,794.9</u>	<u>7,026.4</u>		<u>7,904.5</u>

1 In June 2010, was sold 10,122 shares of Class B Master Card and recorded profit for sale of \$ 3.650.3.

Eliminations

Here in below we present a detail of the reciprocal operations eliminated during the second half-year period and first half-year period in the year 2010:

	<u>December 31</u>	<u>June 30</u>
Debt securities trading Investments	USD 0	173.0
Equity securities available for sale		
Investments	<u>105,546.1</u>	<u>105,574.8</u>
	USD <u>105,546.1</u>	<u>105,747.7</u>



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6. Credit Portfolio and Financial Leasing

6.1 Credit portfolio and financial leasing per modality

		<u>December 31</u>	<u>June 30</u>
<u>Commercial Portfolio:</u>			
Corporate and builders	USD	3,825,996.0	3,223,096.7
Others commercial lines		1,684,691.8	1,402,193.1
Credit cards		127,827.4	133,588.5
Vehicles		124,139.2	127,391.3
Overdrafts in current account		43,173.2	59,818.6
		<u>5,805,827.7</u>	<u>4,946,088.1</u>
Housing Leasing		719,214.9	640,288.2
		<u>6,525,042.6</u>	<u>5,586,376.3</u>
<u>Housing Portfolio</u>		925,987.6	1,206,493.6
Consumption portfolio			
Credit card		984,646.6	877,854.6
Other consumption lines		2,458,470.4	2,172,463.3
Vehicles		505,145.6	442,555.4
Overdrafts in current account		25,564.8	24,635.2
		<u>3,973,827.3</u>	<u>3,517,508.5</u>
<u>Micro – credit portfolio</u>		35,644.2	28,890.3
Portfolio total	USD	<u>11,460,501.7</u>	<u>10,339,268.8</u>
Less individual allowance		(600,117.2)	(590,505.3)
Net portfolio sub-total	USD	<u>10,860,384.6</u>	<u>9,748,763.5</u>
Less general allowance		(9,667.2)	(12,388.6)
Net portfolio total	USD	<u>10,850,717.4</u>	<u>9,736,374.8</u>



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At December 31, and June 30, 2010, the issue of mortgage and ancillary bonds with housing portfolio rated at A and a term of 7 years (prepaid for the issuer every three months), are guaranteed, thus:

		<u>December 31</u>	<u>June 30</u>
Issuance II	USD	6,428.8	6,877.8
Issuance III		18,488.9	19,785.5
	USD	<u>24,917.6</u>	<u>26,663.3</u>

6.2 Social Interest Housing

The Bank has assigned recourses to finance social interest housing in compliance with the provisions of Decrees 1041 of 1995 and 1122 of 1996.

For the second half of 2010, the Bank placed resources of USD196.734 2, USD147,862.5 in individual loans and USD48,871.7 construction loans, and in the first half of 2010 placed USD148,056.4 in individual loans USD103,399.9 and USD44.656.5 in construction loans.

The value of social interest housing portfolio is as follows

		<u>December 31</u>	<u>June 30</u>
Individuals	USD	624,989.9	634,065.3
Constructors		32,540.2	36,558.0
	<u>USD</u>	<u>657,530.1</u>	<u>670,623.3</u>

Portfolio with subsidized rate

To comply with decree 1143 of 2009, issued by the government through which the mechanism of "Conditional Coverage" is created, the Bank implemented procedures for the implementation of this mechanism in the disbursement of housing portfolio and leasing contracts for new home purchases.

This procedure allows lower interest rates to be charged during the first seven years of each loan and in accordance with established ranges, as follows:

<u>Property Value</u>	<u>Coverage Rate</u>
<u>Legal Minimum Wage</u>	<u>Porcentaje</u>
Public Housing Up to 135	5%
>135 up to 235	4%
>235 up to 335	3%

The Bank will generate a monthly bill to the Banco de la República for the implementation of coverage benefit in accordance with established procedures.



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The coverage benefit will end for:

- Early cancellation of credit or lease contract
- If the debtor is in arrears exceeding three consecutive months
- At the request of the credit debtors
- By credit subrogation
- By transfer/surrender of the lease
- For bringing the deadline forward.

Cover granted by the Bank

The Bank offered its customers an additional incentive from installment 85 for the maximum next eight (8) years; the Bank will assume the value that the government had been paying under the same conditions. has established a provision to December 31 and June 30, 2010 for USD2,009.9, based on a model that considers the actual conduct of the loans.

At December 31, 2010 and June 30, 2010, the Bank has disbursed 31,421 and 10,620 housing portfolio obligations under this benefit for USD659.268.6 y USD240.446.4 respectively

6.3 Credit portfolio and financial leasing per risk ratings and guarantee

At December 31, 2010 and June 30, 2010, the Bank and its subordinate rated one hundred percent (100%) of its credit portfolio and financial leasing, interest and other concepts in accordance with the Basic Memorandum Letter 100, 1995 from the Superintendencia Financiera de Colombia. The result of said rating is the following:



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December 31

						ALLOWANCES							
						CAPITAL	INTEREST	OTHERS	TOTAL	GUARANTIES	CAPITAL	INTERESTS	OTHERS
COMMERCIAL SUITABLE GUARANTY													
A - Normal	USD	1,110,501.9	9,494.8	748.2	1,120,744.9	4,130,302.4	29,581.9		259.2	87.7			
B - Acceptable		100,431.9	1,066.1	341.8	101,839.8	409,677.4	12,289.3		130.1	127.0			
C - Deficient		20,263.9	318.3	128.0	20,710.3	65,177.7	5,308.3		242.7	116.5			
D – Difficult collection		12,090.1	264.2	183.8	12,538.2	43,988.7	10,236.4		249.2	180.5			
E – Irrecoverable		13,831.2	184.7	46.5	<u>14,062.4</u>	40,670.9	13,831.2		175.3	46.2			
	USD	<u>1,257,119.1</u>	<u>11,328.2</u>	<u>1,448.3</u>	<u>1,269,895.5</u>	<u>4,689,817.2</u>	<u>71,247.0</u>		<u>1,056.5</u>	<u>558.0</u>			
COMMERCIAL OTHERS GUARANTIES													
A - Normal		5,054,643.8	42,478.9	2,672.3	5,099,795.0	1,102,086.7	127,183.1		1,138.5	365.6			
B - Acceptable		129,065.3	1,153.7	252.1	130,471.2	124.7	15,234.1		123.6	150.5			
C - Deficient		22,753.0	353.9	117.4	23,224.3	0.0	5,871.4		275.5	110.7			
D – Difficult collection		49,282.4	1,182.7	343.5	50,808.6	0.0	49,191.0		1,110.7	337.2			
E – Irrecoverable		12,178.9	160.4	36.0	<u>12,375.3</u>	0.0	12,178.9		152.0	35.7			
		<u>5,267,923.4</u>	<u>45,329.7</u>	<u>3,421.3</u>	<u>5,316,674.4</u>	<u>1,102,211.4</u>	<u>209,658.5</u>		<u>2,800.3</u>	<u>999.7</u>			
General Allowance							0.0						
		<u>6,525,042.4</u>	<u>56,658.0</u>	<u>4,869.5</u>	<u>6,586,569.9</u>	<u>5,792,028.6</u>	<u>280,905.6</u>		<u>3,856.9</u>	<u>1,557.7</u>			
CONSUMPTION SUITABLE GUARANTY													
A - Normal		443,485.2	3,661.7	1,077.9	448,224.8	1,164,733.1	11,633.5		120.2	49.4			
B - Acceptable		16,203.4	262.4	60.0	16,525.9	47,093.8	1,607.6		65.2	18.1			
C - Deficient		10,625.0	165.4	42.8	10,833.2	28,687.5	1,917.0		135.2	35.4			
D – Difficult collection		9,682.3	190.7	90.1	9,963.1	23,262.9	9,188.7		181.2	87.9			
E – Irrecoverable		8,585.2	104.0	59.3	<u>8,748.5</u>	23,239.5	8,585.2		96.5	57.8			
		<u>488,581.2</u>	<u>4,384.2</u>	<u>1,330.1</u>	<u>494,295.5</u>	<u>1,287,016.8</u>	<u>32,932.1</u>		<u>598.3</u>	<u>248.7</u>			
CONSUMPTION OTHERS GUARANTIES													
A - Normal		3,133,166.6	26,707.5	7,976.2	3,167,850.4	140.5	86,902.4		903.8	373.8			
B - Acceptable		135,938.8	2,311.7	513.5	138,764.0	0.0	14,364.6		586.6	158.0			
C - Deficient		72,634.8	1,178.3	248.1	74,061.2	0.0	11,998.9		981.5	212.6			
D – Difficult collection		98,463.5	2,065.5	433.3	100,962.3	0.0	98,435.2		1,959.9	422.3			
E – Irrecoverable		45,042.4	546.7	282.0	<u>45,871.1</u>	0.0	45,042.4		506.2	274.9			
		<u>3,485,246.1</u>	<u>32,809.7</u>	<u>9,453.2</u>	<u>3,527,509.0</u>	<u>140.4</u>	<u>256,743.5</u>		<u>4,937.9</u>	<u>1,441.5</u>			
Generic Allowance							50.8						
General Allowance													
		<u>3,973,827.3</u>	<u>37,193.9</u>	<u>10,783.3</u>	<u>4,021,804.4</u>	<u>1,287,157.2</u>	<u>289,726.4</u>		<u>5,536.2</u>	<u>1,690.2</u>			



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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December 31

		<u>CAPITAL</u>	<u>INTEREST</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>ALLOWANCES</u> <u>INTERESTS</u>	<u>OTHERS</u>
MICRO-CREDIT SUITABLE GUARANTY									
A - Normal	USD	33,487.4	349.4	171.8	34,008.6	58,873.3	3,716.3	43.7	25.6
B - Acceptable		556.3	5.0	6.3	567.6	1,074.2	540.5	4.6	6.3
C - Deficient		279.6	1.6	4.2	285.4	495.5	279.6	1.6	4.3
D – Difficult collection		131.6	1.1	4.8	137.5	296.9	131.6	1.1	4.8
E – Irrecoverable		371.9	4.2	20.9	<u>397.0</u>	595.5	371.9	4.2	20.9
	USD	<u>34,826.8</u>	<u>361.3</u>	<u>208.1</u>	<u>35,396.2</u>	<u>61,335.4</u>	<u>5,039.9</u>	<u>55.2</u>	<u>61.9</u>
MICRO- CREDIT OTHERS GUARANTIES									
A - Normal		785.1	5.8	3.3	794.1	74.4	100.8	0.8	0.2
B - Acceptable		15.4	0.2	0.5	16.1	1.4	12.1	0.2	0.4
C - Deficient		13.6	0.5	0.6	14.6	1.6	10.8	0.5	0.6
D – Difficult collection		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E – Irrecoverable		3.4	0.1	0.3	<u>3.7</u>	1.4	3.4	0.1	0.3
		<u>817.4</u>	<u>6.5</u>	<u>4.6</u>	<u>828.6</u>	<u>78.9</u>	<u>127.2</u>	<u>1.4</u>	<u>1.4</u>
Generic Allowance							0.0		
General Allowance							356.4		
		<u>35,644.3</u>	<u>367.8</u>	<u>212.7</u>	<u>36,224.8</u>	<u>61,414.3</u>	<u>5,523.5</u>	<u>56.7</u>	<u>63.4</u>
HOUSING MORTGAGE									
A - Normal		843,456.9	3,704.5	5,082.4	852,243.8	2,214,212.6	12,699.8	259.0	1,401.9
B - Acceptable		55,898.8	157.7	928.3	56,984.8	158,287.0	2,912.9	153.1	926.8
C - Deficient		19,527.3	63.5	414.6	20,005.3	58,154.6	3,937.0	63.5	414.6
D – Difficult collection		5,719.5	20.6	202.6	5,942.7	18,870.8	3,433.9	20.6	202.6
E – Irrecoverable		1,385.2	5.3	75.3	<u>1,465.8</u>	5,005.3	1,385.2	5.3	75.3
		<u>925,987.6</u>	<u>3,951.9</u>	<u>6,703.1</u>	<u>936,642.5</u>	<u>2,454,530.3</u>	<u>24,368.9</u>	<u>501.6</u>	<u>3,021.2</u>
General Allowance							9,259.9		
		<u>925,987.7</u>	<u>3,951.7</u>	<u>6,703.1</u>	<u>936,642.5</u>	<u>2,454,530.3</u>	<u>33,628.8</u>	<u>501.6</u>	<u>3,021.2</u>
	USD	<u>11,460,501.7</u>	<u>98,171.3</u>	<u>22,568.6</u>	<u>11,581,241.6</u>	<u>9,595,130.4</u>	<u>609,784.4</u>	<u>9,951.5</u>	<u>6,332.5</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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June 30

						<u>ALLOWANCES</u>			
						<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	
COMMERCIAL SUITABLE GUARANTY									
A - Normal	USD	1,216,325.1	10,580.0	980.6	1,227,885.7	4,015,364.7	52,972.5	323.6	120.4
B - Acceptable		62,328.2	806.9	122.3	63,257.4	224,589.2	10,885.5	108.9	52.6
C - Deficient		23,873.8	469.5	159.0	24,502.3	43,812.8	4,925.8	345.0	139.6
D - Difficult collection		27,029.8	730.5	518.1	28,278.4	69,198.5	23,438.8	702.4	513.5
E - Irrecoverable		6,697.3	316.3	39.5	<u>7,053.1</u>	13,964.8	5,965.6	301.1	40.7
	USD	<u>1,336,254.1</u>	<u>12,903.3</u>	<u>1,819.4</u>	<u>1,350,976.8</u>	<u>4,366,929.9</u>	<u>98,188.1</u>	<u>1,781.2</u>	<u>866.8</u>
COMMERCIAL OTHERS GUARANTIES									
A - Normal	USD	3,960,354.3	33,279.7	2,113.5	3,995,747.6	689,362.0	78,909.2	915.1	372.2
B - Acceptable		209,279.2	2,598.8	280.1	212,158.2	69,596.4	25,586.6	365.2	152.8
C - Deficient		23,158.5	474.4	128.6	23,761.5	95,829.4	6,834.4	364.8	121.1
D - Difficult collection		46,251.6	1,188.2	202.9	47,642.7	32,059.9	46,112.5	1,139.3	203.8
E - Irrecoverable		11,078.5	512.8	57.5	<u>11,648.8</u>	0.0	11,078.5	485.5	59.5
	USD	<u>4,250,122.2</u>	<u>38,054.0</u>	<u>2,782.6</u>	<u>4,290,958.8</u>	<u>886,847.7</u>	<u>168,521.1</u>	<u>3,269.7</u>	<u>909.4</u>
General Allowance							0.0		
		<u>5,586,376.3</u>	<u>50,957.3</u>	<u>4,602.0</u>	<u>5,641,935.7</u>	<u>5,253,777.6</u>	<u>266,709.2</u>	<u>5,050.8</u>	<u>1,776.2</u>
CONSUMPTION SUITABLE GUARANTY									
A - Normal	USD	377,423.8	3,457.3	944.8	381,825.8	1,084,774.9	6,527.7	132.6	57.4
B - Acceptable		19,093.6	338.0	86.7	19,518.3	59,070.5	1,311.2	81.2	30.5
C - Deficient		11,400.0	178.8	59.9	11,638.7	32,166.5	2,818.1	155.5	53.8
D - Difficult collection		11,379.2	231.3	115.2	11,725.7	39,681.7	10,839.1	222.0	112.7
E - Irrecoverable		8,253.5	104.7	90.1	<u>8,448.3</u>	19,408.8	8,985.2	97.9	90.2
	USD	<u>427,550.2</u>	<u>4,310.1</u>	<u>1,296.7</u>	<u>433,156.9</u>	<u>1,235,102.4</u>	<u>30,481.3</u>	<u>689.2</u>	<u>344.7</u>
CONSUMPTION OTHERS GUARANTIES									
A - Normal	USD	2,708,312.6	24,977.5	6,490.5	2,739,780.6	372.2	80,994.6	992.9	409.5
B - Acceptable		153,655.0	2,739.7	673.3	157,068.0	0.0	16,844.6	676.3	245.1
C - Deficient		79,351.7	1,275.8	364.6	80,992.2	0.0	13,125.3	1,122.7	332.9
D - Difficult collection		100,442.4	2,207.1	480.0	103,129.5	0.0	100,433.3	2,120.6	468.8
E - Irrecoverable		48,196.6	597.2	279.9	<u>49,073.8</u>	0.0	48,196.7	554.6	271.0
	USD	<u>3,089,958.3</u>	<u>31,797.3</u>	<u>8,288.3</u>	<u>3,130,044.1</u>	<u>372.2</u>	<u>259,594.5</u>	<u>5,467.1</u>	<u>1,727.3</u>
General Allowance							0.0		
		<u>3,517,508.4</u>	<u>36,107.5</u>	<u>9,585.0</u>	<u>3,563,201.0</u>	<u>1,235,474.6</u>	<u>290,075.8</u>	<u>6,156.3</u>	<u>2,072.0</u>



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

**MICRO-CREDIT SUITABLE
GUARANTY**

	<u>CAPITAL</u>	<u>INTEREST</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>ALLOWANCES</u>	<u>OTHERS</u>
A - Normal						<u>INTERESTS</u>		21.3
B - Acceptable	797.8	7.9	7.1	812.7	1,333.4	797.8	7.6	7.4
C - Deficient	335.1	4.4	5.5	345.0	627.0	335.1	4.4	5.5
D - Difficult collection	265.9	2.4	7.2	275.5	449.2	265.9	2.4	7.2
E - Irrecoverable	288.0	4.0	13.0	<u>305.1</u>	431.1	288.0	4.0	13.0
USD	<u>27,953.0</u>	<u>312.5</u>	<u>172.4</u>	<u>28,437.8</u>	<u>49,096.7</u>	<u>4,222.7</u>	<u>51.3</u>	<u>54.4</u>

**MICRO- CREDIT OTHERS
GUARANTIES**

A - Normal	USD	833.1	7.9	2.8	843.7	166.7	67.8	1.0	0.7
B - Acceptable		51.4	1.2	0.4	52.9	1.3	30.7	0.7	0.4
C - Deficient		31.4	0.3	0.4	32.1	19.3	25.3	0.3	0.4
D - Difficult collection		6.2	0.1	0.2	6.6	0.3	4.1	0.1	0.2
E - Irrecoverable		15.3	0.3	0.0	<u>15.5</u>	0.9	15.3	0.3	0.0
USD		<u>937.4</u>	<u>9.8</u>	<u>3.7</u>	<u>950.8</u>	<u>188.5</u>	<u>143.1</u>	<u>2.4</u>	<u>1.6</u>
Generic Allowance						288.9			
General Allowance		<u>28,890.3</u>	<u>322.2</u>	<u>176.1</u>	<u>29,388.6</u>	<u>49,285.2</u>	<u>4,654.7</u>	<u>53.7</u>	<u>55.9</u>

June 30

	<u>CAPITAL</u>	<u>INTEREST</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>ALLOWANCES</u>	<u>OTHERS</u>
						<u>INTERESTS</u>		
HOUSING MORTGAGE								
A - Normal	1,123,887.3	5,845.4	6,043.3	1,135,776.0	2,999,491.7	16,960.4	375.5	1,623.7
B - Acceptable	55,733.1	221.2	882.2	56,836.5	148,547.1	2,994.5	218.8	881.7
C - Deficient	18,248.4	69.1	457.5	18,775.0	48,714.4	3,688.0	69.1	457.5
D - Difficult collection	7,297.6	42.7	297.5	7,637.9	19,481.1	4,384.0	42.7	297.5
E - Irrecoverable	1,327.4	5.5	59.2	<u>1,392.0</u>	3,543.4	1,327.4	5.5	59.0
	<u>1,206,493.6</u>	<u>6,183.9</u>	<u>7,739.7</u>	<u>1,220,417.3</u>	<u>3,219,777.7</u>	<u>29,354.4</u>	<u>711.5</u>	<u>3,319.1</u>
General Allowance						12,099.7		
	<u>1,206,493.7</u>	<u>6,183.9</u>	<u>7,739.7</u>	<u>1,220,417.3</u>	<u>3,219,777.7</u>	<u>41,454.1</u>	<u>711.5</u>	<u>3,319.5</u>
	<u>10,339,268.7</u>	<u>93,571.2</u>	<u>22,102.9</u>	<u>10,454,942.5</u>	<u>9,758,315.1</u>	<u>602,893.9</u>	<u>11,972.3</u>	<u>7,223.7</u>



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

6.4 Credit portfolio and financial leasing per economic sector:

<u>Sectors</u>		<u>December 31</u>		<u>June 30</u>	
		<u>Balance</u>	<u>% Particip.</u>	<u>Balance</u>	<u>% Particip.</u>
To the families for their acquisition of goods and services	USD	3,931,061.8	34.3%	3,465,890.4	33.5%
To the families for housing		1,643,774.0	14.3%	1,846,781.8	17.9%
Services rendered to companies		1,285,098.6	11.2%	945,955.0	9.2%
Construction		322,758.3	2.8%	377,031.3	3.7%
Wholesale and retail business		562,084.1	4.9%	469,308.1	4.5%
Transportation and communications		387,863.8	3.4%	328,639.1	3.2%
Agriculture, forestry, cattle breeding, fishing and hunting		221,160.9	1.9%	191,938.8	1.9%
Manufacturing of food products		255,376.5	2.2%	224,410.8	2.2%
Health, education, recreation and culture services		684,486.2	6.0%	469,021.8	4.5%
Vehicles		202,142.7	1.8%	188,390.5	1.8%
Public administration and defense		219,083.4	1.9%	194,075.9	1.9%
Manufacturing of textile products, garments, leathers and their products		79,594.2	0.7%	73,602.9	0.7%
Electricity, gas and water supply		69,519.4	0.6%	72,474.7	0.7%
Manufacturing of metallic products of bases and manufactured		98,915.1	0.9%	59,405.7	0.6%
Manufacturing of mineral products not metallic		132,284.3	1.2%	146,617.7	1.4%
Manufacturing of chemical substances, chemical products and rubber		57,187.0	0.5%	74,648.5	0.7%
Manufacturing of paper and its printing and publishing products		43,162.2	0.4%	65,388.1	0.6%
Manufacturing of other manufactured products, include wood		13,341.7	0.1%	17,911.8	0.2%
Explotation of coal mines, extraction of crude oil and natural gas		452,302.5	4.0%	349,976.3	3.4%
Manufacturing of transport material		4,165.1	0.0%	7,193.4	0.1%
Manufacturing of machinery and equipment		24,905.6	0.2%	33,655.9	0.3%
Hotels and restaurants		30,997.2	0.3%	16,664.7	0.2%
Extraction of metallic and not metallic minerals		34,516.0	0.3%	84,822.4	0.8%
Manufacturing of products derived from oil and coal		64,189.7	0.6%	68,916.6	0.7%
Manufacturing of drinks and tobacco		462.0	0.0%	279.1	0.0%
Others		640,069.4	5.6%	540,696.4	5.2%
Miami		27,283.1	0.2%	25,571.0	0.3%
	USD	<u>11,460,501.7</u>	<u>100.0%</u>	<u>10,339,268.7</u>	<u>100.0%</u>



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

6.5 Credit Portfolio and Financial Leasing per geographical area:

December 31

COMMERCIAL PORTFOLIO

							<u>ALLOWANCE</u>		
		<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	USD	3,422,108.2	28,394.3	2,238.5	3,452,741.0	2,259,837.3	140,267.5	1,644.1	864.6
Antioquia		1,128,235.2	10,318.7	1,110.5	1,139,664.4	1,100,626.9	59,470.2	962.0	184.7
Nororiental		1,028,292.1	8,855.2	993.7	1,038,141.1	861,407.5	51,136.4	768.4	353.5
Suroccidental		636,793.9	7,686.1	526.8	645,006.8	476,352.5	23,846.9	445.1	154.9
Panama		282,330.1	1,285.5	0.0	283,615.6	1,093,804.5	5,853.9	35.6	0.0
Miami		27,283.1	118.1	0.0	27,401.2	0.0	330.7	1.7	0.0
	USD	<u>6,525,042.4</u>	<u>56,658.0</u>	<u>4,869.5</u>	<u>6,586,569.9</u>	<u>5,792,028.6</u>	<u>280,905.6</u>	<u>3,856.9</u>	<u>1,557.7</u>

CONSUMPTION PORTFOLIO

							<u>ALLOWANCE</u>		
		<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	USD	2,000,006.4	19,042.0	5,733.4	2,024,781.9	767,371.6	151,566.6	3,041.3	917.5
Antioquia		602,469.0	5,343.9	1,519.9	609,332.9	178,797.0	39,405.9	663.6	178.7
Nororiental		835,365.2	7,974.4	2,142.8	845,482.4	212,041.6	62,510.2	1,168.4	384.6
Suroccidental		530,902.0	4,811.2	1,387.1	537,100.4	128,947.1	36,164.2	660.2	209.5
Panama		5,084.6	22.2	0.0	5,106.8	0.0	79.5	2.6	0.0
Miami		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
General Allowance							50.8		
	USD	<u>3,973,827.3</u>	<u>37,193.9</u>	<u>10,783.3</u>	<u>4,021,804.4</u>	<u>1,287,157.2</u>	<u>289,726.4</u>	<u>5,536.2</u>	<u>1,690.2</u>

MICRO-CREDIT

							<u>ALLOWANCE</u>		
		<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá		35,476.8	366.4	209.9	36,053.1	61,185.2	5,152.6	56.5	62.7
Antioquia		19.4	0.1	0.8	20.3	8.0	0.9	0.1	0.0
Nororiental		145.1	1.3	1.6	148.0	219.8	13.1	0.1	0.5
Suroccidental		3.0	0.0	0.3	3.3	1.3	0.5	0.0	0.2
Panama		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Miami		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provisión general							356.4		
		<u>35,644.3</u>	<u>367.8</u>	<u>212.7</u>	<u>36,224.8</u>	<u>61,414.3</u>	<u>5,523.5</u>	<u>56.7</u>	<u>63.4</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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HOUSING PORTFOLIO

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>ALLOWANCE</u>		
						<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	632,560.3	2,587.7	4,226.6	639,374.5	1,644,306.7	16,895.4	335.2	1,843.7
Antioquia	92,296.0	444.7	762.9	93,503.6	274,735.6	2,187.6	53.8	330.7
Nororiental	115,522.1	538.8	1,277.4	117,338.4	320,889.0	3,237.9	71.3	642.2
Suroccidental	85,007.5	378.6	436.2	85,822.3	214,598.9	2,087.8	41.3	204.5
Panama	601.8	1.8	0.0	603.6	0.0	11.0	0.1	0.0
Miami	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Provision General						9,260.0		
	<u>925,987.7</u>	<u>3,951.7</u>	<u>6,703.1</u>	<u>936,642.5</u>	<u>2,454,530.3</u>	<u>33,628.8</u>	<u>501.6</u>	<u>3,021.2</u>
	<u>11,460,501.7</u>	<u>98,171.3</u>	<u>22,568.6</u>	<u>11,581,241.6</u>	<u>9,595,130.4</u>	<u>609,784.4</u>	<u>9,951.5</u>	<u>6,332.5</u>

June 30

COMMERCIAL PORTFOLIO

		<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>ALLOWANCE</u>		
							<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	USD	2,885,953.5	26,364.4	2,400.1	2,914,718.0	3,283,158.5	132,480.8	1,990.4	1,170.7
Antioquia		946,325.1	9,644.3	980.2	956,949.6	752,613.2	59,274.2	1,430.8	181.8
Nororiental		849,327.0	7,979.3	718.5	858,024.8	675,728.3	45,200.1	1,058.8	263.1
Suroccidental		629,016.9	5,780.6	503.3	635,300.8	500,257.7	24,135.4	531.1	160.7
Panama		250,182.7	1,113.3	0.0	251,296.0	38,094.9	5,222.3	38.2	0.0
Miami		25,571.1	75.3	0.0	25,646.4	3,925.0	396.6	1.6	0.0
		<u>5,586,376.3</u>	<u>50,957.3</u>	<u>4,602.0</u>	<u>5,641,935.7</u>	<u>5,253,777.6</u>	<u>266,709.2</u>	<u>5,050.8</u>	<u>1,776.2</u>

CONSUMPTION PORTFOLIO

		<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>ALLOWANCE</u>		
							<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá		1,702,766.8	17,713.5	5,136.3	1,725,616.6	633,759.5	144,448.5	3,190.1	1,117.1
Antioquia		561,832.7	5,573.0	1,321.2	568,726.9	185,885.0	43,400.8	838.9	228.3
Nororiental		760,655.0	7,905.3	1,903.0	770,463.3	251,869.0	63,693.9	1,346.0	460.6
Suroccidental		488,848.9	4,898.9	1,224.5	494,972.3	161,737.9	38,299.9	780.1	266.1
Panama		3,405.1	16.9	0.0	3,422.0	2,223.2	232.8	1.1	0.0
		<u>3,517,508.4</u>	<u>36,107.5</u>	<u>9,585.0</u>	<u>3,563,201.0</u>	<u>1,235,474.6</u>	<u>290,075.8</u>	<u>6,156.3</u>	<u>2,072.0</u>



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

MICRO-CREDIT

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>ALLOWANCE</u>		
						<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	28,650.3	319.9	174.7	29,145.0	49,140.0	4,322.2	53.1	55.4
Antioquia	68.6	0.7	0.2	69.5	140.5	33.5	0.2	0.0
Nororiental	148.2	1.4	1.2	150.8	3.2	8.7	0.5	0.6
Suroccidental	23.2	0.2	0.0	23.4	1.4	1.4	0.0	0.0
						288.9		
	<u>28,890.3</u>	<u>322.2</u>	<u>176.1</u>	<u>29,388.6</u>	<u>49,285.2</u>	<u>4,654.7</u>	<u>53.7</u>	<u>55.9</u>

HOUSING PORTFOLIO

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>ALLOWANCE</u>		
						<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	815,756.6	4,153.6	4,869.5	824,779.7	2,177,161.2	19,952.4	462.7	2,013.6
Antioquia	134,265.9	720.0	906.5	135,892.4	358,426.1	2,979.2	91.6	376.3
Nororiental	155,628.7	801.5	1,446.9	157,877.2	415,454.7	4,007.3	100.6	694.0
Suroccidental	100,472.7	508.0	516.8	101,497.5	268,214.3	2,407.1	56.6	235.5
Panama	369.6	0.8	0.0	370.5	521.4	8.5	0.0	0.0
Prov. Gral.						12,099.7		
	<u>1,206,493.7</u>	<u>6,183.9</u>	<u>7,739.7</u>	<u>1,220,417.3</u>	<u>3,219,777.7</u>	<u>41,454.1</u>	<u>711.5</u>	<u>3,319.5</u>
USD	<u>10,339,268.7</u>	<u>93,571.2</u>	<u>22,102.9</u>	<u>10,454,942.5</u>	<u>9,758,315.1</u>	<u>602,893.9</u>	<u>11,972.3</u>	<u>7,223.7</u>

6.6 Portfolio per monetary unit:

CONCEPT	December 31			
	Legal	Foreign	<u>UVR</u>	<u>Total</u>
	<u>Currency</u>	<u>Currency</u>		
Commercial	5,576,618.4	948,424.2	0.0	6,525,042.6
Micro-credit	35,644.2	0.0	0.0	35,644.2
Consumption	3,965,921.1	7,906.2	0.0	3,973,827.3
Housing	594,764.6	601.8	330,621.2	925,987.6
	<u>10,172,948.3</u>	<u>956,932.3</u>	<u>330,621.2</u>	<u>11,460,501.7</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	<u>June 30</u>			
CONCEPT	<u>Legal Currency</u>	<u>Foreign Currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	4,965,749.8	620,626.6	0.0	5,586,376.3
Micro-credit	28,890.3	0.0	0.0	28,890.3
Consumption	3,512,275.1	5,233.4	0.0	3,517,508.5
Housing	771,525.1	369.7	434,598.9	1,206,493.6
	<u>9,278,440.3</u>	<u>626,229.7</u>	<u>434,598.9</u>	<u>10,339,268.7</u>

6.7 Credit portfolio and Financial Leasing per period of maturity

<u>December 31</u>		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Commercial	USD	2,070,472.9	1,958,631.9	1,779,275.6	716,662.1	6,525,042.6
Micro-credit		696,594.5	2,795,476.1	458,650.5	23,106.1	3,973,827.3
Consumption		1,644.8	33,983.7	15.7	0.0	35,644.2
Housing		28,813.3	59,870.5	212,973.1	624,330.8	925,987.6
	USD	<u>2,797,525.5</u>	<u>4,847,962.3</u>	<u>2,450,914.9</u>	<u>1,364,099.1</u>	<u>11,460,501.7</u>

<u>June 30</u>		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Commercial	USD	1,904,692.4	1,791,100.1	1,314,065.9	576,517.9	5,586,376.3
Micro-credit		263,042.7	2,436,936.6	787,980.8	29,548.4	3,517,508.5
Consumption		1,477.8	27,334.6	77.9	0.0	28,890.3
Housing		34,907.0	84,306.7	308,826.4	778,453.5	1,206,493.6
	USD	<u>2,204,119.8</u>	<u>4,339,678.0</u>	<u>2,410,951.0</u>	<u>1,384,519.9</u>	<u>10,339,268.7</u>



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

6.8 Restructured Credits Detail

<u>December 31</u>		Restructured <u>common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	USD	70,266.3	24,534.1	94,071.3
Consumption		260,208.9	60,503.5	42,831.3
Micro-credit		733.9	594.9	1,476.6
Housing		37,238.3	4,977.7	119,672.3
	USD	<u>368,447.4</u>	<u>90,610.2</u>	<u>258,051.5</u>

<u>June 30</u>		Restructured <u>common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	USD	61,395.7	20,530.5	212,376.9
Consumption		245,543.4	61,328.1	50,420.5
Micro-credit		679.3	647.2	3,439.7
Housing		35,587.2	5,081.4	123,481.9
	USD	<u>343,205.6</u>	<u>87,587.2</u>	<u>389,718.9</u>

6.8 Restructured Credits per Rating

<u>December 31</u>	Commercial		Consumption		Micro-credit		Housing	
	<u>Numbers</u>	<u>Restructured</u>	<u>Numbers</u>	<u>Restructured</u>	<u>Numbers</u>	<u>Restructured</u>	<u>Numbers</u>	<u>Restructured</u>
	<u>Credits</u>	<u>Common</u>	<u>Credits</u>	<u>Common</u>	<u>Credits</u>	<u>Common</u>	<u>Credits</u>	<u>Common</u>
A – Normal	1,035	19,397	21,282	150,261	34	302	1,858	15,501
B – Acceptable	750	16,891	2,712	17,894	14	145	1,007	9,349
C – Deficient	379	11,100	3,838	27,946	9	115	979	8,547
D – Difficult collection	600	18,072	6,339	43,550	4	39	359	3,272
E – Irrecoverable	110	4,807	2,919	20,558	10	133	73	569
	<u>2,874</u>	<u>70,266.4</u>	<u>37,090</u>	<u>260,208.9</u>	<u>71</u>	<u>733.9</u>	<u>4,276</u>	<u>37,238.3</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

<u>June 30</u>	Commercial		Consumption		Micro-credit		Housing	
	<u>Numbers</u>	<u>Restructured</u>	<u>Numbers</u>	<u>Restructured</u>	<u>Numbers</u>	<u>Restructured</u>	<u>Numbers</u>	<u>Restructured</u>
	<u>Credits</u>	<u>Common</u>	<u>Credits</u>	<u>Common</u>	<u>Credits</u>	<u>Common</u>	<u>Credits</u>	<u>Common</u>
A – Normal	918	16,261.8	20,426	136,858.5	13	41.3	1,834	15,214.4
B – Acceptable	508	12,581.7	2,515	17,072.9	22	243.5	916	7,388.5
C – Deficient	460	11,400.8	3,833	27,672.9	15	142.9	1,087	8,896.7
D – Difficult collection	697	18,901.9	6,937	42,817.8	14	186.8	455	3,580.7
E – Irrecoverable	105	2,249.5	3,385	21,121.3	5	64.8	70	506.8
	<u>2,688</u>	<u>61,395.7</u>	<u>37,096</u>	<u>245,543.4</u>	<u>69</u>	<u>679.3</u>	<u>4,362</u>	<u>35,587.2</u>

6.9 Restructured Credits per Geographical Zone

	<u>December 31</u>				<u>June 30</u>			
	<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>	<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>
Bogotá	39,878.2	124,815.5	733.9	26,941.2	40,291.0	114,126.2	678.3	25,293.4
Antioquia	12,786.6	42,607.2	0.0	2,115.2	6,822.7	42,053.2	0.0	1,976.1
Nororiental	8,856.1	51,001.6	0.0	5,068.0	7,693.1	48,215.5	1.1	5,556.3
Suroccidental	8,745.4	41,784.5	0.0	3,113.9	6,588.8	41,148.6	0.0	2,757.7
Panama	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.8
	<u>70,266.3</u>	<u>260,208.9</u>	<u>733.9</u>	<u>37,238.3</u>	<u>61,395.7</u>	<u>245,543.4</u>	<u>679.3</u>	<u>35,587.2</u>

6.10 Stockholders and employees portfolio

The portfolio includes loans as follows:

		<u>December 31</u>	<u>June 30</u>
Stockholders (Note 32)	USD	568.1	123,961.5
Housing Employees (note 11)		55,770.3	59,454.9
Consumption and comercial employees		30,504.7	31,906.4
	USD	<u>86,275.0</u>	<u>91,361.3</u>

The annual effective interest of the stockholders and employees credit portfolio is the following:

<u>Modalidad</u>	<u>Jul-Dic.10</u>	<u>Ene-Jun.10</u>
Individual Credits	Entre 0.0%-21.27%	Entre 0.0%-22.85%

In accordance with the established by the “Circular Externa 054” of 2009, the portfolio of housing employees derived from work benefits due to rate profits, is recorded as other assets as of June, 2010 (See note 11).

The time for credit portfolio to stockholders and employees is between 1 and 15 years.



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

6.11 Portfolio-backed Securities

The Bank carried out a process of productive home portfolio-backed securities (in UVR and at fixed rate) as non-productive portfolio.

The process of non-productive home portfolio-backed securities has been oriented towards the following aspects:

- Decreasing the level of overdue portfolio to the Bank's interior and, therefore, reducing the systemic risk presented by the concentration of long-term assets against short-term liabilities.
- Improving the financial indicators of the Bank.
- Funding and freeing up resources of the economy towards its productive apparatus using a non-productive asset that otherwise would not act as such.
- Involving the Bank in the deepening process of the capital market.

The process of home portfolio-backed securities is in keeping with the provisions set forth in the first sub-section of Article 12 of the Law 546 of 1999. The Bank proceeded to fully separate and cut-off from its equity the entirety of the underlying assets object of securitization that form a Universality, pursuant to the stipulations of Article 2 of the Resolution 775 of 2001 of the Superintendencia Financiera de Colombia, through the issuance of securities representing the loans granted to fund the construction and acquisition of houses classified as A, B and C. The A-shares are offered by the Title issuer to the general public and the B and C are recorded in the account 130409- Credit content titles from securitization process, the Bank is the beneficiary of those remaining after the securitization process i.e. once the interest and capital of all securities is paid and all other costs covered.

The following are details and conditions of sale of the portfolio securitization completed in the second half of 2010 with the *Titularizadora Colombiana*:

TERMS OF SALE

The following is a breakdown of the securitization for the second half of 2010:

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others</u>	<u>total</u>	<u>Profit</u>
Pesos-E15	Jul-23-2010	3,843	12.1	146,906.08	781.57	(58.15)	147,629.49	4,279.09
Tips-E12	Oct-08-2010	4,902	9.64	54,050.46	241.02	(125.13)	54,166.34	867.25
Pesos E16	Dic-02-2010	13,025	12.38	373,924.86	1,907.60	(115.78)	375,716.67	14,964.84
Tips E13	Dic-17-2010	<u>4,290</u>	8.95	<u>46,549.96</u>	258.26	<u>(13.01)</u>	46,795.21	<u>1,322.53</u>
		<u>26,060</u>		<u>621,431.36</u>	<u>3,188.43</u>	<u>(312.07)</u>	<u>624,307.73</u>	<u>21,433.71</u>

*Under the heading of other items, deferred balances of the obligations pertaining to the sale are discounted (prepaid).



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The following is a detail of the Portfolio securities during the first half-year of 2010:

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others</u>	<u>total</u>	<u>Profit</u>
Tips-E11	Feb-18-2010	3,058	4.5	39,366.07	183.94	(98.06)	39,451.95	295.27
Pesos-E14	Abr-16-2010	<u>1,477</u>	9.5	69,533.07	445.08	<u>(23.99)</u>	69,954.16	<u>1,738.29</u>
		<u>4,535</u>		<u>108,899.15</u>	<u>629.01</u>	<u>2,033.56</u>	<u>109,406.11</u>	<u>2,033.56</u>

*Under the heading of other items, deferred balances of the obligations pertaining to the sale are discounted (prepaid).

Sale Portfolio Write Downs

The following is a detail of the punished portfolio sales during the second half-year of 2010:

<u>Sales</u>		<u>Number of Credits</u>	<u>Capital</u>	<u>Interests</u>	<u>Others Concepts</u>	<u>Total</u>
Covinoc	USD	80,234	120,617.87	17,810.17	4,073.66	142,501.70
Konfigura Capital S.A.		<u>682</u>	<u>5,774.93</u>	<u>1,135.91</u>	106.22	7,017.05
	USD	<u>80,916</u>	<u>126,392.80</u>	<u>18,946.07</u>	<u>4,179.88</u>	<u>149,518.75</u>

On October 1, 2010, the bad debt portfolio was sold off for USD158,898.4, whose sale price rose USD16,789.3 from which was received \$ 4,207.4 on October 15, USD5,783.2 on October 20 and USD 901. 6 on October 22, 2010, leaving a balance of USD5.786.9 for January 17, 2011, plus interest liquidated 15 October 2010 and January 17, 2011 at a rate of 3% PA:

During the first semester 2010 there were no transactions by this concept.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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6.13 Portfolio Write Downs

The detail of the portfolio write downs is as follows:

		<u>December 31</u>			
		<u>Capital</u>	<u>Interests</u>	<u>Other Concepts</u>	<u>Total</u>
Commercial	USD	15,175.0	644.5	442.0	16,261.5
Consumption		95,047.7	2,992.2	1,365.6	99,405.5
Housing		4,545.0	35.0	190.5	4,770.5
Micro-credit		119.1	2.5	8.9	130.5
Others receivable accounts		0.0	0.0	876.5	876.5
	USD	<u>114,886.8</u>	<u>3,674.2</u>	<u>2,883.5</u>	<u>121,444.5</u>

		<u>June 30</u>			
		<u>Capital</u>	<u>Interests</u>	<u>Other Concepts</u>	<u>Total</u>
Commercial	USD	36,987.2	2,401.1	494.1	39,882.5
Consumption		76,756.6	2,351.8	1,704.1	80,812.5
Housing		4,104.9	27.1	137.0	4,269.0
Micro-credit		465.8	20.1	2.3	488.2
Others receivable accounts		0.0	0.0	4,084.6	4,084.6
	USD	<u>118,314.5</u>	<u>4,800.2</u>	<u>6,422.1</u>	<u>129,536.8</u>

The Bank and its subordinate did not make collector operations.



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6.14 Allowance for Credit Portfolio and Financial Leasing

The movement of the portfolio credit allowance is following:

		<u>December 31</u>				
		<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Total</u>
Initial Balance	USD	266,661.7	289,882.1	4,652.8	41,436.1	602,632.6
Plus:						
Allowance charged to expenses						
Operating		142,394.9	202,500.9	1,458.3	13,646.7	360,000.8
Reclassifications		(348.5)	0.1	65.6	0.2	(282.7)
Less:						
Punished Loans		15,175.0	95,047.7	119.1	4,545.0	114,886.8
Amount not recovered from goods		0.0	0.0	0.0	288.5	288.5
Refund to income		112,627.5	107,608.8	534.0	16,620.7	<u>237,390.9</u>
End Balance	USD	<u>280,905.6</u>	<u>289,726.5</u>	<u>5,523.5</u>	<u>33,628.8</u>	<u>609,784.4</u>

		<u>June 30</u>				
		<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Total</u>
Initial Balance	USD	277,091.1	268,714.0	1,776.7	37,979.4	585,561.1
Plus:						
Allowance charged to expenses						
Operating		160,440.2	198,946.8	3,765.0	15,613.9	378,765.9
Reclassifications		(1,441.9)	1,305.1	(41.4)	34.4	(143.7)
Less:						
Punished Loans		36,987.2	76,756.6	465.8	4,104.9	118,314.5
Amount not recovered from goods		0.0	0.0	0.0	552.0	552.0
Refund to income		132,392.9	102,133.3	379.9	7,516.7	242,422.9
End Balance	USD	<u>266,709.2</u>	<u>290,075.9</u>	<u>4,654.7</u>	<u>41,454.1</u>	<u>602,893.9</u>



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At December 31, 2010 and June 30, 2010, the unrecovered value in lieu of payment for USD288.5 and USD552.0, respectively, corresponds to the difference between the least cost of the asset and the balance of the debt recorded in the balance sheet, which is recognized in the statement of income in the credit portfolio allowances account.

The Bank's policy has incorporated allowances at December 31, 2010 and June 30, 2010 USD584,258.1 and for USD575,513.2 respectively; according to the norm these allowances amount to USD463.092.4 and USD436.790.2, respectively.

6.15 Ratification Effect

The portfolio of Subsidiaries abroad, Bancafé Panamá S.A. and Bancafé International Corporation S.A., of clients with economic activity in Colombia to be homologated with the established regulation in Annex III – MRC, chapter II of Basic Accounting Memorandum 100 of 1995, and for those debtors whose main economic activity, was developed in a different country, goes applied the expert model, for which a portfolio provision of USD453.3

6.16 Policy Changes

During the first half of 2010 the Bank implemented the new methodology to be applied from April 2010 for the calculation of individual provisions under the reference models with the following results:

The evaluations made using the new methodology generated a lower recovery provision value for the commercial and consumer portfolios of USD2,168.8 and USD9,843.1 respectively.

During the second and first half of 2010 countercyclical provision was made:

Portfolio	December 31	June 30
Consumption	68,149.9	60,500.5
Commercial	50,323.3	47,256.4
Total	<u>118,473.2</u>	<u>107,756.9</u>



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7. Customers' Acceptances and Derivatives

As of June 30 and December 31, 2010, the Bank had no issued acceptances

The following is the detail of the acceptances and the derivatives:

<u>Product</u>	<u>December 31</u>	<u>June 30</u>
Banking Acceptances	1,157.4	3,229.5
Cash Operations	25.4	13.6
Forward Contracts	37,014.9	28,228.5
Future Contracts	0.0	107.0
Swaps speculation	0.0	34.2
Options Speculation	715.4	446.5
USD	<u>38,913.2</u>	<u>32,059.4</u>

For the year 2010 and in accordance with the provisions of Chapter XVIII of the External Circular 100 of the Financial Superintendence of Colombia, the accounting of the right and the obligation of acceptances and derivatives is made taking into account the outcome of the fair trade price valuation, as follows:

Financial derivatives that yield a positive fair exchange price, that is favorable to the Bank, are recorded as assets, separating the rights value and the obligation value, except in the case of options, where the accounting record is performed in a single account. Those that yield a negative fair exchange price, that is unfavorable to the Bank, must be registered as a liability, performing the same separation.

	<u>December 31</u>		<u>June 30</u>	
	<u>Right</u>	<u>Obligation</u>	<u>Right</u>	<u>Obligation</u>
Purchase on foreign currency	45,826.3	-45,816.2	2,559.8	-2,549.5
Sale on foreign currency	36,481.7	-36,466.3	3,208.3	-3,205.1
	<u>82,308.0</u>	<u>-82,282.5</u>	<u>5,768.1</u>	<u>-5,754.5</u>
Total Net		<u>25.4</u>		<u>13.6</u>



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		<u>Speculation Derivatives</u>		<u>Hedging Derivatives</u>	
		<u>Forward</u>	<u>Futures</u>	<u>Total</u>	<u>Options</u>
<u>December 31</u>					
<u>Purchase on foreign currency</u>	Right	1,028,385.2	2,981.9	1,031,367.2	0.0
	Obligation	(1,004,225.3)	(2,981.9)	(1,007,207.2)	0.0
<u>Sale on foreign currency</u>	Right	622,804.6	39,827.9	662,632.5	0.0
	Obligation	(609,949.6)	(39,827.9)	(649,777.6)	0.0
<u>Sale on forex</u>	Right	0.0	0.0	0.0	0.0
	Obligation	0.0	0.0	0.0	0.0
<u>Purchase on securities</u>	Right	0.0	21,923.5	21,923.5	0.0
	Obligation	0.0	(21,923.5)	(21,923.5)	0.0
<u>Sale on securities</u>	Right	0.0	0.0	0.0	0.0
	Obligation	0.0	0.0	0.0	0.0
<u>On interest rate</u>	Right	0.0	0.0	0.0	194.2
	Obligation	0.0	0.0	0.0	(194.2)
<u>Call options</u>	Purchase	0.0	0.0	0.0	71.0
Put options	Purchase	0.0	0.0	0.0	644.5
Total Rights		1,651,189.9	64,733.3	1,715,923.2	909.6
Total obligations		(1,614,174.9)	(64,733.3)	(1,678,908.2)	<u>(194.2)</u>
Total Net		<u>37,014.9</u>	<u>0.0</u>	<u>37,014.9</u>	<u>715.4</u>



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		<u>Speculation Derivatives</u>				
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
<u>June 30</u>						
<u>Purchase on foreign currency</u>	Right	218,437.7	12,384.6	194.6	0.0	0.0
	Obligation	(216,959.3)	(12,340.7)	(160.4)	0.0	0.0
<u>Sale on foreign currency</u>	Right	957,974.6	3,450.3	0.0	0.0	0.0
	Obligation	(931,225.6)	(3,387.2)	0.0	0.0	0.0
<u>Sale on forex</u>	Right	86.8	0.0	0.0	0.0	0.0
	Obligation	(85.8)	0.0	0.0	0.0	0.0
<u>Purchase on securities</u>	Right	0.0	1,689.0	0.0	0.0	0.0
	Obligation	0.0	(1,689.0)	0.0	0.0	0.0
<u>Sale on securities</u>	Right	0.0	2,581.0	0.0	0.0	0.0
	Obligation	0.0	(2,581.0)	0.0	0.0	0.0
<u>On interest rate</u>	Right	0.0	0.0	170.6	0.0	0.0
	Obligation	0.0	0.0	(170.6)	0.0	0.0
<u>Call options</u>	Purchase	0.0	0.0	0.0	0.0	83.7
Put options	Purchase	0.0	0.0	0.0	0.0	362.9
Total Rights		1,176,499.2	20,104.9	365.2	0.0	446.6
Total obligations		(1,148,270.7)	(19,997.9)	(331.0)	0.0	0.0
Total Net		<u>28,228.5</u>	<u>107.0</u>	<u>34.2</u>	<u>28,369.7</u>	<u>446.6</u>



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The following is the detail of the held maturity and the derivatives:

		<u>December 31</u>		
		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>Total</u>
Cash operations	USD	25.4	0.0	25.4
Forward Agreements		34,639.2	2,375.7	37,014.9
Swaps * Banking Book		0.0	0.0	0.0
Futures Agreements		0.0	0.0	0.0
Options		715.5	0.0	715.5
	USD	<u>35,380.1</u>	<u>2,375.7</u>	<u>37,755.8</u>

		<u>June 30</u>		
		<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>Total</u>
Cash operations	USD	13.6	0.0	13.6
Forward Agreements		28,228.5	0.0	28,228.5
Swaps * Banking Book		34.2	0.0	34.2
Futures Agreements		107.1	0.0	107.1
Options		446.5	0.0	446.5
	USD	<u>28,829.9</u>	<u>0.0</u>	<u>28,829.9</u>



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8. Accounts Receivable

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

		<u>December 31</u>	<u>June 30</u>
Credit Portfolio (Note 6)			
Interests:		94,032.2	89,570.8
Componente Financiero Operaciones de Leasing (nota 6.3)		4,139.1	4,000.0
Interesed fondos interbancarios y otros intereses		0.4	27.2
		<u>98,171.7</u>	<u>93,598.0</u>
Fees and Commissions		1,192.5	2,717.3
Canons of goods given on leasing		131.0	141.8
Payments of costumers:			
Housing		6,703.1	7,739.5
Consumption		10,783.3	9,585.1
Micro-credit	USD	212.7	176.1
Commercial		4,869.5	4,602.1
		<u>22,568.5</u>	<u>22,102.8</u>
Others:			
Dividends and participations		0.0	909.8
Payments of costumers		2,529.9	2,371.4
Cuentas por cobrar clientes	USD	0.0	0.0
Advance local purchase		7,686.2	6,226.2
Advance of contracts and suppliers		20,623.0	23,480.2
Miscellaneous:		0.0	0.0
Cash and Exchange Lacking		697.1	485.3
Insurance Company claims		3,009.6	1,679.7
National Treasury		9,843.3	10,189.6
Forward Operations		1,399.7	44.1
Affiliated Companies		970.3	0.0
Government relieves (Law 546, 1999, Loans Reliquidation)		8,213.1	8,216.7
Advance credit card		167.3	3,760.7
Debtor – Treasury operations		1,078.2	2,889.3
Accounts Receivable–sale punished Consumption Portfolio		5,533.1	0.0
Banco de la Republica – Coverage rate		4,152.1	2,460.3
Expenditure Managed Portfolio		3,552.4	3,525.1
Debtor – commercial establishments		2,872.1	1,637.1
Miscellaneous (Less than 5%)		18,957.9	20,953.2
		<u>213,349.1</u>	<u>207,388.7</u>
Total Receivables Accounts	USD	<u>213,349.1</u>	<u>207,388.7</u>
Allowance	USD	<u>(37,248.3)</u>	<u>(41,948.7)</u>
Net Total Receivables Accounts	USD	<u>176,100.8</u>	<u>165,440.0</u>



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**** Mortgage Relief**

Mortgage relief came from a bulk process of reassessment of home loans following the change in the housing finance system proposed in Act 546 of 1999. The Bank carried out the procedure for recalculation based on the difference between the DTF and UPAC in order to compare the behavior of the UPAC with that of the UVR in order to have the same discount as credit institutions under UPAC. The National Government undertook obligations to pay the full amount of the difference brought about by the reassessment and to carry out these payments issued and delivered TES Treasury securities denominated in UVR.

In addition, the first article of Decree 712 of 2001 amending Decree 2221 of 2000 establishes the grounds for refunding the National Government - Ministry of Finance, TES Treasury Securities Law 546 delivered to creditors:

- For delays in payment by the beneficiary.
- For non-payment of individual housing credit by the beneficiary.
- For payment of mortgage credits for more than one dwelling per person.
- For a waiver of the payment.
- For excess payment.

8.1 Allowance for Accounts Receivable

The detail of allowance for accounts receivable is as follows:

		<u>December 31</u>	<u>June 30</u>
Portfolio interests (note 6)	USD	9,901.4	11,972.3
Payment of clients		6,332.5	7,223.5
Government relieves		7,092.8	7,095.8
Credit Card		0.0	128.9
Payment providers		3,463.9	1,243.4
Miscellaneous		10,457.8	14,284.6
	USD	<u>37,248.3</u>	<u>41,948.7</u>



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The movement of the allowance for accounts receivable is as follows:

<u>December 31</u>		<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Others</u>	<u>Total</u>
Beginning Balance	USD	6,827.0	8,228.3	109.7	4,031.0	22,752.7	41,948.7
Difference in rate adjustment		3.0	3.6	0.0	1.7	9.9	18.2
Plus:							
Allowance charged to							
Operating		3,401.9	8,070.4	0.9	1,655.4	7,371.7	20,500.2
Reclassification		0.0	76.2	0.1	28.5	(59.7)	45.1
Less:							
Punished Portfolio		502.1	4,821.3	0.3	346.3	1,356.0	7,026.0
Reclassifications		0.0	92.0	0.0	7.6	1.3	100.9
Reimbursement		3,779.1	4,652.5	0.5	1,917.2	7,751.3	<u>18,100.6</u>
Ending Balance	USD	<u>5,950.6</u>	<u>6,812.7</u>	<u>109.9</u>	<u>3,426.4</u>	<u>20,966.0</u>	<u>37,248.3</u>

<u>June 30</u>		<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Others</u>	<u>Total</u>
Beginning Balance	USD	10,521.0	7,178.0	53.2	7,473.8	16,765.1	41,991.2
Plus:							
Allowance charged to							
Operating		6,578.5	9,740.2	105.6	3,161.9	15,762.2	35,348.5
Reclassification		(65.5)	76.7	(22.0)	0.0	61.5	50.8
Less:							
Punished Portfolio		2,895.2	4,055.9	22.4	164.1	4,084.6	11,222.3
Reclassifications		435.5	0.0	0.0	0.0	0.0	435.5
Reimbursement		6,876.3	4,710.8	4.7	6,440.5	5,751.5	<u>23,783.9</u>
Ending Balance	USD	<u>6,827.0</u>	<u>8,228.3</u>	<u>109.7</u>	<u>4,031.0</u>	<u>22,752.7</u>	<u>41,948.7</u>



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9. Foreclosed Assets, Goods Returned and Goods not used in the corporate object

The detail of realizable goods, goods received as payment and goods returned, is as follows:

		<u>December 31</u>	<u>June 30</u>
<u>Assets received in payment:</u>			
Destined to housing:			
Real States	USD	4,315.9	3,680.2
Assets received in auction		848.9	754.3
Inflation adjustments		0.1	0.1
Total destined to housing		<u>5,164.9</u>	<u>4,434.6</u>
<u>Different from housing</u>			
Real States		7,257.1	7,272.4
Assets received in auction		789.3	757.7
Inflation adjustments		12.0	122.9
Adjustment cost		<u>8,058.4</u>	<u>8,153.0</u>
Real States (1)			
Rights and Securities		575.6	575.9
Real States		1,496.8	1,650.4
		<u>2,072.4</u>	<u>2,226.2</u>
Total different from housing		<u>10,130.8</u>	<u>10,379.2</u>
<u>Assets restored from housing leasing contracts</u>			
Housing		564.8	813.9
Financial		0.0	0.0
		<u>564.8</u>	<u>813.9</u>
<u>Assets not used in the Company's purpose</u>			
Lands		10,107.1	10,202.3
Buildings		15,272.3	15,627.3
Depreciation		-3,379.9	-3,223.1
		<u>21,999.4</u>	<u>22,606.5</u>
<u>Less:</u>			
Allowance assets destined to housing		2,554.2	1,861.9
Allowance assets different from housing		5,220.3	5,902.1
Allowance Real States		984.9	999.7
Allowance assets restored from leasing contracts		164.2	178.9
Allowance assets not used in the Company's		1,520.2	1,615.9
		<u>10,443.7</u>	<u>10,558.5</u>
	USD	<u>27,416.3</u>	<u>27,675.8</u>



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(1) The detail of goods received as payment, is as follows:

		<u>December 31</u>		<u>June 30</u>	
		<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Rights and Securities					
Shares	USD	14.3	14.3	14.3	14.3
Zuana Rights-timeshare		561.3	549.0	561.6	545.5
		<u>575.6</u>	<u>563.2</u>	<u>575.9</u>	<u>559.8</u>
Personal property					
Vehicles		1,308.0	354.6	1,438.4	381.2
Machinery		4.9	4.9	28.0	28.0
Real States		179.3	57.5	179.3	26.1
Art goods		4.6	4.6	4.7	4.7
		<u>1,496.8</u>	<u>421.6</u>	<u>1,650.4</u>	<u>439.9</u>
	USD	<u>2,072.4</u>	<u>984.8</u>	<u>2,226.2</u>	<u>999.7</u>

The detail of goods received as payment, goods returned and goods not used in the corporate object, according to the time of permanence, is as follows:

		<u>Less than 1 year</u>	<u>Between 1 to 5 years</u>	<u>Between 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
<u>December 31</u>							
Housing		2,191.2	2,577.1	328.0	68.6	5,164.9	2,554.2
Different from housing		3,009.8	3,351.5	1,570.2	364.8	8,296.3	5,220.3
Real States		1,029.5	262.9	537.5	4.6	1,834.5	984.9
Returned Goods		377.3	157.0	30.6	0.0	564.8	164.2
Assets not used		0.0	15,390.0	6,615.0	0.0	<u>22,005.0</u>	1,520.2
	USD	<u>6,607.9</u>	<u>21,738.5</u>	<u>9,081.2</u>	<u>438.0</u>	<u>37,865.5</u>	<u>10,443.7</u>
<u>June 30</u>							
Housing		2,367.1	1,616.3	415.8	35.5	4,434.6	1,861.9
Different from housing		2,491.2	1,347.9	1,959.2	2,354.8	8,153.0	5,902.1
Real States		1,344.4	321.7	560.1	0.0	2,226.2	999.7
Returned Goods		626.4	156.9	30.6	0.0	813.9	178.9
Assets not used		0.0	15,978.6	6,627.9	0.0	<u>22,606.5</u>	1,615.9
	USD	<u>6,829.1</u>	<u>19,421.4</u>	<u>9,593.5</u>	<u>2,390.2</u>	<u>38,234.2</u>	<u>10,558.5</u>



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During 2010, valuations were made of property received in lieu of payment for housing, generating a profit in recovery of USD5,931.7 and USD3,697.9 for the second and first half of 2010, respectively. These valuations are recorded in the accounts. (Note 25)

During the second and first semester of 2010, the Bank has undertaken various strategies in the sale of the goods received in payment, with the following results:

		<u>December 31</u>		<u>June 30</u>	
		<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Goods Received as Payment	USD	93.5	5,876.5	160.0	6,296.4
Non using goods		2.1	439.1	1.0	1,045.4
Total Sales		<u>95.6</u>	<u>6,315.6</u>	<u>161.0</u>	<u>7,341.8</u>
Sales Profit			302.4		204.2
Amortization of the deferred profit			461.1		320.5
Profit from sale of unused assets			244.7		861.6
Results effect (note 28)	USD		<u>1,008.2</u>		<u>1,386.2</u>

During the second and first half of 2010, losses were recorded for the sale of assets received in lieu for property of USD643.4 and USD96.8, sales losses for property totaled USD184.1 and USD411.2; the loss on sale of property not used during the first half of 2010 amounted to USD370.0.

9.1 Allowance for Foreclosed Assets and Returned Goods

The movement of the allowance for foreclosed assets is as follows:

		<u>December 31</u>		<u>June 30</u>	
Beginning balance	USD	10,553.9		9,794.4	
Plus:					
Allowance charged to operating expenses		1,669.5		1,814.9	
Reclassifications		0.0		-24.1	
Less:					
Write down		0.0		0.0	
		221.0		32.1	
Refund revenue – recoveries		1,558.6		994.6	
Ending balance	USD	<u>10,443.7</u>		<u>10,558.5</u>	



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As of December 31, 2010 and June 30, 2010, the Bank has Goods Received as Payment provisioned at 100% is as follows:

<u>December 31</u>		<u>June 30</u>	
<u>Amount</u>	<u>Allowance</u>	<u>Amount</u>	<u>Allowance</u>
176	4,554.3	179	4,468.7

In the universality processes, the Bank purchases from the CCV, CCVII, and CCVIII universality some of the assets received in payment which will be placed as the Bank's leasing portfolio.

The Bank acquired real estate properties from the securitizations of portfolio written off CCVI, II, III for USD13.6 and USD24,1 as of December 31, 2010 and June 30, 2010, respectively and granted housing leasing credits.

As of December 31, 2010 and June 30, 2010, there are insurance policies that cover risks of theft, fire, earthquake, riots, civil commotions, explosion, volcanic eruption, low tension, premises, loss or damages to offices and vehicles.

10. Property, Equipment and goods given on operating lease

A detail of properties, Equipment and goods given on lease, is as follows:

		<u>December 31</u>			<u>June 30</u>		
		<u>Cost</u>	<u>Inflation Adjustment</u>	<u>Cost Adjusted</u>	<u>Cost</u>	<u>Inflation Adjustment</u>	<u>Cost Adjusted</u>
Lands, buildings & constructions							
In progress	USD	186,660.2	19,416.7	206,076.9	184,183.7	19,529.2	203,712.9
Equipment, vehicles, office							
Furniture and supplies		49,074.3	4,975.5	54,049.8	61,790.8	6,287.4	68,078.2
Computer equipment		96,804.2	9,826.7	<u>106,630.9</u>	128,564.2	14,560.1	<u>143,124.3</u>
		<u>332,538.7</u>	<u>34,218.9</u>	<u>366,757.6</u>	<u>374,538.6</u>	<u>40,376.7</u>	<u>414,915.3</u>
Less: accumulated depreciation		(158,160.7)	(10,821.2)	(168,981.9)	(203,219.5)	(14,222.1)	(217,441.6)
Less: allowance		(4,208.6)	0.0	<u>(4,208.6)</u>	(3,595.1)	0.0	<u>(3,595.1)</u>
	USD	<u>170,169.4</u>	<u>23,397.7</u>	<u>193,567.2</u>	<u>167,724.0</u>	<u>26,154.6</u>	<u>193,878.6</u>
Goods given on lease		5,950.0	0.0	<u>5,950.0</u>	5,359.9	0.0	<u>5,359.9</u>
Less: accumulated depreciation		(1,958.5)	0.0	(1,958.5)	(1,594.1)	0.0	(1,594.1)
Less: allowance		(41.2)	0.0	<u>(41.2)</u>	(39.1)	0.0	<u>(39.1)</u>
	USD	<u>3,950.3</u>	<u>0.0</u>	<u>3,950.3</u>	<u>3,726.7</u>	<u>0.0</u>	<u>3,726.7</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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As of December 31, 2010 and June 30, 2010 there are insurance policies that cover risks of theft, fire, earthquake, riots, civil commotions, explosion, volcanic eruption, low tension, premises, loss or damages to offices and vehicles.

Below you will find the details of the valuations of properties and equipment as at December 31, 2010 and June 30, 2010:

	<u>December 31</u>	<u>June 30</u>
Surplus buildings revaluations	190,883.5	188,210.0
Surplus buildings not used revaluations	18,333.3	18,453.8
USD	<u>209,216.8</u>	<u>206,663.8</u>

There are no mortgages or retention of title on same and they have not been transferred under a pledge guarantee.

The depreciation charged to expenses in the biannual periods that ended on December 31, 2010 and June 30, 2010 was of USD11.411,8 and USD9,332.3, respectively.

At March 2006 the Bank acquired the building Bancolombia conavi of street 26 for a value USD10.248,8, which was conducted by two (2) Financial Leasing contracts to 60 months with Leasing Colombia at a rate of DTF TA + 3.2 and leasing credit at a rate of DTF TA + 3.3 with an option to purchase 10%. As established by the legal rules applicable to such contracts, the bank records properties and equipment in the value of the Land for USD1.468.0.

As of December 31 and June 30, 2010 the expense for payment of leasing rents, amounts to USD1.028,9 and USD1.041.3, respectively.

10.1 Allowance of Properties and Equipment

The movement of the allowance of properties and equipment during the semester periods ended on December 31, 2010 and June 30, 2010, is as follows:

	<u>December 31</u>	<u>June 30</u>
Beginning balance	USD 3,634.2	4,100.5
Difference in rate adjustment	1.5	0.0
Plus:		
Allowance charged to operating expenses	1,028.2	0.0
Less:		
Reclassifications	2.2	8.0
Refund previous years	0.0	41.0
Refund to revenue – recoveries	413.1	417.4
Ending balance	USD <u>4,249.8</u>	<u>3,634.2</u>



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

11. Other assets

11.1 Permanent contributions

At December 31, 2010 and June 30, 2010, permanent contributions (memberships) were held in social clubs for a value of USD139.7.

11.2 Expenses paid, Intangible assets in Advance and Deferred Charges

The detail of expenses paid in advance and deferred charges with closing as of December 31, 2010 and June 31, 2010 and is as follows:

	<u>December 31</u>	<u>June 30</u>
Expenses paid in advance:		
Interests	USD 0.9	0.8
Leases	2.1	5.5
Equipment maintenance	29.7	81.1
Insurance	3,579.9	4,164.6
Others	579.9	549.2
	USD <u>4,192.4</u>	<u>4,801.3</u>
Intangible Assets		
Mercantil Credit	USD 657,012.0	682,374.8
Deferred Charges:		
Remodeling	17,621.5	13,584.5
Deferred Income Tax "debit" for temporary differences	10,882.7	4,746.9
Computer Software	1,478.8	256.0
Leasehold improvements	8,469.7	2,925.6
Contributions and affiliations	10.1	39.2
Tax on democratic security	25.1	0.0
Prior to the purchase of tickets business strategy	798.4	0.0
Commissions and advisories	1,560.7	2,314.7
Endowments	0.0	2,137.6
Others (less to 5%)	19.2	477.4
	<u>40,866.3</u>	<u>26,481.9</u>
Expenses in advance, Intangible Assets		
Deferred Charges	USD <u>702,070.7</u>	<u>713,658.0</u>
Book value investments excess	USD <u>5,452.0</u>	<u>8,429.6</u>



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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The movement of the expenses paid in advance, intangible assets and deferred charges as of December 31, 2010 is as follows.

		Balance <u>June 30</u>	<u>Charges</u>	<u>Amortizations</u>	Balance <u>December 31</u>
Advance expenses	USD	4,801.3	8,601.6	9,208.6	4,194.2
Intangible Assets		682,374.7	2,125.1	27,202.7	657,297.1
Deferred charges		26,482.3	37,482.3	23,080.7	<u>40,884.0</u>
	USD	<u>713,658.4</u>	<u>48,209.0</u>	<u>59,492.0</u>	<u>702,375.3</u>

The movement of the advance expenses, intangible assets and deferred charges to be amortized as of December 31, 2010 and June 30, 2010:

		<u>Less tan 1 year</u>	<u>Between 1 & 5 years</u>	<u>More than 10 years</u>	<u>Total</u>
<u>December 31</u>					
Advance expenses					
Interests	USD	0.9	0.0	0.0	0.9
Leases		2.1	0.0	0.0	2.1
Equipment maintenance		29.7	0.0	0.0	29.7
Insurance		3,579.9	0.0	0.0	3,579.9
Others		398.1	181.7	0.0	<u>579.9</u>
	USD	<u>4,010.7</u>	<u>181.7</u>	<u>0.0</u>	<u>4,192.4</u>
Intangible Assets					
Mercantile Credit	USD	16.6	28,970.0	628,025.4	<u>657,012.0</u>
Deferred charges					
Remodeling	USD	13,779.1	12,312.2	0.0	26,091.3
Computer Software		1,165.5	313.3	0.0	1,478.8
temporary differences		10,862.5	20.1	0.0	10,882.6
Commissions and advisories		1,571.0	0.0	0.0	1,571.0
Business strategy pre purchase tickets		805.0	0.0	0.0	805.0
Others		37.6	0.0	0.0	<u>37.6</u>
	USD	<u>28,220.7</u>	<u>12,645.6</u>	<u>0.0</u>	<u>40,866.3</u>
	USD	<u>32,248.0</u>	<u>41,797.3</u>	<u>628,025.4</u>	<u>702,070.7</u>



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June 30

		<u>Less than 1 year</u>	<u>Between 1 & 5 years</u>	<u>More than 10 years</u>	<u>Total</u>
Advance expenses					
Interests	USD	81.9	0.0	0.0	81.9
Leases		5.5	0.0	0.0	5.5
Equipment maintenance		0.0	0.0	0.0	0.0
Insurance		4,164.6	0.0	0.0	4,164.6
Others		549.2	0.0	0.0	<u>549.2</u>
	USD	<u>4,801.3</u>	<u>0.0</u>	<u>0.0</u>	<u>4,801.3</u>
Intangible Assets					
Mercantile Credit	USD	0.0	30,833.8	651,541.1	<u>682,374.8</u>
Deferred charges					
Remodeling	USD	5,506.4	11,003.8	0.0	16,510.2
Deferred income tax "debit" for temporary differences		4,747.0	0.0	0.0	4,747.0
Computer Software		256.0	0.0	0.0	256.0
Contributions and affiliations		39.2	0.0	0.0	39.2
Commissions and advisories		2,314.8	0.0	0.0	2,314.8
Endowments		2,137.7	0.0	0.0	2,137.7
Others		477.3	0.0	0.0	<u>477.3</u>
	USD	<u>15,478.4</u>	<u>11,003.8</u>	<u>0.0</u>	<u>26,482.2</u>
	USD	<u>20,279.7</u>	<u>41,837.5</u>	<u>651,541.1</u>	<u>713,658.4</u>

Intangible Assets

This is the commercial credit generated by the purchase of acquired credit facilities. At December 31, 2010 and June 30, 2010 this amounted to USD702,096.8 and USD713,658.4 respectively.

Following, a breakdown of mercantile loan:

Bansuperior S.A. Commercial Credit:

For the purchase of Bansuperior S.A. completed in September 2005. The mercantile credit was recorded for USD162,683.2, which redeemed in seventy-two (72) monthly rates, according to the 200503346-55 communication dated 8 August 8, 2005 issued by the Superintendencia Financiera de Colombia.

The following is the detail of the amortization:

Amount generated in September 2005	USD	162,683.2
Amortization accumulated at December 31, 2005		(8,331.5)
Merge effect value in May, 2006		3,257.7
Amortization at June, 2010		<u>(126,770.6)</u>
Amount to be amortized at December 31, 2010	USD	<u>16,595.6</u>



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Granbanco S.A. – Bancafe Commercial Credit:

The commercial credit was generated by the purchase of Granbanco of February 16, 2007 for the amount of USD717.381.28; operation authorized by means of Resolution 0139 of January 31, 2007 from the Superintendencia Financiera de Colombia.

According to the provisions of External Memorandum Letter 034 of 2006 by the Superintendencia Financiera de Colombia, the commercial credit must be valued by an expert, who must be an independent professional without any conflict of interest with the Bank and with accredited experience on the subject. In this case, said expert was the Firm PricewaterhouseCoopers Asesores Gerenciales Ltda. The valorization must be performed each year.

Likewise, according to the provisions of External Memorandum Letter 034 of 2006, the amortization of the commercial credit will be made at twenty (20) years, the way exponentially according to the next table:

Lines of Business

Year	% amortiz.	Consumption	Commercial	Pyme	Credit Card	Housing	Affiliates	Value to amortized per year
1	2,47	USD 3.771,2	7.757,6	1.229,0	2.871,2	1.977,2	112,9	17.719,2
2	5,10	4.017,9	8.265,1	1.309,4	3.059,0	2.106,6	120,2	18.878,4
3	7,92	4.299,9	8.845,1	1.401,3	3.273,7	2.254,4	128,6	20.203,2
4	10,94	4.617,1	9.497,6	1.504,6	3.515,2	2.420,7	138,2	21.693,6
5	14,17	4.934,3	10.150,1	1.608,0	3.756,7	2.587,0	147,7	23.184,1
6	17,61	5.251,5	10.802,6	1.711,4	3.998,2	2.753,3	157,1	24.674,3
7	21,28	5.603,9	11.527,6	1.826,3	4.266,6	2.938,1	167,7	26.330,5
8	25,21	5.991,6	12.325,1	1.952,6	4.561,8	3.141,4	179,3	28.152,0
9	29,41	6.414,6	13.195,2	2.090,4	4.883,8	3.363,2	191,9	30.139,3
10	33,91	6.872,8	14.137,7	2.239,8	5.232,6	3.603,4	205,7	32.292,1
11	38,71	7.331,0	15.080,2	2.389,1	5.581,4	3.843,6	219,4	34.444,9
12	43,86	7.859,6	16.167,7	2.561,4	5.984,0	4.120,8	235,2	36.928,9
13	49,35	8.388,3	17.255,2	2.733,7	6.386,5	4.398,0	251,0	39.412,9
14	55,22	8.952,2	18.415,2	2.917,4	6.815,8	4.693,6	267,9	42.062,5
15	61,50	9.586,6	19.720,3	3.124,2	7.298,9	5.026,3	286,9	45.043,4
16	68,21	10.256,3	21.097,8	3.342,5	7.808,7	5.377,4	306,9	48.189,7
17	75,39	10.961,2	22.547,8	3.572,2	8.345,4	5.746,9	328,1	51.501,7
18	83,06	11.701,3	24.070,3	3.813,4	8.908,9	6.135,0	350,2	54.979,3
19	91,25	12.511,9	25.737,8	4.077,6	9.526,1	6.560,0	374,5	58.788,1
20	100,00	<u>13.357,9</u>	<u>27.477,8</u>	<u>4.353,2</u>	<u>10.170,1</u>	<u>7.003,4</u>	<u>399,7</u>	<u>62.762,3</u>
		USD <u>152.681,7</u>	<u>314.074,6</u>	<u>49.758,2</u>	<u>116.245,4</u>	<u>80.051,2</u>	<u>4.569,9</u>	<u>717.381,2</u>

The following are the major characteristics considered in the evaluation of the commercial credit:

- The definition and determination of lines of business was a process carried out jointly with the directors of Davivienda and Granbanco S.A., whereby the two entities identified the independent cash flow sources of groups of assets.
- According to the foregoing, the merger of the lines of business of Davivienda and Granbanco S.A. was made, taking into account the synergies that could be found. In this manner, the value of the commercial credit was assigned in the following six (6) lines of business with valuation at market prices and based on the figures as of the closing of December 31, 2006 for Davivienda and January 31, 2007 for Granbanco S.A.: consumption, commercial, SME, credit card, housing and affiliates (Panamá, Miami and Fiducaf ).



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- The general criteria to define the above lines of business were: characteristics proper of the lines of business (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.
- Upon definition of the lines of business and identification of their corresponding assets, based on the global the balance sheet and statement of income and the different information system of each of the entities, the statements of income and balance sheets were determined for each line of business, for a projected period of 10 years.

The valuation of lines of business was made using the methodology of flow of dividends, discounted at the stockholder's cost, which according to experts is the most appropriate to value financial institutions and is wide used by first level banks. Said methodology consists in forecasting the flow of dividends available during 10 years plus a terminal value and discounting them at a proper rate.

A summary of the assignment of commercial credit determined by each line of business, of the accumulated amortization and the balance as of December 31, 2010, is the following:

<u>Business line</u>	<u>Participation</u>	<u>Commercial credit recorded</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Consumption	21.3%	USD 152,681.7	14,012.9	138,668.7
Commercial	43.8%	314,074.6	28,825.2	285,249.4
SMEs	6.9%	49,758.2	4,566.7	45,191.4
Credit Card	16.2%	116,245.4	10,668.8	105,576.6
Housing	11.2%	80,051.2	7,346.9	72,704.2
affiliates	<u>0.6%</u>	<u>4,569.9</u>	<u>419.4</u>	<u>4,150.5</u>
Total	<u>100.0%</u>	<u>USD 717,381.2</u>	<u>65,840.2</u>	<u>651,541.0</u>

The result of the update revaluation at May 31, 2010, made by the firm Price waterhouse Coopers Managers Advisors Ltda. in base of the audited financial statements of Bank at December 31, 2009, the business lines did not generated lost for impairment.

For tax purposes, the Bank implements Article 143 of the Tax Code, which states that the term for the amortization of investments may be made in a term of "not less than five years", and has planned to make the repayment within a period of 7 years and 5 years respectively using the straight-line method, for which a simple calculation was made of the total divided into the number of months proposed, and a portion is set to be amortized annually. A similar method is provided for in the case of depreciation.

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

The fact that there is a difference between the accounted amortization, (which will be in a period of twenty years) and the amortization claimed as deduction (which will be in seven years) does not prevent the granting of the deduction, different to that which occurs for depreciation, the law does not require that the amortization requested as a deduction be accounted. The same applies with regard to the method used.



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11.3 Other Assets – Other

The detail of other assets – other is as follows:

		<u>December 31</u>	<u>June 30</u>
Permanent contributions	USD	139.7	139.8
Letters of credit of deferred payment		1,363.4	3,296.2
Others Deposits (1)		3,403.7	9,145.0
Goods delivered in concordat		1,205.7	1,237.2
Art and culture assets		1,143.7	1,007.0
Rights in trust (2)		7,014.4	7,037.3
Others rights in trust		25.1	25.0
Retención en la Fuente		0.2	9,958.7
Income tax advance		343.9	1,820.4
Surplus tax		3,977.4	28,641.8
Consortiums or Joint Ventures		2,319.2	2,464.5
Negotiated unpaid remittances		72.2	1,488.5
Industry and commerce tax advances		55.9	83.4
Others (less to 5%)		47.8	49.6
	USD	<u>21,112.3</u>	<u>66,394.5</u>

- (1) A lien for USD8,222.0 was recorded in the Legal Deposit and the contingent accounts, corresponding to the injunction of February 26, 2010 to freeze TES Law 546 payments to the Bank under the Public Interest claim process. These titles matured on February 28, 2010.

On July 29, 2010 the embargo was lifted.

- (2) Rights in trust

At December 31, 2010 and June 30, 2010 under the heading rights in trust, in which are recorded the following goods received as payment:

	<u>December 31</u>		<u>June 30</u>	
	<u>Saldo</u>	<u>Provisión</u>	<u>Saldo</u>	<u>Provisión</u>
Copescol S.A.	513.5	513.5	513.7	513.7
Agropecuaria Molina Vivas	19.3	19.3	19.3	19.3
Textiles Omnes S.A.	243.3	243.3	243.4	243.4
Fiduciaria Superior	1,197.1	0.0	1,219.7	0.0
H&L Barú	5,041.2	5,041.2	5,041.2	5,041.2
	<u>7,014.4</u>	<u>5,817.3</u>	<u>7,037.3</u>	<u>5,817.6</u>



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11.4 Employees Portfolio

The Bank evaluated one hundred percent (100%) of credits to employees. The result of the rating at December 31, 2010 and June 30, 2010 is as follows:

December 31	<u>Balance</u>	<u>Admissible Guaranties</u>	<u>Allowance</u>
A -Normal	<u>55,774.3</u>	<u>153,070.0</u>	<u>836.7</u>
	<u>55,774.3</u>	<u>153,070.0</u>	<u>836.7</u>

June 30	<u>Balance</u>	<u>Admissible Guaranties</u>	<u>Allowance</u>
A -Normal	<u>59,308.1</u>	<u>163,347.2</u>	<u>889.8</u>
B -Acceptable	<u>162.5</u>	<u>372.7</u>	<u>8.3</u>
C -Deficient	<u>1.1</u>	<u>21.1</u>	<u>0.3</u>
D –Difficult collection	<u>0.1</u>	<u>75.1</u>	<u>0.1</u>
	<u>59,471.8</u>	<u>163,816.2</u>	<u>898.4</u>

Loans granted to employees for housing purchases are secured with admissible guarantee.

At December 31, 2010 Consumer loans to employees were reclassified from the other assets account to the credit portfolio accounts, which amounted to USD25,796.0, leaving matters related to the employment benefits in other assets.

11.5 Allowance for other assets

The movement of the allowance for others assets, is as follows:

		<u>December 31</u>	<u>June 30</u>
Beginning balance	USD	7,318.3	10,925.2
Plus:			
Allowance charged to operating expenses		89.6	364.4
Reclassifications		0.3	0.4
Less:			
Recoveries		0.5	0.0
Transfer Employees allowance		0.0	809.1
Write downs		0.0	82.6
Refunding to income – Recoveries		148.7	3,076.8
Ending balance	USD	<u>7,259.0</u>	<u>7,321.4</u>



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12. Deposits and callabilities

The following is the detail of deposits and callabilities:

	Maximum annual interest rate		<u>December 31</u>	<u>June 30</u>
Deposits in current account	0.0%	USD	1,703,708.6	1,468,841.0
Certificates in pesos				
Lower than 6 months	0.0% - 4.40%		948,689.3	1,087,328.7
Equal to 6 and lower than 12 months	4.0% - 4.65%		1,268,995.5	1,294,269.9
Equal to 12 and lower than 18 months	4.12% - 5.00%		400,277.7	369,380.7
Equal or higher than 18 months	4.30% - 5.65%		1,028,559.4	869,172.0
			<u>3,646,521.9</u>	<u>3,620,151.2</u>
Savings deposits				
Common savings deposits	0.0% - 4.0%		4,590,212.9	4,450,573.8
Special savings accounts			26,441.9	25,053.9
			<u>4,616,654.8</u>	<u>4,475,627.6</u>
Saving Certificates of Real Value				
Equal or higher than 18 months			11,378.6	0.0
Other deposits and callabilities				
Banks and intermediaries			7,483.7	952.3
Special deposits			181.3	0.0
Callabilities per banking services			119,515.9	62,238.7
Affiliated establishments			3,456.0	1,933.1
			<u>130,636.9</u>	<u>65,124.1</u>
		USD	<u>10,108,900.8</u>	<u>9,629,744.1</u>

The following is a detail of the interest expense during the biannual periods ended on December 31, 2010 and June 30, 2010:

<u>Modality</u>		<u>December 31</u>	<u>June 30</u>
Deposits and callabilities interests:			
Common deposits	USD	31,785.5	48,021.6
Term savings certificates		53.2	8.7
Certificates in pesos		79,497.9	84,389.5
Deposits in current account		3,130.6	179.4
		<u>114,467.2</u>	<u>132,599.2</u>
Adjustments of the real value unit - UVR		145.1	3,528.3



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Other interests:

Bank credits and other financial obligations	17,125.0	16,098.4
Inter-bank funds	140.4	477.3
Bonds	45,409.4	42,195.1
Commitments and simultaneous transfer repos	2,179.2	2,426.1
Leasing (nota 10)	1,028.9	1,041.3
Preferred shareholders - advance shares purchase	1,435.8	1.7
Others	(5.2)	(7.0)
	<u>67,313.5</u>	<u>62,232.8</u>
USD	<u>181,925.8</u>	<u>198,360.3</u>

12.1 Reserve

On December 31, 2010 and June 30, 2010, a reserve on deposits and enforceability was formed in accordance with External Resolution 11 of October 2008 of the Banco de la República (Note 37)

13. Passive Positions in Monetary Market Operations and those Related

The following is the detail of Passive Positions in Monetary Market Operations and those Related:

<u>December 31</u>							
<u>Entity</u>	<u>Amount in Dollars</u>		<u>Rate</u>	<u>Date of</u>		<u>Market</u>	<u>TRM (Pesos)</u>
				<u>Initiation</u>	<u>Cancellation</u>	<u>Value</u>	
<u>Foreign Currency</u>							
Overnight Foreign Banks							
	USD	10,000,000.0	0.50%	Dec.30.10	Jan.03.11	USD10,000.0	1,913.98
	USD	10,000,000.0	0.50%	Dec.30.10	Jan.03.11	10,000.0	1,913.98
	USD	<u>5,000,000.0</u>	0.45%	Dec.30.10	Jan.03.11	<u>5,000.0</u>	1,913.98
		<u>25,000,000.0</u>				<u>USD25,000.0</u>	
<u>Legal Currency</u>							
Liabilities Repos							
Others			1.02%	Dec.30.10	Jan.06.11	\$ 84.6	
other financial institutions			1.53%	Dec.30.10	Jan.03.11	<u>5,224.9</u>	
						<u>USD5,309.6</u>	
Total Passive Positions in Monetary Market Operations and those Related						USD30,309.6	



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<u>Entity</u>	<u>Amount in Dollars</u>		<u>Rate</u>	<u>Date of Initiation</u>	<u>Cancellation</u>	<u>Market Value</u>	<u>TRM (Pesos)</u>
<u>June 30</u>							
<u>Foreign Currency</u>							
Overnight Foreign Banks:	USD	10,000,000.0	0.40%	Jun.30.10	Jul.01.10	10,000.0	1,913.15
	USD	10,000,000.0	0.30%	Jun.30.10	Jul.01.10	10,000.0	1,913.15
	USD	<u>20,000,000.0</u>				<u>20,000.0</u>	
<u>Legal Currency</u>							
Liabilities Interbank							
Banks			3.00%	Jun.30.10	Jul.01.10	15,681.0	
Liabilities Repos							
Real Sector			1.02%	Jun.30.10	Jul.08.10	15.0	
			1.02%	Jun.25.10	Jul.01.10	39.5	
			1.02%	Jun.23.10	Jul.01.10	64.3	
			1.02%	Jun.30.10	Jul.08.10	85.7	
			1.02%	Jun.30.10	Jul.01.10	8,938.1	
			8.10%	Jun.29.10	Jul.01.10	153.7	
			1.33%	Jun.30.10	Jul.02.10	321.5	
Others			0.10%	Jun.28.10	Jul.02.10	54.9	
Real Sector			0.10%	Jun.25.10	Jul.01.10	79.5	
			0.10%	Jun.24.10	Jul.01.10	52.3	
			0.10%	Jun.29.10	Jul.01.10	113.4	
						<u>9,917.8</u>	
Companies Trust			2.88%	Jun.30.10	Jul.01.10	2,090.8	
			2.88%	Jun.30.10	Jul.01.10	1,515.8	
			2.88%	Jun.30.10	Jul.01.10	6,387.9	
			2.88%	Jun.28.10	Jul.01.10	3,136.7	
						<u>13,131.1</u>	
Companies Pension Fund Administrators and Severance			2.88%	Jun.30.10	Jul.01.10	522.7	
						<u>23,571.7</u>	
Repurchases							
Brokers			2.75%	Jun.30.10	Jul.01.10	3,178.9	
Short Positions							
Banks			2.95%	Jun.30.10	Jul.08.10	5,375.6	
Banco República			2.70%	Jun.30.10	Jul.01.10	2,313.5	
			2.70%	Jun.30.10	Jul.01.10	2,316.9	
						<u>USD 4,630.4</u>	
Total Passive Positions in Monetary Market Operations and those Related						<u>72,437.8</u>	



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For the second and first half of 2010, the balance and the average monthly yield for these passive positions (local and foreign currency) were USD 30,309.6 and USD 386.4 and USD62,404.5 and USD485.0 respectively. There are no restrictions on these funds

14. Banks Acceptances Outstanding and Financial Derivatives

The following is the detail of account:

<u>Product</u>	<u>December 31</u>	<u>June 30</u>
Banks Acceptances	1,157.4	3,229.5
Spot transactions	0.0	0.0
Forward Agreements	35,315.8	24,161.0
Futures Contracts	0.0	68.6
Swaps Speculation	0.0	0.0
Options Speculation	625.8	769.4
Coverage Swaps	5,953.6	9,004.7
	<u>43,052.6</u>	<u>37,233.3</u>

Up to January 1, 2010 and as described in Chapter XVIII of the External Circular 100 of the Superintendencia Financiera de Colombia, the derivatives accounting is done taking into account the outcome of the fair exchange price valuation, as follows:

Financial derivatives that yield a positive fair exchange price, that is favorable to the Bank, are recorded as assets, separating the rights value and the obligation value, except in the case of options, where the accounting record is performed in a single account. Those that yield a negative fair exchange price, that is unfavorable to the Bank, must be registered as a liability, performing the same separation.



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<u>December 31</u>		<u>Speculation Derivatives</u>				<u>Hedging Swaps</u>	
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Options</u>	<u>Total</u>	<u>Swaps</u>
<u>Purchase on foreign currency</u>	Right	(563,994.5)	0.0	0.0	0.0	(563,994.5)	0.0
	Obligation	574,241.2	0.0	0.0	0.0	574,241.2	0.0
<u>Sale on foreign currency</u>	Right	(953,410.5)	0.0	0.0	0.0	(953,410.5)	0.0
	Obligation	978,471.6	0.0	0.0	0.0	978,471.6	0.0
<u>On interest Rate</u>	Right	(656.0)	0.0	0.0	0.0	(656.0)	0.0
	Obligation	663.9	0.0	0.0	0.0	663.9	0.0
<u>On interest Rate CCS</u>	Right	0.0	0.0	(47.8)	0.0	(47.8)	0.0
	Obligation	0.0	0.0	47.9	0.0	47.9	0.0
On currency	Right	0.0	0.0	0.0	0.0	0.0	(165,614.6)
	Obligation	0.0	0.0	0.0	0.0	0.0	171,568.2
<u>Call Options</u>	Sale	0.0	0.0	0.0	217.9	217.9	0.0
<u>Put Options</u>	Sale	0.0	0.0	0.0	407.9	407.9	0.0
Total Rights		<u>(1,518,061.0)</u>	<u>0.0</u>	<u>(47.8)</u>	<u>625.8</u>	(1,517,483.0)	(165,614.6)
Total obligations		<u>1,553,376.8</u>	<u>0.0</u>	<u>47.9</u>	<u>0.0</u>	<u>1,553,424.7</u>	<u>171,568.2</u>
Total Net		<u>35,315.8</u>	<u>0.0</u>	<u>0.0</u>	<u>625.8</u>	<u>35,941.7</u>	<u>5,953.6</u>



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		<u>Speculation Derivatives</u>				<u>Hedging Swaps</u>	
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Options</u>	<u>Total</u>	<u>Swaps</u>
<u>June 30</u>							
<u>Purchase on foreign currency</u>	Right	(812,816.8)	(152.4)	0.0	0.0	(812,969.2)	0.0
	Obligation	835,961.6	159.3	0.0	0.0	836,120.9	0.0
<u>Sale on foreign currency</u>	Right	(156,205.2)	(8,171.9)	0.0	0.0	(164,377.1)	0.0
	Obligation	157,221.4	8,233.6	0.0	0.0	165,455.0	0.0
<u>On interest Rate</u>	Right	0.0	0.0	(78.7)	0.0	(78.7)	(164,542.9)
	Obligation	0.0	0.0	78.7	0.0	78.7	173,547.7
<u>On interest Rate CCS</u>	Right	0.0	0.0	0.0	0.0	0.0	0.0
	Obligation	0.0	0.0	0.0	0.0	0.0	0.0
<u>Call Options</u>							
	Sale	0.0	0.0	0.0	126.4	126.4	0.0
<u>Put Options</u>							
	Sale	0.0	0.0	0.0	643.0	643.0	0.0
Total Rights		<u>(969,022.0)</u>	<u>(8,324.3)</u>	<u>(78.7)</u>	<u>769.4</u>	<u>(976,655.6)</u>	<u>(164,542.9)</u>
Total obligations		<u>993,183.0</u>	<u>8,393.0</u>	<u>78.7</u>	<u>0.0</u>	<u>1,001,654.7</u>	<u>173,547.7</u>
Total Net		<u>24,161.0</u>	<u>68.6</u>	<u>0.0</u>	<u>769.4</u>	<u>24,999.0</u>	<u>9,004.7</u>

The following is a breakdown of the derivatives maturity terms with cut off December 31 and June 30, 2010:

		<u>December 31</u>			<u>Total</u>
		<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	
Cash operations	USD	32,511.5	2,804.3	0.0	35,315.8
Speculative Swaps		0.1	0.0	0.0	0.1
Hedging Swaps		0.0	0.0	5,953.6	5,953.6
Options		625.8	0.0	0.0	625.8
	USD	<u>33,137.4</u>	<u>2,804.3</u>	<u>5,953.6</u>	<u>41,895.3</u>



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		<u>June 30</u>			
		<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>Total</u>
Forward Agreements	USD	24,161.0	0.0	0.0	24,161.0
Futures Agreements		68.6	0.0	0.0	68.6
Hedging Swaps		0.0	9,004.7	0.0	9,004.7
Options		769.4	0.0	0.0	769.4
	USD	<u>24,999.0</u>	<u>9,004.7</u>	<u>0.0</u>	<u>34,003.8</u>

14.1 Hedge Operation – Granbanco purchase

In order to minimize the risks from the finance operation of the Granbanco SA purchase and to comply with legal requirements of its Own position and its own Cash position, 9 interest rate hedges and Cross-currency swap operations (CCS) were agreed for the debt in dollars effectuated for the payment of Granbanco. CCS is a contract between two parties that wish to exchange capital for a defined period of time and which are denominated in different currencies. During the term of the contract, each party assumes the interest generated by the principal received in the swap. At the time of repayment and the maturity of the contract, the principals are exchanged for the currency each of the parties originally had.

These operations were CCS Libor - Fixed Rate and CCS Libor - Variable Rate for a total of USD 415,000,000 agreed for terms of 7 and 3 years respectively.

At December 31, 2010, the Bank has in effect two interest rate swaps (Currency Swaps), as cover for the issuance of the IFC Bonds for U.S. \$ 165,000,000 issued in February 2007.

Below are the swaps outstanding at 31 December and 30 June 2010 for the operations described above.

<u>Period</u>	<u>Detail</u>	<u>Term (years)</u>	<u>Initial Period</u>	<u>Final Period</u>	<u>Value USD</u>		<u>Net</u>
					<u>Right</u>	<u>Obligation</u>	
Dec-10	Bonos IFC Hedge Swap	7	Feb.07.07	Feb.07.14	165,614.6	171,568.2	(5,953.6)
Jun-10	Bonos IFC Hedge Swap	7	Feb.07.07	Feb.07.14	164,542.9	173,547.7	(9,004.7)

Flows generated by hedge operation for Financing Granbanco purchase:

The result of the valuation of the swap was negative on both December 31 and June 30, 2010, its posting was recorded in the liabilities (note 14)

IFC Bonds interest coupon payment (coverage capital):

The second half of 2010 generated the payment of 7 ° Bonos IFC coupon, generating a cash outflow of USD6,647.0:



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<u>Operation</u>	<u>Counterpart</u>	<u>Date</u>		Amount Paid <u>USD\$</u>	Agreed Exchange rate*	Amount Paid (COP) \$
1	Deutsche Bank	Jul.15.10	USD	1,855.6	1,871.2	\$3,472.2
2	The Royak Bank of Scotland	Jul.15.10		2,318.9	1,871.2	4,339.1
	Bonos IFC	Jul.15.10		<u>2,623.2</u>	1,872.1	<u>4,910.9</u>
			USD	<u>6,797.7</u>		<u>12,722.2</u>

The first half of 2010 generated the payment of 6 ° Bonos IFC coupon, generating a cash outflow of USD4,603.1.

<u>Operation</u>	<u>Counterpart</u>	<u>Date</u>		Amount Paid <u>USD\$</u>	Agreed Exchange rate*	Amount Paid (COP) \$
		-		-	-	
1	Deutsche Bank	Ene.15.10	USD	2,878.2	1,974.13	\$ 5,682.0
	The Royak Bank of Scotland	Ene.15.10		2,488.2	1,974.13	4,912.0
2	Bonos IFC	Ene.15.10		<u>3,168.0</u>	1,974.13	<u>6,254.0</u>
			USD	<u>8,534.4</u>		<u>\$ 16,848.0</u>

* The agreed interest rates remain unchanged. The adjustment is done completely via the exchange rate.

Resets

Due to the revaluation of the exchange rate, some of the hedges have gone through a process of re-establishment of conditions known as "Reset" or "Recouponing". This process consists of the parties agreeing to reduce credit exposure by paying an amount equal to the market value of the operation when the latter exceeds a set limit, in consideration of changing the interest on the debt and the exchange rate covered. The contract sets the maximum amount which can be a fixed value or a percentage of the nominal, and sets the review frequency if the operation goes into "Reset". Implementing a "Reset" modifies the variable exchange rate and interest rate so that the market value of the transaction returns to zero.

Reset agreements of this operation in the first half of 2010 generated two outward flows of USD25,926.1

<u>Operation</u>	<u>Counterpart</u>	<u>Date</u>		Amount Paid <u>USD\$</u>	Agreed Exchange rate*	Amount Paid (COP) \$
		-		-	-	
1	Deutsche Bank	May. 07.10	USD	9,000.0	2,031.0	\$ 18,279.0
2	Deutsche Bank	Jun.25.10		<u>16,485.0</u>	1,900.0	<u>31,321.5</u>
			USD	<u>25,485.0</u>		<u>\$ 49,600.5</u>

For the second half of 2010, no reset payments were generated.

The swaps described above were made by the Bank with the aim of reducing the exchange rate and interest rate risk related to the cash flows to be realized for liabilities acquired.

These hedges are considered highly effective because the ratio of effectiveness was maintained in the range of eighty percent (80%) and one hundred percent (100%) throughout the period.



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14.2 CCS Hedge accounting record

These hedges are recorded at just trade value.

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

		<u>December 31</u>	<u>June 30</u>
CCS Assets	USD	11,905.1	21,079.7
Bono IFC Assets		<u>3,290.7</u>	<u>(8,234.4)</u>
Net assets	USD	<u>15,195.8</u>	<u>12,845.3</u>

In the first half of 2010, this operation logged the following changes in its method of valuation and accounting:

- From January to May 2010 it was treated as described in External Circular 100 of the SFC Chapter XVIII paragraph 7.3.2.2. referred to as cash flow hedges.
- In June 2010 it was changed to that known as fair trade value hedging described in section 7.3.2.1 of Chapter XVIII.
- In June 2010, the Financial Superintendence of Colombia accepted the proposal submitted by the Bank to adopt the existing Swaps operations valuation methodology as defined in Chapter XVIII of the Basic Accounting and External Circular 100 of 1995 Financial. The above proposal was based on the analysis of the comparison of the methodology adopted by the Financial Superintendence of Colombia in November 2007 to assess cross-currency swap operations entered in February 2007 with the current methodology defined in Chapter XVIII.

The transfer of the Swap valuation from equity accounts to results by changing to the accounting treatment called hedging fair exchange price generated a greater income of USD7,502.7.

The economic effect of change in valuation methodology was USD2,900.1, which means more income for the Bank as recorded in the month of June 2010.



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15. Banking Credits and Other Financial Obligations

The following is the detail in local currency and foreign currency translated to legal currency:

December 31						
Entity	Interest payable	Less than 1 year	Between 1 & 5 years	Between 5 & 10 years	More than 10 years	Total Capital
Others Entities in the Country						
<u>Legal Currency</u>						
Bancoldex	184.4	3,012.0	40,010.0	4,913.5	0.0	47,935.6
Finagro	928.8	3,850.3	51,311.7	14,766.6	16,611.4	86,540.0
Findeter	1,533.7	11,316.2	55,103.2	246,678.4	124,213.4	<u>437,311.2</u>
	<u>2,646.9</u>	<u>18,178.5</u>	<u>146,425.0</u>	<u>266,358.6</u>	<u>140,824.8</u>	<u>571,786.9</u>
<u>Foreign Currency</u>						
Bancoldex	110.4	42,077.6	8,754.5	4,259.0	0.0	<u>55,091.1</u>
Overdrafts in current account	0.0	2,807.5	0.0	0.0	0.0	<u>2,807.5</u>
	<u>2,646.9</u>	<u>20,986.0</u>	<u>146,425.0</u>	<u>266,358.6</u>	<u>140,824.8</u>	<u>574,594.3</u>
Foreign Entities:	<u>1,633.6</u>	<u>616,677.6</u>	<u>7,660.3</u>	<u>0.0</u>	<u>0.0</u>	<u>624,337.9</u>
Foreign entities	<u>4,390.9</u>	<u>679,764.9</u>	<u>162,839.8</u>	<u>270,617.6</u>	<u>140,824.8</u>	<u>1,254,047.1</u>
June 30						
Entity	Interest payable	Less than 1 year	Between 1 & 5 years	Between 5 & 10 years	More than 10 years	Total Capital
Others Entities in the Country						
<u>Legal Currency</u>						
Bancoldex	225.1	2,709.0	16,152.2	19,223.5	321.7	38,406.5
Finagro	950.1	4,306.2	55,025.1	8,710.8	13,714.1	81,756.2
Findeter	2,500.8	9,544.1	29,552.0	224,982.9	141,905.9	<u>405,984.9</u>
	<u>3,676.0</u>	<u>16,559.3</u>	<u>100,729.3</u>	<u>252,917.2</u>	<u>155,941.8</u>	<u>526,147.6</u>
<u>Foreign Currency</u>						
Bancoldex	12.3	1,125.0	9,266.2	3,399.9	0.0	<u>13,791.2</u>
Others Banks and Financial Entities						
Overdrafts in current account	0.0	2,046.0	0.0	0.0	0.0	<u>2,046.0</u>
	<u>3,688.3</u>	<u>20,033.4</u>	<u>109,995.5</u>	<u>256,317.2</u>	<u>155,941.8</u>	<u>542,287.8</u>
Foreign Entities:	<u>649.9</u>	<u>335,215.3</u>	<u>12,300.0</u>	<u>0.0</u>	<u>0.0</u>	<u>347,515.2</u>
	<u>4,338.2</u>	<u>355,248.6</u>	<u>122,295.5</u>	<u>256,317.2</u>	<u>155,941.8</u>	<u>889,803.1</u>



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16. Accounts Payable

The following is the detail of interests payable and accounts payable – other:

		<u>December 31</u>	<u>June 30</u>
Interests:			
Deposits and callabilities	USD	49,063.9	57,080.8
Monetary Market Operations and those Related		15.7	0.1
Banking credits and other financial obligations (note 15)		4,390.9	4,338.2
Investment securities outstanding		15,235.7	13,262.6
	USD	<u>68,721.8</u>	<u>74,681.6</u>
Commissions and fees	USD	926.6	1,332.9
Collection made:			
Rent collection companies	USD	25,494.2	79,249.9
Industry and trade, and farm vehicles		3,296.1	15,911.2
Others		3,717.1	3,466.8
		<u>32,507.4</u>	<u>98,627.9</u>
Suppliers			
Account payable to suppliers	USD	38,937.6	42,248.3
ACH Network compensation		34,056.2	18,420.7
Visa, Master Card network compensation		2,124.0	7,212.2
Others		5,366.6	2,350.2
		<u>80,484.5</u>	<u>70,231.5</u>
Others:			
Taxes			
Stamp tax		53.0	83.0
Surcharge and others		96.5	3,902.9
Income and other		12,338.2	987.3
Industry and trade		5,832.9	55.5
Dividends and surpluses		1,688.3	694.8
Tax payable		3,672.5	2,251.5
Tax transaction		6,559.5	4,316.2
Promising purchasers		5,092.0	4,488.8
Labor withholdings and obligations		26,861.0	21,826.3
Insurance premiums		1,304.8	1,943.6
Drafts payable		18,034.4	15,956.1
Guarantee Fund of Financial Institutions		66.7	56.6
Checks drawn uncollected		6,739.2	6,537.1
Accounts payable Nation Law 546 of 1999		25,749.1	21,717.6



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Several other	December 31	June 30
Commercial establishments	2,692.4	2,662.1
Forward Operations	2,392.1	400.3
Treasury Payment orders	11,679.5	2,425.9
Balances and commissions in favor	4,983.7	3,959.0
Remaining Portfolio	2,820.3	2,050.6
Trade accounts payable Network	419.1	961.9
Solidarity Peace Bonds	10,472.1	10,579.0
Prepaid visa available balances	4,787.3	3,619.0
Collection mangaments costs	1,534.6	2,639.5
Outstanding disbursements	1,746.5	6,414.6
Miscellaneous (Less than 5%)	10,791.7	12,835.8
	USD <u>168,407.5</u>	<u>133,365.2</u>

17. Investment securities outstanding

At December 31, 2010 and June 30, 2010 the Bank records investment securities outstanding for USD1.610.568,3 and USD1.449.734,8, respectively, corresponding to issuances of common and mortgage bonds.

The following provides details of the bonds for each of the issues current on December 31, 2010:

<u>Issuance Kind</u>	<u>Date</u>	<u>Offer Amount</u>	<u>Serie</u>	<u>Term</u> (months)	<u>Yield</u>	<u>Cancellation</u>	<u>Book Value</u>	
							<u>December 31</u>	<u>June 30</u>
<u>Mortgage Bonds</u>								
<u>Guarantee:</u> Mortgage Loans rating “A” and prepaid option for issuer every 3 months.								
First Issuance Mortgage Bonds	03-Dic-04	\$ 9,988.6	G	84	UVR - 0.3	03-Dic-11	USD325.8	USD1,119.0
First Issuance of VIS Structured Mortgage Bonds Sector 1	23-Jun-06	31,438.9	G	84	UVR + 0.75	23-Jun-13	<u>6,281.2</u>	<u>8,997.8</u>
Total Mortgage Bonds							<u>6,606.9</u>	<u>10,116.8</u>
<u>Subordinated Bonds</u>								
First Issuance Subordinated IFC Bonds in US dollars (*)								
<u>Guarantee:</u> Mortgage Loans rating “A” and prepaid option for issuer every 3 months.								
	07-Feb-07	192,604.5	G	84	Libor6 + 2.75	07-Feb-14	165,614.6	165,000.0
First Issuance Subordinated IPC Bonds								
No Guarantee	19-Feb-08	77,209.3	C	84	IPC + 6.65	19-Feb-15	77,209.3	77,242.8



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<u>Issuance Kind</u>	<u>Date</u>	<u>Offer Amount</u>	<u>Serie</u>	<u>Term (months)</u>	<u>Yield</u>	<u>Cancellation</u>	<u>Book Value</u>	
							<u>December 31</u>	<u>June 30</u>
First Issuance Subordinated UVR Bonds No Guarantee	19-Feb-08	79,194.9	D	84	UVR + 6.65	19-Feb-15	88,921.1	89,558.1
Second Issuance Subordinated IPC Bonds No Guarantee	24-Feb-10	72,360.8	C7	84	IPC + 5.25	24-Feb-17	72,360.8	72,392.2
Second Issuance Subordinated UVR Bonds No Guarantee	24-Feb-10	58,257.1	U10	120	UVR + 5.50	24-Feb-20	<u>59,522.8</u>	<u>58,805.2</u>
Total Subordinated Bonds							<u>463,628.6</u>	<u>462,998.2</u>
<u>Common Bonds (No Guarantee)</u>								
Second Issuance common Bonds IPC	05-Ago-08	USD 89,118.0	G	60	IPC + 6.24	05-Ago-13	89,118.0	89,156.6
First Issuance common Bonds DTF Sector 1	05-Ago-08	26,410.9	E	24	DTF + 2.39	05-Ago-11	0	26,422.4
	05-Ago-08	76,960.1	E	36	DTF + 2.59	05-Ago-11	<u>76,960.1</u>	<u>76,993.4</u>
							<u>166,078.0</u>	<u>103,415.8</u>
Second Issuance common Bonds DTF Sector 1	05-Feb-09	35,160.1	E1	18	DTF + 1.1	05-Ago-10	0	35,175.4
	05-Feb-09	41,625.9	E2	24	DTF + 1.2	05-Feb-11	35,356.3	41,644.0
	05-Feb-09	46,917.9	E3	36	DTF + 1.35	05-Feb-12	<u>46,917.9</u>	<u>46,938.3</u>
							<u>88,543.9</u>	<u>123,757.7</u>
Second Issuance common Bonds fixed rate Sector 1	05-Feb-09	63,637.0	F5	60	TF 10.40%	05-Feb-14	63,637.0	63,664.6
First Issuance common Bonds IPC	05-Feb-09	64,490.2	G	84	IPC + 5.50	05-Feb-16	64,490.2	64,518.2
First Issuance common Bonds IBR	05-Feb-09	35,528.1	G	18	IBR + 1.48	05-Ago-10	0	35,543.5
Second Issuance common Bonds DTF Sector 2	16-Jul-09	37,617.9	E2	24	DTF + 1.38	16-Jul-11	37,617.9	37,634.3
Second Issuance common Bonds fixed rate Sector 2	16-Jul-09	38,140.4	E3	36	TF 7.89%	16-Jul-12	38,140.4	38,157.0
First Issuance common Bonds IPC Sector 2	16-Jul-09	112,331.4	G5	60	IPC + 4.79	16-Jul-14	112,331.4	112,380.1
First Issuance common Bonds IBR Sector 2	16-Jul-09	47,022.4	I1	18	IBR + 1.44	16-Ene-11	47,022.4	47,042.8



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<u>Issuance Kind</u>	<u>Date</u>	<u>Offer Amount</u>	<u>Serie</u>	<u>Term (months)</u>	<u>Yield</u>	<u>Cancellation</u>	<u>Book Value</u>	
							<u>December 31</u>	<u>June 30</u>
Second Issuance common Bonds IPC Sector 1	12-Feb-10	112,363.8	C5	60	IPC + 3.98	12-Feb-15	112,363.8	112,412.5
Third Issuance common Bonds DTF Sector 1	12-Feb-10	44,959.2	T2	24	DTF + 0.95	12-Feb-12	44,959.2	44,978.7
Second Issuance common Bonds IBR Sector 1	12-Feb-10	50,705.9	B1	18	IBR + 0.95	12-Ago-11	50,705.9	50,727.9
	12-Feb-10	53,206.9	B3	36	IBR + 1.36	12-Feb-13	<u>53,206.9</u>	<u>53,230.0</u>
							<u>103,912.8</u>	<u>103,957.9</u>
Third Issuance common Bonds IPC Sector 2	07-Oct-10	62,775.0	C5	60	IPC + 3.14	07-Oct-15	62,775.0	0
	07-Oct-10	102,435.8	C7	84	IPC + 3.63	07-Oct-17	<u>102,435.8</u>	<u>0</u>
							<u>165,205.5</u>	<u>0</u>
Third Issuance common Bonds IBR Sector 2	07-Oct-10	47,832.3	B2	24	IBR + 1.10	07-Oct-12	47,832.3	0
	07-Oct-10	48,198.0	B3	36	IBR + 1.31	07-Oct-13	<u>48,198.0</u>	<u>0</u>
							<u>96,030.3</u>	<u>0</u>
Total common Bonds							<u>1,140,343.9</u>	<u>976,619.7</u>
Total current Bonds							<u>USD1,610,568.3</u>	<u>USD 1,449,734.8</u>

(*) Pursuant to provisions established by the Superintendencia Financiera de Colombia by means of communication dated November 6, 2007 (note 7), the valuation of this obligation was modified from TIR to market value, employing the future implied rates obtained from the zero coupon rates of the libor- swap dollar curve for the respective terms. To calculate the present value of such cash flows used as a discount rate the same zero coupon interest rates used for the valuation of the point in dollars of the respective swap.

That portion of those bonds that is not covered by the flow coverage that is proposed with the swaps, which corresponds to the agreed margin on the variable rate must not be valued at fair exchange value, but instead must follow the lineal accrual methodology.

The interest payments are half-year period in arrears taking six months Libor.

To cover the risk inherent in these liabilities in dollars, the Bank provided an investment of two (2) Cross Currency Swap in pesos per USD192.570.2 that lets to change the exposure of the libor rate and the dollar. (note 7).



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Bonds per monetary unit

		<u>December 31</u>	<u>June 30</u>
Legal currency	USD	1,289,902.92	1,126,254.71
Foreign currency		165,614.58	165,000.03
UVR		<u>155,050.78</u>	<u>158,480.05</u>
	USD	<u>1,610,568.29</u>	<u>1,449,734.78</u>

18. Others Liabilities

The following is the detail of the Other Liabilities:

		<u>December 31</u>	<u>June 30</u>
Consolidated Labor obligations	USD	18,807.2	14,488.4
Anticipated income		198.3	229.3
Others		127,981.4	126,824.3
	USD	<u>146,987.0</u>	<u>141,542.0</u>

18.1 Labor Obligations

El detalle de las obligaciones laborales consolidadas es el siguiente:

		<u>December 31</u>	<u>June 30</u>
Consolidated severance payments	USD	6,363.1	3,007.9
Severance payment interests		894.6	237.2
Consolidated vacations		7,899.9	7,564.0
Other social benefits		3,649.5	3,679.3
	USD	<u>18,807.2</u>	<u>14,488.4</u>

The Bank and its subordinate applies a labor regime established by Law 50 of 1990.

At December 31, 2010 and June 30, 2010 the Bank has no pension liability

Bancafe International Corporation S.A., counts with a contribution of 401 (k) which consists of a retirement savings fund that covers all employees 18 years or older, which have been employed for at least one year. The employees covered may contribute between 1% and 15% of their annual salary, up to a maximum of USD 14,000. The Bank may, at its discretion, to contribute up to 3% of employees' annual salary. The total contribution charged to the subsidiary Bancafe International Corporation S.A., for the retirement plan is USD16.1 and USD17.8 for the periods ending December 31, 2010 and June 30, 2010, respectively.



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18.2 Anticipated income movement

The movement of income in advance during the half-year periods ended on December 31, 2010 and June 30, 2010 is the following:

		Balance at <u>June 30</u>	<u>Credits</u>	<u>Charges</u>	Balance at <u>December 31</u>
Interests	USD	67.5	1,027.3	1,016.6	78.3
Leases		5.3	31.8	30.4	6.7
Insurance		153.7	389.4	432.4	110.7
Others		2.8	1.4	1.5	<u>2.7</u>
	USD	<u>229.3</u>	<u>1,450.0</u>	<u>1,480.9</u>	<u>198.3</u>

18.3 Others

The movement of other liabilities – other during the half-year period ended on December 31, 2010 is as follows:

		Balance at <u>June 30</u>	<u>Credits</u>	<u>Charges</u>	Balance at <u>December 31</u>
Deferred credits (1)	USD	23,260.3	15,909.2	17,207.2	21,962.7
Letter of credit deferred payment		3,296.2	6,567.3	8,499.5	1,364.0
Deferred income tax		43,900.6	16,761.0	6,052.9	54,608.7
Credits for applied		38,929.4	17,241,030.2	17,250,523.2	29,436.4
Surpluses in exchange		949.1	45,823.9	46,705.9	67.1
Surpluses in cash		1,059.2	42,859.0	42,174.0	1,744.2
Accounts cancelled		14,236.9	5,190.5	2,418.7	17,008.7
Others		1,192.7	893.3	240.5	<u>1,845.4</u>
	USD	<u>126,824.3</u>	<u>17,375,034.5</u>	<u>17,373,821.9</u>	<u>127,981.4</u>

(1) The detail of the deferred credits as at December 31, 2010 and June 30, 2010 is the following:

		<u>December 31</u>	<u>June 30</u>
Credit Portfolio expressed in UVR	USD	0.0	9,695.8
Amortized of deferred restructured credits		10,827.7	10,478.5
Default investment cost over book value		0.0	0.0
Profit on foreclosed assets sale		1,790.0	1,996.2
Profit on assets sale		3,280.6	0.0
Profit on punished portfolio sale		5,491.5	0.0
Others		563.0	1,089.8
	USD	<u>21,952.7</u>	<u>23,260.3</u>

In September 2006, Bancafé Panamá S.A. carried out a sale by installments worth USD4,599.7 and to date is waiting to recover USD972.2.



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Below you will find the deferred credits to be redeemed in installments, which limit date is December 31, 2010 and June 30, 2010:

		<u>December 31</u>	<u>June 30</u>
From 0 to 1 years	USD	8,773.8	11,698.1
From 1 to 5 years		1,895.7	843.7
From 5 to 10 years		9.4	13.6
More than 10 years		11,273.9	10,704.9
	USD	<u>21,952.7</u>	<u>23,260.3</u>

19 Estimated Liabilities and Allowances

The following is the detail of estimated liabilities and allowances:

		<u>December 31</u>	<u>June 30</u>
Labor liabilities		1,571.6	2,263.1
Taxes:			
Income tax 2010	USD	171.9	16,360.1
Impuesto al patrimonio año 2010		0.0	0.0
Industry and commerce		0.0	4,639.3
Others		3.9	19.9
		<u>175.8</u>	<u>21,019.3</u>
Others			
Tes interests Law 546, 1999		503.7	351.4
Intereses ahorros		0.0	0.0
Contributions and affiliations		3.3	18.6
Penalties and sanctions Superfinanciera		214.2	214.3
Penalties and Sanctions, litigations, indemnifications and lawsuits		42,194.4	41,012.8
OtherS Estimated Liabilities		132.8	122.6
Others Allowance (Less than 5%)		2,397.7	2,891.6
Minority Interest (nota 21)		13,581.5	11,671.5
		<u>59,027.6</u>	<u>56,282.8</u>
	USD	<u>60,775.0</u>	<u>79,565.2</u>

The income tax returns of the Bank and its subordinate national presented for 2008 and 2009 are pending for review by the Administración de Impuestos y Aduanas Nacionales [National Tax and Customs Administration] (DIAN).



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20 Fines And Sanctions From Legal Actions

The processes that generate contingent liability, had been broken down as follows:

Litigation covered by Fogafin

These are the Granbanco S.A., Fiduciaria Cafetera S.A., Bancafé Panamá S.A. and Bancafé International Corporation, processes that existed on January 31, 2007 and were reported between February 16, 2007, which are in force and are specifically guaranteed by Fogafin.

Bank's Lawsuits

They are the other processes that generate contingent liability to the Bank, not covered by Fogafin. Following is a summary of the process, cut to December 31, 2010 and June 30, 2010:

December 31

<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>
Litigation covered by contract Fogafin	634	7,733.4	35,606.9
Bank:			
Penalties and sanctions others administrative	15	27,432.2	48,853.9
Labor Demands	56	588.3	1,181.8
Common Process	1,294	6,440.5	46,408.3
	<u>1,999</u>	<u>42,194.3</u>	<u>132,050.9</u>

June 30

<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>
Litigation covered by contract Fogafin	774	8,258.4	40,830.8
Bank:			
Penalties and sanctions others administrative	13	27,287.6	42,575.9
Labor Demands	50	326.4	942.4
Common Process	1,347	5,140.3	39,143.9
	<u>2,184</u>	<u>41,012.8</u>	<u>123,492.9</u>

15% provision is provided for processes that are covered by the Fogafin guarantees contract, taking into account the warranty coverage on the value of the respective contingency according to its ratings and only for regular and special processes. For industrial processes, it is 10%



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Processes initiated by the Bank and its subordinate could be:

Criminal

In the case of a criminal proceeding linked to the Bank and its subordinate as Civilly Responsible Third Party – As of December 31 and June 30, 2010 there were 5 processes of this type, whose claims rose to USD228,7.

Ordinary civil, special and labor

As of December 31, 2010 and June 30, 2010 there were 1.882 and 2.133 processes with claims amounting to USD131.822,2 and USD123.330,0, respectively.

This type of process generates passive contingency for the Bank, regardless of the process that causes it, in general terms because of its eventual contractual or extracontractual civil responsibility and equally because of fines or sanctions imposed by the governing entities in the course of carrying out their duties. Each one of these processes has its corresponding classification and allowance, as necessary.

For the Bank and subordinate the most important processes are detailed below:

Tax processes:

Income tax taxable year 2003:

The Bank filed the income tax declaration determined by the system of presumptive income and stating a credit balance of USD 3,661.4, a value that was refunded by the Tax Authorities.

Subsequently, the Bank corrected the income statement to reduce the basis of presumptive income and thus the credit balance increased by the sum of USD1,592.4.

The Tax Authorities considered that it was inappropriate and determined a higher income tax of USD 1,379.3 and imposed a penalty for inaccuracy of 160% for the amount of USD 2,206.8, for a total of USD 3,586.1.

Thus, the balance claimed by the Bank for USD5,253.8 went to USD 1,667,7 million pesos, by subtracting the higher tax and penalty determined by the Tax Authorities worth USD 3,586.1.

Given that the Tax Authorities initially refunded the sum of USD 3,661.4 to the Bank, and which according to them, the credit balance is USD 1,667.7 after applying the higher tax and penalty, the Tax Authorities requested the Bank return the sum of USD 1,993.7 plus interest.

So, to December 31, 2010, the Bank has three processes and their status is as follows:

1. Process to nullify and restoration of the right against the decision of February 2007 and the official settlement of the review of March 2006 valued at USD3,586.1.

On 2 April 2008 a ruling was handed down. In this decision the Cundinamarca Administrative Court denied the claim.

On April 15, 2008 we presented the ordinary remedy of appeal within the period of execution. The appeal was admitted to the Council of State.

On November 6, 2008 the support for the appeal against the sentence was presented. On May 20, 2009 the admission of our support of the appeal was notified.

On June 12, 2009 we were notified by edict that there was a delay of 10 days to present closing arguments.



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On July 1, 2009 closing arguments were presented. To date we are awaiting the final decision to be handed down.

On July 29, 2009 the record entered the office of State Council for final decision

On July 27, 2010 a change of judge was filed.

In the opinion of tax counsel the Bank's position has full legal support, but feels that the contingency for the Bank is possible.

2. Process to nullify and restoration of the right against the decision of June 2006 and the resolution of August 2005 of USD1,592.3.

The process discusses the rejection of the higher positive balance of USD1,592.3. On January 25, 2010 the record entered the office of State Council.

On January 29, 2010 due to what was stated in the previous secretarial report, according to the provisions of the order of June 5, 2008, by which the suspension of the ruling was ordered. On August 2, 2010 entered the office for judgment.

On August 13, 2010 the suspension of proceedings was declared for preliminary judgment. We were notified by the State on August 26, 2010.

In the opinion of tax counsel the Bank's position has full legal basis therefore the contingency for the Bank is remote.

3. Process to nullify and restoration of the right against the decision of October 2006 and the resolution that resolves the motion for reconsideration in June 2007.

The process discusses a penalty for improper refund of USD1,993.7. On January 25, 2010 the record entered the office of State Council. In the opinion of the tax advisor the contingency for the Bank is remote.

In the question regarding the initials that do in fact become a passive contingency, it has to be considered that it is now qualified as eventual and is also protected by Fogafin, and this is the reason why the Bank provision is responsible for 15% which is equivalent to USD165.7. Regarding this same subject, there are two additional procedures being processed, one of them is in the legal process due to an annulment procedure presented by the Bank against an administrative claim issued by the DIAN, prior to the one in reference, and that looks to the refund in the amount the Bank paid for rental taxes for the year 2003; however, this document is not a passive contingency for the Bank.

The third claim is also an administrative one: a lawsuit was presented for annulment and reestablishment of rights, and has to do with the revision of liquidation of rental tax for the year 2003 and requires the Bank pay USD1.993,6 - the amount that, according to the DIAN, was returned to the Bank

Rental Taxes for the Year 2004

Revision settlement dated December 28, 2007, which the Tax Administration Office claims they know nothing about the deductions for portfolio reserves, help from the Government, losses due to accidents or investments in productive fixed real assets. Generating a higher tax of USD7.214,4 for a total of USD18.219,8. On February 28, 2008, the Bank presented a reconsideration claim against said liquidation.

By means of Resolution No. 310662008000023, of December 7, 2008, from which we notified on November 7, 2008, the Dirección de Impuestos y Aduanas Nacionales - DIAN, pronounces on the appeal filed on February 8, 2008. In said verdict, it confirms the Official Liquidation Revision No. 310642007000138. With such act, the government instance was exhausted.



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On March 4, 2009 the Bank lodged with the Tribunal Administrativo de Cundinamarca (Administrative Court of the province of Cundinamarca), the nullity action and reinstatement of the right against Resolution No. 310662008000023 dated December 7, 2008 and of which we were notified on November 7, 2008.

Through judgment 2009-00045 of May 20, 2010, the Administrative Tribunal of Cundinamarca ruled an adverse action for annulment and reinstatement of the right that the Bank brought.

The Bank filed an appeal lodged by the applicant and on December 7, 2010 the appeal was admitted. The next action will be to move to closing arguments on appeal.

Although tax counsel believes that the chances are remote, at the cut off for December 31, 2010 this process is provisioned for USD 18,212.3.

Equity Tax Taxable Year 2004

The Bank presented the tax statement for the estate for the taxable year 2004, determining a tax of USD1,007.8. The statement was later corrected to exclude from the net worth the stabilization value made to fixed assets in the taxable year 1995 in the amount of USD13,067,5 which meant a lower tax of USD39.2.

The Tax Authorities questioned such correction and therefore issued official settlement imposing correction of USD63.2.

On February 20, 2010 the process entered the office for judgement after which on January 15, 2010 was submitted to the State Council for closing arguments.

In the opinion of tax counsel chances of success are possible.

Taxes on the 4 x 1000 Financial Movement during 2005

Revision liquidation dated January 19, 2007, henceforward called weeks 01 to 52 proposes modifying the Tax with charges and collection of sanctions due to inaccuracies, including charges made on operations in the checking account. Amount under discussion USD7.827,4, which includes the greater tax of USD3.010,6 and the sanction for imprecision for USD4.816,8.

In respect to weeks 3, 4 and 9 the governmental option has been exhausted. On March 27, 2009 the Bank placed an annulment and restitution of right action before the Tribunal Administrativo de Cundinamarca [Administrative Tribunal of Cundinamarca]. On May 6, 2009, the Tribunal issued judgment against the Bank's interests and the pleas of the suit were denied and on May 19, 2009 the Bank presented a writ before the Administrative Tribunal of Cundinamarca in which it supported the appeal against the judgment of first instance. On October 2, 2009 presented closing arguments on appeal and now the process is awaiting judgment of the second instance.

By means of Resolutions of September, October, November and December 2008, as well as resolutions of the months January, April and May 2009 of the Dirección de Impuestos y Aduanas Nacionales - DIAN pronounces on the appeal the Bank filed for the 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51 and 52 weeks. With such decision, the Tax Administration, confirms those weeks Official Liquidations Revision and in turn, with this act, the government instance was exhausted.

In January, February, and June 2009, the Bank placed an annulment and restitution of right action before the Administrative Tribunal of Cundinamarca against Resolutions No. 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 46 and 49. The demand by the Administrative Tribunal of Cundinamarca was submitted on 2 October 2009, which brings the action to nullify and restore the rights in weeks 43, 44, 45, 47, 48, 50, 51 and 52



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With regard to the process involving weeks 37 to 42, on September 1, 2010 the appeal was upheld against the ruling that denied the claims in the lawsuit. The next action will be the closing arguments on appeal.

With regard to the process involving weeks 32, 33, 46 and 49, on October 5, 2010 the concluding arguments of the first ruling were upheld. The next action will be to wait for the judgment of the first instance.

With regard to the process involving weeks 31, 34, 35 and 36, on October 5, 2010 the appeal was upheld against the ruling that denied the claims in the lawsuit. The next action will be to move to closing arguments on appeal.

With regard to the process involving weeks 43, 44, 45, 47, 48, 50, 51 and 52, March 19, 2010 opened for evidence and opinion is ordered. The next action will be to move to closing arguments.

In the opinion of the tax advisor attending the case, a favorable outcome is expected for the interests of the Bank.

Income tax on fiscal year 2003 – Banco Davivienda S.A.

Prior to the list of accusations, the National Tax and Customs Directorate DIAN issued Resolution No. 9000012 of May 4, 2009 through which it imposes sanction for non-proceeding devolution and/or compensation, consisting in 50% of the overdue interests liquidated for an amount of USD159.9, amount accepted in the transaction of mutual agreement, as is established in Minute No. 000035 of June 26, 2007, signed by the Special Committee of Conciliation and Termination of the Fiscal Administration.

On May 25, 2010, by resolution 90025, Resolution No. 9000012 was confirmed thus exhausting the administrative remedies, given that there is clear case law that the main effect was once conciliated, DIAN cannot sanction under Article 670 of the Tax Statute. Therefore the qualification is remote.

Prejudicial actions brought by the Tax and Customs - DIAN against the Bank - Wealth Tax 2007.

In 2008 the Tax and Customs - DIAN returned the sum of USD1,998.9 to the Bank for wealth tax for the taxable year 2007 that the bank improperly paid, bearing in mind that during the merger with Granbanco SA, Bancafé was applicable to the tax stability contract.

The Tax Administration introduced two prejudicial lawsuits, one for each resolution granting the return of the wealth tax.

The first application was accepted on February 12, 2010, but was only notified on June 12, 2010. On 16 July 2010 the defense filed the lawsuit.

The second application was accepted on January 22, 2010, notified on 23 February 2010 and 25 March 2010 the defense filed the lawsuit.

At this time the Bank has recorded a provision for USD585.7, as in the opinion of tax counsel, the probability is possible.

Contract for Guarantee of Passive Contingencies executed with Fogafin

Due to the process of privatization of Granbanco S.A. Bancafé, on December 12, 2006 a contract was executed with Fogafin for guarantee of passive contingencies, which took effect on February 16, 2007.

By virtue of said contract Fogafin, under the terms of the contract, guarantees to Banco Davivienda S.A. the payment of certain passive contingencies that are expressly determined in that document. The coverage is 85%



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and exceptionally 90% with respect to labor and pension obligations of Banco Cafetero S.A. in Liquidation, according to the terms and conditions.

Such contract envisaged the existence of an account for contingencies composed of the various provisions that Granbanco S.A and its affiliates had incorporated previously as at January 31, 2007, which amounted to USD11.011,7. Any condemnation or concept guaranteed by Fogafin should be previously deducted from these accounts until using up such amounts. Having done this, Fogafin is compelled to reimburse the corresponding economic net effect to the Bank within the terms of the referred contract. The existence of the account referred to with the provisions that existed at that time determines that any possible losses in the secured legal processes do not affect the profit and loss statement of the Bank.

As of December 31, 2010 and June 30, 2010, the processes covered by Fogafin are 525 and 729 with a provision of USD7.299,4 and USD7.647,4 and intended amounts of USD35.6060.9 and USD40.830,8, respectively.

According to the above mentioned, the Bank structured several accounting accounts, that reflect not only the reality of its contingent liabilities, secured by the contract entered into with Fogafin, but others, that include the issues that are not secured by Fogafin, and therefore should be totally assumed by the Bank.

Processes that Generate Important Passive Contingencies:

1. Through a class action, the Bank was sued by Alberto Botero Castro, who considers that the Bank overcharged the Nation through relief provisions of Act 546 of 1999, in favor of holders of obligations for house purchase mortgages agreed in UPAC (Unit of Constant Purchasing Power) in force on 31 December 1999, and as a result of this order the repayment of public funds for amounts collected in excess. The process is in the preliminary examination stage. Although the demand does not specify the precise amount, it is of high economic value that could exceed \$2,612.4. The contingency was described as remote, given that there is no evidence to suggest alleged irregularities and inconsistencies in which the Bank may have been involved in this process.
2. The Bank was sued in the ordinary process of law by Guillermo Alfonso Trujillo basing his claim in that Granbanco, without consultation anticipated a disbursement of a Finagro approved loan in his name for USD 199.7, applied it improperly, wrongly settling interest on other loans in his name. He argues that this act of the Bank caused him damages quantified at USD 2,089.9. The process is before the court 29 of the Bogota Civil Circuit and is awaiting first decision of the court. 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 actor.
3. Mercedes López Rodríguez initiated a class action against the Bank, claiming that it along with other financial institutions have not returned the TES titles in cases where, as mandated by Law 546 of 1999, they should not have been cashed or reversed. In the process pending in 4th Civil Court of the Bogota Circuit and is pending resolution of the administrative appeal which the Bank raised against the demand edict. The contingency has been described as remote and in the current procedure it is not possible to quantify the sum but the plaintiff estimates it at more than USD522.5.
4. Through the action of Direct Reparation, Martha Esperanza Suarez and others sued Banco Davivienda and others declaring that they are responsible for the damages they claim to have suffered during the construction of the urbanization "Parques del Sol II", where land faults have made the homes uninhabitable. The process is currently underway in the Administrative Circuit Court 38 of Bogota and is to decide on a motion for dismissal and a motion for reconsideration filed by the Bank against the writ of admission. The amount of the claim is estimated at USD2,716.9 plus any interest and is classified as a remote contingency.



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5. The Grupo Empresarial Los Andes S.A., began a process against the Bank for reparation of damages sustained during the process for domain recovery that Luis Hernando Murcia Castro instituted against it for part of the real estate registration No. 206-33327 which Davivienda sold to Grupo Empresarial Los Andes S.A. The process is underway in the 2nd Circuit Civil Court Pitalito and the last action recorded is the answer to the demand on October 11, 2010. The claims are estimated at USD 4,702.2 and the contingency is qualified as remote.
6. Olga Irene Vega Correa began a class action against the Bank and other financial institutions stating that these entities charge fees that are unconstitutional, illegal, unjust and exorbitant for the financial services they provide. The process is pending before the Administrative Court of Tolima, to which an answer to the complaint was filed last October 2010. The amount of the claim is undefined but has been estimated at a sum in excess of USD 2,612.4. The contingency is remote as similar settled cases have denied the claims of the plaintiffs.
7. Finally, within this group of important cases and for being major the contingencies, we must mention the class actions currently pending, taking into account that each of these litigation types can cover a large number of applicants who are within the parameters determined by the demand, the amounts of the claims would increase by large amounts. At December 31, 2010 the following cases are in process
 - There is a class action brought by Mr. Alvaro Bocarejo Romero and other Concasa debtors, where the actors feel that the Corporación de Ahorro y Vivienda Concasa (Concasa Savings and Housing Corporation), to which the organization is the successor, wrongly charged interest on housing loans to customers of this Corporation, filed in court 37, Civil Circuit of Bogota, of which the Organization was notified and who filed an appeal against the admission decree, which was resolved by rejecting the claim and transfer of jurisdiction to the Administrative Judges, which were declared incompetent and generated a negative conflict of jurisdictions with the Supreme Judicial Council assigning it to Judge 37 of the Civil Circuit of the Bogota, which in September 2010 granted the application and ordered us to be personally notified. There are 142 plaintiffs and there is no clear evidence to establish the amount of the claim and no provision has been established for any contingency and is estimated as remote, taking into account that the organizations met the parameters of Act 546 for the recalculation of the appropriations allowed in the UPAC system.
 - Mr. Oscar Zambrano Parada and other parties brought a lawsuit before the 31st Civil Court of Bogotá Circuit seeking for acknowledgment of damages for the alleged unlawful charging of commissions for financial and bank services. The Bank answered the lawsuit within the legal terms and the lawsuit is currently under the period allowed for producing evidence. There are not objective parameters to calculate the amount of the claims, a reason why there is no allowance for the contingency until establishing a risk during the course of the proceedings. The contingency was treated as remote. The process is currently in the evidence stage.
 - Mrs. Rosmery Roa Sarmiento brought a class action before the 20th Civil Court of Bogotá Circuit, for the alleged unlawful charging of financial services provided by the Bank. With the data currently on record under the proceedings it has not been possible to determine the amount of the claims. Evidence ordered by the Court are being produced at this time. In accordance to the case law on similar cases against other banks, the judges have rejected lawsuits for lacking of legal support and therefore this contingency has been treated as remote. There is a group action brought by José Guillermo T Roa at the 5th Civil Court of Bogotá Circuit currently under the period allowed for producing evidence, on which the same considerations apply.
 - Mrs. Aida Acero and other parties brought a class action before the 7th Civil Court of Bogotá Circuit for excess charging of Upac in housing mortgage credits granted by that time on which they argue inappropriate collection. There are no objective elements of judgment to quantify the lawsuit and integration of the group. The contingency has been treated as remote, and therefore no allowance.



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- Mrs. Silvana Heredia and other parties brought a class action before the 14th Civil Court of Barranquilla seeking relocation to houses of similar conditions to the persons who purchased Social Interest Housing (Viviendas de Interés Social) in a sector of that city which has experienced problems with foundations. The Bank is involved as one of the defendants for having granted the mortgage credits on those houses. This is awaiting the first instance court ruling. The suit is for an undetermined amount and the contingency has been described as remote so far.
- Ms. Ana Rocio Murcia Gómez and other parties sued the Bank and other persons, for geological faults in the lands where the houses of “Parques del Sol” Condominium located in the municipality of Soacha were built. The law suit is under process in 29th Administrative Court of Bogotá, it is in the evidence stage. The linkage of the bank is due to the fact of having granted mortgage credits on these properties. It is a matter of undetermined amount and the process has been classified as remote.
- Mr. Henderson Sepúlveda and other parties brought a class action at the 5th Civil Court of the Bogotá Circuit against the Bank for excessive charging of rates of interest on credit card transactions. This proceeding is currently under the period for producing evidence, there is no valid fundamental data to calculate the amount of the claims and the contingency has been treated as remote.
- Mrs Clara Cecilia Murcia and others entered a group demand in administrative court 5 in Bogota against the courts that did not comply with the provisions of Act 546 on the termination of the corresponding executive processes. The application requests that those judges be ordered at national level to complete such matters. The Company is linked as a third party for having filed at the time the relevant executive processes, it is pending process of an amendment to the lawsuit filed by the actors. The process has been described as remote.
- Mr. Cornelius Villada Rubio and others filed a class action lawsuit, lodged with the Administrative Circuit Judge 7 in Ibagué, seeking compensation for the damages resulting from being reported to credit bureaus without their permission, or because they were reported for more than 10 years. The suit was answered on June 9, 2009 but on occasion the challenge presented by one of the defendants claim was admitted again and we were notified of this on December 13, 2010. The amount in dispute is undetermined, and is classified as a remote contingency.
- Mrs. Martha Luz Sanz Borja presented a group action suit against the Bank and other entities in order to be compensated for damages and losses caused by the fissures and affectations which their dwellings located in the Altos del Campos Housing Project suffered by defects of the terrain. The bank only financed a few dwellings. The suit was answered on June 10, 2009. The topic of prior exceptions is pending decision. It has been classified as a remote contingency.
- Mr. Fredy Alarcón along with others sued in a class action claiming for compensation for alleged overcharging of the holders of mortgages given through UPAC. The process is being pursued in the Civil Circuit Court 31 of Bogota which refused the demand as a result of an administrative appeal against the writ of admission, is pending resolution of the correction letter provided by the end actor. The contingency is described as remote.
- 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 of Bogotá District, in February 2010 the Bank and Promotions and Beta Collections jointly answered the demand. The risk is considered remote given that the contracts for opening credit states that collection fees are charged to the debtor and additionally, a preliminary recovery was made to the people that now comprise the applicant group for being in arrears. It has been classified as a remote contingency.



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- Nohora Beatriz Santos Quiroga and other inhabitants of urbanization "Quintas del Sur" sued the Bank through a class action, since in their opinion such entities are liable for damages suffered by the actor group for the deficiencies in construction of the buildings that make up the said development. The group action is in process in Civil Administrative Court 29 in Bogotá; July 26, 2010 we answered the demand and we are waiting for the other defendants to be notified. The claims amounted to USD1,564.8 plus any interest, the contingency has been described as remote.
- Mrs. Adriana Rocio Mantilla and others placed a class action in Administrative Court 2 in Cúcuta 2 against the Bank claiming compensation for injuries suffered for the faults found in the residential homes located in the Vista Hermosa urbanization. On November 11, 2010 the demand was answered. The amount of the claim is undetermined and has been described as a remote contingency.

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

Having analyzed the lawsuits involving the Subsidiaries Bancafé Panamá S.A., Fiduciaria Davivienda S.A., Confinanciera S.A. and Fiduciaria Cafetera S.A., it can be stated that currently none of said lawsuits represents a significant risk to the patrimony.

Fiduciaria Cafetera S.A.

The Fiduciaria Cafetera has been sued in various lawsuits from long ago and more recently at the June 30, 2010 cut-off, of which the most significant amounts are listed below.

It is important to note beforehand that some of these processes are guaranteed by reason of the sale of FOGAFIN shares by the defunct bank Granbanco S.A. Bancafé to Davivienda Bank S.A, depending on the date on which the events giving rise to them occurred. Under the terms of this warranty the entity referred to covers 85% of the amount of any penalty, as well as concepts relating to legal expenses and attorneys fees.

Such processes are:

1. Administrative court of Cundinamarca Third Section

Type of process: Administrative in a contentious stage – Direct repair action 2007-0065.

Plaintiff: "Salud Total S.A." Health Promoting Entity – Administrator of the Subsidized Regime.

Defendant(s): The Social Protection Department and Consortium "Fidufofyga 2005" which consists of "Fiducolombia", "Fiduprevisora", "Fiduagraria", "Fidubogotá", "Fiducafé" (9.86% , "Fidupopular", "Fiducoldex" and "Fiduoccidente".

Value of the claim was USD1,107,415.4 plus business interests , material damages and legal costs.

Current state: On July 23rd, 2008, there was a first time failure that resulted unfavorable for processing the territorial degree of consulting.

Concept of the legal representative related to the state of the contingency :Probable

Value of the provision:\$0. In case of a sentence, the funds would be supplied by "Fosyga" and not by the integrated societies of the sued Consortium.

2. Cesar Augusto Restrepo Alzate No 2006.0035

Type of process: Ordinary

Plaintiff: Cesar Augusto Restrepo Alzate



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Defendant(s): "Fiducafé" and others

Claim: Declare the statute of 2 payments undersigned by the "Federación Nacional de Cafeteros", the first with a value of USD61,512.1 and the other with a value of USD17,346.1

Aproximate value: USD78,858.2

Current state: Ruling on the 4th of September, 2009, which declared the exceptions to not be proven and decreed the statute of the promissory notes. On September 14th, 2009 the Fiduciary presented an appeal and is awaiting a reply for sentence of the second instance.

Concept relating to the state of the contingency: Probable, because the claims of the suit circumscribe the expired statute of the promissory notes placed by the plaintiff and supported by the guaranteed Certificates of trust.

Value of the provision: USD4,179.8 for the lawsuit and USD522.47 for lawyer fees . The clarification is made that the payments are not made by "Fiducafé" but by a trusteeship with the "Federación Nacional de Cafeteros" and the ruling would declare the process of the promissory notes

3. Cesar Augusto Restrepo Alzáte No 2006-0043

Type of process : Ordinary

Plaintiff : Cesar Augusto Restrepo Alzáte

Defendant(s) : "Fiducafé" and others

Claim: Declare the statute of the promissory note in favor of "Central de Inversiones S.A. (CISA)." The fiduciary was called to guarantee for a value of USD26,123.6.

Current state: Ruling of December 9th, 2009, adverse for "Fiducafé" . The exceptions were declared non-proven and the statute of the promissory note was decreed. Is awaiting a reply to solve the resource of Appeal presented by the fiduciary.

Concept relating to the state of contingency: Probable. The claims of the lawsuit circumscribe the expired statute of the promissory note of the plaintiff, in favor of the "Central de Inversiones S.A. (CISA)."

Value of the provision : USD1,567.4 The clarification is made that the promissory note is not for "Fiducafé" but for "Central de Inversiones S.A. (CISA)", and the ruling would establish the promissory note process.

4. Comptroller's office 50100-0078/08

Type of process: District Attorney's responsibility

Plaintiff: District Comptroller of Bogota.

Defendant: "Fiducafé" and "Fiduprevisora" as members of the "FPB Consortium."

Claim : The District Comptroller of Bogota is looking for a responsible district attorney for the recognition of pensions without complying with all the requirements of Edelmira Bastidas Villate, Rosa Tulia Abril Novoa, Nestor Riveros Celeita, Carlos Rodriguez Sarmiento, Marina Hernandez de Beltran replacing Rafael Augusto Beltran.

Value: USD150,229.4.



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Current State: Is in the evidentiary phase. On November 4th, 2010, an explanatory memorial was presented and a record of the proceedings was requested.

Concept relating to the state of contingency: Probable. If the position of the FPB Consortium members is considered to be solid in regards to the Fiduciary contract development, there are precedents offered by the Comptroller's office of Bogota which are considered fiscally responsible.

Value of the provision: USD4,179.8 for the lawsuit. The process until now is beginning and is in the evidentiary phase.

5. Asceneth Rios, Jose A. Martinez, German Camacho and Diego Rivera No 2007-1060

Asceneth Rios, Jose A. Martinez, German Camacho and Diego Rivera No 2007-1060

Type of process: Ordinary/Work-related

Plaintiff: Asceneth Rios, Jose A. Martinez, German Camacho and Jaime Adolfo Toro.

Defendant: "Fiducafé."

Claim : Declares that the plaintiffs while working at "Fiducafé" practiced executive management responsibilities with a salary inferior to the one established for that position, and therefore is required to pay the difference in salaries and social benefits.

Value: Approximately USD242,743.9

Current state: Sentence was passed on November 17th, 2009 condemning "Fiducafé" to pay the salary differences and absolved them of the other claims. On November 20 of the same year, the process of appeal was initiated, and is currently awaiting sentencing of the second instance.

Concept relating to the state of contingency: Probable. The possibility exists that an unfavorable ruling for the Fiduciary is confirmed.

Value of the provision: USD121,372.2.

Furthermore, there are more than 25 lawsuits of "Direct repair" against the "Fidufosyga" 2005 Consortium, which also sue the Nation, Department of Social Protection for a total that oscilates between USD522.5 and USD4,702.2. Just as it has been manifested for the previous cases, these lawsuits are considered as remote for "Fiducafé S.A." due to the Consortium being a mere administrator of the resources belonging to the "Solidaridad y Garantías" Fund in charge of the mentioned Department. Similarly, it is clearly stipulated that the participation of "Fiducafé S.A." in the consortium in question is of 9.86%. Without detriment from the aforementioned situation, the "Fidufosyga" Consortium has started a 2% provision of the total value of the lawsuit's claims that have been presented against the Consortium.



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Processes that generate a positive contingency where the Bank acts as plaintiff.

There are various legal proceedings in which the Bank acts as plaintiff in defense of its rights. The most significant for the size of the claims are the following:

1. Several processes have been presented by the Bank against two insurance companies AIG Colombia Seguros Generales S.A. and Liberty Seguros S.A. which details the existence of the Global Banking Policy No. 1976 dated March 3, 2005, in effect until March 2006, as well as the existence of the insured loss and the non-compliance of the contract by the defendants for denial of payment of said loss with the credits disbursements within the program called Fondo Ganadero del Caquetá. As per the above, it is hoped that the defendants will indemnify the company, in the amount of USD15,674.1 for capital plus interest, for the disbursements made by the appropriate Bank with regards to the irregular operations made by the individuals criminally involved in said actions. These proceedings are under the period for producing evidence. On July 15, 2009, statements were taken. This is qualified as a probable contingency.
2. Taking into account, that the State Council's decision, which granted the Tax Stability to Bancafé S.A., established that the Bank has the right to request the reimbursement of the paid indexed amounts, previous to the sentence, with the corresponding expected interests for tax purposes, we had requested to the Tax Administration, the payment of USD18,361.3 as interests. On December 2, 2008, by means of Resolution No. 09036, the Tax Administration decided to recognize USD3,716.4.

As a consequence, the Bank placed an executive demand against the DIAN in February 2009 for it to pay interest ordered by the State Council ruling that defined the issue of tax stability in favor of Bancafé. The amount in dispute is USD11,397.6. The Cundinamarca Court Section III denied the payment order by Decree in April 2009, an appeal was filed against the aforementioned decision, which was upheld in October 2009, subsequently, on 12 November 2009, the presiding judge decided to refer the case to Section IV. On 5 March 2010 the appeal was admitted and we await the decision of the second degree.

3. Initiated by ordinary process against the Compañía Suramericana de Seguros in order to claim under the insurance policy # 1999040002 Manejo Bancario, implemented in the banking contract between the Banco Cafetero S.A. and the Compañía Agrícola de Seguros, incident which caused a loss for Granbanco SA Bancafé valued at USD2,890. The process is being handled in the 6th Civil Court of the Bogota Circuit where it is in the evidentiary stage. This contingency is classified as probable.

Wealth tax - first installment - 2007 - Plaintiff Davivienda: Demand initiated on October 15, 2009 for the amount of USD2,351.9 was granted by order on October 30 of the same year. On 10 June 2010 concluding arguments were filed and on 2 September, the Court issued its decision denying the claims of the lawsuit.

That verdict was appealed, which was supported by a letter filed on September 30, 2010. On 28 October the Administrative Court referred the case to the State Council, the last action recorded by the authorities in question was on 17 November. Under these conditions, the pending action will be the acceptance of the application by the Magistrate conducting the process.

4. Estate tax - Second installment - 2007 - Plaintiff the Bank: Demand initiated on October 15, 2009 for the amount of USD2,357.4 was granted by order on October 30 of the same year. On August 27, 2010 concluding arguments were entered, by an Order of June 24, 2010 the Administrative Court refused the order sought by the Bank to answer the complaint filed by the DIAN (detrimental action) against the resolutions that agreed to return a part of the wealth tax paid, action realized by an Order of October 8, 2010. On October 14 the DIAN attorney attached to the proceedings a copy of the unfavorable ruling produced by the Court. Of this report. Under these conditions, the coming action will be the first instance ruling corresponding to the second installment.



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Taking into account what has already happened with respect to the first installment where the Court ruled negatively, a copy of which was added to the process, and that DIAN certainly lodged all its influence with the magistrates, both in the Court and the State Council, most of which were employed in the DIAN, it is likely that the judgments will continue to be unfavorable to the Bank.

21 Minority Interest

It is constituted as part of net assets (equity) and the result of the Subsidiaries, attributable to capital rights whose owners are different from those of the consolidated entity group.

Through communication No. 2009058410-002-000 of October 16, 2009 the Financial Superintendence of Colombia, establishes that when calculating the minority interest of Confinanciera S.A., Davivalores S.A., Fiduciaria Davivienda S.A. and Fiduciaria Cafetera S.A., the shares other Bank's direct shareholders, and the subordinates' direct shareholders have, should be excluded, in compliance with paragraph 4.1.4.10 chapter X Consolidated or Combined Financial Statements of External Bulletin 100 of 1995, equivalent to USD2,604.4 at December 31, 2010.

The bank's common shareholders and subordinates indirect shares as of December 31st, 2010 are:

December 31	<u>Indirect shares</u>
	11.63%
Capital	1,170.7
Statutory and temporary reserves	662.1
Revaluation surplus	130.7
Previos value	328.0
Net income	313.0
Total	<u>2,604.4</u>

Minority participation is determined by taking equity from the support of it as of the date of consolidation as a basis, before any elimination of reciprocal operations or adjustments for consolidation effects, affecting the corresponding portion of each of the equity accounts.

The following is the detail of the minority interest, at December 31, 2010 and June 30, 2010:

December 31		<u>Equity</u>	% Minority <u>Interest</u>	Minority <u>Interest</u>
Fiduciaria Davivienda S.A.	USD	27,397.5	33.5%	9,184.9
Davivalores S.A.		5,566.0	17.6%	979.6
Confinanciera S.A.		37,009.5	4.3%	1,581.9
Bancale Panama S.A.		82,435.3	0.0%	0.5
Fiduciaria Cafetera S.A.		36,232.5	5.1%	1,834.4
				<u>13,581.4</u>
June 30		<u>Equity</u>	% Minority <u>Interest</u>	Minority <u>Interest</u>
Fiduciaria Davivienda S.A.	USD	23,239.5	33.1%	7,688.6
Davivalores S.A.		5,171.8	17.4%	898.3
Confinanciera S.A.		32,141.9	4.2%	1,355.8
Bancale Panama S.A.		75,612.0	0.0%	0.5
Fiduciaria Cafetera S.A.		34,565.2	5.0%	1,728.2
				<u>11,671.5</u>



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22 Capital Stock

Following is the detail of Capital Stock, cut to December 31, 2010 and June 30, 2010:

		December 31	June 30
Authorized Capital	USD	31,348.3	31,361.9
Subscribed and paid capital		26,649.4	24,962.5
Subscribed capital receivable		0.4	0.0

The Authorized Capital, Subscribed and paid capital at December 31, 2010 and June 31, 2010, is represented in the following actions:

		December 31	June 30
Authorized shares	USD	250,786,319.6	250,895,120.6
Subscribed and paid common shares:		213,195,003.6	199,700,481.4
Subscribed capital receivable		3,136.4	0.0
Outstanding shares		213,198,140.0	199,700,481.4
Weighted average of shares subscribed		207,236,159.7	83,208,534.1
Face value		65.3	65.3
Intrinsic value valuations		4,569.1	3,986.2
intrinsic value within valuations		3,879.1	3,301.9
net income per share		355.4	810.5

Consolidated capital

	December 31	June 30
Subscribed and paid common share	112,307.3	110,657.7
Elimination Consolidated investment equity	84,495.7	84,444.1
Financial Satatements translation adjustment	3,512.5	3,723.3
Total Consolidated	<u>24,299.1</u>	<u>22,490.2</u>

There are no preferred shares or share repurchase transactions

The shareholders equity generated by equity's revalorization at May 31, 2006 was USD131,816.7.



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Articles 5, 8, 9 and 15 of the Bank's bylaws were reformed, the text of which were approved unanimously in the Shareholders Meeting held on April 28, 2010, and were solemnized by Public Deed No. 3202 of April 30, 2010 in Notary Seventy-one.

Bank shares are registered, capital, and may be: a) ordinary, b) privileged, c) with preferential dividend and no voting rights; the latter may not represent more than fifty percent (50%) of the subscribed capital.

Shares may be issued materialized or dematerialized.

The General Assembly of Shareholders held on April 28, 2010, approved:

- To split the Bank's shares by reducing the nominal value of the share, taking as a divisor the number eight (8) (hereinafter the "Conversion Factor"), from a nominal value of one thousand pesos (\$1,000.00) each to a new nominal value of one hundred twenty-five pesos (\$125.00) each. Consequently, the authorized capital of USD 31,361.9 was represented by 480 million shares.

- Issue of shares:

According to the aforementioned reform and in line with the official approval of the Financial Superintendence of Colombia, the issuance and placement of up to fifty million (\$ 50,000,000) shares was authorized with preferential dividend and no voting rights for a period of up to three (3) years from its entry in the RNVE. After obtaining such approval, the Bank made the issuance of 26,000,000 preferential shares at a share price of \$ 16,129 COP, of which 25,993,997 were issued and subscribed. Consequently there was a capital of USD1,697.7 thousand of dollars and a premium for collocation of preferential shares of USD217,352.3 thousand of dollars that increase equity by USD219,049.9.

At December 31, 2010, there are 6,003 preferential shares receivable that generate a subscribed capital receivable of USD392.049.6 and USD50.2 million in premium placement of preferential shares receivable (Note 22).

The General Assembly of Shareholders held on September 30, 2010, approved:

The payment of a dividend of \$ 160 COP per share for a total of USD34,111.7 for the 408,056,976 preferential and ordinary shares.



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- Share Conversion

To allow minority shareholders who were not members of the Grupo Bolívar the option to convert up to 50% of the common stock held into shares with preferential dividend and no voting rights; each ordinary share becomes a preferential share so that the conversion did not generate a modification of the Bank's paid capital, nor the number of shares of the shareholder; the above operation was approved by the Superintendencia Financiera de Colombia on June 8, 2010. The number of shares converted from ordinary to preferential amounted to 25,586,704.

23 Reserves

The detail of reserves as of December 31 and June 30, 2010, is as follows:

	December 31	June 30
Legal reserve:		
For profit appropriation	USD 4,524.4	4,541.5
For premium on the placement of common shares	815,908.5	600,493.8
	<u>820,433.0</u>	<u>605,035.3</u>
Statutory and occasional reserves:		
At the disposal of Board of Directors	19,611.1	30,891.7
For investment protection	131.1	131.2
For charities and grants available to the Board of Directors	3,738.4	4,293.9
At the disposal of the General Assembly of Stockholders	569,103.3	473,525.7
For fiscal allowances	33,957.3	25,216.8
	<u>626,541.2</u>	<u>534,059.3</u>
	USD <u>1,446,974.1</u>	<u>1,139,094.6</u>

On December 31, 2010 and June 30, 2010, donations were made in the amounts of USD2,121.1 and USD1,146.0, respectively, paid for by the occasional reserves used for this purpose, authorized by the Shareholders' Assembly.

The General Assembly of Shareholders held in September and March 2010 approved the release of reserves available to the Assembly for USD1,567.4 and USD4,704.3, respectively, for a reserve available to the Board for donations.



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

24 Contingent Accounts

A detail of contingent accounts is as follows:

	<u>December 31</u>	<u>June 30</u>
Creditors:		
Values gave during repo and simultaneous operations	98,420.6	142,869.7
Bank guaranties	441,943.2	237,023.9
Letters of credit	53,676.6	57,346.1
Approved and not disbursed credits	1,919,830.3	1,201,512.4
Credit card opening	3,710,257.7	3,161,937.6
Obligations in options	52,000.0	113,721.6
Accounts payable to the Nation, Law 546/99	11,276.3	11,281.2
Leasing contract purchase property street 26	0.0	2,409.3
Litigation (Note 20)	132,050.9	123,492.9
Receiving payment order money	0.0	810.1
Others (Less than 5%)	5,884.1	3,447.3
	<u>6,425,339.6</u>	<u>5,055,852.0</u>
Debtors:		
Values gave during repo and simultaneous operations	7,025.1	54,099.9
Credit portfolio interests	17,952.2	22,295.4
Housing leasing portfolio interests	0.0	1,541.6
Financial leasing interests	942.3	969.6
Rights in options	28,300.0	76,885.8
Housing portfolio relieves Law 546/99	13,841.2	12,486.8
Canons to be received	25,280.8	21,033.9
Purchase options to be received	585.3	423.1
Monetary correction of credits portfolio	2,984.0	4,521.2
Monetary correction of Financial Leasing	394.5	572.1
Written down restructured portfolio (1)	362.3	21,565.6
Rights contract certificated	8,982.8	8,986.7
Litigation	112,287.1	66,400.3
C Securities II securitization II	17,214.4	17,205.1
Titles received in restructuring agreements	0.0	11,040.2
Bad debt portfolio restructuring agreements	362.3	10,525.4
Liens TES Act 546	0.0	8,222.1
Securitization on residual value	15,653.2	12,645.4
Other debtor contingencies (Less than 5%)	867,589.9	366,056.9
	<u>1,119,757.6</u>	<u>717,477.2</u>
USD	<u>1,119,757.6</u>	<u>717,477.2</u>

- (1) The restructured bad debt portfolio amount corresponds to the business restructuring agreement signed on February 3, 2005, between Promotora La Alborada and its creditors; as a result of this agreement Davivienda received an instrument of 21.121.632.105 shares for an amount of USD11.040.2. The remaining balance corresponds to a loan for 101.988.429.81 UVR calculated to December 31 2009 for USD9.963.8, which shall be paid in one installment on January 30, 2012.



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

25 Memorandum Accounts

The following is the detail of the Memorandum Accounts:

		December 31	June 30
Debtors:			
Assets and securities received in custody	USD	2,009,459.2	1,662,259.7
Assets and securities received in guarantee		27,987.1	55,159.7
Revaluation assets received as payment – real state		3,099.2	3,870.4
Revaluation assets received as payment – personal property		3,358.0	3,359.4
Revaluation assets real state - different housing		83.6	0.0
Remittance and sent to other recovery		4,915.8	4,564.0
Unpaid traded checks		880.6	881.0
Write down assets		666,847.7	739,704.5
Unused credits		7,844.3	21,036.5
Assets inflation adjustment		31,541.6	31,555.3
Distribution of paid-up capital		26,649.4	0.0
Credits to stockholders and related parties		687.9	7,413.8
Loans to parents, subsidiaries and subordinates		2.1	0.0
Agricultural portfolio new loans		599,127.0	461,602.6
Property and equipment fully depreciated		96,677.5	96,537.5
Fiscal Value of non-monetary assets		13,011,958.1	13,017,476.9
Allowance people in concordat situation		24,501.5	20,436.3
Investment negociable in debt securities		1,127,790.7	1,225,593.3
Investment to be maintained up to their maturity		200,984.4	191,879.1
Investment available for sale – debt securities		689,470.2	329,503.1
Reciprocal operations with Parent Companies and Subordinates		171,430.4	171,825.8
Reciprocal operations that affect expenses and costs with parent companies		6,778.7	5,023.3
Capital, interest and insurance securitized portfolio		1,172,591.2	696,954.2
Capital, interest, Daviplan and insurance universality and portfolio		51,689.0	54,410.4
Universalities assets, expenses and contingencies		273,997.7	279,385.1
Interest, RVU and guaranties		347,528.7	327,467.3
Mortgage bonds housing portfolio		24,715.9	26,636.0
Base tax on VAT (value added tax) for purchases		10,445.6	8,934.8
Special litigation processes		49,700.1	41,799.4
Swaps rights on foreign currency US dollars		0.0	164,542.9
Depreciation of Housing Leasing		88,293.2	49,746.6
Lineal cause of syndicated credit and bonds		2,943.9	2,396.6
DCV indirect deposits		548,695.4	572,449.4
Others debtor Memorandum accounts (Less than 5%)		88,537.6	114,547.6
	USD	<u>21,371,213.3</u>	<u>20,388,952.5</u>



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

	<u>December 31</u>	<u>June 30</u>
Creditor:		
Assets and securities received in custody	USD 107,118.9	128,230.5
Assets and securities received in guarantee for futures loans	3,128,060.8	3,103,457.0
Guarantees outstanding to cancel	2,071,183.0	1,696,221.2
Assets and securities received in guaranty	8,492,929.2	8,896,042.5
Assets and securities received in other guaranties	1,102,508.9	887,502.5
Assets and securities received in administration	0.0	56.8
Inflation adjustment to stockholders' equity	144,498.9	144,561.6
Fiscal monetary correction	-565.9	-566.1
Capitalization for stockholders' equity revaluation	143,629.5	143,691.8
Fixed income negociable investments yields	103,824.1	39,699.3
Stockholders' equity fiscal value	1,372,312.6	1,371,741.4
Capital, interest and others comercial portfolio	748,347.5	5,645,829.2
Capital, interest, and other bad debt portfolio items sold off	588,681.0	0.0
Capital, interest, and other bad debt portfolio items guaranties	5,255,363.0	0.0
Capital, interest and others consumption portfolio	481,157.6	3,559,709.3
Capital, interest and other micro other guaranties	3,535,480.5	0.0
Capital, interest and others micro – credit portfolio	35,395.2	28,885.0
Capital, interest and others micro - credit portfolio items guaranties	180.9	0.0
Capital, interest and others housing portfolio	939,168.8	1,225,400.8
Capital portfolio housing others guaranties	1,925.2	0.0
Capital Leasing contrats – commercial	4,122.5	3,907.6
Liability reciprocal operations with Parent Companies & Subordinates	43,051.9	31,976.4
Reciprocal operations that affect stockholders' equity with parent Company	108,996.1	99,657.5
Reciprocal operations that affect income with parent Company	28,749.0	12,605.4
Universality guaranties, liabilities and incomes	108,859.0	128,389.0
Securitized portfolio guaranties	3,355,448.9	2,321,994.2
Subordinated bonds	0.0	165,000.0
Technical Heritage - October 2010	1,880,834.3	0.0
Technical Heritage - November 2010	1,885,521.2	0.0
Self-withholding base - Decree 700 – Investment	286,129.2	206,358.4
Other debtor contingencies (Less than 5%)	3,646,571.8	3,849,029.7
	USD <u>39,599,483.6</u>	<u>33,689,381.3</u>



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

26 Fiduciary Accounts

The following is the detail of the Fiduciary Accounts on December 31, 2010 and June 30, 2010:

26.1 Housing Write Down Portfolio Universality (CCV).

In December 31, 2010 and June 30, 2010, universalities of Financial Statements CCV, CCVII and CCVIII, are recorded Trust Memorandum Accounts.

These universalities were constituted through penalties approved by the General Shareholders' Assembly held on December 16, 2003; May 11 and November 9, 2004 respectively. It was then decide to retrieve the balance of the Bank, a set of housing credits, that due to their particular risk situation had been totally provisioned and at the same time perform an issuance of titles.

The portfolio of written off accounts receivable for CCV, CCVII, and CCVIII housing was separated from the capital and the Balance of the Bank, in accordance to what is established in article 12 of Law 546 of 1999, regulated by Resolution 775 of 2001 of the Superintendencia Financiera de Colombia through the conformation of the Universalities denominated Universalidad Titulos CCV, CCVII, and CCVIII the exclusive ends of which is to serve as instrument for the structuring of the issuance of titles of the entitlement of the mortgage accounts receivable CCV, CCVII, and CCVIII constituted on December 29, 2003; May 25, and December 22, 2004 respectively.

In accordance to Resolution No. 775 of 2001 issued by the Superintendencia Financiera de Colombia, the Titles CCV, CCVII, and CCVIII were inscribed in the Registro Nacional de Valores e Intermediarios [National Registry of Titles and intermediaries], and their public offer authorized by having presented before the mentioned Registry the entirety of the documentation established in article 3 of the mentioned Resolution.

Housing Write Down Portfolio Universality - CCVIII

The following corresponds to the detail of the universality operation entered into on November 9, 2004:

Capital	USD	48,222.1
Interests		1,114.2
Insurance		1,430.7
Other Assets		2,011.3
Deferred		(1,668.2)
Housing RVU Contingency		6,719.4
Housing Interest Contingency		<u>12,458.4</u>
Total Universality	USD	<u>70,287.0</u>

The portfolio was constituted by 4.641 credits with a U.V.R. + 11.99% weighted rate. 54% corresponds to VIS portfolio and the remaining 46% to non-VIS portfolio.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The CCVIII mortgage instruments are issued and administered by the Bank with an exclusive support in the CCVIII Universality (Housing Write Down Portfolio III) and without guaranty from their own stockholders' equity.

The custody and administration of the issuance is made by DECEVAL in accordance with the terms of the issuance deposit and administration contract entered into between the Bank and DECEVAL.

In December 3, 2008, these securities were classified CCC by the Colombia's Classification Company Duff and Phelps S.A according to their risks conditions.

Some stockholders of the Bank acquired all these CCVIII mortgage instruments.

The characteristics of the CCVIII mortgage instruments are the following:

					Issued
<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term</u> <u>(Months)</u>	<u>Yields</u>	<u>Face Value</u>
22-Dic-04	22-Dic-12	I	96	Uncertain	<u>USD 3,658.4</u>

- Designation: the name of the instruments will be CCVIII Mortgage Instruments.
- Denomination: the CCVIII instruments will be expressed in RVU Units.
- Number of instruments in this issuance: 4.800
- Face value: 10.000 RVU
- Outstanding Law: The CCVIII instruments are freely negotiable in the second market and they have the character of bearer instruments.
- Minimum Investment: equivalent to 200.000 RVU.
- Minimum negotiation amount in the secondary market: 10.000 RVU.
- System: They have the character and the prerogatives of the securities and also those belonging to the Mortgage Instruments. They are subject to the regulations provided in the Law 546/99.
- Profitability: Uncertain, derived from the collections achieved from the write down portfolio that is the basis of the process, net of expenses, and during the term of the instruments.
- Payment of yields: The CCVIII instruments yields will be paid quarterly, at the end of the quarter, in accordance with the allowances in payment priority.
- Amortization: The CCVIII instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly quotas on the payment dates of the 23 to 32 quarters of the issuance term. The capital payments that can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.
- Placement: The CCVIII instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
- Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.



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

Housing Write Down Portfolio Universality - CCVII

The following corresponds to the detail of the universality operation entered into on May 11, 2004:

Capital	USD	66,010.8
Interests		2,168.5
Insurance		4,263.0
Other Assets		959.4
Deferred		(1,561.7)
Housing RVU Contingency		28,652.8
Housing Interest Contingency		<u>38,702.3</u>
Total Universality	USD	<u>139,195.1</u>

The portfolio was constituted by 5.866 credits with U.V.R. + 12.10% weighted rate. 45% corresponds to VIS portfolio, and the remaining 55% to Non-VIS portfolio.

The CCVII mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV II (Housing Write Down Portfolio II) Universality and without any guaranty from their own stockholders' equity.

The custody and administration of the issuance is made by DECEVAL according to the issuance deposit and administration contract entered into between the Bank and DECEVAL.

In May 12, 2009, these securities were classified CCC by the Colombia's Classification Company Duff and Phelps S.A. according to their risks conditions.

Some of the Bank stockholders acquired all these CCVII mortgage instruments.

The characteristics of the CCVII mortgage instruments are the following:

		<u>Series</u>	<u>Term</u>	<u>Yields</u>	<u>Issued</u>
<u>From</u>	<u>To</u>		<u>(Months)</u>		<u>Face Value</u>
26-May-04	26-May-12	I	96	Uncertain	<u>USD 5,248.9</u>

- Designation: the name of the instruments will be CCVII Mortgage Instruments.
- Denomination: The CCVII instruments will be expressed in RVU Units.
- Number of instruments constituting the issuance: 7.000
- Face Value: 10.000 RVU
- Outstanding Law: The CCVII instruments are freely negotiable in the secondary market and they have the character of bearer instruments.
- Minimum Investment: Equivalent to 200.000 RVU.
- Minimum negotiation amount in the secondary market: 200.000 RVU.



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Notes to the Consolidated Financial Statements

- System: They have the character and the prerogatives of the securities and also of those corresponding to the Mortgage Instruments. They are subject to the regulations provided in the Law 546/99.
- Profitability: Uncertain and derived from the collections achieved from the write down portfolio that is the basis of this process, net of expenses, during the term of the instruments.
- Payment of the yields: the yields from the CCVII instruments will be paid quarterly, at the end of the quarter, in accordance with the allowances in the payment priorities.
- Amortization: The CCVII instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly quotas on the payment dates of the 22 to 32 quarters of the issuance term. The capital payments that can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.
- Placement: The CCVII instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
- Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.

Housing Write Down Portfolio Universality - CCV

The following corresponds to the detail of the universality operation entered into on December 16, 2003:

Capital	USD	81,111.8
Interests		3,825.6
Other Assets		5,228.7
Deferred		<u>(3,186.0)</u>
Total Universality	USD	<u>86,980.1</u>

The portfolio was constituted by 7.811 credits, with RVU + 11.98% weighted rate. The 53% corresponds to VIS portfolio and the remaining 47% to non-VIS portfolio.

The CCV mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV Universality (Housing Write Down Portfolio) and without any guaranty from their own stockholders' equity.

The custody and administration of the issuance is made by DECEVAL according to the issuance deposit and administration contract entered into between the Bank and DECEVAL.

At December 3, 2008, these instruments were rated CCC by the rating company Duff and Phelps de Colombia S.A., in accordance with their risk condition.



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Notes to the Consolidated Financial Statements

Some stockholders of the Bank acquired all these CCV mortgage instruments.

The characteristics of the CCV mortgage instruments are the following:

						Issued
<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term</u> <u>(Months)</u>	<u>Yields</u>	<u>Face Value</u>	
29-Dic-03	29-Dic-11	I	96	Uncertain	<u>USD 7,306.0</u>	

- Designation: the name of the instruments will be CCV Mortgage Instruments.
- Denomination: The CCV instruments will be expressed in RVU Units.
- Number of instruments constituting the issuance: 10.140
- Face Value: 10.000 RVU
- Outstanding Law: The CCV instruments are freely negotiable in the secondary market and they have the character of bearer instruments.
- Minimum Investment: Equivalent to 200.000 RVU.
- Minimum negotiation amount in the secondary market: 200.000 RVU.
- System: They have the character and the prerogatives of the securities and also of those corresponding to the Mortgage Instruments. They are subject to the regulations provided in the Law.
- Profitability: Uncertain and derived from the collections achieved from the write down portfolio that is the basis of this process, net of expenses, during the term of the instruments.
- Payment of the yields: the yields from the CCV instruments will be paid quarterly, at the end of the quarter, in accordance with the allowances in the payment priorities.
- Amortization: The CCV instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly quotas on the payment dates of the 25 to 32 quarters of the issuance term. The capital payments that can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.
- Placement: The CCV instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
- Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.

The detail of the fiduciary accounts, with closing on December 31, 2010 and June 30, 2010 are presented below:



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Notes to the Consolidated Financial Statements

December 31		CCV	CCVII	CCVIII	Total
<u>Balance</u>					
Cash and cash equivalents	USD	99.3	409.2	492.2	1,000.6
Credit Portfolio		9,707.4	5,291.4	4,431.8	19,430.6
Debtor		84.7	320.7	197.3	602.8
Assets Total		<u>9,891.4</u>	<u>6,021.3</u>	<u>5,121.3</u>	<u>21,034.1</u>
Interests		0.0	387.5	631.1	1,018.6
Accounts payable		157.2	182.4	38.2	377.9
Creditors		1,196.7	160.0	20.3	1,376.9
Long term-debt		8,537.7	5,291.4	4,431.7	18,260.7
Liabilities Total	USD	<u>9,891.5</u>	<u>6,021.3</u>	<u>5,121.3</u>	<u>21,034.1</u>
<u>Results</u>					
Operating Income	USD	0.7	0.2	0.2	1.1
Readjustment to real value unit R.V.U.		9.8	6.2	4.5	20.5
Portfolio recovery		1,243.1	1,576.7	1,560.6	4,380.5
Real State trust recovery		920.2	661.2	454.4	2,035.9
Operating Income total		<u>2,173.8</u>	<u>2,244.4</u>	<u>2,019.8</u>	<u>6,437.9</u>
Others Interests		838.8	1,457.2	1,545.5	3,841.6
Commissions		85.5	85.8	75.0	246.3
Fees		0.0	0.0	0.0	0.0
Insurance		962.6	494.4	241.7	1,698.7
Miscellaneous		286.9	206.9	157.6	651.4
Operating Expenses Total	USD	<u>2,173.8</u>	<u>2,244.3</u>	<u>2,019.8</u>	<u>6,437.9</u>
<u>Contingents</u>					
Portfolio		96,363.7	48,878.7	16,954.6	162,197.0
Other contingencies		12,745.6	12,021.8	7,593.0	32,360.4
Total Contingencies		<u>109,109.3</u>	<u>60,900.5</u>	<u>24,547.6</u>	<u>194,557.4</u>
<u>Debtors</u>					
Portfolio		14,085.8	14,090.8	10,130.8	36,217.6
<u>Creditors</u>					
Portfolio		42,354.2	33,126.6	34,772.2	110,253.0



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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June 30		CCV	CCVII	CCVIII	Total
<u>Balance</u>					
Cash and cash equivalents	USD	1,274.2	332.8	131.1	1,738.1
Credit Portfolio		10,104.4	6,481.7	4,783.2	21,369.3
Debtor		203.7	114.8	172.7	491.2
Assets Total		<u>11,582.4</u>	<u>6,929.3</u>	<u>5,087.0</u>	<u>23,598.7</u>
Interests		128.0	124.0	208.2	460.2
Accounts payable		124.2	132.5	35.3	292.0
Creditors		1,225.8	150.0	60.3	1,436.1
Long term-debt		10,104.4	6,522.8	4,783.2	21,410.3
Liabilities Total	USD	<u>11,582.4</u>	<u>6,929.3</u>	<u>5,087.0</u>	<u>23,598.7</u>
<u>Results</u>					
Operating Income	USD	2.1	0.5	0.6	3.2
Readjustment to real value unit R.V.U.		231.6	158.3	109.7	499.6
Portfolio recovery		1,794.9	997.2	1,560.4	4,352.5
Real State trust recovery		464.5	632.8	311.7	1,409.1
Operating Income total		<u>2,493.2</u>	<u>1,788.8</u>	<u>1,982.3</u>	<u>6,264.3</u>
Others Interests		1,140.1	939.3	1,512.6	3,592.0
Commissions		76.7	55.2	65.5	197.4
Fees		0.0	0.0	0.0	0.0
Insurance		971.5	515.6	264.4	1,751.5
Miscellaneous		304.9	278.7	139.8	723.4
Operating Expenses Total	USD	<u>2,493.2</u>	<u>1,788.8</u>	<u>1,982.3</u>	<u>6,264.3</u>
<u>Contingents</u>					
Portfolio		95,569.6	49,377.9	17,192.1	162,139.6
Other contingencies		12,946.8	11,908.9	8,903.5	33,759.2
Total Contingencies		<u>108,516.4</u>	<u>61,286.9</u>	<u>26,095.6</u>	<u>195,898.9</u>
<u>Debtors</u>					
Portfolio		<u>15,141.1</u>	<u>13,149.4</u>	<u>11,371.4</u>	<u>39,661.8</u>
<u>Creditors</u>					
Portfolio		<u>45,016.0</u>	<u>36,519.6</u>	<u>38,359.7</u>	<u>119,895.3</u>



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The following is the detail of the trusted assets:

		<u>December 31</u>	<u>June 30</u>
Real state trusts	USD	556,345.1	464,870.6
Management trusts		641,968.1	1,054,539.6
Pension trusts		863,367.4	821,227.0
Collective portfolio		717,611.8	726,843.8
Warranty trusts		306,799.7	1,316.0
	USD	<u>3,086,092.1</u>	<u>3,068,797.0</u>

27 Operating Income – Others

The detail of the operating income – others is as follows:

		<u>December 31</u>	<u>June 30</u>
Traveler withdrawal	USD	8,805.1	7,862.0
Charge for the use of networks		8,343.1	7,121.3
Sale Checkbooks		963.7	806.9
Virtual Services		1,136.0	1,238.2
Commercial service		9,283.1	7,805.8
Check book sale		7,574.8	6,810.2
Credit card refusals		842.9	785.5
Local and National Deposits		4,720.1	3,188.5
Consortiums or joint ventures operational income		3,709.5	3,108.9
Others (Less than 5%)		4,640.2	3,928.8
	USD	<u>50,018.3</u>	<u>42,656.2</u>

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

Notes to the Consolidated Financial Statements

28 Operating Expenses – Others

The detail of the operating expenses – others is as follows:

		<u>December 31</u>	<u>June 30</u>
Fees	USD	33,141.7	22,762.4
Losses in simultaneous short-term and open, operations and temporary security transferences		2,157.2	882.9
Taxes		21,096.0	26,365.2
Leases		15,264.1	13,680.9
Contributions and affiliations		12,317.6	10,957.8
Insurance		24,952.0	21,946.9
Maintenance and repairs		7,606.8	7,429.3
Suitability offices		6,801.0	3,342.9
Services toilet and surveillance		7,972.3	7,064.4
Temporary services		2,202.3	1,128.1
Advertising and propaganda		25,356.0	20,269.2
Public relations		390.6	0.0
Public services		17,452.9	13,340.3
Electronic data processing		17,154.1	11,468.5
Travel expenses		4,177.3	2,189.6
Transportation		14,551.9	12,838.1
Tools & stationery		4,095.5	3,836.2
Consortiums or joint ventures operational expenses		1,383.6	1,176.4
Network Committees		38.7	0.0
Others		5,897.8	4,281.0
	USD	<u>224,009.3</u>	<u>184,960.0</u>

29 Allowances – Others

The following is the detail of other allowances:

		<u>December 31</u>	<u>June 30</u>
Cash	USD	125.1	307.8
Assets received in payment		1,669.4	1,814.9
Other assets		89.7	364.4
Other estimated liabilities		0.0	46.4
Others		140.8	190.8
	USD	<u>2,025.0</u>	<u>2,724.2</u>



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

30 Non-Operating Income

The following is the detail of the non-operating income:

		<u>December 31</u>	<u>June 30</u>
Gross profit on sale of			
Foreclosed Assets	USD	1,008.2	1,386.2
Properties & Equipment		851.9	868.9
	USD	<u>1,860.1</u>	<u>2,255.2</u>
Recoveries:			
Portfolio and property written off	USD	47,654.8	37,015.4
Refund allowances properties and equipment		413.1	417.4
Refund allowances foreclosed assets		1,558.6	994.6
Refund allowances investments		1,903.1	2,956.1
Refund others assets		0.0	3,076.8
Refund others allowances		1,454.9	44.5
Refund by sinister		927.4	1,603.8
Refund deposit insurance		0.0	2,079.2
Refund Liabilities		4,286.3	2,017.2
Refund year estimated liabilities		4,911.2	0.0
Others recoveries		5,640.2	9,074.0
		<u>68,749.7</u>	<u>59,279.0</u>
Business collaboration contract (1)		4,829.7	4,446.9
Leases		319.8	358.9
Various (Less than 5%)		3,115.0	5,288.1
		<u>8,264.5</u>	<u>10,094.0</u>
	USD	<u>78,874.2</u>	<u>71,628.1</u>

(1) Through business cooperation contract concluded between the bank and the Fiduciaria Davivienda S.A. which is extended every year, with the purpose of promotion business trust, it was agreed to distribute the income the proceeds in equal parts between the trustee and the Bank



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

31 Non-Operating Expenses

The following is the detail of the non-operating expenses:

		<u>December 31</u>	<u>June 30</u>
Loss on sale of assets received in payment	USD	832.2	879.2
Loss on sale of properties and equipment		1,673.0	32.1
Damage loss		9,496.4	8,202.8
Penalties and sanctions		3,833.1	769.3
Expenses assets received in payment		464.6	408.8
Consortia or joint venture		428.2	386.3
Amortization of excess investment cost on book value		2,973.8	2,975.1
Minority interest		1,624.8	1,584.9
Other assets losses		220.3	276.7
Client recognition		422.2	364.5
Housing relieves return		4,836.9	1,863.3
Portfolio fees		53.6	37.9
Others (Less than 5%)		12,449.7	5,154.7
	USD	<u>39,308.9</u>	<u>22,935.6</u>

32. Income Tax

The presentation of consolidated information in the income tax returns is not allowed by Colombian tax standards; therefore, fiscal losses of one consolidated Subsidiary cannot be used to compensate the taxable income of another consolidated Subsidiary.

According to Law 863 of 2003, the consolidating entity is subject to a Price Transfer Scheme, for operations connected with affiliates abroad. No additional taxes are foreseen as a result of the study on transfer prices.

33. Related Parties Transactions

The following are considered to be related parties

- Sociedades Bolivar S.A. its subsidiaries and subordinates.
- Shareholders or actual beneficiaries of 5% or more of the equity stake of the Bank.
- Legal entities in which the company is a real beneficiary of 10% or more of the equity.
- Administrators of Bolivar S.A. companies, the Bank and other members of the Grupo Empresarial Bolívar.

The Bank may enter into transactions, agreements or contracts with related parties on the understanding that any such operations are carried out with reasonable values, taking into account the following criteria among others:

- The conditions and prevailing market rates in the sector where the transaction is conducted
- The activity of the Companies involved
- Growth prospects of the respective business

The main balances at December 31 and June 30, 2010 cut-offs, are:



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

33.1 Operations with Related Companies:

December 31

	Shareholders with a share equal or greater than 10% of the bank's capital	Corporate entities in which the Bank has share equal or greater than 10%	Other Grupo Bolívar companies	Grupo Bolívar Administrators	Other shareholders with less than 10% of Bank's capital	Total
	(1)	(2)				
Assets	568.1	985,794.6	13,718.5	7,116.7	0.0	1,007,198.0
Available	0.0	0.0	0.0	0.0	0.0	0.0
Active positions in Monetary Market						
Operations and those Related	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	967,438.1	0.0	0.0	0.0	967,438.1
Credit Portfolio and Financial Leasing	568.1	1,068.5	11,398.7	7,048.7	0.0	20,084.0
Acceptances, cash operations and with derivatives financial instrument	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	0.0	388.0	321.7	68.1	0.0	777.8
Foreclosed Assets, Goods Returned and Goods not used in the corporate object	0.0	0.0	0.0	0.0	0.0	0.0
Property and equipments	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	0.0	15.8	1,998.1	0.0	0.0	2,014.0
Valuations	0.0	16,884.2	0.0	0.0	0.0	16,884.2
Liabilities	1,135.2	257,360.4	40,553.6	1,390.1	165,617.8	466,057.1
Deposits and callabilities	1,135.2	160,777.2	32,095.1	1,319.7	0.0	195,327.2
Passive positions in Monetary Market						
Operations and those Related	0.0	0.0	0.0	0.0	0.0	0.0
Aceptaciones bancarias en circulación e instrumentos financieros derivados	0.0	0.0	0.0	0.0	0.0	0.0
Banking Credits and Other Financial Obligations	0.0	86,540.0	0.0	0.0	0.0	86,540.0
Accounts Payable	0.0	4,557.2	1,233.9	44.3	3.1	5,838.5
Investments securities outstanding	0.0	5,486.0	7,218.8	26.1	165,614.6	178,345.5
Others Liabilities	0.0	0.0	5.8	0.0	0.0	5.8
Estimated Liabilities and Allowance	0.0	0.0	0.0	0.0	0.0	0.0
Incomes	0.0	58,756.1	13,735.1	325.5	0.0	72,816.7
Operating	0.0	58,741.3	13,622.8	311.5	0.0	72,675.7
Non - Operating	0.0	14.8	112.3	13.9	0.0	141.1
Expenses	0.8	18,644.3	9,353.7	285.7	3,333.2	31,617.6
Operationg	0.8	18,487.2	9,220.6	285.7	3,333.2	31,327.4
Non - Operating	0.0	157.1	133.1	0.0	0.0	290.2

All operations are conducted at market prices.

There are no operations which are equal to or exceed 5% of the technical capital of the Bank, with shareholders holding less than 10% of the capital.

1) Non include subordinates

2) Legal Representatives and members of the Board of Grupo Bolívar, plus Davivienda bank Branch



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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June 30

	Shareholders with a share equal or greater than 10% of the bank's capital	Corporate entities in which the Bank has share equal or greater than 10%	Other Grupo Bolivar companies	Grupo Bolivar Administrators	Other shareholders with less than 10% of Bank's capital	Total
	(1)	(2)				
Assets	0.0	628,147.1	14,470.2	7,022.9	7,252.4	656,892.6
Available	0.0	0.0	0.0	0.0	0.0	0.0
Active positions in Monetary Market						
Operations and those Related	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	610,637.2	0.0	0.0	0.0	610,637.2
Credit Portfolio and Financial Leasing	0.0	1,202.6	9,916.0	6,947.7	7,252.3	25,318.7
Acceptances, cash operations and with derivatives financial instrument	0.0	0.0	0.0	0.0	0.0	0.0
Accounts Receivable	0.0	3,736.0	2,760.7	75.2	0.1	6,571.9
Foreclosed Assets, Goods Returned and Goods not used in the corporate object	0.0	0.0	0.0	0.0	0.0	0.0
Property and equipments	0.0	0.0	0.0	0.0	0.0	0.0
Other Assets	0.0	15.8	1,793.5	0.0	0.0	1,809.3
Valuations	0.0	12,555.5	0.0	0.0	0.0	12,555.5
Liabilities	918.1	252,799.2	46,635.0	1,549.8	170,406.4	472,308.5
Deposits and callabilities	918.1	158,135.2	24,600.8	1,489.8	5,316.9	190,460.9
Passive positions in Monetary Market						
Operations and those Related	0.0	0.0	0.0	0.0	0.0	0.0
Aceptaciones bancarias en circulación e instrumentos financieros derivados	0.0	0.0	0.0	0.0	0.0	0.0
Banking Credits and Other Financial Obligations	0.0	81,756.2	0.0	0.0	0.0	81,756.2
Accounts Payable	0.0	7,419.4	2,792.1	33.9	3.2	10,248.6
Investments securities outstanding	0.0	5,488.3	19,242.0	26.1	165,086.3	189,842.8
Others Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Estimated Liabilities and Allowance	0.0	0.0	0.0	0.0	0.0	0.0
Incomes	0.5	41,796.4	10,836.5	336.8	8,265.8	61,236.0
Operating	0.5	41,774.7	10,415.9	331.2	8,265.8	60,788.0
Non - Operating	0.0	21.7	420.6	5.6	0.0	448.0
Expenses	2.7	17,371.3	9,163.4	152.8	123.8	26,813.9
Operating	2.7	17,209.4	9,127.5	152.8	123.8	26,616.2
Non - Operating	0.0	161.9	35.9	0.0	0.0	197.8

All operations are conducted at market prices.

There are no operations which are equal to or exceed 5% of the technical capital of the Bank, with shareholders holding less than 10% of the capital

3) Non include subordinates

4) Legal Representatives and members of the Board of Grupo Bolívar, plus Davivienda bank Branch



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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Risk Gestion

Comprehensive risk management is based on a governance structure designed to achieve strategic objectives on the basis of management, risk management and control, which support the growth of the business and exploitation of opportunities. On this basis, efforts are focused on the implementation of the strategy and the control of the associated risks.

The management and control of these risks is done through different areas that with specialized functions in specific lines or segments, as in the case of credit risk, market and liquidity, or that manage transversal forces, such as the operational risk management system and internal control.

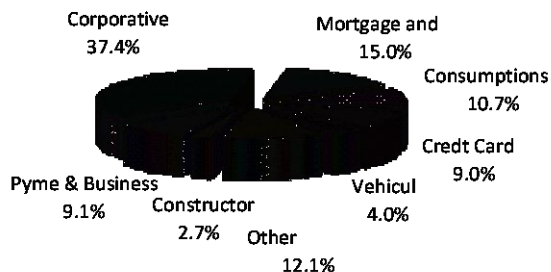
Enforcement of this strategy is carried out by the Directorate of Financial Control and the Committee Chair.

Integrated risk management has the maintenance of business over time as a fundamental principle and the policies and principles regulating the management at all levels of the organization are built based on this definition.

34.1 Credit Risk – Credit Products:

The composition of the Banco Davivienda's portfolio at December 31, 2010 is the following

Portfolio Composition December 2010



The Bank implemented as of July, 2007, under its credits risk metrics policy the Business Reference Model (Modelo de Referencia Comercial MRC), complying with the guidelines of External Memorandum Letter 035 of 2006.

Starting July, 2008, the Bank adopted the Consumption Reference Model (MRCO), according to the definitions issued by the Superintendencia Financiera de Colombia.

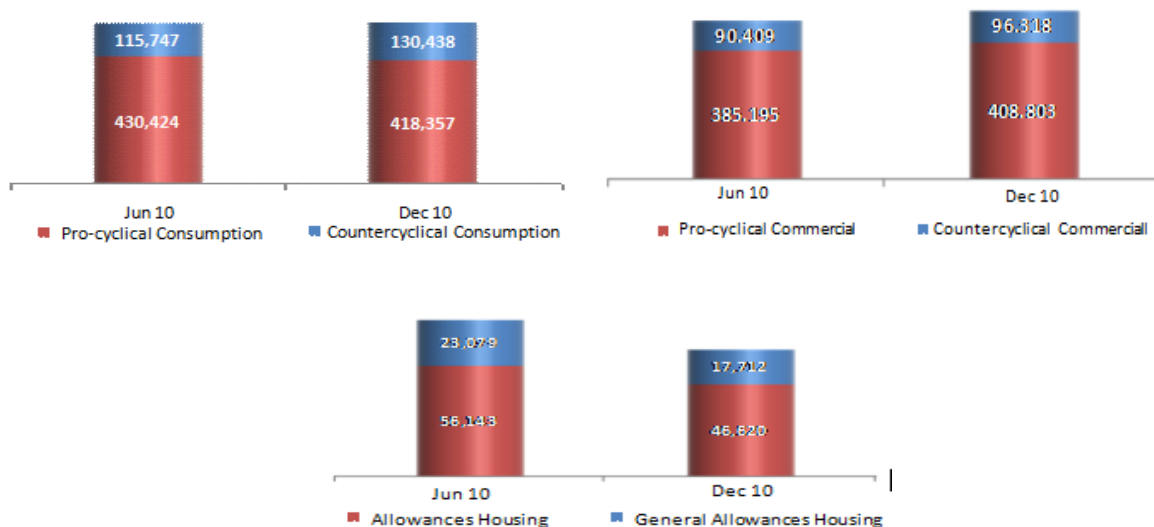


BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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Similarly, from April 2010, the Bank implemented the calculation of provisions using the countercyclical approach methodology, according to the definitions of External Circular 035 of 2009 issued by the Superintendencia Financiera de Colombia.

Below is a breakdown of provisions for commercial, consumer and housing loans.



These benchmarks and the current regulations are the basis for estimating portfolio provisions

(Figures in thousand of dollars)		Total countercyclical allowance	Total procyclical allowance	Total General Allowance	Total Bank Allowance
Allowances					
	Jun-10	107.8	455.7	12.1	575.6
	Dec-10	118.5	456.5	9.2	584.2



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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34.2 Portfolio Mass

The personal banking portfolio includes loans for individuals, which relate mainly to housing and consumer loans.

In the consumer portfolio adjustments¹ were made to the credit origination models, seeking to improve the risk profile of customers at link-up time.

For these portfolio classes the Bank has been developing its own models for origination, monitoring, collection management and estimation of losses, which are in continuous calibration and are essential for managing credit risk; these statistical models are composed of historical behavior of portfolios, demographic variables of the customers and cash flow projections, among others.

Below are the main balances for each portfolio segment and the risk provisions assigned to each.

(Figures in thousand of dollars)		Balance	% C, D, E	Allowance	Coverage C,D,E
PORTFOLIO MASS	Housing and Lease				
	Jun-10	1,846.4	2.29%	78.1	184.8%
	Dic-10	1,644.6	2.71%	75.6	169.9%
	Credit card				
	Jun-10	877.5	5.67%	52.8	106.0%
	Dic-10	984.3	4.50%	51.4	115.9%
	Other consumption				
	Jun-10	1,089.3	12.23%	154.6	116.0%
	Dic-10	1,323.0	9.97%	154.3	117.0%
	Warrant consumption				
	Jun-10	1,116.2	3.98%	59.5	134.0%
	Dic-10	1,168.8	3.37%	55.7	141.5%
	Vehicle				
	Jun-10	379.5	7.23%	24.8	90.6%
	Dic-10	440.9	5.94%	25.3	96.7%
	Total				
	Jun-10	5,308.9	5.59%	707.3	124.5%
	Dic-10	5,561.7	5.15%	693.5	126.5%

Other uses: Fixed Crediexpress, Rotary Crediexpress, Preferential and Standardized

During the second half of 2010 participation in personal banking increased due to increases in holdings of portfolios of other products, especially rotary crediexpress and fixed crediexpress, keeping the coverage level for this segment very similar to the previous semester even though the unproductive portfolio percentage has

¹ Adjustments to the models correspond to increments in the cut-off and minimum income required; such adjustments have positively impacted the performance of the indicators.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

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decreased. This suggests that the adjustments made to the cutoff and increases in the minimum levels of income for these segments have led to better quality placements.

In mortgage banking during the semester there were portfolio sales to the *Titularizadora Colombiana* worth 1.2 billion pesos, closing the year with a portfolio balance, including leasing, worth 3.1 billion pesos.

In the vehicle banking, thanks to strong sales in the second half of 2010, new Bank strategies and implementation of the auto show in November, there was an increase of 16% closing the year with a portfolio balance amounting to 0.8 billion pesos.

Below is the portfolio breakdown of Personal Banking and changes during the second half of 2010:

(Figures in thousand of dollars)		Balance	Variation%	Variation USD	Participation %
PORTFOLIO MASS	Housing and Lease				
	Jun-10	1,846.4			
	Dic-10	1,644.6	-10.9%	(201.8)	29.6%
	Credit card				
	Jun-10	877.5			
	Dic-10	984.3	12.2%	106.8	17.7%
	Other consumption				
	Jun-10	1,089.3			
	Dic-10	1,323.0	21.5%	233.7	23.8%
	Warrant consumption				
	Jun-10	1,116.2			
	Dic-10	1,168.8	4.7%	52.6	21.0%
	Vehicle				
	Jun-10	379.5			
	Dic-10	440.8	16.2%	61.3	7.9%
	Total				
	Jun-10	5,308.9			
	Dic-10	5,561.6	4.8%	252.7	100.0%

Other uses: Fixed Crediexpress, Rotary Crediexpress, Preferential and Standardized

34.2.1 Corporate Banking

Created by the banking system for enterprises and classified within the Bank in segments according to their size, SMEs, business and corporate, Constructors Banking is also included in this portfolio.

To measure risk, the Bank has developed its own assessment models that seek to properly manage credit risk.



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In relation to the model used for the management of Corporate credit risk, this uses quantitative and qualitative factors, and its indicators have been developed based on financial statements and individual characteristics of the companies.

As regards the quantitative aspects, the company's financial information allows measurement of its progress, comparing the results achieved in the last three (3) years and thus permits the precise determination of aspects such as cash flow, debt capacity, profitability and efficiency. Similarly, the model allows us to compare these results against their peers in the sector to which they relate.

The risk model for construction loans evaluates the financial and business viability of the project, the experience of the construction company and the progress of the project.

In SMB Banking, the policies for evaluation and acceptance of clients for credit are based on historical analysis and financial survey of the clients, involving sectoral analysis and perspectives plus an alternative assessment of the capacity and suitability of the company's Management, as well as measuring the ability to pay in the analysis of projected cash flows. In Agricultural Banking, a feasibility study of agricultural production projects is carried out, giving a relative importance to the client's experience in the activity, as well as the fundamental technical parameters for acceptance in each subsector. In official Banking, the analysis focuses on strict compliance with the policy guidelines formulated by the Ministry of Finance, in law 617 of 2000, 358 of 1997 and 819 of 2003, as well as additional analysis of the medium-term fiscal framework and adequacy of the income offered through pledges to attend the debts of public borrowing.

The first model for a construction credit evaluates the financial and commercial viability of the project, the experience of the construction company and the advances made on the job.

Below are the main balances for each portfolio segment and the risk allowances assigned to each.

(Figures in thousand of dollars)		Balance	% C, D, E	Allowance	Coverage C,D,E
PORTFOLIO MASS	Corporate				
	Jun-10	3,370.0	0.8%	115.5	428.0%
	Dic-10	4,093.7	0.7%	118.4	435.8%
	Constructor				
	Jun-10	309.3	7.3%	21.9	96.7%
	Dic-10	292.1	6.7%	22.1	112.7%
	Enterprise and SME				
	Jun-10	873.3	6.5%	68.7	120.5%
	Dic-10	992.8	5.8%	73.7	128.9%
	Total				
	Jun-10	4,552.6	2.3%	206.1	193.2%
	Dic-10	5,378.6	1.9%	214.2	206.0%



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
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Subsidiaries

Confinanciera

Is a financing company, affiliate of the Davivienda Bank, whose main objective is to grant loans to production automobiles (freight, passengers and taxis), nevertheless, the investment focus is also oriented towards the private sector, and it is because of this reason that in the second semester of 2010, the policies that governed the giving of loans for personal vehicles was aligned to Davivienda's policy.

Confinanciera within its credit risk measuring policies implemented the commercial reference model (MRC for its initials in Spanish) as of July 2007 and the consumption reference model (MRCO) as of July 2008.

Following, the principal balances for each type of portfolio and the risk provisions assigned to each one will be shown.

(Figures in thousand of dollars)		Balance	% C, D, E	Allowance	Coverage C,D,E
CONFINANCIERA PORTFOLIO	Commercial				
	Jun-10	117.9	13.02%	13.2	86.14%
	Dic-10	118.5	6.34%	10.8	143.92%
	Consumption				
	Jun-10	51.6	7.85%	3.6	89.59%
	Dic-10	51.7	6.04%	2.9	91.79%
	Micro-Credit				
	Jun-10	28.7	3.18%	4.3	475.79%
	Dic-10	35.6	2.23%	5.2	651.17%
	Total				
	Jun-10	198.2	10.25%	21.1	104.33%
	Dic-10	205.8	5.55%	18.9	164.86%

Miami and panama

Panamá within its credit risk measuring policies avails agreements 6-2000 of June 28, 2000 and 2-2008 dated February 2008 issued by the Board of Directors from the Bank Superintendence of the Republic of Panamá, which sets forth the provision incorporation policies and the general concepts to estimate the loss. This quantification is performed every 3 months and is based on cash flows, execution amounts of bonds and historical behavior through the portfolio's maturity profile.

Miami, within its credit risk measuring policies and specifically in the incorporation of provisions, it avails the financial standards (FAS 114 and FAS 5).



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

34.3 Market Risk

The Administration and Risk Management in companies of the “Grupo Bolivar” are done via a Synergetic strategy between them, consolidating into a Risk Area for all the companies that optimizes the technological resources and the risks incurred. This Area depends on Financial Control and Risks of the Davivienda Bank, with supervision from the Financial Executive Vice presidency and Risk of the “Grupo Bolivar.”

For such effect, it has been established that the Committee of Financial Risks and Investments of the “Grupo Bolivar (CRFel)” the Committee of Asset and Liability Management or any agency acting in such a capacity and the Board of Directors of each entity in this Group, are agencies in charge of defining institutional policies in relation to the market different risk exposure, always taking into account that such policies, are coherent with the financial and operating structure of each of the entities, as well as its corporate strategy and objectives.

As far as it is concerned, the Financial Risk Management Manual of the “Grupo Bolivar (MARF)” consolidates the issues related to financial risk management of the treasury and liquidity of the companies in the Bolivar Group and is the document through which the management system required is established. The MARF reaches the Market Risk Management System (SARM), Liquidity Risk Management System (SARL), and Derivatives and Regulations of the Market Value Auto-regulator Manual.

As such, the companies have an adequate structure designed for exposition limitations of the different risks to control the different portfolios and proceedings conducted to finalize the management of said elements. Each company has the following defined amongst other things, investment and counterparty limitations, limitations for traders, “VaR” limitations as well as early warnings to control the operation of the treasuries.

Based on the aforementioned, the Financial Risk Area is in charge of risk mediation and analysis; review and periodic assessments of the financial instrument valuation methodologies and of verifying the fulfillment of policies and limitations established by the applicable regulations, the “CRFel,” Committee of Financial Risks and Collective Portfolio Investments (CRFel CC), GAP Committee and the respective Board of Directors’.

Loan Investment Risk

The definition of the entities authorized to operate with companies in the Bolivar Group and with whom they can make investments, is done following a model that evaluates the financial performance of the counterpart by means of the score based on representative Financial Indicators, taking into consideration qualitative elements and expert criteria.

The incursion into new markets and products will be done as soon as the severity of the impact and the corresponding risk profile are calculated and have been approved by the committee’s and the corresponding Board of Directors, in accordance with the related procedure established.

Market Risk

The management of this risk is done in accordance with the parameters that must be fulfilled by the entities under surveillance contemplated in Chapter XXI – Rules related to the Market Risk Management System of the Basic Accounting and Financial Circular as well as the Superintendent’s office of Colombia.

It is understood because of market risks, that a possibility for entities to suffer losses associated to the decrease in value of their portfolios exists, as well as decreases in value of the collective portfolios or funds they manage, due to changes in price of the financial instruments in which positions are maintained inside or out of the balance.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Investments portfolio

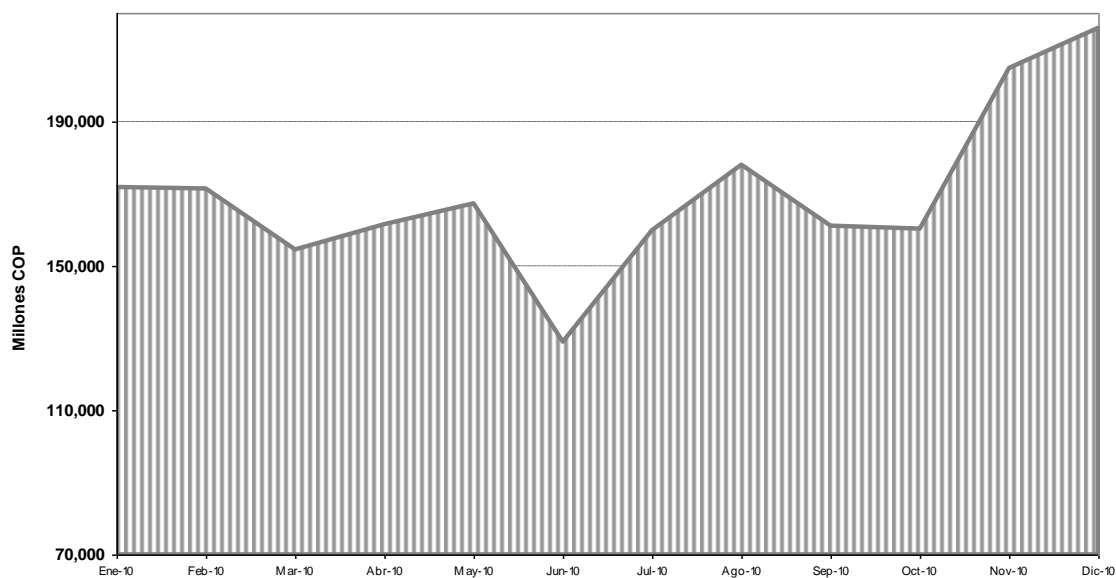
The accounting classification of the investment portfolio consolidated by the Davivienda Bank and its affiliates as of December 31st, 2010 is composed of (Values in thousand of dollars): Negotiable investments (1,310,574.3), available to be sold (745,962.9) and investments until the due date (201,311.4). The aforementioned includes among others; fixed rent, varying rent and rights to repurchases. They don't include provisions and investments available to be sold as participating bonds.

Risk Value

The consolidated Value at Risk calculation "VaR" of Banco Davivienda S.A. and its Subsidiaries was made following the methodology described in chapter XXI, annex I of the Circular Básica Contable y Financiera 100 (Accounting and Financial Basic Circular Letter) of Superintendencia Financiera de Colombia.

The estimated Amount at Risk, as of December 31, , was: USD112,743.1 The increase in this value for the months of November and December is due to the update of the risk factors sensitivities identified by the Financial Superintendence of Colombia (External Circular 042, 2010).

Year 2010 Consolidated VaR Evolution



 **VaR**

Banco Davivienda, Bancafe Internacional, Bancafe Panamá, Fiduciaria Davivienda, Fiduciaria Cafetera, Davivalores Sociedad Comisionista de Bolsa y Confinanciera.

Liquidity Risk

conducted in accordance with the parameters that must complied with, the entities under surveillance contemplated in Chapter VI – Rules relative to the Liquidity Risk Management System of the Basic Accounting and Financial Circular of the Financial Superintendent's office of Colombia.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

It is understood due to liquidity risk, the contingency of not complying fully in a timely and efficient fashion with the expected and unexpected cash flows, both current and future without affecting the course of daily operations or the financial state of the entity. This contingency (fund liquidity risk) is manifested in insufficient liquid assets available for it and/or in the need to incur unusual costs to funding. In turn, the ability of entities to generate or undo financial market positions at market prices is limited, whether because the market doesn't have the adequate depth or because drastic changes to the rates and prices occur (market liquidity risk).

The Bank Davivienda S.A. and its Subsidiaries liquidity, is an indispensable element to guarantee the sustainability of its operations, therefore, it constitutes one of the fundamental pillars in the administration of financial activity, developed by each of the entities. It is in the best interest of the companies, to guarantee client's resources availability, at the time they are required by them, as well as to count with the necessary resources to fulfill the acquired liabilities with vendors, creditors, shareholders and those with which the companies developed their activities needed to fulfill their corporate objective.

34.4 Internal Control System

Evolution of the Internal Control System

The Bank as part of its risk management strategy has implemented and optimized a system of internal control to help ensure that market risks (MRM), credit risk (CRM), operational risk (ORM), liquidity risk (LRM), money laundering and terrorist financing risk (SARLAFT), are appropriately controlled in accordance with their level of likelihood and impact

The structure of the internal control system consists of the following elements:

- A control environment
- Policies and procedures for the generation, dissemination and storage of Bank information.
- Accounting policies and procedures
- Policies and procedures for technology management.
- Control activities in all the entity's processes
- SCI monitoring
- Independent SCI evaluations carried out by Audit.

In its development and deployment it complied with the phases set out in the External Circular 038 of 2009 by the Financial Superintendence of Colombia and as it is part of a dynamic process it will be adjusted over time according to the changing environment

34.5 Financial Consumer Care System CCS

As part of due care and financial protection of the consumer, the bank has developed a series of activities aimed to foster an environment of protection and respect for financial consumers in accordance with the provisions of the existing regulations (Act 1328 of 2009 and External Circular 015 of 2010 of the Financial Superintendence of Colombia).



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

To achieve this environment of attention, protection and respect for the financial consumer, the bank implemented and is in the process of optimizing the following objectives:

- To exercise due diligence in providing products and services to consumers so that they receive the proper information and care as well being respectful of those established or intending to establish a relation with the Bank.
- Ensure adequate education of the financial consumer.
- Provide the consumer with adequate financial information that is clear and in a timely manner to enable them to adequately understand their rights, obligations and the costs of different products and services.

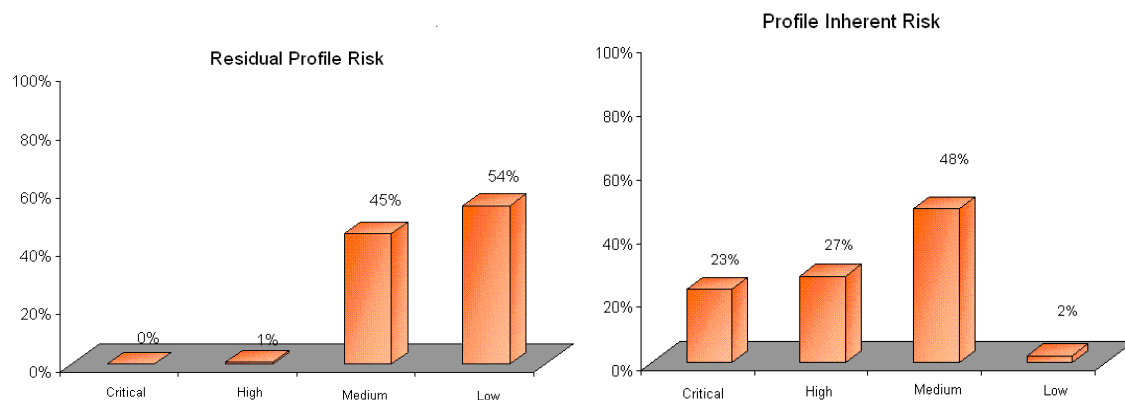
34.6 Operational Risk Management System (ORM)

Developments in 2010

The operational risk management system has become one of the key elements in the prevention and mitigation of the possibility of incurring losses due to deficiencies, failures or inadequacies in the Bank's processes in accordance with the External Circular 041 of 2007 of the SFC.

The action plans developed during 2010 on the continuous improvement in our processes, infrastructure and security, selection and ongoing training of personnel and the implementation of controls to mitigate both internal and external risks have allowed the bank to provide more operational effectiveness and security

The Operational Risk profile presented in the following graphs show that risks rated as critical and high (graph of inherent risk profile) using the controls that have been determined by the Bank (residual risk graph) has achieved an effective and timely mitigation.



Risks that continue to be rated as high are subject to action plans to achieve better security.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

It is important to note that like any dynamic process affected by environmental changes, the Bank uses its monitoring system to develop plans of continuous improvement ensuring the quality, effectiveness and timeliness of its business for the benefit of customers, shareholders, personnel and the community in general.

35. Information Security Strategies – External Circular 052 de 2007

Continuing with the process of sustainability in compliance of external Circular 052, there have been changes in the organizational structure for information security aimed at strengthening Risk Management in the Bank.

In each of the projects developed, the identification of regulatory requirements is included from inception as a priority such as incorporation and enforcement, becoming part of the process.

All processes and controls implemented are maintained for compliance with phases I, II and III and in accordance with the risks identified in the processes, the controls considered necessary to safeguard the security of the Bank's channels of information are implemented.

The development of internal awareness campaigns continues aimed at strengthening and maintaining security management through the communication of data protection mechanisms, with examples, rules and messages about the appropriate use of Bank information, always supporting the campaign by the union in the Banking Association focused on customers.

To maintain the phases implemented to support the objectives of External Circular 052, the Bank continues to develop the initiatives, projects and investments needed to maintain the mechanisms, processes, procedures and tools required and to conduct investigations and updates on information security issues and the prevention of fraud that can be implemented to mitigate existing and new risks.

36. Corporate Government

The Board of Directors of Banco Davivienda SA; adopted the Board Rules according to the guidelines of the Code of Best Corporate Practices - Country Code –and based on the principles of transparency, respect for shareholder rights, disclosure, due diligence and loyalty of consultants and managers, but also determines the operating regime of corporate bodies in order to promote the participation of its shareholders.

Similarly, the General Assembly of Shareholders adopted the Regulations of the General Assembly of Shareholders and implemented mechanisms for dissemination of the announcement and development of online meetings through the website.

The Bank has also strengthened the information channels for the shareholders and investors to include financial and non-financial information on the web page where they can consult documents that comprise the Corporate Government System, among them, the statutes, the shareholders rights and obligations guide, good government corporate code, the regulations of the Board of Directors and General Shareholders Meeting, as well as information related to the financial performance, administrative management, consultants, control institutes, shares, etc. At the same time, through the Corporate Government Code, the Bank has defined its policy for complete disclosure of information to the shareholders and the investors, to guarantee appropriate and truthful delivery of information.



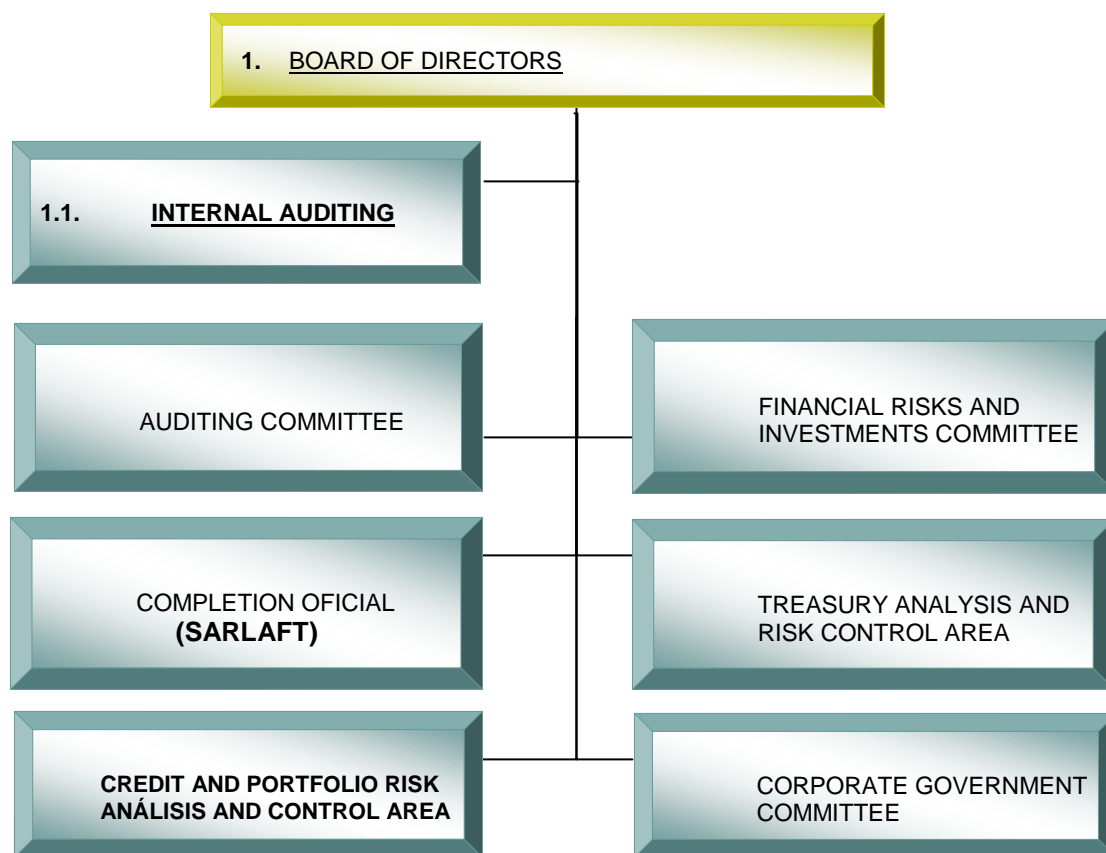
BANCO DAVIVIENDA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Through the Corporate Good Government Code, the Bank details its policies with regards to:

- (1) Evaluation and control of activity of the administrators, principal executives and the directors.
- (2) Disclosure of information to shareholders and investors in subjects regarding the institutional policies of the Bank, government structure and its shareholders composition, handling conflicts of interest, risks to which the Bank may be exposed to in the handling of its operations, detection of relevant findings made by the General Accountant, financial information and increase of said relevant findings.
- (3) Internal Control System

Regarding the government structures and the handling of risks, the Board of Director has created the committees required by law as well as others, that although they are not necessarily required by law do support the management of the Board of Directors and keeps them informed of situations regarding processes, structure and handling of risks in each business line, allowing for adequate monitoring and follow-through. Under this plan, the Board of Directors and Top Management are aware of the positions of risk of the Bank and they may actively intervene in the handling of these same risks, defining the measuring methodologies of the Bank that would identify their exposure per product, policies, profiles and limits among others. Also, the Board of Directors determines the strategy and orientation of Davivienda Bank and supervises placement and follow-through of same.

The next (esquema) can ilust the main (organos) the support of the board to the develop the functions.





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

Functions of Committees:

a) Internal Auditing

The Internal Auditing covers the analysis and follow-through of the internal control System of the Bank, providing each one of the audited as well as the Auditing Committee and the Board of Directors, recommendations for strengthening the internal control system to fulfill the needs of the Bank.

Audit Committee:

It supervises the internal control structure, verifies that transactions are being adequately authorized and recorded, supervises the functions of the internal audit, watches for the transparency of the financial information, as well as for its adequate disclosure, evaluates the internal control reports prepared by the Internal Auditor and the Statutory Auditor and verifies that the administration has followed its suggestions and recommendations, confirms and objects the notion that the Statutory Auditor issues in respect to the sufficiency and appropriateness of the internal control measures of the entity. Establish policies, criteria and practices used by the Bank in the construction, disclosure and dissemination of the financial information as well as the mechanisms to consolidate the information of control areas for final presentation to the Board of Directors.

C Financial Risks and Investments Committee

The Financial Risks and Investment Committee is the entity in charge of analyzing, evaluating and authorizing the different operative and investment alternatives for each one of the Grupo Bolívar companies, recommending their ratification to the Board of Directors for the appropriate company.

d) Compliance Officer:

He watches for the adoption of all specific procedures to prevent money laundering and financing of terrorism in the entity, verifying that all necessary mechanisms have been implemented to obtain an adequate knowledge of customers and the market, as well as those that permit to detect suspicious and unusual operations and control cash operations and, especially, to promote the development of training programs for all officers of the Bank in order to instruct them on the compliance with the regulations in effect on the subject of prevention of money laundering.

Treasury Analysis and Risk Control Area:

Identifies, estimates, manages and controls the credit risks and/or counterparty, market and liquidity inherent to the treasury business, establishes limits and maximum levels of exposure to the different risks making efforts to obtain that these will be consistent with the equity position of the entity and, specifically, with the capital assigned to each business.



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

f) Credit and Portfolio Analysis and Risk Control Area:

It establishes, measures, administers and controls the risks generated on occasion of the efforts of evaluation, granting, administration and collection of the different lines of credit that the Bank offers in order to estimate foreseeable and unforeseeable losses.

g) Corporate Government Committee

The Committee's main function is to support the Board of Directors in the implementation of good corporate government practices and the fulfillment of established policies of the Bank in this regard.

In reference to the Internal Control System, the adjustment of which has been required by External Memorandum 014 of 2009 modified by the External Memorandum 038 of 2009 issued by the Colombian Financial Superintendence, The Bank implemented the requirements with regard to the control and information and communications environment, as well as policies and mechanisms that adequately cover the liabilities in control activities, carrying out actions to optimize and document its functioning.

However, in respect to the report and disclosure mechanisms established, in order that the Board of Directors and Top Management will be duly informed regarding the entity's risks position, it is considered that the above presented structure affirms that the entity has mechanisms that guarantee the adequate flow of information to provide it support, monitoring and follow up.

The methodology and results of the management of measuring risks is detailed in Note 32 of the Risk Management Manual where the methodologies are presented to allow for identification of different types of risks as well as their measuring systems

The members of the risk areas are qualified and prepared persons and with experience subject to the entity's selection process. It seeks, especially, that the members will be people who comply with the principles and values of the institution, which guarantees a qualified human resource at a personal, family, moral and professional levels.

The Risk Area is comprised of a technical infrastructure, tools and systems that are required to guarantee the efficient, effective and appropriate handling of the Treasury Risk Management department, provides technical support in accordance with the size, nature, complexity and volume of operations, as well as the processes that allow for effective control and monitoring of policies and established limitations.

The Internal Audit area carries out verification tasks to the operations in a random manner in the Bank, risk analysis, to determine if the processes, limits and controls, are in agreement with the policies and responsibilities set forth in the manuals. In addition, it participates in the projects that are being performed to advise the users on the definition of controls in order that they will be knowledgeable about the applications. As a result of this, Auditing facilitates to the Administration, analysis and recommendations to strengthen the Internal Control. Likewise, it promotes the self-control culture among the officers at all levels of the organization, emphasizing on the security of the information and the compliance of rules and procedures.

The Board of Directors determined the separation of functions into Front, Middle and Back Office as independent areas to prevent conflicts of interest. The Front Office is handled by the Treasury Vice-President and is directly in charge of the negotiation of the client relationships and the business aspects surrounding them. The Middle Office is in charge of, among other functions, the measuring of risks, verification of policy fulfillment and establishing limitations as well as the analysis of risks. This area falls under the responsibility of the Planning and Risk Vice-President of the Grupo Bolivar. Finally, the Back Office is the area in charge of finalizing the operative aspects of the negotiations such as closure, registration and final authorization of the operations and handled by the Operations Vice-President.



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The information of the credit and investment portfolio used for the management of risks is found in solid platforms and applications that permit their management for the generation of reports. Likewise, they meet the information security policies and the capacity sufficient for the size of the data bases of the different business types.

Additionally to the models, the adequate organizational and technological structure, there are documented and audited administrative and operational processes. In respect to the prevention of money laundering and financing of terrorism, the subjects related to the knowledge of the customer, change operations, civil liability of the compliance officer and personal liability of the members of the Board have been strengthened, as provided by the new regulations.

As far as the information to third parties and minority stockholders, the Bank is an entity subject to an annual rating. Likewise, its financial statements are made public at each biannual closing as well as the report to the General Stockholders' Meeting.

38. Controls of Law

During the periods ended on December 31, 2010 and June 30, 2010, the Bank and its subordinate complied with the requirements of mandatory reserves, foreign exchange position, minimum capital, solvency ratio and mandatory investment.

Proper Position

Below is the result of the Bank's position on and December 31, 2010 and June 30, 2010 (Amounts in millions USD):

		December 31	
		<u>Davivienda</u>	<u>Confinanciera</u>
Technical Equity			
Bank's Average Position (PP)	USD	1,862.7	0.0023
Maximum Required: 20% Technical Equity		372.5	5.6
Minimum Required: -5% Technical Equity		(93.1)	(1.4)
Bank's average cash position (PPC)		13.1	0.0
Maximum Required: 50% Technical Equity		6.6	14.0
Average gross leverage position (PBA)		3,689.4	0.0
Maximum Required: 550% Technical Equity	USD	10,244.8	154.5

As of December 31st and June 30th, 2010, the Bank and "Confinanciera" complied with the limitations established by the governing entity.



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

Solvency Reference

The following is the Consolidated Technical Patrimony of Bank at and December 31, 2010 and June 30, 2010

	<u>December 31</u>	<u>June 30</u>
Basic Stockholders equity	1,408,625.4	1,090,028.0
Additional Stockholders equity	498,099.5	499,862.5
Deductions	0.0	0.0
Technical stockholders equity	1,906,724.8	1,589,890.5
Risk market value	112,737.0	64,418.4
Weighted assets per risk levels	13,397,029.1	11,694,637.6
Solvency index ($PT/(APNR+((100/9)*VeR))$)	13.02%	12.81%

The classification of the risk assets in each category is done applying the percentages specified by the Superintendencia Financiera de Colombia on each one of the asset amounts, contingency account, business and fiduciary matters established in the Single Account Plan.

The consolidated compliance is verified quarterly.

Reserve

The Bank and Confinanciera met the reserve requirement, according to the following percentages:

11%
Current account deposits
Savings deposits
Savings Accounts of real value
Special Savings Accounts
Special deposits
Payables for banking services
Collection services
Bankers Acceptances after the deadline
Other payables



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

4.5%

Deposit Certificates with term less than 18 months

Savings Certificates with real value less than 18 months

Bonds under 18 months

The average required reserve of Bank and Confinanciera S.A. for the second half of 2010 was \$1.497.514,16

Obligatory investment

In accordance with the provisions of External Resolution 3 of 2000 of Banco de la República, the amount to invest in TDA securities class A and B is 37% and 63% respectively.

The value of investment in FINAGRO at December 31, 2010 cut-off is shown below for the Bank and Confinanciera:

The value of investment in FINAGRO at the June 30, 2010 cut-off is shown below for the Bank and Confinanciera:

<u>Finagro</u>	<u>December 31</u>	
	<u>Bank</u>	<u>Confinanciera</u>
TDA A (37%)	142,681.1	2,486.3
TDA B (63%)	242,943.4	3,285.6
Required total	385,624.5	5,771.9
Alternative Portfolio	(194,523.9)	0.0
Investment to be made:	191,100.7	5,771.9
TDA A (37%)	142,681.1	2,486.3
TDA B (63%)	48,419.6	3,285.6



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

38. Subsequent events

Sucursal Miami

Receiving approval from the Federal Reserve System of the United States (FED) for the operating license from the Florida Office of Financial Regulation (OFR) and the non-objection from the Financial Superintendence of Colombia, the Banco Davivienda's international branch opened on 3 January 2011 in Miami (USA). As a result, the transfer of assets and liabilities from the "Banco Cafetero International Corporation" subsidiary to the "Banco Davivienda S.A. Miami International Bank Branch" was formalized.

It started branch operations on January 1, 2011 and thus the integration of the Balances and daily account movements from that date.

The following is a summary of the integrated figures

Assets	U\$	103.452.943.11
Liabilities	U\$	91.315.928.76
Investment disposal	U\$	10.369.000.00
Record of profit for integration	U\$	1.768.014.35



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Balances Sheets and Statement of Results

DECEMBER 31 AT 2010

(Thousand of United States Dollars)

BALANCES SHEETS		Davivienda	Fiduciaria Davivienda	Fiduciaria Cafetera	Davivalores	Confinanciera	Bancaffé Panamá	Bancaffé International	Eliminations	Consolidate
Assets										
Cash and cash equivalents	U\$	692,590.5	347.5	4,758.4	1,402.4	8,662.9	36,310.2	54,037.8	(18,557.8)	779,551.8
Overnight Funds		100,048.4	-	-	-	-	89.9	-	-	100,138.3
Investments, net		2,124,482.0	28,433.0	31,155.7	2,145.2	10,997.8	191,591.1	17,956.0	(112,229.4)	2,294,531.3
Customers acceptances and derivatives		37,755.8	-	-	-	-	1,157.4	-	-	38,913.1
Credit portfolio and financial leasing, net		10,355,092.1	-	-	-	186,659.8	285,536.9	27,037.8	(3,609.2)	10,850,717.4
Accounts receivable, net		168,223.7	214.0	881.0	124.2	4,813.2	2,888.8	184.8	(1,229.0)	176,100.7
Foreclosed assets		27,254.3	-	-	(5.6)	167.6	1,784.7	-	(1,784.7)	27,416.3
Fixed Assets		190,589.5	309.1	267.9	50.8	5,295.2	785.0	272.1	(52.4)	197,517.3
Other Assets		1,056,936.3	1,204.8	2,831.1	2,501.3	1,108.3	6,193.2	3,980.2	(69,286.5)	1,005,468.8
Total assets		14,752,972.5	30,508.4	39,894.0	6,218.2	217,704.9	526,337.2	103,468.7	(206,749.0)	15,470,355.0
Liability and Stockholders' Equity										
Deposits	U\$	9,437,290.3	-	-	-	164,591.3	434,424.6	91,152.4	(18,557.8)	10,108,900.8
Interbank borrowings		30,309.6	-	-	-	-	-	-	-	30,309.6
Bank acceptances outstanding		41,895.3	-	-	-	-	1,157.4	-	-	43,052.6
Banking Credits and other financial obligations		1,245,950.5	-	-	-	8,096.5	-	-	-	1,254,047.0
Accounts payable		336,986.2	3,011.5	990.6	603.1	7,204.2	3,307.3	120.4	(1,191.3)	351,032.0
Long term-debt		1,610,568.3	-	-	-	-	-	-	-	1,610,568.3
Other liabilities		141,646.5	99.4	1,982.8	49.0	800.4	2,406.8	2.0	-	146,986.9
Estimated liabilities and allowances		43,854.1	-	688.1	-	4.3	2,605.8	41.1	13,581.4	60,775.0
Total Liability		12,888,500.7	3,110.9	3,661.5	652.1	180,696.8	443,901.9	91,315.9	(6,167.7)	13,605,672.1
Stockholders' Equity		1,864,471.8	27,397.5	36,232.5	5,566.0	37,008.1	82,435.3	12,152.7	(200,581.4)	1,864,682.8
Total Liability and Stockholders' Equity		14,752,972.5	30,508.4	39,894.0	6,218.2	217,704.9	526,337.2	103,468.7	(206,749.0)	15,470,354.9
STATEMENT OF RESULTS (01-07-10 to 31-12-10)										
Operating Income	U\$	1,060,334.9	7,585.1	3,615.5	956.1	17,949.7	16,167.9	3,512.3	776.5	1,110,897.9
Operating Expenses		500,594.5	266.9	341.4	111.3	6,653.9	6,501.7	1,702.0	(344.9)	515,826.9
Operating Income		559,740.4	7,318.2	3,274.1	844.8	11,295.7	9,666.2	1,810.3	1,121.3	595,071.0
Other Operating Income		391,234.8	-	3,885.3	61.6	4,945.7	195.5	0.1	2,011.5	402,334.4
Other Operating Expenses		383,252.4	1,887.0	4,413.8	820.8	4,746.9	1,627.8	1,688.2	(2.4)	398,434.4
Other Operating Incomes & Expenses - Net		7,982.4	(1,887.0)	(528.5)	(759.2)	198.7	(1,432.2)	(1,688.2)	2,013.8	3,899.9
Allowances		374,449.3	84.4	105.1	-	6,562.4	745.8	-	6,659.7	388,606.7
Depreciations - Properties And Equipment		11,145.6	20.6	37.0	3.7	100.5	62.6	48.2	(6.3)	11,411.9
Amortizations		38,808.8	-	16.7	21.9	68.9	135.5	24.3	(2,124.2)	36,951.9
Operating Income - Net		143,319.0	5,326.2	2,586.7	60.1	4,762.7	7,290.1	49.6	(1,394.0)	162,000.4
Non-Operating Income		75,058.2	330.6	257.9	28.2	2,501.2	704.5	37.5	222.7	79,140.8
Non-operating Expenses		34,252.0	13.8	433.5	1.1	9.5	0.5	-	4,598.7	39,309.1
Non-Operating Income - Net		40,806.2	316.8	(175.7)	27.1	2,491.8	704.0	37.5	(4,376.0)	39,831.7
Income Tax		43,145.2	1,700.3	729.4	25.7	2,410.7	173.8	9.9	-	48,195.0
Net Income	U\$ \$	140,979.9	3,942.7	1,681.7	61.5	4,843.7	7,820.3	77.2	(5,770.1)	153,637.1
ROE (Rate E.A.)		33.9%	71.2%	19.9%	4.5%	63.6%	43.7%	2.6%		37.3%
ROA (Rate E.A.)		3.9%	62.6%	18.0%	4.0%	9.2%	6.1%	0.3%		4.0%



BANCO DAVIVIENDA S.A.

The Financial Statments Homologation Effect Foreign Subsidiaries

At December 31, 2010

(Thousands of United States Dollars)

(Market Representative Exchange Rate Col\$1,913.98 December, 2010)

BALANCE SHEET		Bancafé Panamá	Homologation Effects	Bancafé Panamá Homologation
Assets				
Cash and cash equivalents	US	36,310.2	0.0	36,310.2
Active Positions in Monetary market operations		89.9	0.0	89.9
Investments, net		191,591.1	(6,683.3)	184,907.8
Acceptances and derivatives		1,157.4	0.0	1,157.4
Credit portfolio and financial leasing, net		285,536.9	(3,521.7)	282,015.2
Accounts receivable		2,888.8	(38.2)	2,850.5
Foreclosed Assets		1,784.7	(1,784.7)	0.0
Fixed Assets		785.0	(52.4)	732.7
Other Assets		6,193.2	(5,041.2)	1,152.0
Total assets		526,337.2	(17,121.5)	509,215.7
Liability and Stockholders' Equity				
Deposits and callabilities	US	434,424.6	0.0	434,424.6
Interbanking funds purchased and repurchasing agreements		0.0	0.0	0.0
Bank acceptances outstanding		1,157.4	0.0	1,157.4
Banking credits and other financial obligations		0.0	0.0	0.0
Accounts payable		3,307.3	0.0	3,307.3
Long term-debt		0.0	0.0	0.0
Other liabilities		2,406.8	0.0	2,406.8
Estimated liabilities and allowances		2,605.8	0.0	2,605.8
Total liabilities		443,901.9	0.0	443,901.9
Stockholders' Equity		82,435.3	(17,121.5)	65,313.9
Total Liability and Stockholders' Equity		526,337.2	(17,121.5)	509,215.7
STATEMENT OF INCOME				
Operating Income		16,167.9	1,726.3	17,894.2
Operating Expenses		6,501.7	0.0	6,501.7
OPERATING INCOME		9,666.2	1,726.3	11,392.5
Others Operating Income		195.5	1,583.6	1,779.1
Others Operating Expenses		1,627.8	0.0	1,627.8
OTHER OPERATING INCOMES & EXPENSES - NET		(1,432.2)	1,583.6	151.4
ALLOWANCES		745.8	6,259.2	7,005.0
DEPRECIATIONS - PROPERTIES AND EQUIPMENT		62.6	(6.3)	56.3
AMORTIZATIONS		135.5	0.0	135.5
OPERATING INCOME - NET		7,290.1	(2,943.0)	4,347.1
Non-Operating Income		704.5	8.8	713.2
Non-Operating Expenses		0.5	0.0	0.5
NON-OPERATING INCOME - NET		704.0	8.8	712.8
Income Tax		173.8	0.0	173.8
Net Income (Lease) net	US	7,820.3	(2,934.3)	4,886.0



BANCO DAVIVIENDA S.A.

The Financial Statments Homologation Effect Foreign Subsidiaries

At December 31, 2010

(Thousands of United States Dollars)

(Market Representative Exchange Rate Col\$1,913.98 December, 2010)

BALANCE SHEET		Bancafé International	Homologation Effects	Bancafé International Homologation
Assets				
Cash and cash equivalents	US	54,104.0	0.0	54,104.0
Active Positions in Monetary market operations		0.0	0.0	0.0
Investments, net		17,956.0	0.0	17,956.0
Acceptances and derivatives		0.0	0.0	0.0
Credit portfolio and financial leasing, net		27,037.8	(85.4)	26,952.4
Accounts receivable		118.6	(1.6)	116.9
Foreclosed Assets		0.0	0.0	0.0
Fixed Assets		272.1	0.0	272.1
Other Assets		3,980.2	0.0	3,980.2
Total assets		103,468.7	(87.0)	103,381.6
Liability and Stockholders' Equity				
Deposits and callabilities	US	91,152.4	0.0	91,152.4
Interbanking funds purchased and repurchasing agreements		0.0	0.0	0.0
Bank acceptances outstanding		0.0	0.0	0.0
Banking credits and other financial obligations		0.0	0.0	0.0
Accounts payable		120.4	0.0	120.4
Long term-debt		0.0	0.0	0.0
Other liabilities		2.0	0.0	2.0
Estimated liabilities and allowances		41.1	0.0	41.1
Total liabilities		91,315.9	0.00	91,315.9
Stockholders'Equity		12,152.7	(87.0)	12,065.7
Total Liability and Stockholders'Equity		103,468.7	(87.0)	103,381.6
STATEMENT OF INCOME				
Operating Income		3,512.3	(92.6)	3,419.7
Operating Expenses		1,702.0	0.0	1,702.0
OPERATING INCOME		1,810.3	(92.6)	1,717.7
Others Operating Income		0.1	430.4	430.4
Others Operating Expenses		1,688.2	0.0	1,688.2
OTHER OPERATING INCOMES & EXPENSES - NET		(1,688.2)	430.4	(1,257.8)
ALLOWANCES		0.0	400.5	400.5
DEPRECIATIONS - PROPERTIES AND EQUIPMENT		48.2	0.0	48.2
AMORTIZATIONS		24.3	0.0	24.3
OPERATING INCOME - NET		49.6	(62.7)	(13.1)
Non-Operating Income		37.5	243.3	280.8
Non-Operating Expenses		0.0	0.0	0.0
NON-OPERATING INCOME - NET		37.5	243.3	280.8
Income Tax		9.9	0.0	9.9
Net Income (Lease) net	US	77.2	180.6	257.8