



DAVIVIENDA'S BANK AND SUBORDINATES

Balance Sheets
June 30, 2011 and December 31, 2010
(Thousands of United States Dollars)

June 30

December 31

ASSET

Cash and cash equivalents	1.165.805,2	779.551,8
Active positions in monetary market operations and those related	272.805,1	100.138,4
Investments	2.332.028,1	2.294.531,2
Debt securities trading	1.318.561,8	1.282.184,9
Equity securities trading	557,8	402,1
Debt securities Held to maturity	201.130,2	201.311,2
Debt securities available for sale	746.148,3	745.963,0
Equity securities available for sale	66.328,9	58.080,4
Transfer Rights of marketable investments negotiable given in guarantee	23.212,9	27.987,1
Less: Allowance	(23.911,9)	(21.397,6)
Credit portfolio and financial leasing	13.038.202,2	10.850.717,4
Housing Portfolio	1.272.884,3	925.987,6
Consumptions Portfolio	4.767.760,1	3.973.827,3
Micro-credit Portfolio	45.640,6	35.644,2
Commercial Portfolio	7.671.242,0	6.525.042,6
Less: Allowance	(719.324,8)	(609.784,4)
Customers' acceptances and derivatives	63.348,9	38.913,1
Debtors and Bank Acceptances	174,3	1.157,4
Spot transactions	4,2	25,4
Derivatives	63.127,9	37.014,9
Others	42,5	715,4
Accounts receivable	178.432,7	176.100,8
Interest Receivable	122.755,0	98.171,7
Fees and Commissions	1.465,3	1.192,5
Canons of goods given on leasing	165,9	131,0
Payments of Costumers	25.566,0	22.568,6
Others	69.185,4	91.285,3
Less: Allowance	(40.705,0)	(37.248,3)
Foreclosed assets	20.917,3	27.416,3
Operating leasing	4.106,1	3.950,3
Properties and equipment	219.794,1	193.567,2
Other assets	936.244,2	777.150,4
Expenses paid, Intangible Assets in Advance and Deferred Charges	826.908,6	702.070,7
Excess on cost of investment on book value	2.676,3	5.452,0
Employees Portfolio	67.985,7	55.774,3
Others	45.940,4	21.112,3
Less: Allowance	(7.266,8)	(7.259,0)
Nets Valuations	281.677,1	228.318,0
Investments	15.462,3	17.212,8
Properties & equipment	264.175,9	209.216,8
Others	2.038,9	1.888,4
TOTAL ASSETS	18.513.360,8	15.470.354,9
Creditor Contingent Accounts	8.102.346,2	6.425.339,6
Debtor Contingent Accounts	950.942,8	1.119.757,6
Debtor Memorandum Accounts	24.602.138,5	21.371.213,3
Creditor Memorandum Accounts	46.570.010,6	39.599.483,6
Total Contingent and Memorandum Accounts	80.225.438,1	68.515.794,2
Trust Memorandum Accounts		
Asset	3.623.581,4	3.086.092,1



DAVIVIENDA'S BANK AND SUBORDINATES

Balance Sheets (Continued)
June 30, 2011 and December 31, 2010
(Thousands of United States Dollars)

	June 30	December 31
LIABILITIES AND STOCKHOLDER'S EQUITY		
Deposits and callabilities	11.957.905,1	10.108.900,8
Deposits in bank current accounts	1.755.747,2	1.703.708,6
Term deposits	3.693.358,4	3.646.521,9
Savings deposits	6.399.125,8	4.616.654,8
Savings Certificates real value	14.766,0	11.378,6
Others	94.907,8	130.636,8
Passive positions in monetary market operations and those related	18.692,7	30.309,6
Bank acceptances outstanding	78.283,9	43.052,6
Debtors and Bank Acceptances	174,3	1.157,4
Operations with derivative financial instruments - speculation	60.027,3	35.941,7
Operations with derivative financial instruments - hedging	18.082,3	5.953,6
Banking credits and other financial obligations	1.532.851,9	1.254.047,1
Others entities in the country	790.768,4	629.709,2
Foreign Entities	742.083,5	624.337,9
Accounts payable	524.133,9	351.032,0
Interests	72.838,7	68.706,2
Commissions and fees	593,2	926,6
Tax collection	64.530,4	32.507,4
Suppliers	98.965,3	80.484,5
Others	287.206,3	168.407,5
Long term-debt	1.969.852,1	1.610.568,3
Others liabilities	159.273,5	146.987,0
Consolidated Labor obligations	17.670,2	18.807,2
Anticipated Income	717,4	198,3
Others	140.886,0	127.981,4
Estimated liabilities and allowances	110.519,7	60.775,0
Consolidated Labor obligations	2.278,8	1.571,6
Tax	34.478,8	175,8
Minority Interests in consolidated subsidiaries	13.695,8	13.581,4
Others	60.066,2	45.446,1
TOTAL LIABILITIES	16.351.512,8	13.605.672,3

**DAVIVIENDA'S BANK AND SUBORDINATES**

Balance Sheets
June 30, 2011 and December 31, 2010
(Thousands of United States Dollars)

	June 30	December 31
STOCKHOLDER'S EQUITY		
Capital stock	22.409,6	24.299,1
Reserves	1.668.542,2	1.446.974,1
Legal Reserve	888.651,9	820.433,0
Statutory and occasional reserves	779.890,4	626.541,1
Surplus	289.200,9	233.167,8
Gross unrealized gain or loss on investments available for sale	9.439,9	7.564,2
Gross unrealized gain or loss on derivatives	0,0	0,0
Revaluation assets	279.761,0	226.545,4
Stockholders' equity revaluation	0,0	(941,8)
Income (Loss) previous years	13.592,0	6.604,4
Net income	168.103,3	153.637,1
TOTAL STOCKHOLDERS' EQUITY	2.161.848,1	1.864.682,5
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	18.513.360,8	15.470.354,9
Creditor Contingent Accounts	8.102.346,2	6.425.339,6
Debtor Contingent Accounts	950.942,8	1.119.757,6
Debtor Memorandum Accounts	24.602.138,5	21.371.213,3
Creditor Memorandum Accounts	46.570.010,6	39.599.483,6
Total Contingent and Memorandum Accounts	80.225.438,1	68.515.794,2
Creditor Memorandum Accounts Trust Banking	3.623.581,4	3.086.092,1

OLGA LUCIA RODRIGUEZ SALAZAR
Legal Representative

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Statements of Income
June 30, 2011 and December 31, 2010
(Thousands of United States Dollars)

	June 30	December 31
Direct operating income	1,361,343,9	1,207,325,2
Amortized interests and discounts- Credit portfolio and others	771.570,1	657.562,3
Commissions and fees	157.767,5	142.225,8
Appraisal of Investments	63.557,8	58.124,5
Changes	59.332,4	71.724,9
Profit on the appraisal of derivates	292.669,3	239.104,0
Profit on portfolio sale	1.431,2	21.426,0
Profit on investments sale	15.015,6	17.157,7
Direct Operating Expenses	605,075,3	535,804,7
Interests, amortized premium and discount amortized	223.538,9	181.925,8
Loss on the appraisal of investments trading in debt securities	372,6	282,4
Loss on the appraisal of debt securities available for sale	244,1	1.034,4
Commissions	27.548,4	24.194,3
Loss on the appraisal of derivates	299.010,2	254.393,7
Changes	45.962,4	64.423,2
Loss on investments sale	7.735,1	8.925,7
Depreciation and amortization	663,6	625,0
Direct Operating Income	756,268,7	671,520,5
Operating Income	295,594,4	306,174,3
Dividends and Participations	9.410,6	664,4
Refund Allowances Portfolio	221.732,9	237.390,9
Refund Allowances Accounts Receivable	13.189,0	18.100,6
Others	51.261,8	50.018,3
Operating Expenses	385,021,8	378,457,4
Employees expenses	166.747,9	154.448,1
Others	218.273,9	224.009,3
Operating Result Before Allowances, Depreciation and Amortizations	666,841,2	599,237,5



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Statements of Income
June 30, 2011 and December 31, 2010
(Thousands of United States Dollars)

	June 30	December 31
Allowances	440.279,1	388.606,7
Investments	1.164,2	5.052,4
Credit portfolio and Financial leasing	411.422,7	360.000,8
Accounts receivable	19.275,2	20.500,2
Properties and equipment	5.424,9	1.028,2
Others	2.992,0	2.025,0
Depreciations - Properties and Equipment	13.689,9	11.411,9
Amortizations	46.099,4	36.951,9
Operating Income - Net	166.772,9	162.267,0
Non-Operating Income	67.944,8	78.874,2
Profit on sale of assets received in payment	1.356,2	1.008,2
Profit on Sale of Property, Equipment and Other Assets	907,1	851,9
Recoveries	56.680,8	68.749,7
Other non-operating income	9.000,7	8.264,5
Non-Operating Expenses	24.463,4	39.308,9
Loss on sale of assets received in payment	717,2	832,2
Loss on Sale of Property, Equipment and Other Assets	250,4	1.673,0
Loss Claims	3.860,9	9.496,4
Other non-operating Expenses	19.634,9	27.307,2
Non-Operating Income - Net	43.481,4	39.565,4
Profit Before Income Tax	210.254,3	201.832,3
Tax on Income and Others	42.151,0	48.195,2
NET INCOME	168.103,3	153.637,1

OLGA LUCIA RODRIGUEZ SALAZAR
Legal Representative

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



BANCO DAVIVIENDA S.A. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2011 with comparative figures for December 31, 2010

(Thousand of United States Dollars)

1. Reporting Entity

The 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 Bolivar 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 Finance Superintendency of 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 Bolivar S.A. 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 Bolivar 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.

On June 30, 2011, it had ten thousand six hundred fifty-seven (10,657) employees spread over five hundred fifty-four (554) offices in twenty (21) branches and agencies in Colombia, and one (1) branch abroad in Miami (USA). The Fiduciaria Davivienda S.A. had eighty-one (81) employees; Fiduciaria Cafetera S.A. one hundred and five (105); Davivalores S.A. forty-five (45); Confinanciera SA one hundred ninety-two (192) and Bancafé Panama S.A. sixty-one (61).

It possesses 60% of Fiduciaria Davivienda S.A. shares, 94.90% of Confinanciera S.A. shares, 79% of Broker Davivalores S.A. shares, 100%, the 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., as June 30, 2011 includes the followings Subsidiaries:



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

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 Finance Superintendency of 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 loans 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. By Resolution No. S.B.P. 0067 of June 29, 2011, the Panamanian Superintendency of Banks authorized the transfer and consolidation of the activities maintained under the International License to the coverage of General License.

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

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 Finance Superintendency of 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 loansor in all kind of loans 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 Finance Superintendency of 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 loansor in all kind of loans operations.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

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 Finance Superintendency of 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 Finance Superintendency of 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.

2. Conversion of subsidiary branch in Miami

Bancaf  International was established in New York in 1981 to become a point of support for the needs of Colombian customers of Bancaf  S.A. for their international business.

By Resolution 3912 of September 5, 1983, the then Superintendency Bancaria - *Banking Superintendent* (now Finance Superintendency of Colombia - *Finance Superintendency of Colombia*) authorized the Banco Cafetero International Corporation, New York, United States to establish a Representative Office in Colombia. That subsidiary of Banco Cafetero was subsequently moved to Miami, USA, and is currently a branch of Banco Davivienda because of the merger with Granbanco S.A. (formerly Banco Cafetero).

In 2009, Banco Davivienda S.A. requested authorization from the relevant government agencies in Colombia to convert its Banco Cafetero International Corporation subsidiary, based in Miami, into an international branch. The Finance Superintendency of Colombia informed Banco Davivienda S.A. that it had no objection to the establishment continuing with the conversion process referred to above, and therefore the Bank initiated the required formalities before the authorities of the United States.

On obtaining authorizations from the relevant authorities of the United States, Banco Davivienda S.A. informed the Finance Superintendency of Colombia, who on December 29, 2010, announced the possibility of starting operations of the branch in Miami, United States, subject to compliance with all legal requirements required by the authorities of the United States and exchange regulations arising from the decommissioning of the Banco Cafetero International Corporation subsidiary.

From January 1, 2011 Bancaf  International ceased to be a subsidiary in order to become Davivienda International Branch.

The Branch is regulated and supervised by the Federal Reserve of the United States (FED) and the Florida Office of Financial Regulation (OFR).

Below are the opening balances of Davivienda Internacional as a foreign branch as of January 1, 2011:

ASSET	
Available	USD 56,517.5
Investments	17,956.0
Loan Loans	27,037.8
Accounts Receivable	118.6
Property and equipment	1,324.9
Other assets	<u>513.9</u>
Total Assets	<u>USD 103,468.7</u>
LIABILITIES	
Deposits and payables	USD 91,152.4
Accounts Payable	120.5
Other liabilities	2.0
Accrued expenses	<u>41.1</u>
Total Liabilities	<u>91,316.0</u>



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

EQUITY	
Surplus	USD 15.7
Capital allocated to the branch	<u>12,137.0</u>
Total Equity	<u>12,152.7</u>
Total Liabilities and Equity	<u>USD 103,468.7</u>

The integration of the Miami Branch generated a profit of USD 1,768.0.

The figures of assets, liabilities, stockholders' equity, and profit in the individual Financial Statements of the Parent Company and its Subsidiaries at June 30, 2011 and were as follows:

June 30, 2011

		Assets	Liabilities	Equity	Profit (Loss)
Banco Davivienda S.A.	USD	17,772,208.7	15,609,766.0	2,162,442.8	169,354.5
Confinanciera S.A.		242,380.2	201,926.1	40,454.1	8,421.6
Fiduciaria Cafetera S.A.		44,634.9	6,894.6	37,740.5	1,486.8
Fiduciaria Davivienda S.A.		31,667.2	4,630.7	27,036.5	4,632.6
Davivalores S.A.		6,114.6	482.2	5,632.4	(346.2)
Bancaf� Panama S.A.		631,740.0	543,106.9	88,633.1	5,297.7

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	140,979.9
Confinanciera S.A.		217,704.8	180,696.9	37,008.0	4,843.7
Fiduciaria Cafetera S.A.		39,893.9	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	5,566.0	61.5
Bancaf� Panama S.A.		526,337.2	443,901.9	82,435.3	7,820.3
Bancaf� International Corporation S.A.		103,468.6	91,315.9	12,152.7	77.2



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

3. Summary of Main Accounting Policies

3.1. 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 Finance Superintendency of 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 Finance Superintendency of 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 Finance Superintendency of 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 in stock placement

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.

Approval and Subsidiaries Abroad

The bank adjusts of the Financial Statements of the Panamá subordinates, 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 Bulleting 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 estipulate 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.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

The general balance sheet of the subordinates abroad, was converted into Colombian Pesos using the Market Exchange Rate, whose value as of June 30, 2011 and December 31, 2010 was \$1.772,32 (Colombian pesos) and \$1.913,98 (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 Bancafé Panamá.

On the other hand, the profit and loss statement for the affiliate overseas is converted into Colombian pesos using the average Market Exchange Rate of respectively semester. At June 30, 2011, and December 31 2010, average rate of \$1.837,17 (Colombian pesos) and \$1.849,38 (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.

3.2 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 Finance Superintendency of Colombia, for consolidation purposes, the submission of financial statements must be done with the periodicity the Holding company does.

3.3 Monetary Unit

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

3.4 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.

3.5 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 by the bank from other financial entities, guaranteed with their investment loans or loans. 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 Loans 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.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

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 determined 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.

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.



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3.6 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.

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 Finance Superintendency of Colombia, which may be summarized as follows:



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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>
Held to 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 loans 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>



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Classification	Characteristics	Valuation	Accounting
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 the 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 for 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 Finance Superintendency of 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 feel 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.



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Reclassification of investments

The Bank can reclassify investments at any time with due authorization from the Finance Superintendency of 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 loans 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 Loans 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 loans risk rating, as follows:

- Debt securities that have one or several ratings granted by external loans rating agencies recognized by the Finance Superintendency of 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	Short Term Rating	Maximum Amount %
BB+, BB, BB-	3	Ninety 90%
B+, B, B-	4	Seventy 70%
CCC	5 and 6	Fifty 50%
DD, EE	5 and 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 Finance Superintendency of Colombia.
- 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	Is provisioned to 100%



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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.

3.7 Loans and Financial Leases

It records the loans and Financial Leases granted by the Bank and its Subsidiaries under the different modalities authorized. The funds used in the granting of loans 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 loans which are recorded at cost; the interest rate agreed does not affect the value at which loans are recorded.

Loans arrangements

The loans structure contemplates the following modes for loans:

- Commercial

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

Mortgage Leases.

The Finance Superintendency of Colombia established that for classification purposes, the operations of Mortgage Leases 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 mortgages delivered under leases 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 leases operations is repaid with the payment of the financial leases rent in the portion corresponding to repayment of principal.

- Consumer

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 microloans type.

- Mortgage

Independently registers its amount, the loans granted to individuals, assigned to new or used mortgages acquisition or to build individual mortgages. They should be agreed in Current Value Units (UVR) or in local currency and secured by first grade mortgage, upon the funded mortgage. 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



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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 loans 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 loans. In loans for community mortgage, 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-loans

A micro loans is defined as a set of loans 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 loans 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 loansor, excluding those mortgage loans for financing mortgage and adding to the amount of the new obligation.

Restructured Loans

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.

Loans alleviations granted by Laws, as it was the case of what was set forth by Law 546 of 1999 for mortgage 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 loans, 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 loans 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 loans is found up to date, it is transferred to normal, , except those registered below:



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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 Finance Superintendency of 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 loans 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:

Loans Modality	Default level to	
	Bank and Confinanciera	Bancafé Panamá
Commercial	3 months	3 months
Consumer	2 months	3 months
Mortgage	2 months	3 months
Micro-loans	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, 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 Finance Superintendency of 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.



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Loans	Bank and Confinanciera Days Loans	Bancafé Panamá S.A.
Commercial	570	For individual assessment
Consumer	180 (different of vehicle without guarantee)	
Mortgage	540	
Mortgage Leases	540 (Commercial Loans)	
Commercial Vehicles	360	
Consumer Vehicles	360	
Micro-loans	180	

For the low-income sector: personal loans cards and visa práctica with 120 days loans; penalties may be imposed on clients whose balances have a 100% probability of default.

Likewise, specific penalties may be applied under the parameters defined by the Bank when the Board approves it. These parameters can be changed at any time in accordance with the policies adopted by the Board.

The writing off does not release the Bank and CoFinance 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.

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

In the case of mortgages for mortgage 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 loans is done by taking the value of the initial registration of the guarantee adjusted for the mortgage price index published by the National Planning Department.

Criteria for the Evaluation and Reclassification of loans risk

The Bank and Confinanciera has adopted a Loans Risk Management System, which includes policies, processes, models and control mechanisms to identify, measure and adequately mitigate loans risk; not only



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from the perspective of their coverage through a reserves system but also through the administration process for granting loans and ongoing monitoring.

The Bank and its subordinate evaluates and ranks the loans agreements of customers regardless of the loans class. The behavior of the customers' loans 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 loans risk inherent in a loans transaction and future potential changes in its service conditions. These methodologies and techniques are based on information relating to historical performance of the loans and loans; the particular characteristics of borrowers, their loans and guarantees to support them; the loans 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 loans in May and November at least, recording the results at the close of the following month.

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 loans 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.

Loans Risk Rating for reports

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

Commercial Loans

Risk Type	Reporting Rating	Rating Group	Default levels (days)
Normal	AA	A	0-29
Aceptable	A	B	30-59
Aceptable	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 loans is considered unpaid when it is in arrears equal to or greater than 150 days, the same applies to liquidity loans that are in arrears.



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Consumer Loans

To determine the consumer loans 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	Loans 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 loans is considered unpaid when in arrears equal to or greater than 90 days.

* In order not to affect loans indicators, the Finance Superintendency of 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 Consumer for this qualification.

Mortgage and Micro-loans

The Bank classifies the mortgage loan and microloans operations into one of the following loans risk categories.

Rating	Risk	Mortgage	Micro-loans
		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	More 5 until 12	More than 2 until 3
D	Significative	More 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 loanss loans

The Bank constitutes provisions in reference to the results as follows

General Allowance

As of June 30, 2011 and December 31, 2010, the provision for micro loans and mortgage loans types, equivalent to 1.0% of total gross loan loans.

Individual provisions using reference models.

According with the provisions of the Finance Superintendency of Colombia, for commercial and consumer reference models, the individual provisions for loans holdings are established as the sum of the individual components, one Procyclical and another Countercyclical.



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

The individual countercyclical component reflects the possible changes in the loans 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.

The two components are calculated separately for capital and accounts receivables of the holdings and leases 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 loans 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 Loans	$< 23\%$

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 June 30, 2011 and 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 Loans 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 loans quality to meet the increase in provisions without significantly impacting the profits generated by the unfavorable environment.

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 June 30, 2011 and December 31, 2010.

Commercial Loans

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

The Leases Operations provisions are recorded in compliance with the commercial loans loans policies. "natural Person with business"

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



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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 loans 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%

- 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 an 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".

<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	55,00%	210	80,00%	420	100,00%



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

The PDI applied by Confinanciera ineligible for warranty is 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>
Guarantee does not admissible	55,00%	270	70,00%	540	100,00%

- Exposed value of asset

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

- Foreign Subsidiaries

For the commercial loans of the international subordinate, the loans 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 loans 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	1,00
Panamá	BBB-	2,14
Venezuela	BB-	7,49
Perú	BBB-	2,14
Colombia	BBB-	2,14

Source S&P (June 2011)

Assessment factor

Rating	Assessment factor
A	1,00
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



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Rating	BBB	BB
A	2,14	7,49
B	2,68	9,36
C	3,21	11,24
D	3,75	13,11
E	4,28	14,98

Methodology applied

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

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

Concordat Processes Provisions

As refers to loans due by persons who are admitted in processes of composition or arrangement with loansors, 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 loansors, the loans may be reclassified to category "D".

Consumer Loans

The Bank and Confinanciera adopted the Reference Model for Consumer loans (MRCO), established by the Finance Superintendency of 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 loans card, in order to preserve the particularities in the market niches and the products granted.

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 loans qualification incur in failing.

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

		<u>Vehicles</u>		<u>Others</u>		<u>Loans</u>	
<u>Rating</u>		<u>General</u>		<u>General</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%	



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	<u>Vehicles</u>		<u>Others</u>		<u>Loans</u>	
<u>Rating</u>	<u>General</u>		<u>General</u>		<u>Card</u>	
	Matrix A	Matrix B	Matrix A	Matrix B	Matrix A	Matrix B
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	65,00%	180	85,00%	360	100,00%

Additionally, the D and E rated loans are 100% provisioned.

The PDI applied by Confinanciera for ineligible guarantee is 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>
Guarantee does not admissible	60,00%	210	70,00%	420	100,00%

- 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 Consumer loans liabilities.

Foreign Subsidiaries

The allowances of the foreign Subsidiaries Consumer loans, are calculated according to the following table:

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



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

Mortgage loans

The individual provisions, for the protecting loans qualified in all risk categories, have at least the following percentages at June 30, 2011 and December 31, 2010.

Rating	% Minimum standard		% Bank's Minimum	
	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 mortgage 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 loans rating of "B" (Acceptable).

If during two (2) consecutive years the loans 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 mortgage loans 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-loans loans

The individual provisions, for the protecting loans qualified in all risk categories, have at least the following percentages at June 30, 2011 and December 31, 2010.



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Rating	% Minimum Standard		% Bank's minimum	
	Capital	Uncovered	Capital	Uncovered
	Balance	Part	Balance	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 Consumer and mortgage loans only support the capital of the loans; consequently, the balances pending amortization of the loans covered with securities that have a suitable guarantee nature, are provisioned by the percentage corresponding according to the loans 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 mortgage 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.

However, depending on whether the guarantee is or not a mortgage, and of the number of past due days of the respective loans, 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>Loans 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>Loans 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 June 30, 2011 and December 31, 2010, in order to calculate the expected loss for the reference models in the MRC commercial loans and in the MRCO Consumer loans, the amount of the collateral was not contemplated.



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3.8 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 values 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 Finance Superintendency of Colombia

Accounting Records

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 loans 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 Superintendency de Colombia. These are instruments whose purpose is to profit from any market movements



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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 June 30, 2011 and 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 Finance Superintendency of Colombia for the CCS swaps transaction taken by Davivienda Bank S.A., to cover the financing of the Granbanco S.A. purchase.

Basic Financial Instruments

Forward Contracts

Definition

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 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 acloansed 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



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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.

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

Definition

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 Finance Superintendency of Colombia

The Finance Superintendency of 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.

When the effectiveness of the hedge is located outside the range established above (80% - 100%), two (2) consecutive months closures after the inception of the hedge, the derivative financial instrument and should not be considered for purposes of coverage, such quality is lost.

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.

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 loans or series



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of 'forwards'. One party acts as seller of the 'forwards' and the other party as the purchaser. Then the net value of the 'forwards' loans 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' loans 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 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.

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.

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 loans 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.



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The net value of the loans 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 loans 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.

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.



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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.

3.9 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 loans, at the same time that the accrual of their financial returns is suspended. The court fees in mortgage loans 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.

3.10 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:



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- 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 loans 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 loans 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 leases 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.

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 Finance Superintendency of Colombia.

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

3.11 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 Finance Superintendency of 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%.



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- 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 Finance Superintendency of 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.

3.12 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.

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.



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3.13 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.

3.14 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 Loans 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.

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
- Maintenance of equipment is depreciated between 3 and 36 months.
- Insurance during the effective term of the policy.
- 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 leased property, in the lower period between the validity of the respective contract (without regard to extensions) and its expected life.
- 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.
- 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 (1) year.
- The equity tax created by Law 1370 of December 2009, whose causation is based on the liquid



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assets held on January 1, 2011, is amortized in forty-eight (48) months counting from this date.

- Amortization of the marketing strategy for pre-purchase of tickets is carried out according to its execution
- The other items are amortized during the estimated period of recovery of the disbursement or of obtaining the expected benefits.

Intangible assets

Mercantile loans is amortized monthly following the straight-line method over a period of six (6) years for Bansuperior S.A., and the exponential method over a period of twenty (20) years for Granbanco S.A.

3.15 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.

- Foreclosed Assets

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

3.16 Deferred Tax

Recognize the effect of taxes caused by the temporal difference generated between the valuation at market prices and the straight line investment loans 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.

3.17 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 loans 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.



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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.

3.18 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%

- 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

3.19 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 Finance Superintendency of Colombia. On June 30, 2011 and December 31, 2010, the rates were \$1,772.32 (colombian pesos per dollar) and \$ 1,913.98 (colombian pesos per dollar), respectively.

3.20 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.



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3.21 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 by default height.

3.22 Fiduciary accounts

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

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

Because the Finance Superintendency of Colombia has not authorized the corresponding accounts, the Balance sheet sent to the Superintendency 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 Finance Superintendency of Colombia.

The goods subject to trust transactions are not part of the loansors' 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 Finance Superintendency of 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.

3.23 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.

3.24 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 Finance Superintendency of 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 Consumer loans, 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 June 30, 2011 and December 31, 2010, is the following:

		<u>June 30</u>	<u>December 31</u>
Profit Panamá – subsidiary	USD	5,297.7	7,820.3
(Loss) Profit Miami – subsidiary		<u>0.0</u>	<u>77.2</u>
Profit Abroad – subsidiary	USD	<u>5,297.7</u>	<u>7,897.5</u>



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	June 30			December 31		
	<u>Expense</u>	<u>Reimbursement</u>	<u>Net</u>	<u>Expense</u>	<u>Reimbursement</u>	<u>Net</u>
Homologation:						
Allowance:						
Investment	978.4	0.0	978.4	4,190.4	196.8	(3,993.7)
Loans	1,034.7	136.1	898.7	2,451.8	1,998.6	(453.2)
Accounts Receivable	6.4	2.0	4.4	14.4	15.5	1.0
Foreclosed Assets	0.0	163.6	(163.6)	0.9	0.0	(0.9)
Trusteeship	0.0	402.9	(402.9)	2.2	0.0	(2.2)
Transfer of investment valuation	0.0	821.2	(821.2)	46.0	1,726.3	1,680.3
Sales of installments	0.0	0.0	0.0	0.0	0.0	0.0
Depreciations	<u>0.0</u>	<u>17.3</u>	<u>(17.3)</u>	<u>(6.3)</u>	<u>8.8</u>	<u>15.0</u>
USD	<u>2,019.5</u>	<u>1,543.1</u>	<u>476.4</u>	<u>6,699.5</u>	<u>3,945.9</u>	<u>(2,753.6)</u>
Total foreign utility subsidiary homologation			<u>5,774.1</u>			<u>5,143.8</u>

Principal effects First half of 2011

Loans

For the commercial and Consumer loans the Business Reference Model (BRM) and the Bank's Consumer Reference Model (CRM) were applied to customers whose economic activity is in Colombia, and for other clients the internal model was applied that involves, between other variables, the country risk and the bad debt factor; this reported a refund of loans provisions of USD 136.1 primarily by decreasing the overdue loans and a provision expense of USD 1,034.7 coming mainly from the approval of provisions.

Accounts Receivable

The process of homogenization included in the balance of the Bancafé Panama S.A. subsidiary, a provision for interest of USD 45.7. The individual application of provision has an effect on the result of USD 2.0 in reimbursement and USD 6.4 as an expense.

Assets received in payment

The process of homogenization included in the balance of the Bancafé Panama S.A. subsidiary, a provision for property for mortgage and non-mortgage of USD 1,784.7, with a net movement in the income statement of USD 163.6 primarily due to the decrease in the TRM of USD 79.9.

Trusts

The provision of the Fideicomiso H&L Barú was USD 5,041.2 with a refund for the period of USD 402.9 because of a decrease in the TRM of USD 79.9.



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Investments

The approval process included in the balance of the Bancafé Panama S.A. subsidiary, a provision for rating of securities of USD 8,195.8 with an effect on the income statement of USD 978.3 as an expense.

Approval of the loans of investments available for sale was conducted with an effect on the income statement for the transfer of the securities valuation equal to USD 821.2 Net.

Second Half Year 2010 Main effects

Loans

For the commercial and Consumer loans the Commercial Reference Model was applied and for clients having their economic activity in Colombia the Bank's Commercial Reference Model of Consumer 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 loans provisions reimbursement for USD 1,998.6, mainly due to loans decrease overdues and a provision expense of USD 2,451.8 originated mainly by the provisions homologation.

Accounts Receivable

Inside the homologation process, a provision for interests of USD 38.2 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 USD 15,5 as a reimbursement and USD 14,4 as an expense.

Foreclosed Assets

Inside the homologation process, a provision for goods intended for mortgage and others different from mortgage for USD 2,046.3, was included in the Bancafé Panamá S.A. subordinate, with a net movement in the income statement of USD 0.9 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 USD 5,041.2 with a provisional expense of USD 2.2 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.

Investments

The approval process included in the balance of the Bancafé Panama S.A. subsidiary, a provision for rating of securities of USD 7,589.2. The individual application of provision has an effect on the income statement of USD 905.9 as an expense.

Standardization of the available investment loans 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 USD 760.4.



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4. Cash and Cash Equivalents

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

		<u>June 30</u>	<u>December 31</u>
Legal Currency			
Cash and Cash equivalents	USD	511,979.4	397,113.4
Banco de la República		492,680.0	241,985.6
Banks and other financial entities		56,254.8	8,520.0
Exchange		18,560.2	13,577.8
Remittances in transit		1.7	81.5
Allowance		<u>(243.6)</u>	<u>(316.9)</u>
		<u>1,079,232.5</u>	<u>660,961.5</u>
Foreign currency translated into local currency			
Cash and Cash equivalents		829.9	1,586.9
Banco de la República		33.6	31.1
Banks and other financial entities		82,707.1	114,789.7
Remittances in transit		3,035.1	2,193.6
Allowance		<u>(33.0)</u>	<u>(11.0)</u>
		<u>86,572.7</u>	<u>118,590.3</u>
	USD	<u>1,165,805.2</u>	<u>779,551.8</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

4.1 Reconciliations of Transactions

The following is the detail of the banking reconciliations at June 30, 2011

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value</u>
Debit notes to reconcile	44	98.6
Credit notes to reconcile	477	(400.2)
ND accounted for not taken by the Bank	18	29.2
NC accounted for not taken by the Bank	126	(201.7)
	<u>665</u>	<u>(474.1)</u>

At June 30, 2011, reconciliations of accounts in local banks have 720 items less than 30 days, net value of USD 4,118.7. The reconciliatory items over 30 days have no significant impact and are provisioned for USD 276.6.



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The following is the detail of the reconciliatory items on December 31, 2010:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value</u>
Debit notes to reconcile	34	95.9
Credit notes to reconcile	314	(249.6)
ND accounted for not taken by the Bank	22	71.0
NC accounted for not taken by the Bank	250	(977.4)
	<u>620</u>	<u>(1,060.1)</u>

At December 31, 2010, reconciliations of accounts in local banks have 714 items less than 30 days, net value of USD (3,804.6). The reconciliatory items over 30 days have no significant impact and are provisioned for USD 328.0.

4.2 Reconciliations of Transactions in Foreign Currency

The following is the detail of the banking reconciliations at June 30, 2011:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value USD</u>
Debit notes to reconcile	8	USD 32.9
Loans notes to reconcile	12	(13.2)
ND accounted for not taken by the Bank	2	0.1
ND accounted for not taken by the Bank	<u>22</u>	<u>(63.0)</u>
	<u>44</u>	USD <u>(43.1)</u>

The reconciliatory items are provisioned for USD 33.0

The following is the detail of the reconciliatory items on December 31, 2010:

<u>Items older than 30 days</u>	<u>Amount</u>	<u>Value USD</u>
Debit notes to reconcile	5	USD 11.0
Loans notes to reconcile	9	(36.4)
NC accounted for not taken by the Bank	<u>12</u>	<u>(12.1)</u>
	<u>26</u>	USD <u>(37.4)</u>

The conciliatory items are provisioned for USD11.1.

There is restriction on the available foreign currency of U.S. 8,005,461.54, equivalent to \$ 14,188.2 given by:

As an international banking agency we are required to maintain a security deposit in dollars or investments in securities in favor of the Florida Office of Financial Regulation (OFR) according to Statute 69U-140.015 of the OFR.



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According to chapter 69 U-140.01 Sección 663.07, FS equivalence of capital or maintenance of assets requires each international banking agency or international branch to keep evidence of dollar deposits or investments in securities that can be kept by the Bank in favor of the OFR of at least the equivalent of U.S. \$ 4,000.0 or 7% of total liabilities of the agency or international branch (excluding miscellaneous expenses and amounts of other branches, subsidiaries, offices or agencies).

The capital equivalent of the deposit should be held as collateral and must be free of any lien, charge, right of assignment, loans or preference in connection, and segregated in the books and records.

4.3 Allowance on liquid assets:

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

		<u>June 30</u>	<u>December 31</u>
Opening balance	USD	354.2	379.8
Plus:			
Allowance charged to operating expenses		164.2	125.1
Less:			
Penalties		9.6	26.9
Refund revenue		232.2	150.2
Closing balance	USD	<u>276.6</u>	<u>328.0</u>

5. 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:

<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>Date of Initiation</u>	<u>Date of Cancellation</u>	<u>Amount of USD</u>	<u>TRM (Pesos)</u>
<u>June 30</u>						
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
	USD <u>14,800,000.0</u>	0.03%	Jun.30.11	Jul.01.11	14,800.0	1,772.32
	<u>89,980.1</u>	0.30%	Jun.28.11	Jul.18.11	90.0	1,772.32
	USD <u>14,889,980.1</u>				<u>14,890.0</u>	
<u>Legal Currency</u>						
Concurrent						
	Banco República	4.3%	Jun.03.11	Jul.05.11	41,340.0	
		4.1%	Jun.24.11	Jul.01.11	135,076.6	
		4.0%	Jun.24.11	Jul.01.11	22,512.6	
					<u>198,929.3</u>	



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<u>Entity</u>	<u>Rate</u>	<u>Date of</u>		<u>Amount of</u> <u>USD</u>
		<u>Initiation</u>	<u>Cancellation</u>	
SOC Exchange Brokers	4.4%	Jun.29.11	Jul.05.11	8,805.6
	4.5%	Jun.30.11	Jul.06.11	2,583.2
	4.5%	Jun.30.11	Jul.05.11	2,969.9
	4.5%	Jun.30.11	Jul.05.11	2,874.0
				<u>17,232.7</u>
Banks	4.1%	Jun.15.11	Jul.13.11	3,385.4
	4.3%	Jun.20.11	Jul.01.11	3,385.4
	4.3%	Jun.30.11	Jul.01.11	14,105.8
	4.3%	Jun.22.11	Jul.21.11	12,413.1
	4.3%	Jun.29.11	Jul.27.11	3,385.4
	4.3%	Jun.29.11	Jul.27.11	846.3
	4.4%	Jun.28.11	Jul.01.11	2,539.0
	4.4%	Jun.28.11	Jul.01.11	1,692.7
				<u>41,753.2</u>
Total active positions in Money market and related operations				<u>272,805.1</u>

<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>Date of</u>		<u>Amount of</u>		<u>TRM (Pesos)</u>
			<u>Initiation</u>	<u>Cancellation</u>	<u>USD</u>		
<u>December 31</u>							
<u>Foreign Currency</u>							
Overnight Bancos Exterior:							
	USD	1,950,000.0	0.30%	Dic.31.10	Ene.03.11	1,950.0	1,913.98
	USD	89,892.0	0.20%	Oct. 31.10	Ene.17.11	89.9	1,913.98
		<u>2,039,892.0</u>				<u>2,039.9</u>	

Legal Currency

Concurrent

Banco República	3.3%	Dic.27.10	Ene.04.11	42,709.1
	3.1%	Dic.28.10	Ene.03.11	3,134.5
	3.4%	Dic.28.10	Ene.11.11	24,486.1
	3.2%	Dic.28.10	Ene.04.11	1,154.3

71,484.0



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	Rate	Initiation	Date of Cancellation	Amount of USD
SOC Exchange Brokers	3.5%	Dic.28.10	Ene.03.11	2,558.4
	3.5%	Dic.29.10	Ene.04.11	1,138.7
	4.5%	Dic.29.10	Ene.04.11	3,235.2
	3.5%	Dic.30.10	Ene.04.11	5,124.0
	5.0%	Dic.28.10	Ene.03.11	589.9
	3.5%	Dic.28.10	Ene.03.11	1,246.8
	3.4%	Dic.29.10	Ene.03.11	623.5
	3.5%	Dic.29.10	Ene.04.11	1,423.4
	5.0%	Dic.29.10	Ene.04.11	1,046.7
	3.5%	Dic.30.10	Ene.03.11	623.6
	3.4%	Dic.28.10	Ene.03.11	2,498.3
	3.4%	Dic.30.10	Ene.03.11	1,365.6
	5.0%	Dic.29.10	Ene.03.11	807.1
	5.0%	Dic.29.10	Ene.04.11	3,145.2
	3.3%	Dic.29.10	Ene.03.11	1,188.0
				<u>26,614.4</u>
				<u>100,138.4</u>

For the first half of 2011 and second half of 2010, the balance and the monthly average yield for these active positions (local and foreign currency) was USD 267,889.9 and USD 345,766.2, and USD 100,048.4 and USD 465.3 respectively.

There are no restrictions on these funds.

6 Investments

Below is the detail of the investment loans as of June 30, 2011 and December 31, 2010:

<u>June 30</u>		<u>Cost</u>	<u>Allowance</u>
Debt securities Trading	USD	1,318,561.8	7,564.5
Equity Securities Trading		557.8	0.0
Debt securities Held to maturity		201,130.2	215.0
Debt securities available for sale		746,148.3	8,547.7
Equity securities available for sale		66,328.9	7,584.7
Negotiable provided as a guarantee		23,212.9	0.0
	USD	<u>2,355,940.0</u>	<u>23,911.9</u>



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<u>December 31</u>		<u>Cost</u>	<u>Allowance</u>
Debt securities Trading	USD	1,282,184.9	13,483.6
Equity Securitized Trading		402.1	0.0
Debt securities Held to maturity		201,311.2	302.5
Debt securities available for sale		745,963.0	588.1
Equity securities available for sale		58,080.4	7,023.4
Negotiable provided as a guarantee		27,987.1	0.0
	USD	<u>2,315,928.8</u>	<u>21,397.6</u>

6.1 Investment loans according to classification, kind and loans risk classification

Investments debt securities trading		<u>June 30</u>	<u>December 31</u>
Tes	USD	333,527.8	452,170.9
TRD		861.9	2,072.4
Bonds		124,341.9	114,554.2
TA Finagro		115,070.9	80,526.3
CDT's		289,045.5	59,395.6
Tips		383,675.5	415,619.4
Loan Content Securities		15,820.8	15,773.9
External public debt securities issued by Nation		19,765.4	32,367.5
Securities issued by foreign entities		16.1	16.2
Securities issued by multilateral agencies		5,904.5	7,273.7
Securities issued by foreign entities		18,660.5	99,734.4
BCIE Bonds		3,080.7	2,680.4
Other investments		8,790.3	0.0
	USD	<u>1,318,561.8</u>	<u>1,282,184.9</u>

Equity Securities Trading

		<u>June 30</u>	<u>December 31</u>
Acciones y Valores		27.8	22.5
Corficolombiana		304.7	215.6
Fidubogota		161.1	105.5
Fondo de valores de Correal		64.2	58.6
	USD	<u>557.8</u>	<u>402.1</u>

<u>Investment held to maturity</u>		<u>June 30</u>	<u>December 31</u>
TRD		170,932.3	165,297.5
TA Finagro (1)		597.4	3,410.6
CDT		1,699.5	1,577.2
Tips		25,581.5	28,772.4
Securities issued by foreign entities Cerpanes		2,319.6	2,253.5
	USD	<u>201,130.2</u>	<u>201,311.2</u>



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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.

<u>Debt securities available for sale</u>		<u>June 30</u>	<u>December 31</u>
Tes B	USD	276,593.7	257,154.6
Structured Notes		20,734.3	20,734.3
Securities issued by foreign entities		37,107.9	34,928.4
Securities issued by foreign governments		58.2	63.5
Securities issued by Multilateral agencies		98.1	634.8
TIPS		411,556.2	432,447.3
	USD	<u>746,148.3</u>	<u>745,963.0</u>
<u>Investments available for sale equity securities</u>		<u>June 30</u>	<u>December 31</u>
Shares with low and minimum marketability	USD	<u>66,328.9</u>	<u>58,080.4</u>
<u>Marketable investments provided as guarantee</u>			
Debt securities trading			
TES		23,212.9	20,962.0
<u>Transfer Rights of Investments</u>		<u>June 30</u>	<u>December 31</u>
Debt securities trading			
TES	USD	0.0	6,921.4
TES UVR		0.0	103.8
		<u>(0.0)</u>	<u>7,025.2</u>
Total investment repurchase rights guaranteed delivered		<u>23,212.9</u>	<u>27,987.1</u>
- Investment allowance		(23,911.9)	(21,397.6)
Net total Investments	USD	<u>2,332,028.1</u>	<u>2,294,531.2</u>

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 June 30, 2011 and December 31, 2010 the investments in equity securities and debt securities were evaluated and rated under loans risk in accordance with the provisions of External Circular 100 of the Finance Superintendency of Colombia; the result can be seen in note 5.9



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6.2 Investment Reclassification Effect

During the first half-year 2011 and second half-year 2010 there were no investment reclassifications

6.3 Qualification under risk rating and allowance

<u>Qualification Long Term</u>	<u>June 30</u>	<u>% partic.</u>	<u>Allowance</u>	<u>December 31</u>	<u>% partic.</u>	<u>Allowance</u>
A	20,233.1	0.88%	0.0	24,204.7	1.07%	0.0
A-	39,967.5	1.75%	0.0	10,447.0	0.46%	0.0
A+	45,597.0	1.99%	0.0	35,108.2	1.56%	0.0
AA-	18,337.0	0.80%	0.0	17,368.6	0.77%	0.0
AA	75,348.4	3.29%	0.0	70,055.4	3.10%	0.0
AA+	12,673.2	0.55%	0.0	19,328.6	0.86%	0.0
AAA	850,207.9	34.28%	0.0	815,571.4	36.13%	0.0
B	0.0	0.0%	0.0	8,435.4	0.37%	0.0
B+	9,270.5	0.40%	2,774.7	4,868.8	0.22%	2,530.6
BB-	39,251.6	1.71%	3,921.0	36,673.7	1.62%	598.2
BB	29,554.1	1.29%	2,955.4	19,623.1	0.87%	6,683.3
BB+	30,496.3	1.33%	3,049.6	23,182.7	1.03%	0.0
BBB-	54,109.1	2.36%	0.0	62,683.5	2.78%	1,051.2
BBB	14,844.7	0.65%	0.0	37,046.9	1.64%	116.6
BBB+	12,143.8	0.53%	0.0	20,241.7	0.90%	0.0
C	6,748.5	0.29%	3,374.3	20,336.6	0.90%	0.0
CC	543.8	0.02%	252.3	6,291.4	0.28%	0.0
CCC	0.0	0.00%	0.0	704.1	0.03%	3,042.3
Multilateral	3,080.7	0.13%	0.0	2,680.4	0.12%	352.0
Nation	945,983.2	41.33%	0.0	1,011,811.7	44.82%	0.0
USD	<u>2,208,390.4</u>	<u>96.48%</u>	<u>16,327.2</u>	<u>2,246,663.8</u>	<u>99.52%</u>	<u>14,374.2</u>
<u>Qualification short term</u>						
0.0	8,253.5	0.36%	0.0	2,095.0	0.09%	0.0
1+	72,409.4	3.16%	0.0	6,582.7	0.29%	0.0
2	0.0	0.00%	0.0	2,104.8	0.09%	
	<u>80,662.9</u>	<u>3.52%</u>	<u>0.0</u>	<u>10,782.5</u>	<u>0.48%</u>	<u>0.0</u>
USD	<u>2,289,053.3</u>	<u>100.00%</u>	<u>16,327.2</u>	<u>2,257,446.3</u>	<u>100.00%</u>	<u>14,374.2</u>
<u>Equity Securities</u>						
A	66,351.1	99.2%	7,583.7	58,097.7	99.34%	7,022.4
AA	535.6	0.8%	1.1	379.7	0.65%	0.0
B	0.0	0.0%	0.0	5.1	0.01%	1.0
	<u>66,886.7</u>	<u>100.0%</u>	<u>7,584.7</u>	<u>58,482.5</u>	<u>100.0%</u>	<u>7,023.4</u>
USD	<u>2,355,940.0</u>		<u>23,911.9</u>	<u>2,315,928.8</u>		<u>21,397.6</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 loans securitization processes, the Bank purchased "C" Tips securities, which are rated as CCC and are recorded, in tradeable investments in debt securities for (\$15,167.84) fifteen thousand one hundred



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sixty seven pesos and eighty four cents, as of June 30, 2011 and December 31, 2010. Likewise, there are records in contingent accounts for USD 19,113.1 y USD 17,214.4, as of June 30, 2011 and December 31, 2010, respectively.

6.4 Investment Loans by issuing

		<u>June 30</u>	<u>Partic.</u>	<u>December 31</u>	<u>Partic.</u>
Government National	USD	843,788.7	35.8%	967,113.2	41.8%
Decentralized entities and governmental order		250.5	0.0%	2,004.7	0.1%
Finagro		115,668.3	4.9%	84,040.7	3.6%
Findeter		0.0	0.0%	10,754.0	0.5%
Entities supervised by the Superintendencia Financiera de Colombia		1,068,622.5	45.4%	930,905.2	40.2%
Foreign Entities		194,995.9	8.3%	199,876.7	8.6%
Securities issued by Foreign governments		13,794.6	0.6%	79.7	0.0%
Real Entities sector		67,359.8	2.9%	68,652.6	3.0%
Titularizadora Colombiana S.A.		39,792.5	1.7%	43,912.8	1.9%
Multilateral lending agencies		926.9	0.0%	7,908.4	0.3%
Others		10,740.2	0.5%	680.7	0.0%
	USD	<u>2,355,940.0</u>	<u>100.0%</u>	<u>2,315,928.8</u>	<u>100.0%</u>

6.5 Investment Loans per currency

	<u>USD</u>	<u>June 30</u>	<u>December 31</u>
Colombian Pesos		1,840,389.4	1,710,690.2
Dollars		170,958.4	258,926.4
Uvr		344,592.2	346,312.2
	USD	<u>2,355,940.0</u>	<u>2,315,928.8</u>

6.6. Detail of the maturity terms of the investments

<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	223,283.0	552,649.7	203,755.4	362,616.4	1,342,304.7
Investments debt securities						
Available for sale		21,347.4	313,244.8	307,961.1	103,595.1	746,148.4
Investments equity securities						
Available for sale		0.0	0.0	0.0	66,356.7	66,356.7
Investments debt securities						
Held to maturity		12,461.4	163,087.4	25,317.5	263.9	<u>201,130.3</u>
	USD	<u>257,091.9</u>	<u>1,028,982.0</u>	<u>537,034.0</u>	<u>532,832.2</u>	<u>2,355,940.0</u>



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<u>December 31</u>		<u>From 0 to 1</u> <u>year</u>	<u>From 1 to 5</u> <u>years</u>	<u>From 5 to</u> <u>10 years</u>	<u>More than</u> <u>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	201,311.2
	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>

6.7 Maximum, Minimum and Average values

The maximum, minimum and average values of the Fixed Income Investment Loans during the first half of 2011 were:

<u>Investments</u>		<u>June 30</u>		
Instruments per kind		<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Bonds	USD	94,468.8	124,341.9	107,728.6
Cdt's		2.3	146,559.2	104,508.6
Foreign Entities		18,660.5	19,009.7	19,703.9
Commercial papers		293.8	6,804.4	2,837.6
TA Finagro		69,812.7	115,592.0	98,867.2
Tes		8,699.4	849,877.2	514,964.6
Tips		358.4	437,578.7	393,999.1
Loans content titles		15,820.8	17,935.9	16,387.6
TRD		14.0	907.6	858.9
Securities issued by foreign entities		919.1	2,008.7	112.2
Other investments		4,811.3	7,238.8	551.3
BCIE Bonds		3,069.0	3,146.8	1,550.3
Collective Loans		64.2	304.7	25.2
Multilateral		2,265.2	2,471.4	2,349.0
Available for sale				
Tes		273,305.0	279,314.5	276,886.7
Tips	USD	411,458.0	492,379.8	437,371.6
Held to maturity				
Cdt's		1,699.5	1,709.2	1,705.2
Tips		1,004.9	1,248.6	1,153.8
TRD		<u>169,403.4</u>	<u>175,716.9</u>	<u>173,019.3</u>
		<u>1,781,768.7</u>	<u>2,687,556.9</u>	<u>2,154,580.9</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	11,848.9	154,599.8	75,795.2
Over Night Banks Abroad		0.0	0.0	0.0
Repos and inter-banks assets		7,322.2	533,818.8	162,421.2
	USD	<u>19,171.0</u>	<u>688,418.6</u>	<u>238,216.4</u>

Liabilities Positions in Monetary Market Operations and those Related

Inter-bank liabilities	USD	17,325.3	47,405.3	27,657.6
Repos and inter-banks Liabilities		0.0	183,630.2	51,403.9
Short Operations		0.0	24,367.4	4,061.2
	USD	<u>17,325.3</u>	<u>255,402.9</u>	<u>83,122.7</u>

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

Investments

December 31

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	9,481.7
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
Loans content securities		6,902.1	20,629.1	12,506.0
TRD		2,072.4	11,574.7	6,916.0
Collective Loans		58.6	215.6	126.5
Available for sale				
Tes		257,154.7	271,897.7	264,718.0
Tips		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		98,098.5	399,777.8	204,357.8
	USD	<u>99,015.9</u>	<u>450,914.7</u>	<u>219,309.4</u>

Liabilities Positions in Monetary Market Operations and those Related

Inter-bank liabilities	USD	8,468.8	32,537.3	24,624.8
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>

Homologation Effects

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

6.8 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 on 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.

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

Acquisition Date	Participation			% Participation	Historical Cost	Heritage Acquisition Date	V.P.P Capital
	Issued	Acquired	Accumulated				
04-Dec-06	1,189,113,348	1,128,468,567	1,128,468,567	94.9%	\$31,880	\$9,257.8	56,918.8



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6.9 Investments Allowance

The movement of the investment allowance is the following:

		<u>June 30</u>	<u>December 31</u>
Beginning Balance	USD	23,107.8	18,445.0
Plus:			
Allowance charged to operating expenses		1,164.2	5,052.4
Reclassifications		0.0	(196.8)
Less:			
Reimbursement of allowance		360.1	1,903.1
Ending Balance	USD	<u>23,911.9</u>	<u>21,397.6</u>

6.10 Investment available for the sale in equity securities

The following presents in detail the investments available for sale as participating bonds, as well as their risk rating, as of June 30, 2011 and 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	1,737.3	0.0%	<u>185.5</u>	<u>192.2</u>	<u>38.0</u>	<u>0.0</u>	A	<u>0.0</u>
			<u>185.5</u>	<u>192.2</u>	<u>38.0</u>	<u>0.0</u>		<u>0.0</u>
Finagro	88,362.1	12.7%	29,424.5	38,359.2	1,503.1	0.0	A	3,987.5
Compañía de Inv. del Café	4,526.8	29.5%	7,583.7	7,583.7	0.0	7,583.7	A	0.0
Cámara de Riesgo Central	0.0	0.0%	0.0	0.0	0.0	0.0		0.0
de Contraparte	22,569.3	4.7%	882.3	1,056.5	(260.1)	0.0	A	0.0
Almacafé	8,165.6	0.0%	5.5	5.5	0.0	1.1	B	0.0
Titularizadora Colombiana S.A.	33,772.1	21.1%	9,874.0	8,435.8	6,535.3	0.0	A	2,724.8
Redeban Multicolor S.A.	5,709.5	26.0%	4,643.5	4,643.6	4,520.9	0.0	A	587.6
A.C.H. Colombia S.A.	3,720.5	18.4%	1,043.0	1,043.0	872.0	0.0	A	540.4
Deceval S.A.	6,799.0	11.8%	2,538.0	2,867.1	781.1	0.0	A	1,517.1
Cámara de Compensación Divisas de Colombia S.A.	1,410.6	6.4%	89.9	89.9	3.9	0.0	A	0.0
Bolsa de Valores de Colombia (BVC)	0.0	1.4%	318.6	318.6	307.5	0.0		0.0
BBVA	0.0	0.0%	0.0	0.0	0.0	0.0		0.0
Fondo de reposición Fogacol	0.0	0.0%	168.5	168.5	162.4	0.0		0.0
Tecnibanca S.A.	9,258.5	0.9%	48.3	127.2	53.6	0.0	A	53.0
Multiactivos	6,809.7	21.1%	<u>1,438.2</u>	<u>1,438.1</u>	<u>944.9</u>	<u>0.0</u>	A	<u>0.0</u>
			<u>58,058.0</u>	<u>66,136.8</u>	<u>15,424.8</u>	<u>7,584.7</u>		<u>9,410.6</u>
			<u>58,243.6</u>	<u>66,328.9</u>	<u>15,462.7</u>	<u>7,584.7</u>		<u>9,410.6</u>



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In the first half of 2011, dividends were USD 3,633.2 in stock and USD 5,777.4 in cash.

- (1) March 9, 2011, Public Deed No. 222 of March 3, 2011 was registered in the Bogota Chamber of Commerce which formalized the split of the shares of the Titularizadora Colombiana.

As a result of the division, the paid up capital of Titularizadora Colombiana SA was reduced, and therefore the number of shares in circulation, the Bank holding 12,640,554 shares with a nominal value of \$ 1,000 (pesos) each.

- (2) Through the same process and by Public Deed No. 222 of March 3, 2011, the company Multiactivos S.A. STANH was created, with the Bank holding 2,548,940 shares with a nominal value of \$ 1,000 (pesos) each.

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	1,423.8	0.0%	171.8	192.2	30.3	0.0	A	4.8
			<u>171.8</u>	<u>192.2</u>	<u>30.3</u>	<u>0.0</u>		<u>4.8</u>
Finagro	74,874.3	12.7%	27,246.7	32,161.8	3,604.1	0.0	A	0.0
Compañía de Inv. del Café	4,192.3	29.5%	7,022.4	7,022.4	0.0	7,022.4	A	0.0
Cámara de Riesgo Central de Contraparte	17,764.0	5.5%	817.0	978.3	(248.7)	0.0	A	0.0
Almacafé	7,561.2	0.0%	5.1	5.1	0.0	1.0	B	0.0
Titularizadora Colombiana S.A.	37,578.8	21.1%	9,143.1	9,143.1	5,791.5	0.0	A	0.0
Redeban Multicolor S.A.	5,286.9	26.0%	4,299.8	4,299.9	4,733.5	0.0	A	0.0
A.C.H. Colombia S.A.	3,445.7	18.4%	965.8	965.8	1,162.5	0.0	A	0.0
Deceval S.A.	6,296.3	11.8%	2,345.3	2,654.8	1,592.6	0.0	A	659.6
Cámara de Compensación Divisas de Colombia S.A.	1,306.2	6.4%	83.3	83.3	2.7	0.0		0.0
Bolsa de Valores de Colombia (BVC)	0.0	1.4%	295.1	295.0	460.9	0.0		0.0
BBVA	0.0	0.0%	1.3	8.0	0.0	0.0		0.0
Fondo de reposicion Fogacol	0.0	0.0%	152.9	152.9	13.4	0.0		0.0
Tecnibanca S.A.	8,573.8	0.9%	44.7	117.8	69.9	0.0	A	0.0
			<u>52,422.5</u>	<u>57,888.2</u>	<u>17,182.5</u>	<u>7,023.4</u>		<u>659.6</u>
			<u>52,594.3</u>	<u>58,080.4</u>	<u>17,212.8</u>	<u>7,023.4</u>		<u>664.4</u>

In the second half of 2010, dividends were USD 4.8 in stock and USD 659.6 in cash.

Eliminations

Here in below we present a detail of the reciprocal operations eliminated during the first half-year period in the year 2011 and second half-year period in the year 2010:



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Notes to the Consolidated Financial Statements

		<u>June 30</u>	<u>December 31</u>
Investments available for sale equity securities	USD	<u>102,234.8</u>	<u>105,546.1</u>
		<u>102,234.8</u>	<u>105,546.1</u>
7. <u>Loans Loans and Financial Leases</u>			
7.1 <u>Loans and financial leases per modality</u>			
		<u>June 30</u>	<u>December 31</u>
<u>Commercial Portfolio:</u>			
Corporate and builders	USD	4,401,198.2	3,825,996.0
Others commercial lines		2,040,260.4	1,684,691.8
Credit cards		154,168.7	127,827.4
Vehicles		137,159.9	124,139.2
Overdrafts in current account		82,498.1	43,173.2
		<u>6,815,285.3</u>	<u>5,805,827.6</u>
Housing Leasing		855,956.7	719,214.9
		<u>7,671,242.0</u>	<u>6,525,042.6</u>
<u>Housing Portfolio</u>		1,272,884.3	925,987.6
<u>Consumption portfolio</u>			
Credit card		1,184,479.2	984,646.6
Other consumption lines		2,940,882.9	2,458,470.5
Vehicles		602,396.9	505,145.5
Overdrafts in current account		40,001.1	25,564.8
		<u>4,767,760.1</u>	<u>3,973,827.3</u>
<u>Micro – credit portfolio</u>		45,640.6	35,644.2
Portfolio total	USD	<u>13,757,527.0</u>	<u>11,460,501.7</u>
Less individual allowance		(706,064.4)	(600,117.2)
Net portfolio sub-total	USD	<u>13,051,462.4</u>	<u>10,860,384.5</u>
Less general allowance		(13,260.4)	(9,667.2)
Net portfolio total	USD	<u>13,038,202.2</u>	<u>10,850,717.4</u>



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At June 30, 2011 and December 31, 2010, the issue of mortgage and ancillary bonds with mortgage loans rated at A and a term of 7 years (prepaid for the issuer every three months), are guaranteed, thus:

		<u>June 30</u>	<u>December 31</u>
Issuance II*	USD	0.0	6,428.8
Issuance III		18,648.8	18,488.9
	USD	<u>18,648.8</u>	<u>24,917.6</u>

* Redeemed in February 2011.

7.2 Social Interest Housing

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

For the first half of 2011, the Bank placed resources of USD 208,545.5, USD 144,040.8 in individual loans and USD 64,510.3 construction loans, and in the second half of 2010 placed USD 196,734.2 in individual loans USD 147,862.5 and USD 48,871.7 in construction loans.

The value of social interest mortgage loans is as follows

		<u>June 30</u>	<u>December 31</u>
Individuals	USD	795,883.1	624,989.9
Constructors		<u>55,782.4</u>	<u>32,540.2</u>
	USD	<u>851,665.5</u>	<u>657,530.1</u>

Loans 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 mortgage loans and leases contracts for new mortgage 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:

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

*On May 12, 2011, the Banco de la República reported that the quotas for the 3% coverage rate benefit were filled.

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 loans or lease contract
- If the debtor is in arrears exceeding three consecutive months
- At the request of the loans debtors
- By loans 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 June 30, 2011 and December 31, 2010 for USD 5,162.7 and USD 2,009.9, based on a model that considers the actual conduct of the loans.

At June 30, 2011 and December 31, 2010 the Bank has disbursed USD 23,734.4 and USD 16,416.6 mortgage loans obligations under this benefit for USD 892,376.5 and USD 659,268.6 respectively.

7.3 Loans and financial leases per risk ratings and guarantee

At June 30, 2011 and December 31, 2011, the Bank and its subordinate rated one hundred percent (100%) of its loans and financial leases, interest and other concepts in accordance with the Basic Memorandum Letter 100, 1995 from the Finance Superintendency of Colombia. The result of said rating is the following:



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June 30

		<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>
COMMERCIAL SUITABLE GUARANTY									
A - Normal	USD	1,493,396.3	12,294.5	1,043.1	1,506,733.8	5,305,247.8	36,842.4	317.9	118.3
B - Acceptable		86,719.7	1,105.1	241.3	88,066.2	306,743.6	12,434.8	118.4	76.6
C - Deficient		20,369.7	335.8	125.4	20,830.9	68,572.9	4,408.8	230.4	103.4
D - Difficult collection		21,258.2	531.6	303.2	22,093.0	62,820.1	19,251.5	509.2	295.7
E - Irrecoverable		<u>13,047.6</u>	<u>153.4</u>	<u>29.8</u>	<u>13,230.8</u>	<u>35,081.2</u>	<u>13,047.6</u>	<u>150.4</u>	<u>29.7</u>
	USD	<u>1,634,791.5</u>	<u>14,420.3</u>	<u>1,742.7</u>	<u>1,650,954.6</u>	<u>5,778,465.7</u>	<u>85,985.1</u>	<u>1,326.2</u>	<u>623.7</u>
COMMERCIAL OTHERS GUARANTIES									
A - Normal		5,782,520.1	46,878.5	3,236.3	5,832,634.9	0.0	136,263.8	1,241.4	424.8
B - Acceptable		161,698.4	2,018.9	314.1	164,031.4	0.0	25,509.7	214.4	151.5
C - Deficient		23,334.8	377.8	140.0	23,852.7	0.0	5,197.4	276.3	118.8
D - Difficult collection		51,059.2	1,412.2	519.2	52,990.6	0.0	50,924.7	1,374.2	512.3
E - Irrecoverable		<u>17,837.7</u>	<u>196.4</u>	<u>31.8</u>	<u>18,065.9</u>	<u>0.0</u>	<u>17,837.8</u>	<u>192.1</u>	<u>31.7</u>
		<u>6,036,450.3</u>	<u>50,883.8</u>	<u>4,241.4</u>	<u>6,091,575.5</u>	<u>0.0</u>	<u>235,733.2</u>	<u>3,298.3</u>	<u>1,239.1</u>
General Allowance									
		<u>7,671,242.0</u>	<u>65,304.1</u>	<u>5,984.1</u>	<u>7,742,530.1</u>	<u>5,778,465.7</u>	<u>321,718.4</u>	<u>4,624.6</u>	<u>1,862.8</u>
CONSUMPTION SUITABLE GUARANTY									
A - Normal		491,810.2	4,657.4	1,174.1	497,641.7	1,263,224.5	13,599.6	154.5	54.7
B - Acceptable		23,494.6	461.8	89.1	24,045.5	58,424.4	2,369.3	113.4	24.3
C - Deficient		11,577.5	226.8	45.1	11,849.3	33,408.2	1,961.6	185.9	35.9
D - Difficult collection		12,090.3	293.1	92.6	12,476.0	28,131.0	11,730.6	280.5	80.3
E - Irrecoverable		<u>8,949.3</u>	<u>130.2</u>	<u>61.3</u>	<u>9,140.7</u>	<u>21,505.7</u>	<u>8,949.2</u>	<u>123.1</u>	<u>71.3</u>
		<u>547,921.8</u>	<u>5,769.3</u>	<u>1,462.2</u>	<u>555,153.3</u>	<u>1,404,693.8</u>	<u>38,610.2</u>	<u>857.4</u>	<u>266.4</u>
CONSUMPTION OTHERS GUARANTIES									
A - Normal		3,765,026.9	35,918.1	9,027.8	3,809,972.7	0.0	105,571.9	1,207.6	417.4
B - Acceptable		191,859.8	3,830.3	685.1	196,375.2	0.0	19,775.3	968.5	196.8
C - Deficient		90,129.9	1,834.5	296.4	92,260.9	0.0	14,600.2	1,518.1	248.2
D - Difficult collection		125,059.0	3,183.8	583.1	128,825.8	0.0	125,012.7	3,044.4	567.1
E - Irrecoverable		<u>47,762.8</u>	<u>689.6</u>	<u>285.3</u>	<u>48,737.8</u>	<u>0.0</u>	<u>47,762.8</u>	<u>650.2</u>	<u>280.0</u>
		<u>4,219,838.4</u>	<u>45,456.4</u>	<u>10,877.7</u>	<u>4,276,172.4</u>	<u>0.0</u>	<u>312,723.0</u>	<u>7,388.7</u>	<u>1,709.5</u>
Generic Allowance									
General Allowance									
		<u>4,767,760.1</u>	<u>51,225.6</u>	<u>12,339.9</u>	<u>4,831,325.7</u>	<u>1,404,693.8</u>	<u>351,333.3</u>	<u>8,246.1</u>	<u>1,975.9</u>



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		<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	41,636.7	429.0	205.5	42,271.2	66,283.5	1,722.0	23.1	18.9
B - Acceptable		1,619.1	17.3	14.0	1,650.4	2,925.5	139.2	6.3	7.8
C - Deficient		724.1	6.4	11.5	741.9	1,291.5	226.2	3.6	9.8
D – Difficult collection		234.6	2.7	5.0	242.2	388.8	234.6	2.7	5.0
E – Irrecoverable		<u>480.3</u>	<u>3.3</u>	<u>30.4</u>	<u>514.0</u>	<u>798.2</u>	<u>480.3</u>	<u>3.2</u>	<u>30.4</u>
	USD	<u>44,694.8</u>	<u>458.7</u>	<u>266.4</u>	<u>45,419.8</u>	<u>71,687.5</u>	<u>2,802.3</u>	<u>39.0</u>	<u>71.9</u>
MICRO- CREDIT OTHERS GUARANTIES									
A - Normal		903.5	8.0	2.4	913.9	0.0	41.1	0.6	0.3
B - Acceptable		18.0	0.2	0.2	18.5	0.0	1.4	0.2	0.2
C - Deficient		11.3	0.0	4.5	15.8	0.0	3.4	0.0	4.5
D – Difficult collection		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
E – Irrecoverable		<u>13.0</u>	<u>0.2</u>	<u>1.1</u>	<u>14.3</u>	<u>17.2</u>	<u>13.1</u>	<u>0.2</u>	<u>1.1</u>
		<u>945.8</u>	<u>8.5</u>	<u>8.2</u>	<u>962.5</u>	<u>17.2</u>	<u>59.0</u>	<u>1.1</u>	<u>6.2</u>
Generic Allowance									
General Allowance							456.5		
		<u>45,640.6</u>	<u>467.1</u>	<u>274.6</u>	<u>46,382.3</u>	<u>71,704.7</u>	<u>3,317.7</u>	<u>40.1</u>	<u>78.0</u>
HOUSING MORTGAGE									
A - Normal		1,187,783.0	5,477.4	5,437.3	1,198,697.7	2,883,783.1	17,901.5	331.0	1,421.3
B - Acceptable		57,088.7	141.7	846.6	58,076.9	169,744.1	2,969.4	135.9	844.1
C - Deficient		19,737.4	54.1	400.0	20,191.5	63,580.4	3,969.7	54.1	400.0
D – Difficult collection		7,423.6	32.0	234.2	7,689.8	23,244.6	4,459.4	32.0	234.2
E – Irrecoverable		<u>851.7</u>	<u>3.7</u>	<u>49.3</u>	<u>904.6</u>	<u>3,213.5</u>	<u>851.6</u>	<u>3.6</u>	<u>49.4</u>
		<u>1,272,884.3</u>	<u>5,708.8</u>	<u>6,967.4</u>	<u>1,285,560.5</u>	<u>3,143,565.7</u>	<u>30,151.5</u>	<u>556.4</u>	<u>2,949.1</u>
General Allowance							12,803.8		
		<u>1,272,884.3</u>	<u>5,708.8</u>	<u>6,967.4</u>	<u>1,285,560.5</u>	<u>3,143,565.7</u>	<u>42,955.3</u>	<u>556.4</u>	<u>2,949.1</u>
USD		<u>13,757,527.0</u>	<u>122,705.7</u>	<u>25,566.0</u>	<u>13,905,798.6</u>	<u>10,398,429.8</u>	<u>719,324.8</u>	<u>13,467.1</u>	<u>6,865.9</u>



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		<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>
COMMERCIAL SUITABLE GUARANTY									
A - Normal	USD	1,110,501.9	9,494.8	748.2	1,120,744.9	4,130,302.4	29,582.0	259.2	87.7
B - Acceptable		100,432.0	1,066.7	341.8	101,840.0	409,677.4	12,289.3	130.1	127.0
C - Deficient		20,264.0	318.3	128.0	20,710.2	65,177.7	5,308.3	242.7	116.6
D - Difficult collection		12,090.1	264.3	183.8	12,538.2	43,988.7	10,236.4	249.2	180.5
E - Irrecoverable		<u>13,831.2</u>	<u>184.7</u>	<u>46.5</u>	<u>14,062.4</u>	<u>40,671.0</u>	<u>13,831.2</u>	<u>175.3</u>	<u>46.2</u>
	USD	<u>1,257,119.1</u>	<u>11,328.3</u>	<u>1,448.2</u>	<u>1,269,895.7</u>	<u>4,689,817.2</u>	<u>71,247.1</u>	<u>1,056.5</u>	<u>558.0</u>
COMMERCIAL OTHERS GUARANTIES									
A - Normal	USD	5,054,643.8	42,478.9	2,672.3	5,099,795.0	1,102,086.8	127,183.1	1,138.5	365.6
B - Acceptable		129,065.4	1,153.7	252.1	130,471.2	124.7	15,234.1	123.6	150.5
C - Deficient		22,753.0	353.9	117.3	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	337.3
E - Irrecoverable		<u>12,178.9</u>	<u>160.4</u>	<u>35.9</u>	<u>12,375.3</u>	<u>0.0</u>	<u>12,178.9</u>	<u>152.0</u>	<u>35.6</u>
	USD	<u>5,267,923.4</u>	<u>45,329.7</u>	<u>3,421.2</u>	<u>5,316,674.4</u>	<u>1,102,211.5</u>	<u>209,658.5</u>	<u>2,800.4</u>	<u>999.7</u>
General Allowance									
		<u>6,525,042.6</u>	<u>56,658.0</u>	<u>4,869.5</u>	<u>6,586,570.0</u>	<u>5,792,028.6</u>	<u>280,905.7</u>	<u>3,856.9</u>	<u>1,557.7</u>
CONSUMPTION SUITABLE GUARANTY									
A - Normal	USD	443,485.3	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	261.9	60.0	16,525.4	47,093.8	1,607.6	65.2	18.1
C - Deficient		10,625.0	165.4	42.8	10,833.2	28,687.6	1,917.0	135.2	35.4
D - Difficult collection		9,682.3	190.7	90.1	9,963.1	23,262.9	9,188.8	181.2	87.9
E - Irrecoverable		<u>8,585.2</u>	<u>104.5</u>	<u>59.3</u>	<u>8,749.0</u>	<u>23,239.5</u>	<u>8,585.3</u>	<u>96.5</u>	<u>57.8</u>
	USD	<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	USD	3,133,166.6	26,707.5	7,976.2	3,167,850.4	140.4	86,902.4	903.8	373.8
B - Acceptable		135,938.8	2,311.7	513.5	138,763.9	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	981.4	212.6
D - Difficult collection		98,463.5	2,065.5	433.3	100,962.3	0.0	98,435.3	1,959.9	422.3
E - Irrecoverable		<u>45,042.4</u>	<u>546.6</u>	<u>282.0</u>	<u>45,871.1</u>	<u>0.0</u>	<u>45,042.4</u>	<u>506.2</u>	<u>274.9</u>
	USD	<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>1,441.6</u>
General Allowance									
		<u>3,973,827.3</u>	<u>37,193.9</u>	<u>10,783.3</u>	<u>4,021,804.5</u>	<u>1,287,157.2</u>	<u>289,726.4</u>	<u>5,536.2</u>	<u>1,690.2</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		<u>371.9</u>	<u>4.2</u>	<u>20.0</u>	<u>397.1</u>	<u>595.5</u>	<u>371.9</u>	<u>4.2</u>	<u>21.0</u>
	USD	<u>34,826.8</u>	<u>361.3</u>	<u>208.0</u>	<u>35,396.1</u>	<u>61,335.4</u>	<u>5,039.9</u>	<u>55.3</u>	<u>61.9</u>



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

		<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 OTHERS GUARANTIES									
A - Normal	USD	785.1	5.8	3.3	794.2	74.5	100.8	0.8	0.2
B - Acceptable		15.4	0.2	0.5	16.1	1.4	12.2	0.2	0.4
C - Deficient		13.5	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		<u>3.4</u>	<u>0.0</u>	<u>0.3</u>	<u>3.7</u>	<u>1.4</u>	<u>3.4</u>	<u>0.1</u>	<u>0.3</u>
	USD	<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>1.5</u>	<u>1.5</u>
Generic Allowance							356.4		
General Allowance									
		<u>35,644.2</u>	<u>367.8</u>	<u>212.7</u>	<u>36,224.7</u>	<u>61,414.3</u>	<u>5,523.5</u>	<u>56.7</u>	<u>63.4</u>

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>
HOUSING MORTGAGE									
A - Normal		843,456.9	3,704.5	5,082.4	852,243.8	2,214,212.5	12,699.8	259.0	1,401.9
B - Acceptable		55,898.7	157.7	928.3	56,984.7	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		5,719.6	20.7	202.6	5,942.7	18,870.8	3,433.9	20.6	202.6
E – Irrecoverable		<u>1,385.2</u>	<u>5.3</u>	<u>75.3</u>	<u>1,465.8</u>	<u>5,005.3</u>	<u>1,385.2</u>	<u>5.3</u>	<u>75.3</u>
		<u>925,987.6</u>	<u>3,951.7</u>	<u>6,703.1</u>	<u>936,642.4</u>	<u>2,454,530.2</u>	<u>24,368.9</u>	<u>501.6</u>	<u>3,021.2</u>
General Allowance							9,259.9		
		<u>925,987.6</u>	<u>3,951.7</u>	<u>6,703.1</u>	<u>936,642.4</u>	<u>2,454,530.2</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>



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

7.4 Loans and financial leases per economic sector:

<u>Sectors</u>		<u>June 30</u>		<u>December 31</u>	
		<u>Balance</u>	<u>% Particip.</u>	<u>Balance</u>	<u>% Particip.</u>
To the families for their acquisition of goods and services	USD	4,735,562.9	34.4%	3,931,061.8	34.3%
To the families for housing		2,129,830.2	15.5%	1,643,774.0	14.3%
Services rendered to companies		1,115,834.2	8.1%	1,285,098.6	11.2%
Construction		364,068.7	2.7%	322,758.3	2.8%
Wholesale and retail business		830,900.8	6.0%	562,084.1	4.9%
Transportation and communications		1,042,151.9	7.6%	387,863.8	3.4%
Agriculture, forestry, cattle breeding, fishing and hunting		368,943.6	2.7%	221,160.9	1.9%
Manufacturing of food products		232,270.6	1.7%	255,376.5	2.2%
Health, education, recreation and culture services		359,767.8	2.6%	684,486.2	6.0%
Vehicles		242,086.9	1.8%	202,142.7	1.8%
Public administration and defense		151,478.5	1.1%	219,083.4	1.9%
Manufacturing of textile products, garments, leathers and their products		150,556.7	1.1%	79,594.1	0.7%
Electricity, gas and water supply		194,805.7	1.4%	69,519.4	0.6%
Manufacturing of metallic products of bases and manufactured		118,460.7	0.9%	98,915.1	0.9%
Manufacturing of mineral products not metallic		201,226.6	1.5%	132,284.3	1.2%
Manufacturing of chemical substances, chemical products and rubber		104,836.8	0.8%	57,187.0	0.5%
Manufacturing of paper and its printing and publishing products		80,373.9	0.6%	43,162.2	0.4%
Manufacturing of other manufactured products, include wood		14,363.5	0.1%	13,341.7	0.1%
Explotation of coal mines, extraction of crude oil and natural gas		401,382.8	2.9%	452,302.5	4.0%
Manufacturing of transport material		20,694.7	0.2%	4,165.1	0.0%
Manufacturing of machinery and equipment		87,542.7	0.6%	24,905.6	0.2%
Hotels and restaurants		64,044.8	0.5%	30,997.2	0.3%
Extraction of metallic and not metallic minerals		35,546.0	0.3%	34,516.0	0.3%
Manufacturing of products derived from oil and coal		74,359.9	0.5%	64,189.8	0.6%
Manufacturing of drinks and tobacco		1,099.7	0.0%	462.0	0.0%
Others		<u>635,336.5</u>	<u>4.6%</u>	<u>640,069.4</u>	<u>5.6%</u>
	USD	<u>13,757,527.0</u>	<u>100.0%</u>	<u>11,460,501.7</u>	<u>100.0%</u>



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

7.5 Loans and Financial Leases per geographical area:

June 30

COMMERCIAL PORTFOLIO

							ALLOWANCE		
		CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	CAPITAL	INTERESTS	OTHERS
Bogotá	USD	3,726,275.2	32,802.5	2,593.7	3,761,671.2	3,066,117.9	154,999.6	1,899.8	1,010.5
Antioquia		1,546,452.1	12,907.2	1,461.7	1,560,821.0	1,256,535.8	71,428.2	1,147.9	223.1
Nororiental		1,243,958.6	11,595.5	1,270.0	1,256,824.0	931,212.5	58,552.6	1,029.5	434.2
Suroccidental		768,767.1	6,264.2	658.8	775,690.1	524,599.0	28,366.8	499.7	195.0
Panama		311,468.9	1,504.0	0.0	312,972.9	0.6	7,220.6	44.0	0.0
Miami		74,320.0	230.8	0.0	74,550.9	0.0	1,150.5	3.7	0.0
USD		<u>7,671,242.0</u>	<u>65,304.1</u>	<u>5,984.1</u>	<u>7,742,530.1</u>	<u>5,778,465.7</u>	<u>321,718.4</u>	<u>4,624.6</u>	<u>1,862.8</u>

CONSUMPTION PORTFOLIO

							ALLOWANCE		
		CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	CAPITAL	INTERESTS	OTHERS
Bogotá	USD	2,431,660.1	26,788.5	6,600.7	2,465,049.4	834,661.5	191,260.7	4,806.6	1,104.8
Antioquia		710,180.4	7,218.3	1,736.8	719,135.5	193,427.6	44,865.1	894.2	208.4
Nororiental		1,003,434.3	10,789.9	2,445.0	1,016,669.2	236,856.2	72,850.3	1,628.1	431.4
Suroccidental		614,975.6	6,361.9	1,557.4	622,894.8	139,748.6	42,266.0	915.4	231.4
Panama		7,509.7	67.1	0.0	7,576.8	0.0	91.1	1.7	0.0
General Allowance							0.0		
USD		<u>4,767,760.1</u>	<u>51,225.6</u>	<u>12,339.9</u>	<u>4,831,325.7</u>	<u>1,404,693.8</u>	<u>351,333.3</u>	<u>8,246.1</u>	<u>1,975.9</u>

MICRO-CREDIT

							ALLOWANCE		
		CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	CAPITAL	INTERESTS	OTHERS
Bogotá		45,469.7	464.9	273.7	46,208.3	71,487.0	2,850.0	39.5	77.9
Antioquia		9.1	0.1	0.1	9.3	0.0	1.1	0.0	0.1
Nororiental		161.0	2.1	0.9	164.1	217.7	9.9	0.6	0.1
Suroccidental		0.7	0.0	0.0	0.7	0.0	0.1	0.0	0.0
Provisión general							456.5		
		<u>45,640.6</u>	<u>467.1</u>	<u>274.6</u>	<u>46,382.3</u>	<u>71,704.7</u>	<u>3,317.7</u>	<u>40.1</u>	<u>78.0</u>



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

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	872,043.4	3,846.9	4,484.7	880,375.1	2,134,430.4	21,016.2	391.6	1,882.5
Antioquia	116,330.5	562.9	758.7	117,652.1	315,951.6	2,575.4	49.9	295.0
Nororiental	162,454.1	753.5	1,254.1	164,461.7	407,838.9	3,851.6	74.3	569.8
Suroccidental	121,625.2	544.2	469.8	122,639.3	285,344.8	2,701.8	40.7	201.8
Panama	431.0	1.3	0.0	432.3	0.0	6.5	0.0	0.0
Provision General						12,803.8		
	<u>1,272,884.3</u>	<u>5,708.8</u>	<u>6,967.4</u>	<u>1,285,560.5</u>	<u>3,143,565.7</u>	<u>42,955.3</u>	<u>556.4</u>	<u>2,949.1</u>
	<u>13,757,527.0</u>	<u>122,705.7</u>	<u>25,566.0</u>	<u>13,905,798.6</u>	<u>10,398,429.8</u>	<u>719,324.8</u>	<u>13,467.1</u>	<u>6,865.9</u>

December 31

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	3,422,108.2	28,394.2	2,238.5	3,452,740.9	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	8,855.3	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
		<u>6,525,042.6</u>	<u>56,658.0</u>	<u>4,869.5</u>	<u>6,586,570.0</u>	<u>5,792,028.7</u>	<u>280,905.6</u>	<u>3,856.9</u>	<u>1,557.7</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		2,000,006.4	19,042.0	5,733.4	2,024,781.9	767,371.6	151,515.8	3,041.4	917.4
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	2,142.9	845,482.5	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
							50.8		
		<u>3,973,827.3</u>	<u>37,193.9</u>	<u>10,783.3</u>	<u>4,021,804.5</u>	<u>1,287,157.2</u>	<u>289,726.4</u>	<u>5,536.2</u>	<u>1,690.2</u>

MICRO-CREDIT



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

	<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	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	145.0	1.3	1.6	148.0	219.8	13.1	0.2	0.5
Suroccidental	3.0	0.0	0.3	3.3	1.3	0.5	0.0	0.2
						356.4		
	<u>35,644.2</u>	<u>367.8</u>	<u>212.7</u>	<u>36,224.7</u>	<u>61,414.3</u>	<u>5,523.5</u>	<u>56.7</u>	<u>63.4</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	632,560.3	2,587.7	4,226.6	639,374.5	1,644,306.7	16,844.6	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
Prov. Gral.						9,259.9		
	<u>925,987.6</u>	<u>3,951.7</u>	<u>6,703.1</u>	<u>936,642.4</u>	<u>2,454,530.2</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>

7.6 Loans per monetary unit:

CONCEPT	<u>June 30</u>			
	<u>Legal</u> <u>Currency</u>	<u>Foreign</u> <u>Currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	6,498,835.0	1,172,407.0	0.0	7,671,242.0
Micro-credit	45,640.6	0.0	0.0	45,640.6
Consumption	4,755,330.5	12,429.6	0.0	4,767,760.1
Housing	897,869.5	431.0	374,583.8	1,272,884.3
	<u>12,197,675.6</u>	<u>1,185,267.6</u>	<u>374,583.8</u>	<u>13,757,527.0</u>



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

December 31

CONCEPT	Legal <u>Currency</u>	Foreign <u>Currency</u>	<u>UVR</u>	<u>Total</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>

7.7 Loans and Financial Leases per period of maturity

<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	2,264,239.1	2,483,112.7	2,079,070.9	844,819.2	7,671,242.0
Micro-credit		826,144.5	3,398,928.0	515,096.3	27,591.2	4,767,760.1
Consumption		2,273.7	43,366.9	0.0	0.0	45,640.6
Housing		26,851.1	64,360.3	265,447.8	916,225.1	1,272,884.3
	USD	<u>3,119,508.6</u>	<u>5,989,767.9</u>	<u>2,859,615.0</u>	<u>1,788,635.5</u>	<u>13,757,527.0</u>
<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	458,650.6	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>

7.8 Restructured Loans Detail

<u>June 30</u>		<u>Restructured common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	USD	95,777.9	36,581.6	133,329.6
Consumption		306,773.4	69,803.4	47,632.6
Micro-credit		718.8	247.8	1,340.4
Housing		<u>43,579.0</u>	<u>5,319.6</u>	<u>132,271.5</u>
	USD	<u>446,849.1</u>	<u>111,952.4</u>	<u>314,574.1</u>



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<u>December 31</u>		<u>Restructured 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		<u>37,238.3</u>	<u>4,977.7</u>	<u>119,672.3</u>
	USD	<u>368,447.4</u>	<u>90,610.2</u>	<u>258,051.5</u>

7.9 Restructured Loans per Rating

	Commercial		Consumption		Micro-credit		Housing	
<u>June 30</u>	Numbers	Restructured	Numbers	Restructured	Numbers	Restructured	Numbers	Restructured
	<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	1,099	27,792.8	21,808	176,852.0	22	193.4	2,002	19,009.4
B – Acceptable	605	17,040.9	3,278	26,927.8	18	169.9	992	10,946.2
C – Deficient	488	14,502.5	3,766	31,646.8	20	207.0	1,001	9,651.9
D – Difficult collection	826	31,274.1	6,039	49,658.0	7	81.5	367	3,654.0
E – Irrecoverable	<u>100</u>	<u>5,167.6</u>	<u>2,485</u>	<u>21,688.9</u>	<u>6</u>	<u>66.9</u>	<u>39</u>	<u>317.4</u>
	<u>3,118</u>	<u>95,777.9</u>	<u>37,376</u>	<u>306,773.4</u>	<u>73</u>	<u>718.8</u>	<u>4,401</u>	<u>43,579.0</u>

	Commercial		Consumption		Micro-credit		Housing	
<u>December 31</u>	Numbers	Restructured	Numbers	Restructured	Numbers	Restructured	Numbers	Restructured
	<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	19,396.5	21,282	150,261.4	34	301.6	1,858	15,500.9
B – Acceptable	750	16,890.7	2,712	17,894.0	14	144.8	1,007	9,348.9
C – Deficient	379	11,099.9	3,838	27,945.6	9	115.3	979	8,547.5
D – Difficult collection	600	18,072.3	6,339	43,549.8	4	39.1	359	3,272.3
E – Irrecoverable	<u>110</u>	<u>4,807.0</u>	<u>2,919</u>	<u>20,558.1</u>	<u>10</u>	<u>133.2</u>	<u>73</u>	<u>568.6</u>
	<u>2,874</u>	<u>70,266.3</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>

Restructured Loanss per Geographical Zone

June 30

	<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>
Bogotá	41,061.2	150,637.8	718.8	32,474.7
Antioquia	18,677.9	47,501.9	0.0	2,776.5
Nororiental	26,116.9	61,336.9	0.0	4,980.6
Suroccidental	<u>9,921.9</u>	<u>47,296.9</u>	<u>0.0</u>	<u>3,347.1</u>
	<u>95,777.9</u>	<u>306,773.4</u>	<u>718.8</u>	<u>43,579.0</u>



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December 31

	<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
Antioquia	12,786.6	42,607.2	0.0	2,115.2
Nororiental	8,856.1	51,001.6	0.0	5,068.0
Suroccidental	<u>8,745.4</u>	<u>41,784.5</u>	<u>0.0</u>	<u>3,113.9</u>
	<u>70,266.3</u>	<u>260,208.9</u>	<u>733.9</u>	<u>37,238.3</u>

7.10 Stockholders and employees loans

The loans includes loans as follows:

		<u>June 30</u>	<u>December 31</u>
Stockholders	USD	858,215.2	568.1
Commercial and consumption employees		<u>57,710.0</u>	<u>30,504.7</u>
	USD	<u>915,925.2</u>	<u>31,072.8</u>

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

<u>Modalidad</u>	<u>Ene-Jun.11</u>	<u>Jul-Dic.10</u>
Individual Loans	Between 3.5% and 26.38%	Between 3.5% and 21.27%

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

7.11 Loans-backed Securities

The Bank carried out a process of productive mortgage loans-backed securities (in UVR and at fixed rate)

The process of mortgage loans-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 Finance Superintendency of 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- Loans 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 loans securitization completed in the first half of 2011 and second half of 2010 with the Titularizadora Colombiana:



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TERMS OF SALE

The following is a breakdown of the securitization for the first half of 2011:

June 30

<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 N-1	Junio-18-2011	<u>972</u>	<u>13.10</u>	<u>USD56,751.9</u>	<u>326.2</u>	<u>(25.9)</u>	<u>57,052.2</u>	<u>1,418.8</u>

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

The following is a detail of the Loans securities during the second 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>
Pesos-E15	Jul-23-2010	3,843	12.1	USD 150,841.9	802.5	(59.7)	151,584.7	4,393.7
Tips-E12	Oct-08-2010	4,902	9.64	57,917.1	258.3	(134.1)	58,041.2	929.3
Pesos E16	Dic-02-2010	13,025	12.38	370,134.5	1,888.3	(114.6)	371,908.2	14,813.1
Tips E13	Dic-17-2010	<u>4,290</u>	8.95	<u>46,498.7</u>	<u>258.0</u>	<u>(13.0)</u>	<u>46,743.7</u>	<u>1,321.1</u>
		<u>26,060</u>		USD <u>625,392.2</u>	<u>3,207.1</u>	<u>(321.4)</u>	<u>628,277.8</u>	<u>21,457.2</u>

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

7.12 Sale Loans Write Downs

In the first half of 2011 the Bank did not carry out any sales operations

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

<u>Sales</u>		<u>Number of</u> <u>Loans</u>	<u>Capital</u>	<u>Interests</u>	<u>Others</u> <u>Concepts</u>	<u>Total</u>
Covinoc	\$	80,234	USD 120,617.9	17,810.2	4,073.7	142,501.8
Konfigura Capital S.A.		<u>682</u>	<u>5,774.9</u>	<u>1,135.9</u>	<u>106.2</u>	<u>7,017.1</u>
	\$	<u>80,916</u>	USD <u>126,392.8</u>	<u>18,946.1</u>	<u>4,179.9</u>	<u>149,518.8</u>

On October 1, 2010, the bad debt loans was sold off for USD 158,897.5, whose sale price rose USD 16,789.1 from which was received USD 4,207.4 on October 15, USD 5,783.2 on October 20 and USD 901 on October



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22, 2010, leaving a balance of USD 5,613.3 for January 17, 2011, plus interest liquidated 15 October 2010 and January 17, 2011 at a rate of 3% PA:

7.13 Loans Write Downs

The detail of the loans write downs is as follows:

		<u>June 30</u>			
		<u>Capital</u>	<u>Interests</u>	<u>Other Concepts</u>	<u>Total</u>
Commercial	USD	7,261.0	306.9	149.1	7,717.1
Consumption		117,276.6	3,839.5	1,125.2	122,241.4
Housing		3,271.6	15.1	140.8	3,427.5
Micro-credit		201.3	2.5	18.3	222.1
Others receivable accounts		0.0	0.0	52.5	52.5
	USD	<u>128,010.6</u>	<u>4,164.5</u>	<u>1,486.0</u>	<u>133,660.5</u>
		<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>

The Bank and its subsidiaries for the six months ended June 30, 2011 and December 31, 2010, did not carry out any collection operations.

Loans Purchase

Below is the detail of the loans purchase made by the Bank during the first half of 2011:

<u>Purchase</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Total</u>	<u>Prime</u>
Confinanciera	Mar-08-2011	464	18.6%	USD 5,223.8	44.2	5,267.9	5.36%
Confinanciera	Mar-30-2011	450	16.9%	5,312.5	48.6	5,361.1	3.29%
Confinanciera	Apr-12-2011	365	17.8%	5,008.7	43.4	5,052.1	5.10%
Confinanciera	Apr-27-2011	<u>974</u>	16.4%	<u>14,021.0</u>	<u>64.0</u>	<u>14,075.9</u>	3.22%
		<u>2,253</u>		USD <u>29,557.0</u>	<u>200.2</u>	<u>29,757.0</u>	

Below is the detail of the loans purchase made by the Bank during the second half of 2010:



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<u>Purchase</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others</u>	<u>Total</u>	<u>Prime</u>
Confinanciera	Oct-15-2010	868	17.3%	USD 6,951.6	64.1	1.4	7,017.0	4.61%
Confinanciera	Dic-16-2010	<u>727</u>	17.05%	<u>5,943.8</u>	<u>52.1</u>	<u>0.0</u>	<u>5,995.8</u>	5.00%
		<u>1,595</u>		USD <u>12,895.4</u>	<u>116.2</u>	<u>1.4</u>	<u>13,012.8</u>	

These operations were carried out at market rate

7.14 Allowance for Loans and Financial Leases

The movement of the loans allowance is following:

		<u>June 30</u>				
		<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Mortgage</u>	<u>Total</u>
Initial Balance	USD	303,099.6	312,884.0	5,965.0	36,316.7	658,265.4
Initial Balance Branch foreign - Miami		258.5	0.0	0.0	0.0	258.5
Plus:						
Allowance charged to expenses operating		140,167.0	254,257.9	1,212.1	15,785.6	411,422.7
Reclassifications		(317.4)	(528.2)	30.0	72.9	(742.6)
Less:						
Punished Loans		7,261.0	117,276.6	201.3	3,271.7	128,010.6
Amount not recovered from goods		0.0	0.0	0.0	122.3	122.3
Reexpresion Allowance Miami		13.3	0.0	0.0	0.0	13.3
Reimbursement Revenue		<u>114,215.0</u>	<u>98,003.9</u>	<u>3,688.2</u>	<u>5,825.9</u>	<u>221,732.9</u>
End Balance	USD	<u>321,718.4</u>	<u>351,333.3</u>	<u>3,317.7</u>	<u>42,955.5</u>	<u>719,324.8</u>

		<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	(282.8)
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		<u>112,627.5</u>	<u>107,608.8</u>	<u>534.0</u>	<u>16,620.7</u>	<u>237,390.9</u>
End Balance	USD	<u>280,905.6</u>	<u>289,726.4</u>	<u>5,523.5</u>	<u>33,628.8</u>	<u>609,784.4</u>



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At June 30, 2011 and December 31, 2010, the unrecovered value in lieu of payment for USD 122.3 and USD 288.5 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 loans loans allowances account.

The Bank's policy has incorporated allowances at June 30, 2011 and December 31, 2010 USD 695,553.1 and for USD 584,258.1 respectively; in accordance with established by Finance Superintendency of Colombia; these allowances amount to USD 564,650.3 and USD 463,092.4, respectively.

During the first half of 2011 and second half of 2010 was countercyclical allowance, thus:

<u>Loans</u>	<u>June 30</u>	<u>December 31</u>
Consumer	USD86,385.8	68,150.0
Commercial	63,210.5	50,323.3
Total	USD149,596.2	118,473.3

7.15 Ratification Effect

The loans of Subsidiaries abroad, Bancafé Panamá 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 loans provision of USD 1,354.7.

8. Banker's acceptances, spot transactions and derivatives

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

<u>Product</u>		<u>June 30</u>	<u>December 31</u>		
Banking Acceptances	USD	174.3	1,157.4		
Cash Operations		4.2	25.4		
Forward Contracts and Swaps Speculation		63,127.9	37,014.9		
Options Speculation		<u>42.5</u>	<u>715.4</u>		
	USD	<u>63,348.9</u>	<u>38,913.1</u>		
<u>Spot Transactions</u>					
		<u>June 30</u>	<u>December 31</u>		
		<u>Right</u>	<u>Obligation</u>	<u>Right</u>	<u>Obligation</u>
Purchase on foreign currency		24,596.6	(24,585.7)	45,826.3	(45,816.2)
Sale on foreign currency		23,588.7	(23,595.4)	36,481.7	(36,466.3)
		<u>48,185.3</u>	<u>(48,181.1)</u>	<u>82,308.0</u>	<u>(82,282.5)</u>
Total Net		4.2		25.4	



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At June 30, 2011 and December 31, 2010, the performance of half of the cash transactions was USD 640.4 and USD 1.530.8, respectively.

The accounting records of the right and obligation of derivatives is made taking into account the outcome of the valuation at fair value of exchange as well:

		<u>Speculation Derivatives</u>			<u>Hedging 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	557,296.3	109,680.1	0.0	666,976.3	0.0
	Obligation	(555,298.7)	(109,680.1)	0.0	(664,978.8)	0.0
<u>Sale on foreign currency</u>	Right	3,176,447.9	110,935.6	0.0	3,287,383.5	0.0
	Obligation	(3,115,360.3)	(110,935.6)	0.0	(3,226,295.9)	0.0
<u>Purchase on securities</u>	Right	0.0	22,878.2	0.0	22,878.2	0.0
	Obligation	0.0	(22,878.2)	0.0	(22,878.2)	0.0
<u>Sale on securities</u>	Right	0.0	1,186.7	0.0	1,186.7	0.0
	Obligation	0.0	(1,186.7)	0.0	(1,186.7)	0.0
<u>On interest rate</u>	Right	0.0	0.0	1,253.6	1,253.6	0.0
	Obligation	0.0	0.0	(1,210.8)	(1,210.8)	0.0
<u>Call options</u>	Purchase	0.0	0.0	0.0	0.0	0.5
Put options	Purchase	0.0	0.0	0.0	0.0	42.0
Total Rights		3,733,744.2	244,680.6	1,253.6	3,979,678.4	42.5
Total obligations		<u>(3,670,659.1)</u>	<u>(244,680.6)</u>	<u>(1,210.8)</u>	<u>(3,916,550.5)</u>	<u>0.0</u>
Total Net		<u>63,085.1</u>	<u>0.0</u>	<u>42.8</u>	<u>63,127.9</u>	<u>42.5</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)	(649,777.5)	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>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		<u>(1,614,174.9)</u>	<u>(64,733.3)</u>	<u>1,678,908.2</u>	<u>(194.2)</u>
Total Net		<u>37,014.9</u>	<u>0.0</u>	<u>37,014.9</u>	<u>715.4</u>

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

		<u>June 30</u>		
		<u>From 0 to 1</u>	<u>From 1 to 5</u>	<u>Total</u>
		<u>year</u>	<u>years</u>	
Cash operations	USD	4.2	0.0	4.2
Forward Agreements		63,085.2	0.0	63,085.2
Swaps * Banking Book		18.2	24.5	42.8
Options		42.5	0.0	42.5
	USD	<u>63,150.1</u>	<u>24.5</u>	<u>63,174.6</u>
<u>December 31</u>				
Cash operations	USD	25.4	0.0	25.4
Forward Agreements		34,639.2	2,375.7	37,014.9
Options		715.4	0.0	715.5
	USD	<u>35,380.2</u>	<u>2,375.7</u>	<u>37,755.8</u>



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9. Accounts Receivable

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

	<u>June 30</u>	<u>December 31</u>
Interests loans (note 7.3)	117,756.3	94,032.2
Financial Component Leasing Operations (nota 7.3)	4,949.4	4,139.1
Interbank funds interest and other interests	49.3	0.4
	<u>122,755.0</u>	<u>98,171.7</u>
Fees and Commissions	1,465.3	1,192.5
Canons of goods given on leases	165.9	131.0
Payments of costumers:		
Housing	6,967.4	6,703.1
Consumption	12,340.0	10,783.3
Micro-loans	USD 274.6	212.7
Commercial	5,984.1	4,869.5
	<u>25,566.0</u>	<u>22,568.6</u>
Others:		
Dividends and participations	726.2	0.0
Payments of costumers	2,471.6	2,530.0
Advance local purchase	5,089.1	7,686.2
Advance of contracts and suppliers	8,067.6	20,623.0
Various others:		
Sale of goods and service	204.5	3,629.6
Missing box and Exchange	641.7	697.1
Claims Insurers Companies	3,662.7	3,009.6
National Treasury	11,059.6	9,843.3
Forward Operations	2,555.3	1,399.7
Affiliated Companies	1,061.0	970.3
Government relieves (Law 546, 1999, Loans Reliquidation)	9,292.2	8,213.1
Accounts Receivable–sale punished Consumer Loans (Note 6)	0.0	5,533.1
Banco de la Republica – Coverage rate	2,744.9	4,152.1
Managed loans	2,602.4	3,552.4
Debtor – commercial establishments	2,340.5	2,872.1
Outstanding loans processes to implement	4,770.6	5,600.7
Miscellaneous (Less than 5%)	<u>11,895.4</u>	<u>10,973.0</u>
	<u>69,185.4</u>	<u>91,285.3</u>
Total Receivables Accounts	USD <u>219,137.7</u>	<u>213,349.1</u>
Allowance	USD <u>(40,705.0)</u>	<u>(37,248.3)</u>
Net Total Receivables Accounts	USD <u>178,432.7</u>	<u>176,100.8</u>



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** Mortgage Relief

Mortgage relief came from a bulk process of reassessment of mortgage loans following the change in the mortgage 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 loans 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 loanors:

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

9.1 Allowance for Accounts Receivable

The detail of allowance for accounts receivable is as follows:

		<u>June 30</u>	<u>December 31</u>
Loans interests (note 7)	USD	13,420.9	9,901.4
Payment of clients (note 9)		6,865.9	6,332.5
Government relieves		7,659.7	7,092.8
Daviplan		3,872.0	3,617.0
Payment providers		274.0	3,463.9
Uptake and networks		2,496.7	2,279.5
Various		<u>6,115.8</u>	<u>4,561.2</u>
	USD	<u>40,705.0</u>	<u>37,248.3</u>



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

<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	5,496.3	7,226.4	120.1	3,522.7	20,882.6	37,248.3
Plus:							
Allowance charged to							
Operating		3,599.8	10,724.1	73.1	1,870.0	3,008.2	19,275.2
Reclassification		29.7	0.0	(0.3)	(0.1)	14.0	43.2
Less:							
Punished loans		456.1	4,964.7	20.8	155.9	52.5	5,650.0
Refunds		2,553.1	3,341.4	63.6	2,013.0	5,217.9	13,189.0
Ending Balance	USD	<u>6,556.0</u>	<u>10,222.0</u>	<u>118.1</u>	<u>3,505.5</u>	<u>20,303.7</u>	<u>40,705.0</u>

<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	6,824.1	8,224.5	109.6	4,029.2	22,742.9	41,930.4
Plus:							
Allowance charged to							
Operating		3,401.9	8,070.4	0.9	1,655.4	7,371.7	20,500.2
Reclassification		136.1	(58.3)	21.5	(19.1)	(604.1)	(524.0)
Less:							
Punished Portfolio		1,086.5	4,357.8	11.4	225.5	876.5	6,557.6
Refunds		3,779.1	4,652.5	0.5	1,917.2	7,751.3	18,100.6
Ending Balance	USD	<u>5,496.3</u>	<u>7,226.4</u>	<u>120.1</u>	<u>3,522.7</u>	<u>20,882.6</u>	<u>37,248.3</u>

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

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



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		<u>June 30</u>	<u>December 31</u>
<u>Assets received in payment:</u>			
Destined to housing:			
Real States	USD	4,627.8	4,315.9
Assets received in auction		682.8	848.9
Inflation adjustments		0.1	0.1
Total destined to housing		<u>5,310.7</u>	<u>5,164.9</u>
<u>Different from housing</u>			
Real States		8,207.3	7,257.1
Assets received in auction		874.7	789.3
Inflation adjustments		12.9	12.0
Adjustment cost		<u>9,094.9</u>	<u>8,058.4</u>
Real States (1)			
Rights and Securities		621.5	575.6
Real States		1,223.5	1,496.8
		<u>1,845.0</u>	<u>2,072.4</u>
Total different from housing		<u>10,940.0</u>	<u>10,130.8</u>
<u>Assets restored from housing leasing contracts</u>			
Housing		477.2	564.8
		<u>477.2</u>	<u>564.8</u>
<u>Assets not used in the Company's purpose</u>			
Lands		4,056.1	10,107.1
Buildings		16,136.0	15,272.3
Depreciation		(3,886.4)	(3,379.9)
		<u>16,305.7</u>	<u>21,999.4</u>
<u>Less:</u>			
Allowance assets destined to housing		2,899.4	2,554.2
Allowance assets different from housing		6,024.0	5,220.3
Allowance Real States		1,182.6	984.9
Allowance assets restored from leasing contracts		173.2	164.2
Allowance assets not used in the Company's		1,837.1	1,520.2
		<u>12,116.3</u>	<u>10,443.7</u>
	USD	<u>20,917.3</u>	<u>27,416.3</u>



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Notes to the Consolidated Financial Statements

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

		<u>June 30</u>		<u>December 31</u>	
		<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Rights and Securities					
Shares	USD	15.4	15.4	14.3	14.3
Zuana Rights-timeshare		606.1	596.8	561.3	549.0
		<u>621.5</u>	<u>612.2</u>	<u>575.6</u>	<u>563.2</u>
Personal property					
Vehicles		1,019.5	366.5	1,308.0	354.6
Machinery		5.3	5.3	4.9	4.9
Real States		193.6	193.6	179.3	57.5
Art goods		5.0	5.0	4.6	4.6
		<u>1,223.5</u>	<u>570.4</u>	<u>1,496.8</u>	<u>421.6</u>
	USD	<u>1,845.0</u>	<u>1,182.6</u>	<u>2,072.4</u>	<u>984.9</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>June 30</u>	<u>Less than 1 year</u>	<u>Between 1 to 5 years</u>	<u>Between 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
Housing	1,138.3	3,815.3	282.8	74.2	5,310.7	2,899.3
Different from housing	959.4	6,073.9	1,667.7	393.9	9,094.9	6,024.0
Real States	567.2	692.5	580.4	4.9	1,845.0	1,182.6
Returned Goods	230.2	214.1	33.0	0.0	477.2	173.2
Assets not used	0.0	15,932.3	374.0	(0.7)	<u>16,305.7</u>	1,837.1
USD	<u>2,895.0</u>	<u>26,728.2</u>	<u>2,938.0</u>	<u>472.4</u>	<u>33,033.6</u>	<u>12,116.3</u>

<u>December 31</u>	<u>Less than 1 year</u>	<u>Between 1 to 5 years</u>	<u>Between 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
Housing	2,191.2	2,577.1	328.0	68.6	5,164.9	2,554.2
Different from housing	2,830.8	3,292.5	1,570.2	364.8	8,058.3	5,220.3
Real States	1,208.5	321.9	537.5	4.6	2,072.5	984.8
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>21,999.4</u>	1,520.2
USD	<u>6,607.9</u>	<u>21,732.9</u>	<u>9,081.2</u>	<u>438.0</u>	<u>37,860.0</u>	<u>10,443.7</u>

For the first half of 2011 and second half of 2010, valuations were made of property received in lieu of payment for mortgage, generating a profit in recovery of USD 3.334.7 and USD 3.099.1, respectively. These valuations are recorded in the accounts. (Note 25)

During the first half of 2011 and second half of 2010, the Bank has undertaken various strategies in the sale of the goods received in payment, with the following results:



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		<u>June 30</u>		<u>December 31</u>	
		<u>Amount</u>	<u>Value</u>	<u>Amount</u>	<u>Value</u>
Goods Received as Payment	USD	141	8,565.7	179	5,876.5
Non using goods		7	459.2	4	439.1
Total Sales		<u>148</u>	<u>9,024.9</u>	<u>183</u>	<u>6,315.6</u>
Sales Profit			440.4		302.4
Amortization of the deferred profit			294.5		461.1
Profit from sale of unused assets			621.3		244.7
Results effect (note 31)	USD		<u>1,356.2</u>		<u>1,008.2</u>

During the first half of 2011 and second half of 2010, losses were recorded for the sale of assets received in lieu for property of USD 252.4 and USD 643.4 respectively; sales losses for property totaled USD 260.6 and USD 184.1 respectively; the loss on sale of property not used during the first half of 2011 amounted to USD 203.6.

10.1 Allowance for Foreclosed Assets and Returned Goods

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

		<u>June 30</u>	<u>December 31</u>
Beginning balance	USD	11,278.5	10,553.9
Plus:			
Allowance charged to operating expenses		2,407.6	1,669.5
Reclassifications		0.3	0.0
Less:			
Sales		103.0	221.0
Refund revenue – recoveries		1,467.1	1,558.6
Ending balance	USD	<u>12,116.3</u>	<u>10,443.7</u>

As of June 30, 2011 and December 31, 2010, the Bank has Goods Received as Payment provisioned at 100% is as follows:

<u>June 30</u>		<u>December 31</u>	
<u>Amount</u>	<u>Allowance</u>	<u>Amount</u>	<u>Allowance</u>
182.0	USD 5,599.4	176	4,554.3

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 leases loans.



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The Bank acquired real estate properties from the securitizations of loans written off CCVI, II, III for USD 13.6 of December 31, 2010 and granted mortgage leases loans.

As of June 30, 2011 and December 31, 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.

11 Property, Equipment

Details of property and equipment are as follows:

	<u>June 30</u>			<u>December 31</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 221,617.6	20,775.4	242,393.0	186,660.2	19,416.7	206,076.9
Equipment, vehicles, office						
Furniture and supplies	50,047.9	5,325.1	55,373.0	49,074.3	4,975.5	54,049.8
Computer equipment	109,012.5	10,461.5	<u>119,474.0</u>	96,804.2	9,826.7	106,631.9
	<u>380,678.0</u>	<u>36,562.0</u>	<u>417,240.2</u>	<u>332,538.7</u>	<u>34,218.9</u>	<u>366,757.6</u>
Less: accumulated depreciation	(178,205.0)	(11,576.1)	(189,781.1)	(158,160.7)	(10,821.2)	(168,981.9)
Less: allowance	(7,664.9)	0.0	<u>(7,664.9)</u>	(4,208.6)	0.0	(4,208.6)
	USD <u>194,808.0</u>	<u>24,986.0</u>	<u>219,794.1</u>	<u>170,169.4</u>	<u>23,397.7</u>	<u>193,567.2</u>
Goods given on lease	6,735.7	0.0	<u>6,735.7</u>	5,950.0	0.0	<u>5,950.0</u>
Less: accumulated depreciation	(2,586.4)	0.0	(2,586.4)	(1,958.6)	0.0	(1,958.5)
Less: allowance	(43.2)	0.0	<u>(43.2)</u>	(41.2)	0.0	(41.2)
	USD <u>4,106.1</u>	<u>0.0</u>	<u>4,106.1</u>	<u>3,950.2</u>	<u>0.0</u>	<u>3,950.3</u>

Below you will find the details of the valuations of properties and equipment as at June 30, 2011 and December 31, 2010:

		<u>June 30</u>	<u>December 31</u>
Surplus buildings revaluations	USD	255,013.8	190,883.6
Surplus buildings not used revaluations		<u>9,162.1</u>	<u>18,333.3</u>
	USD	<u>264,175.9</u>	<u>209,216.8</u>



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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 on June 30, 2011 and December 31, 2010 was of USD 13.689.8 and USD 11.411.8 respectively.

An option to buy floors 1, 2, 5, 6 and 7 of the Torre Bolivar building was exercised for USD 2.428.9 and valuations for USD 17.524.4 were registered.

11.1 Allowance of Properties and Equipment

The movement of the allowance of properties and equipment during the semester periods ended on June 30, 2011 and December 31, 2010, is as follows:

		<u>June 30</u>	<u>December 31</u>
Beginning balance	USD	4,249.8	3,632.6
Plus:			
Allowance charged to operating expenses		5,424.9	1,028.2
Reclassifications		284.3	2.1
Less:			
Refund to revenue – recoveries		2,590.7	413.1
Ending balance	USD	<u>7,708.1</u>	<u>4,249.8</u>

12 Other assets

12.1 Permanent contributions

At June 30, 2011 and December 31, 2010, permanent contributions (memberships) were held in social clubs for a value of USD 142.0.

12.2 Expenses paid, Intangible assets in Advance and Deferred Charges

The detail of expenses paid in advance and deferred charges with closing as of June 30, 2011 and December 31, 2010 is as follows:



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		<u>June 30</u>	<u>December 31</u>
Expenses paid in advance:			
Interests	USD	0.8	0.9
Leases		1.1	2.1
Equipment maintenance		92.7	29.7
Insurance		6,821.2	3,579.9
Others		3,656.7	579.8
	USD	<u>10,572.5</u>	<u>4,192.4</u>
Intangible Assets			
Mercantil Credit	USD	681,785.6	657,012.0
Deferred Charges:			
Remodeling		19,859.8	17,621.5
Deferred Income Tax "debit" for temporary differences		11,864.1	10,882.7
Computer Software		383.7	1,478.8
Leasehold improvements		5,482.2	8,469.7
Contributions and affiliations		56.0	10.1
Tax on democratic security		91,986.4	25.1
Prior to the purchase of tickets business strategy		692.9	0.0
Commissions and advisories		2,382.5	1,560.7
Endowments		48.0	0.0
Others (less to 5%)		1,794.9	817.6
		<u>134,550.5</u>	<u>40,866.3</u>
Expenses in advance, Intangible Assets			
Deferred Charges	USD	<u>826,908.6</u>	<u>702,070.7</u>
Book value investments excess	USD	<u>2,676.3</u>	<u>5,452.0</u>

The movement of the expenses paid in advance, intangible assets and deferred charges as of June 30, 2011 and December 31, 2010 is as follows.

		<u>Balance</u> <u>December 31</u>	<u>Charges</u>	<u>Amortizations</u>	<u>Balance</u> <u>June 30</u>
Advance expenses	USD	4,192.4	810,338.7	804,293.7	10,572.5
Intangible Assets		657,012.0	(11,087.4)	16,653.4	681,785.6
Deferred charges		40,866.3	258,044.4	167,626.6	134,550.5
	USD	<u>702,070.7</u>	<u>1,057,295.6</u>	<u>988,573.6</u>	<u>826,908.6</u>



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The movement of the advance expenses, intangible assets and deferred charges to be amortized as of June 30, 2011 and December 31, 2010:

<u>June 30</u>		<u>Less than 1 year</u>	<u>Between 1 & 5 years</u>	<u>Between 5 & 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Advance expenses						
Interests	USD	0.8	0.0	0.0	0.0	0.8
Leases		1.1	0.0	0.0	0.0	1.1
Equipment maintenance		92.7	0.0	0.0	0.0	92.7
Insurance		6,470.3	350.8	0.0	0.0	6,821.1
Others		692.2	2,964.5	0.0	0.0	3,656.7
	USD	<u>7,257.1</u>	<u>3,315.4</u>	<u>0.0</u>	<u>0.0</u>	<u>10,572.5</u>
Intangible Assets						
Mercantile Credit	USD	0.0	13,647.5	(11,087.4)	679,225.5	681,785.6
Deferred charges						
Remodeling	USD	11,235.0	14,107.0	0.0	0.0	25,342.0
Computer Software		54.8	328.9	0.0	0.0	383.7
Deferred income tax "debit" for temporary differences		11,265.1	599.0	0.0	0.0	11,864.1
Taxes		3,403.0	88,583.4	0.0	0.0	91,986.4
Contributions and affiliations		43.3	12.7	0.0	0.0	56.0
Commissions and advisories		2,382.5	0.0	0.0	0.0	2,382.5
Business strategy pre purchase tickets		692.9	0.0	0.0	0.0	692.9
Others		481.7	1,361.2	0.0	0.0	1,842.0
	USD	<u>29,558.4</u>	<u>104,992.2</u>	<u>0.0</u>	<u>0.0</u>	<u>134,550.5</u>
	USD	<u>36,815.5</u>	<u>121,955.1</u>	<u>(11,087.4)</u>	<u>679,225.5</u>	<u>826,908.6</u>
<u>December 31</u>		<u>Less than 1 year</u>	<u>Between 1 & 5 years</u>	<u>Between 5 & 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Advance expenses						
Interests	USD	0.9	0.0	0.0	0.0	0.9
Leases		2.1	0.0	0.0	0.0	2.1
Equipment maintenance		29.7	0.0	0.0	0.0	29.7
Insurance		3,579.9	0.0	0.0	0.0	3,579.9
Others		398.1	181.7	0.0	0.0	579.8
	USD	<u>4,010.7</u>	<u>181.7</u>	<u>0.0</u>	<u>0.0</u>	<u>4,192.4</u>
Intangible Assets						
Mercantile Credit	USD	16.6	28,970.0	0.0	628,025.4	657,012.0
Deferred charges						
Remodeling	USD	13,779.1	12,312.1	0.0	0.0	26,091.3
Deferred income tax "debit" for temporary differences		10,862.5	20.1	0.0	0.0	10,882.6
Computer Software		1,165.5	313.3	0.0	0.0	1,478.8
Commissions and advisories		1,571.0	0.0	0.0	0.0	1,571.0
Business strategy pre purchase tickets		805.0	0.0	0.0	0.0	805.0
Others		37.6	0.0	0.0	0.0	37.6
	USD	<u>28,220.7</u>	<u>12,645.6</u>	<u>0.0</u>	<u>0.0</u>	<u>40,866.3</u>
	USD	<u>32,248.0</u>	<u>41,797.3</u>	<u>0.0</u>	<u>628,025.4</u>	<u>702,070.7</u>



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Intangible Assets

This is the commercial loans generated by the purchase of loans facilities. At June 30, 2011 and December 31, 2010 this amounted to USD 681,785.5 and USD 657,011.9 respectively.

Following, a breakdown of mercantile loan:

Bansuperior S.A. Commercial Loans:

For the purchase of Bansuperior S.A. completed in September 2005. The mercantile loans was recorded for USD 162,683.2, which redeemed in seventy-two (72) monthly rates.

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		3,252.7
Amortization at June, 2011		<u>(111,144.3)</u>
Amount to be amortized at June 30, 2011	USD	<u>2,560.3</u>

Granbanco S.A. – Bancafe Commercial Loans:

The commercial loans was generated by the purchase of Granbanco of February 16, 2007 for the amount of USD 717,381.2.

According to the provisions of External Memorandum Letter 034 of 2006 by the Finance Superintendency of Colombia, the commercial loans must be valued by an expert, who must be an independent professional without any conflict of interest with the Bank and with acloansed 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 loans will be made at twenty (20) years, the way exponentially according to the next table:



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Lines of Business

Year	% amortiz.	Consumer	Commercial	Pyme	Loans Card	Mortgage	Affiliates	Value to amortized per year
1	2.47	\$ 7,214.9	14,841.5	2,351.3	5,493.1	3,782.8	216.0	33,899.6
2	5.10	7,686.9	15,812.4	2,505.1	5,852.5	4,030.3	230.1	36,117.3
3	7.92	8,226.4	16,922.1	2,680.9	6,263.2	4,313.1	246.2	38,651.9
4	10.94	8,833.2	18,170.4	2,878.7	6,725.2	4,631.3	264.4	41,503.2
5	14.17	9,440.1	19,418.8	3,076.5	7,187.3	4,949.4	282.6	44,354.7
6	17.61	10,046.9	20,667.1	3,274.2	7,649.3	5,267.6	300.7	47,205.8
7	21.28	10,721.2	22,054.2	3,494.0	8,162.7	5,621.2	320.9	50,374.2
8	25.21	11,462.9	23,579.9	3,735.7	8,727.4	6,010.0	343.1	53,859.0
9	29.41	12,272.1	25,244.4	3,999.4	9,343.5	6,434.3	367.3	57,661.0
10	33.91	13,148.7	27,047.6	4,285.1	10,010.9	6,893.9	393.6	61,779.8
11	38.71	14,025.3	28,850.7	4,570.8	10,678.2	7,353.5	419.8	65,898.3
12	43.86	15,036.7	30,931.3	4,900.4	11,448.3	7,883.8	450.1	70,650.6
13	49.35	16,048.1	33,011.9	5,230.0	12,218.4	8,414.1	480.3	75,402.8
14	55.22	17,127.0	35,231.2	5,581.6	13,039.8	8,979.7	512.6	80,471.9
15	61.50	18,340.7	37,727.9	5,977.2	13,963.9	9,616.1	549.0	86,174.8
16	68.21	19,621.9	40,363.3	6,394.7	14,939.3	10,287.8	587.3	92,194.3
17	75.39	20,970.5	43,137.4	6,834.2	15,966.0	10,994.8	627.7	98,530.6
18	83.06	22,386.5	46,050.2	7,295.6	17,044.1	11,737.3	670.1	105,183.8
19	91.25	23,937.3	49,240.4	7,801.1	18,224.9	12,550.4	716.5	112,470.6
20	100.00	<u>25,555.7</u>	<u>52,569.3</u>	<u>8,328.5</u>	<u>19,457.0</u>	<u>13,398.6</u>	<u>764.7</u>	<u>120,073.8</u>
		<u>USD152,615.5</u>	<u>313,938.5</u>	<u>49,736.7</u>	<u>116,195.0</u>	<u>80,016.5</u>	<u>4,568.0</u>	<u>717,070.0</u>

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

- 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 loans 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.: Consumer, commercial, SME, loans card, mortgage and affiliates (Panamá, Miami and Fiducáfé).
- 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 loans 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.



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A summary of the assignment of commercial loans determined by each line of business, of the accumulated amortization and the balance as of June 30, 2011, is the following:

<u>Business line</u>	<u>Participation</u>	<u>Commercial loans recorded</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Consumer	21.3%	USD 164,813.9	20,253.1	144,560.9
Commercial	43.8%	339,031.3	41,661.6	297,369.7
SMEs	6.9%	53,712.1	6,600.4	47,111.7
Loans Card	16.2%	125,482.4	13,413.9	15,419.8
Mortgage	11.2%	86,412.2	10,618.7	75,793.5
affiliates	<u>0.6%</u>	<u>4,933.1</u>	<u>606.3</u>	<u>4,326.9</u>
Total	<u>100.0%</u>	USD <u>774,385.0</u>	<u>93,153.9</u>	<u>584,582.3</u>

The result of the update revaluation at April 30, 2011, 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 seven years (7) and five (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.

12.3 Other Assets – Other

The detail of other assets – other is as follows:

	<u>June 30</u>	<u>December 31</u>
Permanent contributions	USD 150.9	139.7
Letters of credit of deferred payment	7,544.1	1,363.4
Others Deposits	1,122.0	3,403.7
Goods delivered in concordat	1,255.1	1,205.7
Art and culture assets	1,227.7	1,143.7
Rights in trust (1)	7,050.2	7,014.4
Others rights in trust	0.0	25.1
Retención en la Fuente	15,370.6	0.2
Income tax advance	6,631.4	343.9
Surplus tax	1,790.6	3,977.4
Consortiums or Joint Ventures	3,595.9	2,319.2
Negotiated unpaid remittances	59.2	72.2
Industry and commerce tax advances	91.5	56.0
Others (less to 5%)	51.0	47.8
	USD <u>45,940.4</u>	<u>21,112.3</u>



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(1) Rights in trust

At June 30, 2011 and December 31, 2010, are registered in trust the following rights:

		<u>June 30</u>		<u>December 31</u>	
		<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Copescol S.A.	USD	554.5	554.5	513.5	513.5
Agropecuaria Molina Vivas		20.9	20.9	19.3	19.3
Textiles Omnes S.A.		262.7	262.7	243.3	243.3
Fiduciaria Superior		1,143.5	0.0	1,197.1	0.0
H&L Barú		5,041.2	5,041.2	5,041.2	5,041.2
Other		27.5	0.0	0.0	0.0
	USD	<u>7,050.3</u>	<u>5,879.3</u>	<u>7,014.4</u>	<u>5,817.3</u>

* Corresponds to the remaining Fiduciaria Superior liquidation in September 2009.

12.4 Employees Loans

The Bank evaluated one hundred percent (100%) of loans to employees. The result of the rating at June 30, 2011 and December 31, 2010 is as follows:

	<u>Balance</u>	<u>Admissible</u>	<u>Allowance</u>
		<u>Guaranties</u>	
June 30			
A -Normal	67,966.8	185,513.1	1,018.8
B -Acceptable	<u>18.8</u>	<u>0.0</u>	<u>1.0</u>
	<u>67,985.7</u>	<u>185,513.1</u>	<u>1,019.8</u>
December 31			
A -Normal	<u>55,774.3</u>	<u>153,069.9</u>	<u>836.7</u>
	<u>55,774.3</u>	<u>153,069.9</u>	<u>836.7</u>

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

12.5 Allowance for other assets

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

	<u>June 30</u>	<u>December 31</u>
Beginning balance	USD 7,839.2	7,318.6
Plus:		
Allowance charged to operating expenses	230.4	89.6
Reclassifications	0.0	0.3
Less:		
Reclasificaciones	285.5	0.0
Recoveries	0.1	0.5
Refunding to income – Recoveries	517.2	148.7
Ending balance	USD <u>7,266.8</u>	<u>7,259.0</u>



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13 Deposits

The following is the detail of deposits:

	Maximum annual <u>interest rate</u>		<u>June 30</u>	<u>December 31</u>
Deposits in current account	0.0%	USD	1,755,747.2	1,703,708.6
Certificates in pesos				
Lower than 6 months	3.5%-4.35%		905,244.3	948,689.3
Equal to 6 and lower than 12 months	3.8%-4.55%		1,131,875.3	1,268,995.5
Equal to 12 and lower than 18 months	3.92%-4.80%		592,673.1	400,277.6
Equal or higher than 18 months	4.10%-5.70%		1,063,565.7	1,028,559.4
			<u>3,693,358.4</u>	<u>3,646,521.9</u>
Savings deposits				
Common savings deposits	0.0% - 3.40%		6,368,773.6	4,590,212.9
Special savings accounts			30,352.1	26,441.9
			<u>6,399,125.8</u>	<u>4,616,654.8</u>
Saving Certificates of Real Value				
Equal or higher than 18 months	Uvr + 1.45		14,766.0	11,378.6
Other deposits and callabilities				
Banks and intermediaries			21,088.5	7,483.7
Special deposits			181.6	181.2
Callabilities per banking services			68,719.5	119,515.9
Affiliated establishments			4,918.2	3,456.0
			<u>94,907.8</u>	<u>130,636.8</u>
		USD	<u>11,957,905.1</u>	<u>10,108,900.8</u>

The following is a detail of the interest expense during the biannual periods ended on June 30, 2011 and December 31, 2010:



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<u>Modality</u>		<u>June 30</u>	<u>December 31</u>
Deposits and callabilities interests:			
Common deposits	USD	47,408.4	31,785.5
Term savings certificates		22.2	53.2
Certificates in pesos		81,349.2	79,497.9
Deposits in current account		4,680.2	3,130.6
		<u>133,460.1</u>	<u>114,467.2</u>
Adjustments of the real value unit - UVR		5,039.0	145.1
Other interests:			
Bank credits and other financial obligations		22,993.0	17,125.0
Inter-bank funds		455.7	140.4
Bonds		59,049.8	45,409.4
Commitments and simultaneous transfer repos		1,951.8	2,179.2
Investment repurchase		0.0	0.0
Amortized bonus			
portfolio		0.0	0.0
Leasing (nota 10)		553.2	1,028.9
Preferred shareholders - advance shares purchase		12.0	1,435.8
Others		24.3	(5.2)
		<u>85,039.8</u>	<u>67,313.5</u>
	USD	<u>223,538.9</u>	<u>181,925.8</u>

13.1 Reserve

On June 30, 2011 and December 31, 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).

The reserve requirement and available Confinanciera Bank average during the first half of 2011 and second half of 2010, was:

	<u>June 30</u>	<u>December 31</u>
Average reserve requirement	USD937,609.2	789,666.2
Average reserve available	943,394.0	795,512.7



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14 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>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>						
Foreign Banks						
	2,000,000.0	0.4%	Jun.30.11	Jul.07.11	2,000.0	1,772.32
	5,000,000.0	0.4%	Jun.30.11	Jul.07.11	5,000.0	1,772.32
	5,000,000.0	0.4%	Jun.30.11	Jul.07.11	5,000.0	1,772.32
	5,000,000.0	0.3%	Jun.30.11	Jul.07.11	5,000.0	1,772.32
	<u>17,000,000.0</u>				<u>17,000.0</u>	
<u>Legal Currency</u>						
<u>Banks</u>		4.1%	Jun.30.11	Jul.01.11	<u>1,692.7</u>	
Total passive Positions in Monetary Market Operations and those Related						<u>18,692.7</u>

<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>December 31</u>						
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
	10,000,000.0	0.50%	Dic.30.10	Ene.03.11	10,000.0	1913.98
	10,000,000.0	0.50%	Dic.30.10	Ene.03.11	10,000.0	1913.98
	5,000,000.0	0.50%	Dic.30.10	Ene.03.11	5,000.0	
<u>Legal Currency</u>	<u>25,000,000.0</u>				<u>25,000.0</u>	
Liabilities Repos						
Real Sector						
		1.02%	Dic.30.10	Ene.06.11	84.6	
Other financial entities		1.53%	Dic.30.10	Ene.03.11	5,224.9	
					<u>5,309.6</u>	
Total passive Positions in Monetary Market Operations and those Related						<u>30,309.6</u>

For the first half of 2011 and second half of 2010, the balance and the average monthly yield for these passive positions (local and foreign currency) were USD 13,692.6 and USD 371.5 and USD 32,732.1 and USD 386.2 respectively.



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There are no restrictions on these funds.

15. Banks Acceptances Outstanding and Financial Derivatives

The following is the detail of account:

<u>Product</u>		<u>June 30</u>	<u>December 31</u>
Banks Acceptances	USD	174.3	1,157.4
Forward Agreements		59,468.2	35,315.8
Swaps Speculation		17.5	0.5
Options Speculation		541.7	625.8
Coverage Swaps		18,082.3	5,953.6
	USD	<u>78,283.9</u>	<u>43,052.6</u>

From the January 1, 2010 and as described in Chapter XVIII of the External Circular 100 of 1.995 of the Finance Superintendency of Colombia, the derivatives accounting is done taking into account the outcome of the fair exchange price valuation, as follows:

		<u>Speculation Derivatives</u>			<u>Hedging Swaps</u>	
<u>June 30</u>		<u>Forward</u>	<u>Swaps</u>	<u>Options</u>	<u>Total</u>	<u>Swaps</u>
<u>Purchase on foreign currency</u>	Right	(3,014,431.1)	0.0	0.0	(3,014,431.1)	0.0
	Obligation	3,071,876.0	0.0	0.0	3,071,876.0	0.0
<u>Sale on foreign currency</u>	Right	(356,116.1)	0.0	0.0	(356,116.1)	0.0
	Obligation	356,888.9	0.0	0.0	356,888.9	0.0
<u>On interest Rate</u>	Right	(135,153.9)	0.0	0.0	(135,153.9)	0.0
	Obligation	136,404.3	0.0	0.0	136,404.3	0.0
<u>On interest Rate CCS</u>	Right	0.0	(1,454.7)	0.0	(1,454.7)	0.0
	Obligation	0.0	1,472.2	0.0	1,472.2	0.0
On currency	Right	0.0	0.0	0.0	0.0	(165,363.0)
	Obligation	0.0	0.0	0.0	0.0	183,445.3
<u>Call Options</u>	Sale	0.0	0.0	107.1	107.1	0.0
<u>Put Options</u>	Sale	0.0	0.0	434.6	434.6	0.0
Total Rights		<u>(3,505,701.2)</u>	<u>(1,454.7)</u>	<u>541.7</u>	<u>(3,506,614.2)</u>	<u>(165,363.0)</u>
Total obligations		<u>3,565,169.3</u>	<u>1,472.2</u>	<u>0.0</u>	<u>3,566,641.5</u>	<u>183,445.3</u>
Total Net		<u>59,468.1</u>	<u>17.5</u>	<u>541.7</u>	<u>60,027.3</u>	<u>18,082.3</u>



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<u>December 31</u>		<u>Speculation Derivatives</u>			<u>Hedging Swaps</u>	
		<u>Forward</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	(563,994.5)	0.0
	Obligation	574,241.2	0.0	0.0	574,241.2	0.0
<u>Sale on foreign currency</u>	Right	(953,410.5)	0.0	0.0	(953,410.5)	0.0
	Obligation	978,471.6	0.0	0.0	978,471.6	0.0
<u>On interest Rate</u>	Right	(656.0)	0.0	0.0	(656.0)	0.0
	Obligation	663.9	0.0	0.0	663.9	0.0
<u>On interest Rate CCS</u>	Right	0.0	(47.9)	0.0	(47.9)	0.0
	Obligation	0.0	47.9	0.0	47.9	0.0
On currency	Derecho	0.0	0.0	0.0	0.0	(165,614.6)
	Obligación	0.0	0.0	0.0	0.0	171,568.2
<u>Call Options</u>						
	Sale	0.0	0.0	217.9	217.9	0.0
<u>Put Options</u>						
	Sale	0.0	0.0	407.9	407.9	0.0
Total Rights		<u>(1,518,061.0)</u>	<u>(47.9)</u>	<u>625.8</u>	<u>(1,517,483.0)</u>	(165,614.6)
Total obligations		<u>1,553,376.8</u>	<u>47.9</u>	<u>0.0</u>	<u>1,553,424.6</u>	171,568.2
Total Net		<u>35,315.8</u>	<u>0.1</u>	<u>625.8</u>	<u>35,941.7</u>	<u>5,953.6</u>

The following is a breakdown of the derivatives maturity terms with cut off June 30, 2011 and December 31, 2010:

		<u>June 30</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	59,468.1	0.0	0.0	59,468.1
Speculative Swaps		12.5	5.0	0.0	17.5
Hedging Swaps		0.0	18,082.3	0.0	18,082.3
Options		541.7	0.0	0.0	541.7
	USD	<u>60,022.2</u>	<u>18,087.3</u>	<u>0.0</u>	<u>78,109.6</u>



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		<u>December 31</u>			<u>Total</u>
		<u>From 0 to 1</u> <u>years</u>	<u>From 1 to 5</u> <u>years</u>	<u>From 5 to 10</u> <u>years</u>	
Cash operations	USD	32,511.5	2,804.3	0.0	35,315.8
Futures Agreements		0.1	0.0	0.0	0.1
Hedging Swaps		0.0	0.0	5,953.6	5,953.6
Options		0.0	625.8	0.0	625.8
	USD	<u>32,511.6</u>	<u>3,430.1</u>	<u>5,953.6</u>	<u>41,895.3</u>

15.1 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 June 30, 2011, 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 30 June, 2011 and 31 December, 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>Right</u>	<u>Obligation</u>	<u>Net</u>
Jun-11	Bonos IFC Hedge Swap	7	Feb.07.07	Feb.07.14	165,363.0	183,445.3	(18,082.3)
Dec-10	Bonos IFC Hedge Swap	7	Feb.07.07	Feb.07.14	165,614.6	171,568.2	(5,953.6)

Flows generated by hedge operation for Financing Granbanco purchase:

The result of the valuation of the swap was negative at both June 30, 2011 and December 31, 2010, was recorded in their accounting liabilities (note 15)

- IFC Bonds interest coupon payment (coverage capital):

During the first half of 2011, generated the payment coupon bonds 8 th IFC, generating cash outflow of USD 9,506.6:



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<u>Operation</u>	<u>Counterpart</u>	<u>Date</u>		Amount Paid USD\$	Agreed Exchange rate*	Amount Paid (COP) \$
1	Deutsche Bank	Ene.18.11	USD	2,878.2	1,974.2	\$ 5,682.0
2	The Royak Bank of Scotland	Ene.18.11		2,488.2	1,974.2	4,912.3
	Bonos IFC	Ene.18.11		<u>3,168.0</u>	1,974.2	<u>6,254.3</u>
			USD	<u>8,534.4</u>		<u>\$ 16,848.9</u>

During the second half of 2010, generated the payment of the 7th coupon bonds IFC, generating cash outflow of USD 6,646.9.

<u>Operation</u>	<u>Counterpart</u>	<u>Date</u>		Amount Paid USD\$	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
3	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 agreed interest rates remain unchanged. The adjustment is done completely via the exchange rate.

For the first half of 2011 and second half of 2010, no reset payments were generated.

15.2 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>June 30</u>	<u>December 31</u>
CCS Assets	USD	15,250.8	11,905.1
Bono IFC Assets		<u>(10,551.3)</u>	<u>3,290.7</u>
Net assets	USD	<u>4,699.5</u>	<u>15,195.8</u>



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16. Banking Loans and Other Financial Obligations

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

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	159.5	3,518.5	39,217.0	8,903.5	0.8	51,638.9
Finagro	820.6	2,782.4	51,025.4	22,367.8	22,383.8	98,559.3
Findeter	3,314.7	20,735.3	79,191.4	361,430.9	114,407.6	<u>575,765.2</u>
Overdrafts in current account	0.0	44.7	0.0	0.0	0.0	<u>44.7</u>
	<u>4,294.8</u>	<u>27,036.2</u>	<u>169,433.7</u>	<u>392,702.2</u>	<u>136,791.4</u>	<u>726,008.2</u>
<u>Foreign Currency</u>						
Bancoldex	226.8	646.1	38,960.1	24,810.2	0.0	64,416.4
Overdrafts in current account	0.0	343.8	0.0	0.0	0.0	343.8
	<u>4,521.6</u>	<u>28,070.8</u>	<u>208,393.9</u>	<u>417,512.3</u>	<u>136,791.4</u>	<u>790,768.4</u>
Foreign Entities:	<u>2,085.2</u>	<u>702,028.2</u>	<u>40,055.4</u>	<u>0.0</u>	<u>0.0</u>	<u>742,083.5</u>
	<u>6,606.8</u>	<u>730,099.0</u>	<u>248,449.2</u>	<u>417,512.3</u>	<u>136,791.4</u>	<u>1,532,851.9</u>
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	1,533.8	11,316.2	55,103.2	246,678.4	124,213.4	<u>437,311.2</u>
Overdrafts in current account	0.0	23.8	0.0	0.0	0.0	<u>23.8</u>
	<u>2,646.9</u>	<u>18,202.3</u>	<u>146,425.0</u>	<u>266,358.6</u>	<u>140,824.8</u>	<u>571,810.7</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	2,807.3	0.0	0.0	0.0	<u>2,807.5</u>
	<u>2,757.3</u>	<u>63,087.3</u>	<u>155,179.5</u>	<u>270,617.6</u>	<u>140,824.8</u>	<u>629,709.2</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>
	<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>



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17. Accounts Payable

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

		<u>June 30</u>	<u>December 31</u>
Interests:			
Deposits and callabilities	USD	48,055.8	49,063.9
Monetary Market Operations and those Related		156.4	15.7
Banking credits and other financial obligations (note 15)		6,606.8	4,390.9
Investment securities outstanding		18,019.7	15,235.7
	USD	<u>72,838.7</u>	<u>68,706.2</u>
Commissions and fees	USD	593.2	926.6
Collection made:			
Rent collection companies	USD	22,834.0	25,494.2
Industry and trade, and farm vehicles		27,832.0	3,296.1
Others		13,864.4	3,717.1
		<u>64,530.4</u>	<u>32,507.4</u>
Suppliers			
Account payable to suppliers	USD	31,249.7	38,937.6
ACH Network compensation		55,785.4	34,056.2
Visa, Master Card network compensation		9,548.4	2,124.1
Others		2,381.7	5,366.6
		<u>98,965.3</u>	<u>80,484.5</u>
Others:			
Taxes			
Stamp tax		11.6	53.0
Surcharge and others		94,039.3	96.5
Income and other		1,144.9	12,338.2
Industry and trade		35.1	5,832.9
Dividends and surpluses		1,851.7	1,688.3
Tax payable		2,939.3	3,672.5
Tax transaction		6,860.0	6,559.5
Promising purchasers		6,690.7	5,092.0
Labor withholdings and obligations		27,787.0	26,861.0
Insurance premiums		1,015.4	1,304.9
Drafts payable		14,173.0	18,034.4
Guarantee Fund of Financial Institutions		1.6	66.7
Checks drawn uncollected		12,167.7	6,739.3
Accounts payable Nation Law 546 of 1999		33,191.7	25,749.1
From		<u>438,836.8</u>	<u>296,722.3</u>

**BANCO DAVIVIENDA S.A. Y SUBORDINADAS**

Notes to the Consolidated Financial Statements

To	USD	<u>438,836.8</u>	<u>296,722.3</u>
Several other			
Commercial establishments		41,753.2	2,692.3
Forward Operations		2,366.0	2,392.1
Treasury Payment orders		8.9	11,679.5
Balances and commissions in favor		4,886.4	4,983.6
Remaining Portfolio		3,885.0	2,820.3
Trade accounts payable Network		272.7	419.1
Solidarity Peace Bonds		11,616.5	10,472.1
Prepaid visa available balances		5,455.4	4,787.4
Collection mangaments costs		1,704.4	1,534.6
Outstanding disbursements		1,320.5	1,746.5
Miscellaneous (Less than 5%)		12,028.1	10,791.6
		<u>287,206.3</u>	<u>168,407.5</u>
	USD	<u>524,133.9</u>	<u>351,032.0</u>

(1) Equity tax

The Government, through the Tax Reform Act 1370 of December 2009 created the equity tax for the taxable years 2011 to 2014, applicable to taxpayers who are natural persons, legal entities and de facto societies. The same Act established that this tax was generated on 1 January 2011 and must be paid in eight (8) half-yearly installments within the time limits established by the Government. The first installment was paid in May 2011.

Subsequently, the Government, through the Regulatory Decree 514 of January 2010 regulated the manner of accounting for the tax, indicating that the tax could be written off against the Equity Revaluation account for the years 2011 to 2014, and when insufficient the contributors could raise the value of the contributions due annually in the resulting accounts for the respective period.

Therefore, the equity tax in detail to June 30, 2011 is as follows:

Tax value based on the filed return	USD 107,387.7
Equity revaluation	59.9
Amount amortized for 1st half of 2011	<u>(11,839.2)</u>
Unamortized balance recorded in deferred charges	USD <u>95,608.5</u>

18. Investment securities outstanding

At June 30, 2011 and December 31, 2010 the Bank records investment securities outstanding for USD 1,969,852.06 and USD 1,610,568.2 respectively, corresponding to issuances of common and mortgage bonds.

The following provides details of the bonds for each of the issues current on June 30, 2011 and December 31, 2010:



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

Issuance Kind	Date	Offer Amount	Term (months)	Yield	Cancellation	Book Value	
						June 30	December 31
Mortgage Bonds							
<u>Guarantee: Mortgage Loans rating “A” and prepaid option for issuer every 3 months.</u>							
First Issuance Mortgage Bonds – Series G	03-Dic-04	10,787.0	84	UVR - 0.3	03-Dic-11	USD 0.0	325.8
First Issuance of VIS Structured Mortgage Bonds Sector 1 – Series G	23-Jun-06	33,951.8	84	UVR + 0.75	23-Jun-13	<u>3,863.3</u>	<u>6,281.2</u>
Total Mortgage Bonds						<u>3,863.3</u>	<u>6,606.9</u>
Subordinated Bonds							
First Issuance Subordinated IFC Bonds in US dollars (Note 1)							
<u>Guarantee: Mortgage Loans rating “A” and prepaid option for issuer every 3 months. Series G</u>	07-Feb-07	207,999.2	84	Libor6 + 2.75	07-Feb-14	165,363.0	165,614.6
First Issuance Subordinated IPC Bonds							
No Guarantee – Series C	19-Feb-08	83,380.5	84	IPC + 6.65	19-Feb-15	83,380.5	77,209.3
First Issuance Subordinated UVR Bonds							
No Guarantee – Series D	19-Feb-08	85,524.9	84	UVR + 6.65	19-Feb-15	98,728.7	88,921.1
Second Issuance Subordinated IPC Bonds							
No Guarantee – Series C7	24-Feb-10	78,144.6	84	IPC + 5.25	24-Feb-17	78,144.6	72,360.8
Second Issuance Subordinated UVR Bonds							
No Guarantee – Series U10	24-Feb-10	62,913.6	120	UVR + 5.50	24-Feb-20	<u>66,087.9</u>	<u>59,522.8</u>
Total Subordinated Bonds						<u>491,704.8</u>	<u>463,628.6</u>
Common Bonds (No Guarantee)							
Second Issuance common Bonds IPC – Series G	05-Ago-08	96,241.1	60	IPC + 6.24	05-Ago-13	96,241.1	89,118.0
First Issuance common Bonds DTF Sector 1 – Series E	05-Ago-08	83,111.4	36	DTF + 2.59	05-Ago-11	<u>83,111.4</u>	<u>76,960.1</u>
						<u>179,352.5</u>	<u>166,078.0</u>
Second Issuance common Bonds DTF Sector 1 – Series E2	05-Feb-09	44,953.1	24	DTF + 1.2	05-Feb-11	0.0	41,625.9
-Series E3	05-Feb-09	50,668.1	36	DTF + 1.35	05-Feb-12	<u>50,668.1</u>	<u>46,917.9</u>
						<u>50,668.1</u>	<u>88,543.9</u>
Second Issuance common Bonds fixed rate Sector 1 – Series F5	05-Feb-09	68,723.5	60	TF 10.40%	05-Feb-14	68,723.5	63,637.0
First Issuance common Bonds IPC – Series G	05-Feb-09	69,644.9	84	IPC + 5.50	05-Feb-16	69,644.9	64,490.2
Second Issuance common Bonds DTF Sector 2 – Series E2	16-Jul-09	40,624.7	24	DTF + 1.38	16-Jul-11	40,624.7	37,617.9
Second Issuance common Bonds fixed rate Sector 2 – Series E3	16-Jul-09	41,189.0	36	TF 7.89%	16-Jul-12	41,189.0	38,140.4
First Issuance common Bonds IPC Sector 2 – Series G5	16-Jul-09	121,309.9	60	IPC + 4.79	16-Jul-14	121,309.9	112,331.4
First Issuance common Bonds IBR Sector 2 – Series I1	16-Jul-09	50,780.9	18	IBR + 1.44	16-Ene-11	0.0	47,022.4
Second Issuance common Bonds IPC Sector 1 – Series C5	12-Feb-10	121,344.9	60	IPC + 3.98	12-Feb-15	121,344.9	112,363.8
Third Issuance common Bonds DTF Sector 1 – Series T2	12-Feb-10	48,552.7	24	DTF + 0.95	12-Feb-12	48,552.7	49,959.2
Second Issuance common Bonds IBR Sector 1 – Serie B1	12-Feb-10	10,787.0	18	IBR + 0.95	12-Ago-11	54,785.7	50,705.9
Series B3	12-Feb-10	57,459.7	36	IBR + 1.36	12-Feb-13	<u>57,459.7</u>	<u>53,206.9</u>
						<u>112,218.4</u>	<u>103,912.8</u>
Third Issuance common Bonds IPC Sector 2 – Series C5	07-Oct-10	67,792.5	60	IPC + 3.14	07-Oct-15	67,792.5	62,775.0
Series C7	07-Oct-10	110,617.7	84	IPC + 3.63	07-Oct-17	<u>110,617.7</u>	<u>102,430.5</u>
						<u>178,410.2</u>	<u>165,205.5</u>
					From	<u>1,032,038.8</u>	<u>1,044,302.9</u>



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					To	<u>1,032,038.8</u>	<u>1,044,302.9</u>
Third Issuance common Bonds IBR Sector 2 – Series B2	07-Oct-10	51,655.5	24	IBR + 1.10	07-Oct-12	51,655.5	47,832.3
Series B3	07-Oct-10	52,050.4	36	IBR + 1.31	07-Oct-13	<u>52,050.4</u>	<u>48,198.0</u>
						<u>103,705.9</u>	<u>96,030.3</u>
Quarter Issuance common Bonds IBR Sector 2 – Series B30	10-Mar-11	137,791.7	30	IBR + 1.35	10-Sep-13	137,791.7	0.0
Quarter Issuance common Bonds IPC – Series C39	10-Mar-11	10,787.0	39	IPC + 2.80	10-Jun-14	48,795.9	0.0
Series C84	10-Mar-11	42,912.7	84	IPC + 3.88	10-Mar-18	42,912.7	0.0
Series C120	10-Mar-11	109,039.0	120	IPC + 4.19	10-Mar-21	<u>109,039.0</u>	<u>0.0</u>
						<u>200,747.6</u>	<u>0.0</u>
Total common Bonds						<u>1,474,284.0</u>	<u>1,140,332.8</u>
Total outstanding Bonds					USD	<u>1,969,852.1</u>	<u>1,610,568.3</u>

(*) The assessment of this issue is done at market prices, 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 USD 192,653.7 that lets to change the exposure of the libor rate and the dollar. (note 7).

Bonds per monetary unit

		<u>June 30</u>	<u>December 31</u>
Legal currency	USD	1,635,809.11	1,289,902.92
Foreign currency		165,363.03	165,614.58
UVR		<u>168,679.92</u>	<u>155,050.78</u>
	USD	<u>1,969,852.06</u>	<u>1,610,568.29</u>

Bonds per period of maturity

		<u>June 30</u>	<u>December 31</u>
Less than 1 year	USD	277,715.65	254,257.99
Between 1 & 5 years		1,285,334.53	1,057,505.93
Between 5 & 10 years		<u>406,801.88</u>	<u>298,804.38</u>
	USD	<u>1,969,852.06</u>	<u>1,610,568.29</u>



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19. Others Liabilities

The following is the detail of the Other Liabilities:

		<u>June 30</u>	<u>December 31</u>
Consolidated Labor obligations	USD	17,670.2	18,807.2
Anticipated income		717.4	198.3
Others		140,886.0	127,981.4
	USD	<u>159,273.5</u>	<u>146,987.0</u>

The following is the detail of the Other Liabilities:

19.1 Labor Obligations

El detalle de las obligaciones laborales consolidadas es el siguiente:

		<u>June 30</u>	<u>December 31</u>
Consolidated severance payments	USD	3,725.3	6,363.1
Severance payment interests		298.4	894.6
Consolidated vacations		9,194.0	7,899.9
Other social benefits		4,452.4	3,649.5
	USD	<u>17,670.2</u>	<u>18,807.2</u>

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

When cut at June 30, 2011 and December 31, 2010, the Bank and subsidiaries have no pension liabilities.

19.2 Anticipated income movement

The movement of income in advance during the half-year periods ended on June 30, 2011 and December 31, 2010 is the following:

		<u>Balance at 31 de diciembre</u>	<u>Credits</u>	<u>Charges</u>	<u>Balance at 30 de junio</u>
Interests	USD	78.2	1,389.9	1,389.6	84.8
Leases		6.7	31.0	33.9	4.4
Insurance		110.7	326.6	313.9	132.1
Others		2.7	496.7	3.6	496.0
	USD	<u>198.3</u>	<u>2,244.2</u>	<u>1,741.0</u>	<u>717.4</u>



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19.3 Others

The movement of other liabilities – other during the half-year period ended on June 30, 2011 is as follows:

		Balance at <u>December 31</u>	<u>Credits</u>	<u>Charges</u>	Balance at <u>June 30</u>
Deferred credits (1)	USD	21,952.7	11,944.0	13,862.5	21,788.9
Letter of credit deferred payment		1,363.4	11,366.2	5,294.5	7,544.1
Deferred income tax		54,585.0	15,869.9	1,357.4	73,460.4
Credits for applied		29,423.7	8,281,371.2	8,297,700.9	15,445.9
Surpluses in exchange		67.1	144,601.4	144,665.4	8.5
Surpluses in cash		1,743.5	606,112.1	606,084.7	1,910.3
Accounts cancelled		17,001.3	176.5	416.9	18,119.9
Others		1,844.7	488,465.3	487,849.4	2,608.0
	USD	<u>127,981.4</u>	<u>9,559,906.6</u>	<u>9,557,231.5</u>	<u>140,886.0</u>

(1) The detail of the deferred loans as at June 30, 2011 and december 31, 2010 is the following:

		<u>June 30</u>	<u>December 31</u>
Credit Portfolio expressed in UVR	USD	7,017.3	0.0
Amortized of deferred restructured credits		12,344.6	10,827.7
Default investment cost over book value		0.0	0.0
Profit on foreclosed assets sale		1,855.6	1,790.0
Profit on assets sale		0.0	3,280.6
Profit on punised portfolio sale		0.0	5,491.5
Others		571.4	563.0
	USD	<u>21,788.9</u>	<u>21,952.7</u>

Here are fertilizers amortize deferred installments, with court June 30, 2011 and December 31, 2010:

		<u>June 30</u>	<u>December 31</u>
From 0 to 1 years	USD	7,017.3	8,773.8
From 1 to 5 years		2,004.8	1,895.7
From 5 to 10 years		6.0	9.4
More than 10 years		12,760.8	11,273.9
	USD	<u>21,788.9</u>	<u>21,952.7</u>



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Notes to the Consolidated Financial Statements

20. Estimated Liabilities and Allowances

The following is the detail of estimated liabilities and allowances:

		<u>June 30</u>	<u>December 31</u>
Labor liabilities		<u>2,278.8</u>	<u>1,571.6</u>
Taxes:			
Income tax 2010	USD	27,911.2	171.9
Industry and commerce		6,555.6	0.0
Others		<u>12.0</u>	<u>3.9</u>
		<u>34,478.8</u>	<u>175.8</u>
Others			
Tes interests Law 546, 1999		405.6	503.7
Contributions and affiliations		21.6	3.3
Penalties and sanctions Superfinanciera		231.3	214.2
Penalties and Sanctions, litigations, indemnifications and lawsuits		47,056.2	42,194.3
Others Estimated Liabilities		29.1	132.9
Others Allowance (Less than 5%)		<u>12,322.3</u>	<u>2,397.8</u>
		<u>60,066.2</u>	<u>45,446.1</u>
Minority Interest (nota 21)		13,695.8	13,581.4
		<u>73,762.0</u>	<u>59,027.6</u>
	USD	<u>110,519.7</u>	<u>60,775.0</u>

The income tax returns of the Bank and its subordinate national presented for 2009 and 2010 are pending for review by the Administración de Impuestos y Aduanas Nacionales [National Tax and Customs Administration] (DIAN).

Fines And Sanctions From Legal Actions

The processes that generate contingent liability, had been brokendown 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.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

Following is a summary of the process, cut to June 30, 2011 and December 31, 2010:

June 30

<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>
Litigation covered by contract Fogafin	543	USD 8,090.53	37,519.97
Bank:			
Penalties and other administrative anctions	16	31,749.99	60,692.48
Labor Demands	55	710.59	1,245.60
Common Process	1,179	6,505.03	45,772.15
	<u>1,793</u>	USD <u>47,056.17</u>	<u>145,230.21</u>

December 31

	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>
Litigation covered by contract Fogafin	634	USD 7,733.36	35,606.90
Bank:			
Penalties and sanctions others administrative	15	27,432.21	48,853.91
Labor Demands	56	588.30	1,181.83
Common Process	1,294	6,440.45	46,408.27
	<u>1,999</u>	USD <u>42,194.33</u>	<u>132,050.91</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%

Processes initiated by the Bank and its subordinate could be:

Criminal

Criminal

In the case of a criminal proceeding linked to the Bank and its subordinate as Civilly Responsible as of June 30, 2011 and December 31, 2010 there were 2 and 5 processes to USD 118.9 and USD 228.7 respectively.

Ordinary civil, special and labor

As of June 30, 2011 and December 31, 2010 there were 1.673 and 1.882 processes with claims amounting to USD 145,111.3 and USD 131,822.2, 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.



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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 loans 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 loans balance increased by the sum of USD 1,592.4

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 USD 5,253.8 went to USD 1,667.7, 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 loans 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 June 30, 2011, 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 USD 3,586.1.

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.

On July 1, 2009 presented were presented.

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.

It is the office for failure of second instance and the last performance is May 27, 2011 when the judge rapporteur, Dr. Carmen Teresa Ortiz Rodriguez pleaded impaired.

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 USD 1,592.3.

The process discusses the rejection of the higher positive balance of USD 1,592.3. On January 25, 2010 the record entered the office of State Council.



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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 of USD 1,993.7. 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 USD 165.7. 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 USD 1,993.6 - the amount that, according to the DIAN, was returned to the Bank

It is in the stage of allegations. On April 7, 2011 it had issued a ruling which ordered the beneficiaries of the provisions in the order of June 5, 2008 by which ordered the suspension of the issue.

Income Tax for Tax Year 2003 - Banco Davivienda S.A.

Before the statement of objections, the Dirección de Impuestos y Aduanas Nacionales - DIAN issued Resolution No. 9000012 of May 4, 2009, by which it imposed a penalty for return and / or unfair compensation, consisting of 50% of the penalty interest settled of \$ 305.9, the value accepted by Mutual Agreement transaction, as stated in Act No. 000035 of June 26, 2007, signed by the Special Committee on Settlement and Termination of the Tax Administration.

On May 25, 2010, Resolution No. 9000012 was confirmed through resolution 90025, thus exhausting administrative means, as there is clear case law that once the main effect has been conciliated, DIAN cannot sanction under Article 670 of the Tax Code. Therefore the classification is remote.

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 loans reserves, help from the Government, losses due to accidents or investments in productive fixed real assets. Generating a higher tax of USD 7,214.4 for a total of USD 18,219.8. 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 June 30, 2010 this process is provisioned for USD \$18,219.8.

Equity Tax Taxable Year 2004

The Bank presented the tax statement for the estate for the taxable year 2004, determining a tax of USD 1,007.8 The statement was later corrected to exclude from the net worth the stabilization value made to fixed assets in the taxable year 1995 of USD 13,067.5, which meant a lower tax of USD 39.2.

The Tax Authorities questioned such correction and therefore issued official settlement imposing correction of USD 63.2.

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 USD 7,827.4, which includes the greater tax of USD 3,010.3 and the sanction for imprecision for USD 4,816.8.

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

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.



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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.

In all cases, the opinion of tax counsel that the contingency is for the bank 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 USD 2,530.4 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.

On February 17, 2011 the case was ordered to be referred to Dr. Gloria Isabel Cáceres to decide whether to combine it with the other harmful lawsuit. On February 28, 2011 the aforementioned submission was made.

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

On December 2, 2010 it was suspended pending the decision on the combining with the other harmful lawsuit.

In the opinion of tax counsel the Bank's contingency is possible; therefore it has recorded a provision for USD 2,105.2.

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% 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 \$21,067,0. 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



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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 June 30, 2011 and December 31, 2010, the processes covered by Fogafin are 433 and 525 with a provision of USD 7,634.85 and USD 7,299.45 and intended amounts of USD 37,519.97 and USD 35,606.90 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 USD 10,454.0. 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 2,091.1. 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 USD 564.2.
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 mortgages 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 USD 2,934 plus any interest and is classified as a remote contingency.
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 bank sold to Grupo Empresarial Los Andes S.A. The process is underway in the 2nd Circuit Civil Court Pitalito where it is pending determination of the date for the hearing dealing with Article 101 of the C. of P.C. and for the Superior Judicial Court for the District of Neiva to rule on the appeal filed by the co-defendant CISA against the writ that denied the collateral claim made by the Bank. The claims are estimated at USD 5,078.1 and the contingency is classified 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



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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 2,821.2. The contingency is remote as similar settled cases have denied the claims of the plaintiffs.

7. The Asociación Comité Nacional de Usuarios Upac – UVR a nonprofit entity, together with other individuals, instituted a class action against Banco Davivienda S.A. and other financial institutions to declare that the defendants illegally reassessed the relief granted to the mortgage holders under Act 546 of 1999. They additionally requested that the defendants be ordered to repay the TES to the exchequer that were the product of irregular settlement and the refusal of the banks to reverse the relief when there was legal justification to do so. The process is before the Administrative Tribunal of Cundinamarca, where notifications have been served to the defendants, and is pending resolution by the chamber of the appeal for reconsideration that the Bank filed against the writ of admission of the claim on June 29, 2011. The amount is not determined in the demand, however, it is estimated to be over USD 2,821.2. and the contingency is classified as remote.
8. 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.

Other processes in effect at June 30, 2011

- 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 Mortgage Corporation), to which the organization is the successor, wrongly charged interest on mortgage 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.
- 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 mortgage mortgage loans 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. Qualifying them has been treated as remote.



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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 Mortgage (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 loans 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 loans 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 loans 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 Bogotá 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 loans 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 Mortgage 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 Bogotá 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. and the amount for the time being, can not be determined.
- 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 Bank 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 loans 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.
- 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



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demand and we are waiting for the other defendants to be notified. The claims amounted to 2,995 million 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 mortgages 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.

La Fiduciaria Cafetera has been sued through several lawsuits, those classified as probable 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.

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 "Fidufosyga 2005" which consists of "Fiducolombia", "Fiduprevisora", "Fiduagraria", "Fidubogotá", "Fiducaf é" (9.86% , "Fidupopular", "Fiducoldex" and "Fiduoccidente".

Value of the claim USD 1,196.2 plus commercial interest, material damages and legal costs.

Current Status: On July 23, 2008 there was an unfavorable court ruling. The process is in the State Council to deal with the jurisdictional level.

On October 27, 2008 the parties presented closing arguments. The process has been in Chamber awaiting verdict since November 13, 2008.

Opinion of attorney on the status of the contingency: Probable.

Amount of provision: USD 0. In the event of conviction payment would be made using Fosyga resources and not with the resources of the defendant companies making up the Consortium.

2. César Augusto Restrepo Alzate No 2006.0043

Class process: Regular

Plaintiff: Cesar Augusto Restrepo Alzate

Defendants: Fiducaf é and other

Claim: Declare the prescription of a promissory note in favor of Central de Inversiones SA (CISA). The trust was named as collateral for USD 28.2.

Current Status: On December 9, 2009 was dictated court ruling, which was adverse to Fiducaf é, pleaded not tested the exceptions and ordered the prescription of the note. It is the firm in the Civil Division of Buga Court to resolve the appeal filed by the Trustee.

Concept on the status of contingency: Probable. The claims in the application are limited to the statute of limitations for a promissory note signed by the applicant for Central de Inversiones SA (CISA).



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Provision Amount: USD 1.7 is clarified that the note is not Fiducaf  but Central de Inversiones SA (CISA) and declare prescription failure of the note.

3. Comptroller's 50100-0078/08

Type of process: District Attorney's responsibility

Plaintiff: District Comptroller of Bogota.

Defendant: "Fiducaf " 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: USD 161.9

Current State: On November 4th, 2010, an explanatory memorial was presented and a record of the proceedings was requested. and is awaiting the Comptroller's pronouncement on the briefs filed.

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: USD 4.5 for the lawsuit . The process until now is beginning and is in the evidentiary phase.

Similarly against the Consorcio Fidufosyga 2005 and / or Fisalud there are 106 claims, of which: 62 are Direct Reparation actions; 2 are contractual actions; 1 Action for annulment and restoration of rights, 5 are class actions, 28 are executive processes and 7 ordinary labor, the demands are also made against the State - Ministerio de Protecci n Social.

Among these processes and in accordance with the percentage of participation of the Trust in the Consortium there are 10 disputes with amounts greater than USD 564.2. 97% of claims are classified as remote for Fiducaf  S.A. as the Consortium is a mere administrator of the Fondo de Solidaridad y Garant as for the Ministerio de la Protecci n Social, however the Consorcio Fidufosyga decided to make a monthly provision of the business profits. It is also stated that the involvement of Fiducaf  S.A. in the Consorcio Fidufosyga 2005 is 9.86% and 17% in the Consorcio Fisalud.

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 loans disbursements within the program called Fondo Ganadero del Caquet . As per the above, it is hoped that the defendants will indemnify the company, in the amount of USD 13,854.1 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. The process is in evidence.

In the month of June 2011 the ruling was handed down by the court's sixth criminal judge of Bogota by virtue of which he found three former officials of the defunct Granbanco S.A. Bancaf  criminally responsible, which makes Banco Davivienda successor through the purchase and subsequent merger.



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Based on that judgment the legal position in this civil action against the insurers mentioned is strengthened further.

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 their respective indexing and the corresponding expected interests for tax purposes, we had requested to the Tax Administration, the payment of USD 18,361.3 as interests. On December 2, 2008, by means of Resolution No. 09036, the Tax Administration decided to recognize USD 3,716.4.

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 USD 15,220.17. 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 S.A. BANCAFÉ valued at USD 2,890 The process is being handled in the 6th Civil Court of the Bogota Circuit where it is in the evidentiary stage.
4. Under the understanding that for the purposes of the merger between Granbanco S.A. and Banco Davivienda S.A., the latter becomes the holder of the Tax Stability contracts, on June 10, 2008 the Bank requested the return of \$ 13,095.0 and \$ 9,728.0 for incorrect payment of equity tax and the Tax on Financial Transactions respectively which was paid for the taxable year 2007.

On July 23, 2008, the Bank received the Resolutions of the Tax Administration in which it decided to return the sum of USD 2,343.28 equity tax, and on December 18, 2008 through Resolution No. 6081795, the Tax Authorities decided to return the sum of USD 137.72 for Tax on Financial Transactions

Regarding the application for the refund of equity tax, the Bank filed a motion for reconsideration and on June 16, 2009 by Resolutions No. 1007 and 1008 the Tax Administration confirmed the revised official settlement, denying the reimbursement valued at USD 4,498.48 exhausting government channels. Thus the Bank proceeded to present the demands as outlined below.

- Action for annulment and restoration of the right (2009-2010) in order to declare null and void Resolutions 608-0887 of 2008 and 001007 of 2009 (reconsideration) through which the DIAN refused to return USD 2,429.1 of the USD 3,694.3 paid on account of the first installment of equity tax for the taxable year 2007, the demand was filed before the Administrative Tribunal of Cundinamarca in October 2009 and in September 2010 after passing the procedural stages a ruling unfavorable to the claims of the Bank was handed down, since February 23, 2011 we have been waiting for the State Council ruling to resolve the appeal that we filed against the decision that triggered the dispute in the first instance .

Action for annulment and restoration of the right (2009-211) in order to declare null and void Resolutions 608-0888 of 2008 and 001008 of 2009 (reconsideration) through which the DIAN refused to return \$ 4,305.2 of the \$ 6,547.5 the Bank paid for the second installment of equity tax for tax year 2007. The said action is pending before the Administrative Court of Cundinamarca where after passing the procedural stages a ruling unfavorable to the claims of the Bank was handed down; the appeal filed against the aforementioned decision is currently being processed.

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.



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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 USD 2,604.42. At December 31, 2010

The bank's common shareholders and subordinates indirect shares as of June 30th, 2011 are:

		<u>June 30</u>	<u>December 31</u>	
		Indirect shares	Indirect shares	Variation
		11.63%	11.63%	
Capital	USD	1,401.7	1,170.7	127.2
Statutory and temporary reserves		691.2	662.1	(22.1)
Revaluation surplus		140.4	130.7	(0.7)
Previous value		21.0	328.0	(308.5)
Net income		371.5	313.0	31.0
Total		<u>2,625.7</u>	<u>2,604.4</u>	<u>(173.0)</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 June 30, 2011 and December 31, 2010:

June 30		<u>Equity</u>	% Minority <u>Interest</u>	Minority <u>Interest</u>
Fiduciaria Davivienda S.A.	USD	27,036.5	33.5%	9,063.9
Davivalores S.A.		5,632.4	17.6%	991.3
Confinanciera S.A.		40,454.1	4.3%	1,729.2
Bancafe Panama S.A.		88,633.1	0.0%	0.6
Fiduciaria Cafetera S.A.		37,740.2	5.1%	1,910.8
				<u>13,695.8</u>

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.		37,008.0	4.3%	1,581.9
Bancafe 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>



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22. Capital Stock

Following is the detail of Capital Stock, cut to June 30, 2011 and December 31, 2010:

		<u>June 30</u>	<u>December 31</u>
Authorized Capital	USD	33,853.9	31,348.3
Subscribed and paid capital		28,779.9	26,649.4
Sucribed capital receivable		0.0	0.4

The Authorized Capital, Subscribed and paid capital is represented in the following actions:

		<u>June 30</u>	<u>December 31</u>
Authorized shares	USD	270,831,452.6	250,786,319.6
Subscribed and paid common shares:		230,238,882.4	213,195,003.6
Subscribed capital receivable		0.0	3,136.4
Outstanding shares		230,238,882.4	213,198,140.0
Weighted average of shares subscribed		0.0	207,236,159.7
Face value		70.5	65.3
Intrinsic value valuations		5,299.4	4,569.1
intrinsic value within valuations		4,484.4	3,879.1
net income per share		415.0	355.4

Consolidated capital

	<u>June 30</u>	<u>December 31</u>
Subscribed and paid common share	121,459.2	112,307.3
Elimination Consolidated investment equity	91,277.6	84,495.7
Financial Satatements translation adjustment	7,772.0	3,512.5
Total Consolidated	<u>22,409.6</u>	<u>24,299.1</u>

There are no preferred shares or share repurchase transactions

The shareholders equity generated by equity's revalorization at May 31, 2006 was \$252,185.2.

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.



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- Issue of shares:

According to the aforementioned reform and in line with the official approval of the Financial Superintendence of Colombia, during the second half of 2010, the Bank made the issuance of 26,000,000 preferential shares at a share price of USD 9,100.5, for a total of USD 236,613.0. Consequently there was a capital of USD 1,833.8 and a premium for collocation of preferential shares of USD 234,779.3.

The General Assembly of Shareholders held on March 8, 2011, approved the payment of a dividend of \$200 per share for a total of \$81,611.4 for the 408,056,976 preferential and ordinary shares.

23. Reserves

The detail of reserves as of June 30, 2011 and December 31, 2010, is as follows:

		<u>June 30</u>	<u>December 31</u>
Legal reserve:			
For profit appropriation	USD	17,678.6	4,524.4
For premium on the placement of common shares		<u>870,973.3</u>	<u>815,908.5</u>
		<u>888,651.9</u>	<u>820,432.0</u>
Statutory and occasional reserves:			
At the disposal of Board of Directors		20,583.3	19,611.1
For investment protection		141.6	131.1
For charities and grants available to the Board of Directors		5,738.1	3,738.4
At the disposal of the General Assembly of Stockholders		728,038.3	569,103.3
For fiscal allowances		25,389.1	33,957.3
		<u>779,890.4</u>	<u>626,541.2</u>
	USD	<u>1,668,542.2</u>	<u>1,446,974.1</u>

On June 30, 2011 and December 31, 2010, donations were made in the amounts of USD 2,248.7 and USD 2,121.1, respectively, paid for by the occasional reserves used for this purpose, authorized by the Shareholders' Assembly.

The General Assembly of Shareholders held in March, 2011 and September 2010 approved the release of reserves available to the Assembly for USD 3,724.5 and USD 1,666.8, respectively, for a reserve available to the Board for donations.

The General Assembly of Shareholders held in March 2011 approved the release of part of the non-regular reserve for tax provisions of USD 10,370.4 to constitute a reserve available to the General Assembly for future deals.



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24. Contingent Accounts

A detail of contingent accounts is as follows:

		<u>June 30</u>	<u>December 31</u>
Loansors:			
Values gave during repo and simultaneous operations	USD	216,268.2	98,420.6
Bank guaranties		784,599.2	441,943.2
Letters of credit		42,117.8	53,676.5
Approved and not disbursed credits		2,369,818.3	1,919,830.3
Credit card opening		4,416,244.7	3,710,257.7
Obligations in options		82,034.0	52,000.0
Accounts payable to the Nation, Law 546/99		12,177.6	11,276.3
Litigation (Note 20)		145,230.2	132,050.9
Receiving payment order money		1.9	0.0
Others (Less than 5%)		33,854.6	5,884.1
		<u>8,102,346.3</u>	<u>6,425,339.6</u>
Debtors:			
Values gave during repo and simultaneous operations		0.0	7,025.1
Titulos o valores endosados en propiedad			
al Banco de la República		30,000.0	0.0
Credit portfolio interests		22,740.0	17,952.2
Financial leasing interests		1,164.3	942.3
Rights in options		5,784.0	28,300.0
Housing portfolio relieves Law 546/99		17,245.1	13,841.2
Canons to be received		39,727.0	25,280.8
Purchase options to be received		821.7	585.3
Monetary correction of credits portfolio		4,125.9	2,984.0
Monetary correction of Financial Leasing		600.9	394.5
Writen down restructured portfolio (1)		392.1	362.3
Rights contract certificated		9,700.8	8,982.9
Litigation		49,128.3	112,287.1
C Securities II securitization II		19,113.1	17,214.4
Balance for income tax		4,376.5	0.0
Bad debt portfolio restructuring agreements		0.0	362.3
Securitization on residual value		32,289.8	15,653.2
Other debtor contingencies (Less than 5%)		713,733.1	867,589.9
	USD	<u>950,942.8</u>	<u>1,119,757.6</u>



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25. Memorandum Accounts

The following is the detail of the Memorandum Accounts:

		<u>June 30</u>	<u>December 31</u>
Debtors:			
Assets and securities received in custody	USD	2,023,687.8	2,009,459.2
Assets and securities received in guarantee		23,212.9	27,987.1
Revaluation assets received as payment – real state		3,334.7	3,099.1
Revaluation assets received as payment – personal property		3,682.9	3,358.0
Revaluation assets real state - different housing		30.6	83.6
Remittance and sent to other recovery		5,567.4	4,915.8
Unpaid traded checks		951.0	880.6
Write down assets		816,281.7	666,847.7
Unused credits		3,729.2	7,844.3
Assets inflation adjustment		33,602.4	31,541.6
Distribution of paid-up capital		30,181.6	26,649.4
Credits to stockholders and related parties		177.9	687.9
Loans to parents, subsidiaries and subordinates		1.1	2.1
Agricultural portfolio new loans		515,962.9	599,127.0
Property and equipment fully depreciated		97,562.5	96,677.5
Fiscal Value of non-monetary assets		15,861,737.8	13,011,958.1
Allowance people in concordat situation		26,459.9	24,501.5
Investment negociable in debt securities		1,156,654.0	1,127,790.7
Investment to be maintained up to their maturity		200,866.3	200,984.4
Investment available for sale – debt securities		688,051.6	689,470.2
Reciprocal operations with Parent Companies and Subordinates		186,201.5	171,430.4
Reciprocal operations that affect expenses and costs with parent companies		6,723.0	6,778.6
Capital, interest and insurance securitized portfolio		1,155,723.3	1,172,591.2
Capital, interest, Daviplan and insurance universality and portfolio		54,008.2	51,689.0
Universalities assets, expenses and contingencies		298,791.3	273,997.7
Interest, RVU and guaranties		408,527.3	347,528.7
Mortgage bonds housing portfolio		13,353.2	24,715.9
Base tax on VAT (value added tax) for purchases		8,077.3	10,445.6
Special litigation processes		51,165.4	49,700.0
Depreciation of Housing Leasing		111,730.9	88,293.2
Lineal cause of syndicated credit and bonds		3,500.3	2,943.9
DCV indirect deposits		710,949.2	548,695.4
Others debtor Memorandum accounts (Less than 5%)		101,651.4	88,537.7
	USD	<u>24,602,138.5</u>	<u>21,371,213.3</u>



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		<u>June 30</u>	<u>December 31</u>
Creditor:			
Assets and securities received in custody	USD	139,849.7	107,118.9
Assets and securities received in guarantee for futures loans		3,378,077.2	3,128,060.8
Guarantees outstanding to cancel		2,236,730.8	2,071,183.0
Assets and securities received in guaranty		10,398,429.9	8,492,929.2
Assets and securities received in other guaranties		1,108,189.7	1,102,508.9
Recovery punished asset		37,778.1	0.0
Inflation adjustment to stockholders' equity		155,169.6	144,498.9
Fiscal monetary correction		(611.1)	(565.9)
Capitalization for stockholders' equity revaluation		155,169.6	143,629.5
Fixed income negociable investments yields		72,363.7	103,824.1
Stockholders' equity fiscal value		1,870,671.9	1,372,312.6
Capital, interest and others comercial portfolio		897,827.8	748,347.5
Capital, interest, and other bad debt portfolio items sold off		718,372.8	588,681.0
Capital, interest, and other bad debt portfolio items guaranties		6,133,344.2	5,255,363.0
Capital, interest and others consumption portfolio		553,798.7	481,157.6
Capital, interest and other micro other guaranties		4,271,299.3	3,535,480.5
Capital, interest and others micro – credit portfolio		45,419.4	35,395.2
Capital, interest and others micro - credit portfolo items guaranties		176.0	180.9
Capital, interest and others housing portfolio		1,288,768.8	939,168.8
Capital portfolio housing others guaranties		1,574.7	1,925.2
Capital Leasing contrats – commercial		4,315.2	4,122.5
Liability reciprocal operations with Parent Companies & Subordinates		42,277.5	43,051.9
Reciprocal operations that affect stockholders' equity with parent Company		103,476.2	108,996.1
Reciprocal operations that affect income with parent Company		37,380.3	28,749.0
Universality guaranties, liabilities and incomes		98,082.8	108,859.0
Securitized portfolio guaranties		3,349,479.7	3,355,448.9
Technical Heritage - October 2010		2,061,617.3	1,880,834.3
Technical Heritage - November 2010		2,063,350.1	1,885,521.2
Self-withholding base - Decree 700 – Investment		374,571.1	286,129.2
Maximum credit limit for countries and customers		805,681.5	0.0
Other debtor contingencies (Less than 5%)		4,167,378.0	3,646,571.8
	USD	<u>46,570,010.6</u>	<u>39,599,483.6</u>

26. Fiduciary Accounts

26.1 Mortgage Write Down Loans Universality (CCV).

In June 30, 2011 and December 31, 2011, 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 with proceedings No. 638, 646 and 656, respectively. It was then decide to retrieve the balance of the Bank, a set of mortgage loanss, that due to their particular risk situation had been totally provisioned and at the same time perform an issuance of titles.



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The loans of written off accounts receivable for CCV, CCVII, and CCVIII mortgage 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 Finance Superintendency of 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 Finance Superintendency of 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.

Mortgage Write Down Loans 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)
Mortgage RVU Contingency		6,719.4
Mortgage Interest Contingency		<u>12,458.4</u>
Total Universality	USD	<u>70,287.0</u>

The loans was constituted by 4.641 loanss with a U.V.R. + 11.99% weighted rate. 54% corresponds to VIS loans and the remaining 46% to non-VIS loans.

The CCVIII mortgage instruments are issued and administered by the Bank with an exclusive support in the CCVIII Universality (Mortgage Write Down Loans 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 2, 2010, these securities were classified C (col) by the Colombia's Classification Company Fitch Ratings SCV 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 3,656.8</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.



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- 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 loans 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.

Mortgage Write Down Loans 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)
Mortgage RVU Contingency		28,652.8
Mortgage Interest Contingency		<u>38,702.3</u>
Total Universality	USD	<u>139,195.1</u>

The loans was constituted by 5.866 loanss with U.V.R. + 12.10% weighted rate. 45% corresponds to VIS loans, and the remaining 55% to Non-VIS loans.

The CCVII mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV II (Mortgage Write Down Loans 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 11, 2010, these securities were classified C (col) by the Colombia's Classification Company Fitch Ratings SCV 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:



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						Issued
<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term</u> <u>(Months)</u>	<u>Yields</u>	<u>Face Value</u>	
26-May-04	26-May-12	I	96	Uncertain	<u>USD 5,246.7</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.
- 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 loans 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.

Mortgage Write Down Loans 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 loans was constituted by 7.811 loanss, with RVU + 11.98% weighted rate. The 53% corresponds to VIS loans and the remaining 47% to non-VIS loans.

The CCV mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV Universality (Mortgage Write Down Loans) 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.



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At December 3, 2008, these securities were classified C (col) by the Colombia's Classification Company Fitch Ratings SCV according to their risks conditions.

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 7,302.8x</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 loans 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 June 30, 2011 and December 31, 2010 are presented below:



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June 30		CCV	CCVII	CCVIII	Total
<u>Balance</u>					
Cash and cash equivalents	USD	0.0	870.4	182.0	1,052.5
Credit Portfolio		9,479.3	5,875.0	3,503.3	18,857.6
Debtor		<u>951.4</u>	<u>200.9</u>	<u>140.7</u>	<u>1,293.0</u>
Assets Total		<u>10,430.7</u>	<u>6,946.3</u>	<u>3,826.1</u>	<u>21,203.1</u>
Accounts payable		730.8	0.0	0.0	730.8
Creditors		220.6	0.0	0.0	220.6
Various		0.0	1,071.3	322.7	1,394.0
Long term-debt		<u>9,479.3</u>	<u>5,875.0</u>	<u>3,503.3</u>	<u>18,857.7</u>
Liabilities Total	USD	<u>10,430.7</u>	<u>6,946.3</u>	<u>3,826.0</u>	<u>21,203.1</u>
<u>Results</u>					
Operating Income	USD	0.1	0.3	0.2	0.6
Readjustment to real value unit R.V.U.		259.3	160.7	127.1	547.0
Portfolio recovery		645.5	994.3	1,426.9	3,066.8
Real State trust recovery		<u>621.1</u>	<u>508.4</u>	<u>89.8</u>	<u>1,219.2</u>
Operating Income total		<u>1,525.9</u>	<u>1,663.7</u>	<u>1,644.1</u>	<u>4,833.7</u>
Others Interests		(184.0)	652.8	1,051.0	1,519.8
Commissions		320.9	213.9	180.2	715.0
Fees		73.2	46.5	48.0	167.7
Insurance		1,101.5	567.0	260.8	1,929.3
Miscellaneous		<u>214.2</u>	<u>183.5</u>	<u>104.1</u>	<u>501.8</u>
Operating Expenses Total	USD	<u>1,525.9</u>	<u>1,663.7</u>	<u>1,644.1</u>	<u>4,833.7</u>
<u>Contingents</u>					
Portfolio		106,468.9	54,757.7	18,363.6	179,590.1
Other contingencies		<u>14,073.4</u>	<u>12,381.7</u>	<u>8,612.8</u>	<u>35,068.0</u>
Total Contingencies		<u>120,542.3</u>	<u>67,139.5</u>	<u>26,976.4</u>	<u>214,658.1</u>
<u>Debtors</u>					
Portfolio		14,212.4	12,201.4	9,951.9	36,365.7
<u>Creditors</u>					
Portfolio		42,205.3	33,968.8	33,770.3	109,944.4



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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		<u>84.7</u>	<u>320.7</u>	<u>197.4</u>	<u>602.9</u>
Assets Total		<u>9,891.4</u>	<u>6,021.3</u>	<u>5,121.4</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		<u>8,537.7</u>	<u>5,291.4</u>	<u>4,431.7</u>	<u>18,260.7</u>
Liabilities Total	USD	<u>9,891.6</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		<u>920.2</u>	<u>661.2</u>	<u>454.4</u>	<u>2,035.9</u>
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		<u>286.9</u>	<u>206.9</u>	<u>157.6</u>	<u>651.4</u>
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		<u>12,745.6</u>	<u>12,021.8</u>	<u>7,593.0</u>	<u>32,360.4</u>
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		<u>14,085.8</u>	<u>12,001.0</u>	<u>10,130.8</u>	<u>36,217.6</u>
<u>Creditors</u>					
Portfolio		<u>42,354.2</u>	<u>33,126.6</u>	<u>34,772.2</u>	<u>110,253.0</u>



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The following is the detail of the trusted assets:

		<u>June 30</u>	<u>December 31</u>
Real state trusts	USD	694,380.4	556,345.1
Management trusts		755,626.1	641,968.1
Pension trusts		915,243.6	863,367.4
Collective loans		844,319.6	717,611.8
Warranty trusts		<u>414,011.6</u>	<u>306,799.7</u>
	USD	<u>3,623,581.4</u>	<u>3,086,092.1</u>

27. Operating Income – Others

The detail of the operating income – others is as follows:

		<u>June 30</u>	<u>December 31</u>
Traveler withdrawal	USD	7,529.6	8,805.1
Charge for the use of networks		8,960.8	8,343.1
Sale Checkbooks		1,132.3	963.7
Virtual Services		167.8	1,136.0
Commercial service		8,483.1	9,283.1
Check book sale		7,727.4	7,574.8
Credit card refusals		1,405.8	842.9
SARO - Fraud recovery		2,972.8	0.0
Local and National Deposits		4,883.3	4,720.1
Managment checks		1,067.9	959.2
Consortiums or joint ventures operational income		3,607.6	3,709.5
Others (Less than 5%)		<u>3,323.4</u>	<u>3,681.0</u>
	USD	<u>51,261.8</u>	<u>50,018.3</u>



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28. Operating Expenses – Others

The detail of the operating expenses – others is as follows:

		<u>June 30</u>	<u>December 31</u>
Fees	USD	24,203.1	33,141.7
Losses in simultaneous short-term and open, operations and temporary security transferences		785.7	2,157.2
Taxes		37,842.4	21,096.0
Leases		15,956.8	15,264.1
Contributions and affiliations		13,502.3	12,317.6
Insurance		28,984.4	24,952.0
Maintenance and repairs		5,962.8	7,606.8
Suitability offices		4,980.1	6,801.0
Services toilet and surveillance		8,209.5	7,972.3
Temporary services		1,130.6	2,202.3
Advertising and propaganda		19,048.4	25,356.0
Public relations		270.3	390.5
Public services		15,237.3	17,452.9
Electronic data processing		15,047.2	17,154.0
Travel expenses		3,386.0	4,177.3
Transportation		12,872.1	14,551.9
Tools & stationery		4,558.5	4,095.4
Consortiums or joint ventures operational expenses		1,689.7	1,383.6
Donations		21.7	0.0
Network Committees		0.0	38.7
Others		<u>4,585.0</u>	<u>5,897.8</u>
	USD	<u>218,273.9</u>	<u>224,009.3</u>

29. Allowances – Others

The following is the detail of other allowances:

		<u>June 30</u>	<u>December 31</u>
Cash	USD	164.3	125.1
Assets received in payment		2,407.6	1,669.5
Other assets		230.4	89.7
Other estimated liabilities		28.7	0.0
Others		<u>161.0</u>	<u>140.9</u>
	USD	<u>2,992.0</u>	<u>2,025.0</u>



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

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30. Non-Operating Income

The following is the detail of the non-operating income:

		<u>June 30</u>	<u>December 31</u>
Gross profit on sale of			
Foreclosed Assets	USD	1,356.2	1,008.2
Properties & Equipment		907.1	851.9
	USD	<u>2,263.3</u>	<u>1,860.1</u>
Recoveries:			
Portfolio and property written off	USD	39,269.5	47,654.8
Refund allowances properties and equipment		2,590.7	413.1
Refund allowances foreclosed assets		1,467.1	1,558.6
Refund allowances investments		360.1	1,903.1
Refund others assets		402.9	0.0
Refund others allowances		521.3	1,454.9
Refund by sinister		21.0	927.4
Refund deposit insurance		0.0	0.0
Refund Liabilities		0.0	4,286.3
Refund year estimated liabilities		868.2	4,911.2
Others recoveries		11,179.9	5,640.2
		<u>56,680.8</u>	<u>68,749.7</u>
Business collaboration contract (1)		5,109.0	4,829.7
Leases		296.7	319.8
Various (Less than 5%)		3,595.1	3,115.0
		<u>9,000.7</u>	<u>8,264.5</u>
	USD	<u>67,944.8</u>	<u>78,874.2</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. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

31. Non-Operational Expenses

The following is the detail of the non-operating expenses:

		<u>June 30</u>	<u>December 31</u>
Loss on sale of assets received in payment	USD	717.2	832.2
Loss on sale of properties and equipment		250.5	1,673.0
Pérdida en venta de cartera de créditos		0.0	0.0
Damage loss		3,860.9	9,496.4
Penalties and sanctions		2,992.5	3,833.2
Expenses assets received in payment		569.5	464.6
Consortia or joint venture		355.2	428.2
Amortization of excess investment cost on book value		3,211.6	2,973.9
Minority interest		1,927.4	1,624.8
Valor no recuperado en dación en pago		0.0	0.0
Other assets losses		258.5	220.3
Client recognition		84.2	422.2
Housing relieves return		5,530.5	4,836.9
Non-operating expenses previous years		321.9	5,619.8
Government entities default interest		0.0	1,655.2
Commercial difference		236.5	1,155.1
Portfolio fees		281.6	485.5
Others (Less than 5%)		<u>3,865.5</u>	<u>3,587.7</u>
	USD	<u>24,463.4</u>	<u>39,308.9</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



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

The main balances at June 30, 2011 and December 31, 2010 cut-offs, are:

33.1 Operations with Related Parties:

June 30

Shareholders with a share equal or greater than 10% of the bank's capital	Corporate entities in which the Bank has shares equal or greater than 10%	Other Bolivar Group companies	Bolivar Group Administrators	Others shareholders with less than 10% and ≥ greater or equal than 5% of the Bank's capital	Total
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(1)

	USD	0.0	192,213.0	17,714.0	10,669.7	0.0	220,596.7
Assets							
Investments		0.0	173,883.7	0.0	0.0	0.0	173,883.7
Loans Loans and Financial Leases		0.0	1,808.0	11,904.1	10,535.3	0.0	24,247.4
Accounts Receivable		0.0	1,357.1	114.8	134.1	0.0	1,606.0
Property and equipment		0.0	0.0	1,398.0	0.0	0.0	1,398.0
Other Assets		0.0	17.1	4,297.1	0.4	0.0	4,314.6
Valuations		0.0	15,147.0	0.0	0.0	0.0	15,147.0
Liabilities		6,141.1	245,444.3	53,587.1	3,044.0	172,361.8	480,178.4
Deposits and callabilities		6,141.1	135,570.6	49,182.3	2,982.0	6,995.1	200,871.0
Loans from banks and other financial obligations		0.0	98,559.3	0.0	0.0	0.0	98,559.3
Accounts Payable		0.0	4,825.8	1,678.0	48.1	3.7	6,555.7
Investments securities outstanding		0.0	6,488.7	2,326.8	0.0	165,363.0	174,178.5
Others Liabilities		0.0	0.0	0.0	13.8	0.0	13.8
Incomes		0.1	60,947.4	18,930.6	389.0	10,551.4	90,818.5
Operating		0.1	60,922.0	18,574.7	383.6	10,551.4	90,431.7
Non - operating		0.0	25.4	355.9	5.5	0.0	386.8
Expenses		2.4	19,277.7	9,923.2	432.8	7.7	29,643.8
Operating		2.4	19,043.5	9,781.1	304.0	7.7	29,138.8
Non - operating		0.0	234.2	142.0	128.8	0.0	505.0



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December 31

Shareholders with a share equal or greater than 10% of the bank's capital	Corporate entities in which the Bank has shares equal or greater than 10%	Other Bolivar Group companies	Bolivar Group Administrators	Others shareholders with less than 10% and ≥ greater or equal than 5% of the Bank's capital	Total
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(1)

(2)

Assets	USD	568.1	985,794.6	13,718.5	7,116.7	0.0	1,007,198.0
Investments		0.0	967,438.1	0.0	0.0	0.0	967,438.1
Loans Loans and Financial Leases		568.1	1,068.5	11,398.7	7,048.7	0.0	20,084.0
Accounts Receivable		0.0	388.0	321.7	68.1	0.0	777.8
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
Loans from banks 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
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
Operating		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) Legal Representatives and members of the Board of Grupo Bolívar, plus Davivienda bank Branch legal representation, for judicial purposes

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. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

34. Risk Management

The Risk Administration and Management in the companies of the Grupo Bolívar is performed through a strategy of synergy between the companies, consolidating a Risk Area for all companies to optimize the technology resources and the risks assumed. This Area is the responsibility of the Vice President of Investment Risk of the Grupo Bolívar, overseen by the Executive Vice President for Finance and Risk of the Grupo Bolívar.

For this reason it has been established that the Financial Risk and Investment Committee of the Grupo Bolívar (CRFel), the Assets and Liabilities Management Committee (ALM), or its substitute and the Board of Directors for each organization in the Group, are the bodies responsible for defining corporate policies in relation to exposure to different financial risks, taking into account that such policies are consistent with the financial and operational structure of each of the organizations, as well as with its strategy and corporate objectives for its part, the Handbook of Financial Risk Management of the Grupo Bolívar (MARF) consolidates aspects of the administration and management of financial risk of treasury and liquidity in the Group's companies required for that purpose. The MARF system supersedes the Market Risk Management System (SARM), the Liquidity Risk Management System (SARL), Handbook of Derivatives and provisions of the Self-regulating Securities Market.

Thus, companies have designed an appropriate structure with exposure limits for the different risks to manage loans and the activities undertaken to carry out their management. Defined for each company, among others, are investment and counterparty limits, trader limits, VaR limits for early warning to control the operation of the treasury.

Based on the above, the Vice President of Investment Risk is responsible for risk measurement and analysis, the periodic review and evaluation of the methodologies for assessment of financial instruments and verification of compliance with policies and limits set by the applicable regulations, the CRFel, Committee for Financial Risk and Investment of Collective Loans (CRFel CC), GAP Committee and the respective Boards.

Organizational Structure

In accordance with the basic guidelines for safety and professionalism, the areas of operation, risk and commercial of the Bank and Subsidiaries are separate; however, to take advantage of the synergies within the companies of Grupo Bolívar, there are cross-support programs that support the development of tools for managing risks.

In personal banking the Vice President of Personal Banking Loans is in charge of the evaluation, administration and collection of all lines of loans. The approval was based on a pyramidal authority structure with defined limits. There are also loans committees with decision-making duties.

For these lines of loans there are scores of conferment which have been built based on historical information to assess customer variables, behavior and borrowing in the financial sector, the type of product and warranty. Methodologies have also been developed to divide loans by homogeneous groups so it is possible to assign individual risk levels.

The main homogeneous groups in personal banking are:

- Loans for mortgage and leases
- Vehicle loans
- Loans card
- Bank drafts
- Other consumer loans

In Corporate and Business Banking, the business strategy is the responsibility of the Vice President of Enterprise Business and the loans risk assessment comes under the Vice President of Corporate Loans, who is responsible for analyzing loans applications, following up on existing obligations, to assign risk categories and management of recovery in cases that warrant it.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

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The Vice President of Corporate Loans is responsible for granting loans facilities, the target market are national and international companies with revenues exceeding USD 16.9 Million dollars, whose economic activity is included within the rules and conditions set by both the Superintendency de Sociedades and Banco Davivienda S.A. To achieve this goal, a thorough analysis is made of the loanworthiness of companies, examining the macroeconomic and microeconomic conditions in which it operates, the culture, strategy, policies, procedures and the various quantitative and qualitative risks, and the size and importance of the economic sector in which it operates.

The evaluation of the various alternatives for hedging financial risk to which the Bank is exposed, administration of grant policies, assessing the risk of large loans, SMB and corporate, maintaining a risk - return balance, and consolidation of the Bank's financial information (Balance Sheets, Financial Statements, budget), as well as the generation of product management figures, transactions and income from services, is the responsibility of the Vice President for Risk and Financial Control.

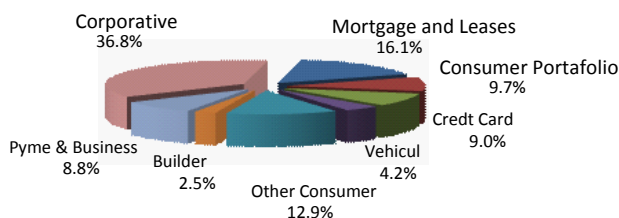
The exposure limits per strategic segment and in general all risk management policies are approved by the Board.

In the management of operational risk, the Assistance Vice President of Operational Risk is responsible for ensuring the integrity of business processes and the ability to keep services available to customers and partners, with the aim of transparency in business management.

34.1 Loans Risk – Loans Products:

The composition of the Banco Davivienda's loans at June 30, 2011 is the following

Loans Composition June 2011



Given the above graphic, personal banking participates with 51.8% while the corporate banking accounts for 48.2%.

a. Reference models published by the Finance Superintendency of Colombia

The Bank implemented as of July, 2007, under its loans 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 Consumer Reference Model (MRCO), according to the definitions issued by the Finance Superintendency of Colombia.

The Bank implemented the calculation of provisions using the countercyclical approach methodology, provisions provisions by the Finance Superintendency of Colombia.

Below is a breakdown of provisions for commercial, consumer and mortgage loans.

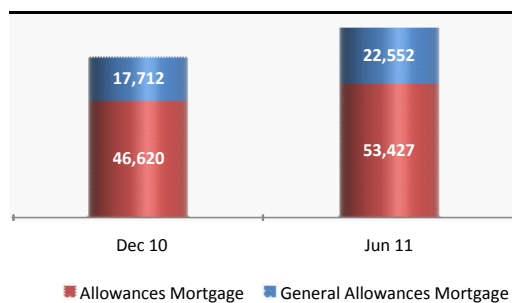
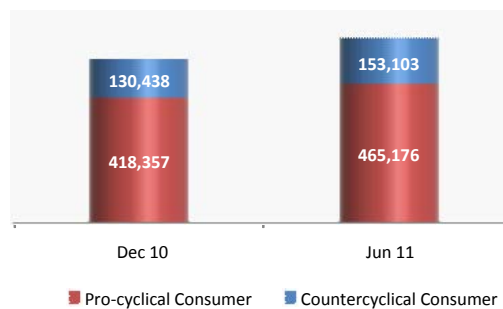
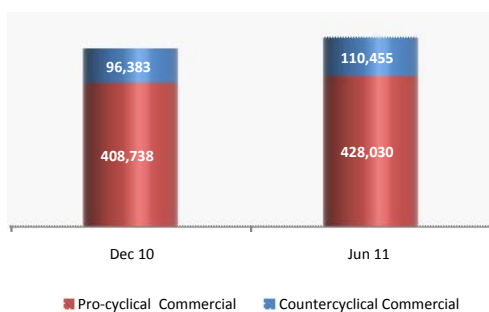


BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

(Figures in thousands of dollars)	Total countercyclical Allowance	Total Procyclical Allowance	Total General Allowance	Total Bank Allowance
Allowances				
Jun-11	USD 148.7	534.1	12.8	695.5
Dec-10	USD 118.5	456.5	9.2	584.2

These benchmarks and the current regulations are the basis for estimating loans provisions





BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

Loans Mass

This loans includes loans for individuals, which relate mainly to mortgage and consumer loans.

in the consumer loans adjustments¹ were made to the loans origination models, seeking to improve the risk profile of customers at link-up time.

For these loans 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 loans risk; these statistical models are composed of historical behavior of loanss, demographic variables of the customers and cash flow projections, among others..

Below are the main balances for each loans segment and the risk provisions assigned to each.

		Balance	% C, D, E	Allowance	Coverage C,D,E
(Figures in thousands of dollars)					
P O R T F O L I O M A S S	Mortgage and Leases				
	Dec-10	1,643.8	2.7%	75.6	169.9%
	Jun-11	2,128.4	2.2%	92.1	200.6%
	Loans Card				
	Dec-10	984.3	4.5%	51.4	115.9%
	Jun-11	1,184.2	4.7%	63.5	114.1%
	Others Consumer				
	Dec-10	1,323.0	10.0%	154.3	117.0%
	Jun-11	1,706.9	9.5%	192.1	118.5%
	Warrant Consumer				
	Dec-10	1,168.8	3.4%	55.7	141.5%
	Jun-11	1,280.4	3.5%	62.6	140.0%
	Vehicle				
	Dec-10	440.9	5.9%	25.3	96.7%
	Jun-11	552.1	5.5%	30.6	101.0%
	Total				
	Dec-10	5,560.8	5.1%	362.3	126.5%
	Jun-11	6,851.9	4.9%	441.0	130.2%

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.



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Other uses: Fixed Crediexpress, Rotary Crediexpress, Preferential and Standardized

During the first half of 2011 participation in personal banking increased due to increases in holdings of loans 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 loans percentage has 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.

Below is the loans breakdown of Personal Banking and changes during the first half of 2011:

(Figures in thousands of dollars)		Balance	Variation %	Variation USD	Participation %
P O R T F O L I O M A S S	Mortgage and Leases				
	Dec-10	1,644.6	-10.9%	-201.0	29.6%
	Jun-11	2,128.4	19.8%	352.4	31.1%
	Loans Card				
	Dec-10	984.3	12.2%	107.2	17.7%
	Jun-11	1,184.2	11.4%	121.1	17.3%
	Other Consumer				
	Dec-10	1,323.0	21.5%	234.2	23.8%
	Jun-11	1,706.9	19.5%	278.2	24.9%
	Warrant Consumer				
	Dec-10	1,168.8	4.8%	53.1	21.0%
	Jun-11	1,280.4	1.4%	18.1	18.7%
	Vehicle				
	Dec-10	440.9	16.2%	61.6	7.9%
	Jun-11	552.1	16.0%	76.0	8.1%
	Total				
	Dec-10	5,561.7	4.8%	255.0	100.0%
	Jun-11	6,851.9	14.1%	845.8	100.0%

Other uses: Fixed Crediexpress, Rotary Crediexpress, Preferential and Standardized

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 loans.

To measure risk, the Bank has developed its own assessment models that seek to properly manage loans risk.

In relation to the model used for the management of Corporate loans 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.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

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In SMB Banking, the policies for evaluation and acceptance of clients for loans 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 loans 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 loans segment and the risk allowances assigned to each.

(Figures in thousands of dollars)		Balance	% C,D,E	Allowance	Coverage C, D, E
P O R T F O L I O M A S S	Corporate				
	Jun-11	USD 4,871.2	0.7%	143.1	410.6%
	Dec-10	4,093.7	0.7%	126.1	464.4%
	Constructor				
	Jun-11	328.9	5.2%	23.2	136.7%
	Dec-10	292.1	6.7%	22.1	112.7%
	Enterprise and SME				
	Jun-11	1,169.8	5.8%	88.2	130.0%
	Dec-10	992.8	5.8%	73.7	128.9%
	Total				
	11-Jun	USD 6,370.0	1.9%	254.5	212.7%
	10-Dec	5,378.6	1.9%	221.9	213.5%

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 loans risk measuring policies implemented the commercial reference model (MRC for its initials in Spanish) as of July 2007 and the Consumer reference model (MRCO) as of July 2008.

Following, the principal balances for each type of loans and the risk provisions assigned to each one will be shown.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

(Figures in thousands of dollars)			Balance	% C, D, E	Allowance	Coverage C,D,E
FINANCIERA LOANS	Commercial	Dec-10	USD 118.5	6.34%	10.8	143.92%
		Jun-11	133.9	5.99%	10.7	133.09%
	Consumer	Dec-10	51.7	6.04%	2.9	91.79%
		Jun-11	36.7	7.21%	2.4	90.29%
	Micro-loans	Dec-10	35.6	2.23%	5.2	651.17%
		Jun-11	45.6	3.20%	2.9	195.65%
	Total	Dec-10	205.9	5.55%	18.9	164.86%
		Jun-11	USD 216.2	5.61%	15.9	131.29%

Panama

Panamá within its loans 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 loans's maturity profile.

34.2 Market Risk

Treasury book

Financial Risk Management

The Vice President of Investment Risk of the Grupo Bolívar is responsible for proposing, defining and ensuring the proper implementation of policies and procedures for conducting risk management, according to the decisions and guidelines determined by the Board of Directors of the Bank or by the Financial Risk and Investment Committee (CRFel) of the Grupo Bolívar, taking into account the powers belonging to each group.

The Vice-presidency of Investment Risk is also responsible for measuring and analyzing risk, as well as the periodic review and evaluation of the methodologies for valuing financial instruments.

The Financial Risk and Investment Committee is the group to which the Board has delegated responsibility for approving the maximum levels of financial risks to be assumed, which are then ratified by the Board itself.

The Financial Risk Management Handbook consolidates policies related to the management and administration of financial risk by the Treasury in the Bank, and is the document through which the required management system is established. It sets out the general rules and procedures required for proper management of risks associated with the cash transactions allowed, including market risk.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

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Operations

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.

The Bank has designed an appropriate structure of exposure limits to control the various loans that make up the treasury, operations with derivative financial instruments and the activities undertaken to carry out their management. Limits have been defined for investment, counterparty, repurchase and derivatives, among others, as well as trader limits, position limits, limits on modified duration and value at risk limits to control the operation of the treasury.

This management is done with the support of rigid tools designed internally and applications or trading platforms as well as records used by the Bank.

In addition to the above, tools have been developed to perform detailed monitoring of operations in accordance with corporate and regulatory guidelines.

Composition of Loans

The accounting classification of the investment loans consolidated by the Davivienda Bank and its' affiliates as of June 30st, 2011 is composed of: Negotiable investments (USD 1,217,069.2), available to be sold (USD 898,095.2) and investments until the due date (USD 201,130.2). 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.

The following is the Bank's investment loans at June 30, 2011 and December 31, 2010:



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

Investment Loans per accounting classification

(Figures in thousands of dollars)

		<u>June 30</u>	<u>Part. %</u>	<u>December 31</u>	<u>Part. %</u>
Negotiable	USD	1,137.7	56.9%	USD 1,119.8	56,7%
Available for sale		688.0	34.4%	689.5	34,9%
To Maturity		<u>172.1</u>	<u>8.7%</u>	<u>166.7</u>	<u>8,4%</u>
			<u>100,0</u>		
Total		<u>\$1,997.9</u>	<u>%</u>	<u>\$ 1,975.9</u>	<u>100,0%</u>

Investment Portfolio per instrument and accounting classification

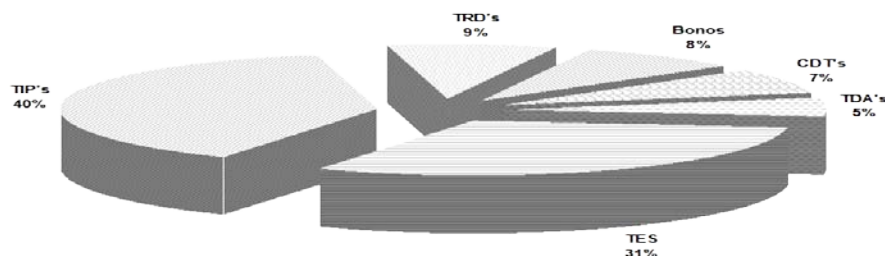
(Figures in thousands of dollars)

Instrument	<u>Negotiable</u>	<u>Part. %</u>	<u>Available for sale</u>	<u>Part. %</u>	<u>Maturity</u>	<u>Part. %</u>	<u>Total ⁽¹⁾</u>	<u>Part. %</u>
Bonds	168.3	14.8%	0.0	0,0%	0.0	0,0%	168.3	8.4%
CDT's	146.5	12.9%	0.0	0,0%	1.7	1,0%	148.3	7.4%
TDA's	109.5	9.6%	0.0	0,0%	0.0	0,0%	109.5	5,5%
TES	343.9	30.2%	276.6	40,2%	0.0	0,0%	620.5	31.1%
TIP's	368.6	32.4%	411.4	59,8%	1.0	0,6%	781.1	39.1%
TRD's	0.8	<u>0,1%</u>	0.0	<u>0,0%</u>	169.4	<u>98,4%</u>	170.3	<u>8,5%</u>
Total	<u>1,137.7</u>	<u>56.9%</u>	<u>688.0</u>	<u>34%</u>	<u>172.1</u>	<u>8.6%</u>	<u>1,997.9</u>	<u>100,0%</u>

- (1) Marketable securities + available for sale + at maturity. Excludes operations for repurchase, interbank, repo and provisions

Composition of investment loans by instrument

June 30, 2011

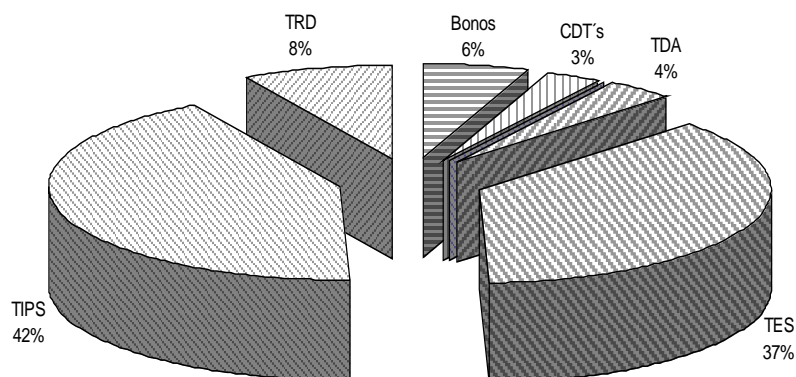




BANCO DAVIVIENDA S.A. Y SUBORDINADAS

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December 31, 2010



Value at Risk Internal Model

The Treasury performs its functions in accordance with the guidelines and strategies defined by the Board of the Bank and the Financial Risk and Investment Committee. Control of the risk that the various business lines or loans are exposed to is exercised by the Vice President of Investment Risk.

The internal model has not been submitted to the Finance Superintendency of Colombia to be used as a tool for normative calculation as it is used as a complementary risk management and analysis mechanism to that given in the regulatory model. This risk measurement uses VaR (Value at Risk) as a reference model, published by JP Morgan in 1994 in the document Risk Metrics: "Return to Risk Metrics: The Evolution of the Standard."

To calculate the volatility of returns, the EWMA² model is used which allows a greater weighting to be given to recent data and gives less weight to past data, which falls exponentially with time.

The calculation of the internal VaR model with cut off at 30 June, 2011 is:

(Figures in Millions of dollars)

<u>Accounting</u> <u>Rate of</u> <u>Investment</u>	<u>VPN</u>	<u>Part.</u> <u>%</u>	<u>Term</u> <u>modific.</u>	<u>VaR</u> <u>95%</u> <u>1 day</u>	<u>VaR</u> <u>99%</u> <u>1 day</u>	<u>VaR</u> <u>99%</u> <u>10 days</u>
Trading	USD 1,123.3	56,9%	2,57	2.1	3.0	9.6
Available for sale	688.0	34,44%	2,65	2.3	3.2	10.1
At Maturity	<u>172.1</u>	<u>8,6%</u>	<u>2,73</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Loans	USD <u>1,983.5</u>	<u>100,0%</u>	<u>2,61</u>	<u>4.4</u>	<u>6.2</u>	<u>19.6</u>

² EWMA Exponentially Weighted Moving Average



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

Performance VaR 95% 1 day

Maximum	7.3
Minimun	4.1
Average	5.5
Last (Jun 30/11)	4.3

(Figures in Millions of dollars)

Limits and risk exposure policies

The Financial Risk and Investment Committee (CRFeI), the Asset and Liability Management Committee (ALM) and the Board are the bodies responsible for defining the general guidelines to be observed in relation to risk tolerance arising from the Bank's activity. For this, the Board and the CRFeI must set the tolerance limits for treasury financial risk, and the levels of position, duration and / or maximum loss, among others, for each of the products in which the entity retains positions. For its part, the Board and the ALM Committee must make sure to set tolerance limits on liquidity risk and to track levels of liquidity, time and mismatches, among others, for each of the business lines in which the entity has a stake.

These bodies are responsible for authorizing the entry of new products, defining the respective exposure limits for various risks and ensure that the entity has sufficient capacity to manage them efficiently, taking into account the current regulations .. Similarly, the CRFeI, the ALM Committee and the Board are responsible for authorizing changes or modifications to existing exposure limits to the risks assumed.

In this regard, any proposal involving a change to the policies set by the Board, either for an existing or new product, is studied by the Vice President of Investment Risk in conjunction with the areas involved³ and is evaluated and authorized by the CRFeI and / or ALM Committee who will submit it to the Board for consideration and ratification.

Regulatory VaR

Value at Risk

The calculation of consolidated Value at Risk "VaR" of Banco Davivienda and its Subsidiaries is performed according to the methodology described in chapter XXI, Annex I of the Basic Accounting and Financial Circular of the Finance Superintendency of Colombia. The Value at Risk calculated for cut-off June 30, 2011 was: \$ 198,738 Million Pesos. The decrease in this value for May was due to the reduction in the position and duration of the investment loans.

The monthly performance of the VaR from January 31, 2011 to June 30, 2011 is shown below:

(Figures in Millions of dollars)

Maximum	114.6
Minimun	91.2
Average	101.8
Last (Jun 30/11)	95.5

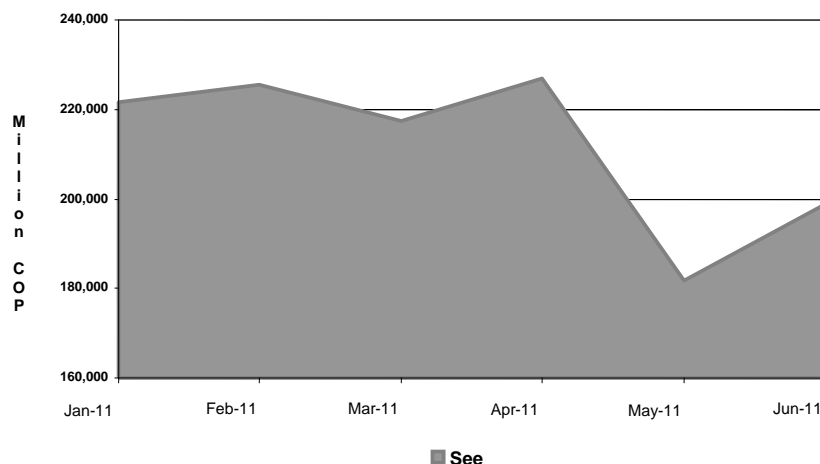
³ Between others: Back Office, as well as Legal, Accounting and Technology Areas



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

VaR Regulatory Development



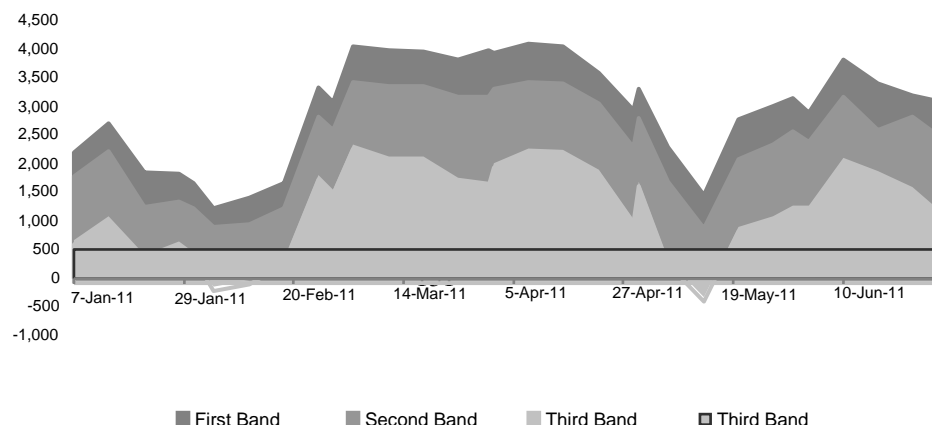
Liquidity Risk

Conducted in accordance with the parameters that must be 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.

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).⁴

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, loanors, shareholders and those with which the companies developed their activities needed to fulfill their corporate objective.

Below is shown the assessment of liquidity risk in the different active, passive and expected cash flow positions through the Liquidity Risk Indicator LRI, and its performance from the first transmission on January 7, 2011 until 30 June 2011.





BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

Information to June 30, 2011

<u>Band</u>		
<u>First</u>	<u>Second</u>	<u>Third</u>
1 a 7 days	8 a 15 days	16 a 30 days
1,743.8	1,369.6	637.1
(Figures in Millions of dollars)		

⁴ According to that established by the Finance Superintendency of Colombia in External Circular 042 of 2009, "the First Band includes (7) calendar days from Monday of the week in which the weekly liquidity risk report is sent until Sunday"

The related time bands refer to liquid assets adjusted for market liquidity and the net between projected flows of the assets and liabilities with contractual and non-contractual maturities.

Given the limits of the liquidity risk indicator LRI accumulated for the first band, which must always be equal to or greater than zero (0) according to regulations, the entity has not filed a statement outside the liquidity risk limits, thus demonstrating a positive performance in cash flow mismatches.

34.3 Internal Control System

The safety and reliability of the business processes form an essential part of having an effective internal control system and for which reason the Bank and its Subsidiaries have built and is optimizing the control structure for all its processes, using controls that are required in accordance with the levels of impact and likelihood of risks that may arise in compliance with the requirements established in External Circular 038 of 2009 of the Finance Superintendency of Colombia.

The internal control system implemented in the Bank and its subsidiaries have policies, procedures and methodologies that are required to create an adequate control environment to ensure the generation, dissemination and keeping of information and consistency in all processes, including account management and technology management.

Whereas monitoring is an important element of internal control system, monitoring is done periodically to ensure effectiveness and efficiency.

34.4 Financial Consumer Care System

As a strategic part of the business of the Bank and its Subsidiaries, its management is directed towards an appropriate and effective care and protection of the financial consumer, creating a series of mechanisms to ensure compliance with the following objectives:

- Develop programs that provide financial education to consumers to make financial decisions.
- Provide understandable, correct, complete and timely information to financial consumers.
- Use due diligence in the products offered and the provision of financial services to consumers.
- Ensure quality and effectiveness of the media defined to meet the information needs of financial consumers.
- Achieve appropriate standards of quality and timeliness in handling complaints and claims submitted by financial consumers.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

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The Board of the Bank has defined policies that have been taken for the financial consumer to ensure adequate and effective attention of all their needs and requirements in accordance with the provisions of Law 1328 and External Circular 015 of 2009 of the Finance Superintendency of Colombia.

34.5 Money Laundering and Financing of Terrorism Risk Management System (SARLAFT)

The Bank and its Subsidiaries have adopted and implemented a Money Laundering and Financing of Terrorism Risk Management System, SARLAFT, based on the premise of risk management that includes knowledge of the customer and its transactions with the entity, the definition of market segments, customers, products, distribution channels and jurisdictions, transaction monitoring, and reporting of operations to the relevant authorities in order to avoid being used to give the appearance of legality to assets derived from illegal activities and / or to finance terrorist activities, according to what is defined in external circular 026 of June 2008 of the Finance Superintendency of Colombia.

SARLAFT is supported by a culture of organization, policies, controls and procedures of knowledge and application throughout the organization that recognizes the entire Colombian regulatory framework, as well as recommendations and best international practices in this area, especially those of the Financial Action Task Force "FATF".

The procedures and rules of conduct on the implementation of all control mechanisms and tools are integrated into the SARLAFT Manual and the Code of Conduct that is for the access and Consumer of all the entity's staff.

The Bank and Subsidiaries regularly conduct training programs for its staff, seeking to create awareness and commitment in each of them.

Also included are reviews of the control mechanisms designed and implemented by the Compliance Unit and other areas of the entity within the Statutory and Internal Audit processes.

In compliance with the rules, the Board designated a compliance officer and a deputy who are duly sworn before the Finance Superintendency of Colombia.

34.6 Operational Risk Management System (SARO)

The evolution of the operational risk management system has allowed greater effectiveness in mitigating events that have occurred in some of the operational processes of the Bank and its Subsidiaries, avoiding losses and / or reducing operating costs in accordance with the requirements established by External Circular 041 of 2007 of the Superintendency Finance de Colombia.

The Operational Risk profile generated by the Bank and its Subsidiaries at the close of business on June 30, 2011 shows that most of the identified risks are adequately controlled with risks remaining at low and medium levels, and in

Bank and its subsidiaries are developing a monitoring system for continuous improvement of processes aimed at achieving better standards of quality and security in their operations.

35. Information Security Strategies - External Circular 052 of 2007

The Bank, together with the different areas that interact in the process of sustainability in compliance with External Circular 052 of the Finance Superintendency of Colombia, maintain a constant process of verification and inclusion of the requirements within the normal course of their duties with a view to having an efficient cycle of continuous improvement.



BANCO DAVIVIENDA S.A. Y SUBORDINADAS

Notes to the Consolidated Financial Statements

With improvements in the methodologies of Bank projects, the identification of regulatory requirements has become an important and fundamental step in analyzing and sustaining initiatives that are presented, including compliance with the Circular.

Similarly, controls remain in place for compliance with Phase I, II and III of External Circular 052 of the Finance Superintendency of Colombia and in accordance with the risks identified in the processes, new controls are implemented as deemed necessary to protect the security of the channels and bank information.

Processes have been strengthened for the exchange of information with third parties where they have control of the information delivered to them, while maintaining the principles of confidentiality and integrity defining within the signed agreements the protection mechanisms, secure channels for the delivery of information and the responsibilities of the parties.

Internally, there is a constant process of dissemination and continuous updating of security procedures related to the Management of the Bank's Transactional Channels through the means established for them, which covers the different roles of the bank's officials.

The Bank and its Subsidiaries are still in the process of investigating new tools and solutions that help mitigate the risks posed by new technologies available for customers with the aim of delivering quality and secure products and services.

36. Corporate Government

The Board of Banco Davivienda S.A. amended the Code of Corporate Governance at its meeting on December 18, 2007 and 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 at its regular meeting on March 7, 2008 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.

Through the Corporate Good Government Code, the Bank details its policies with regards to:

- Evaluation and control of activity of the administrators, principal executives and the directors.
- 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.
- Internal Control System

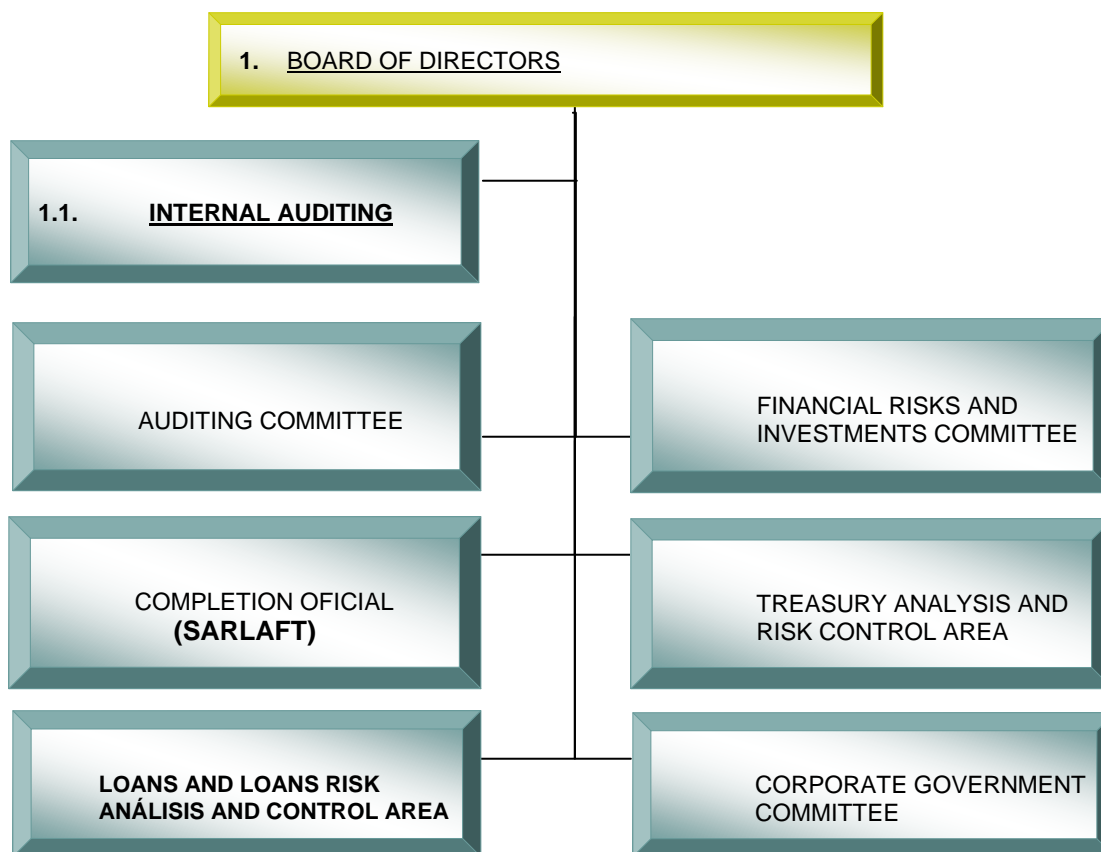


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Regarding the government structures and the handling of risks, the Board of Director has created the committees required by law as well as others, that although they are not necessarily required by law do support the management of the Board of Directors 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.

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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.



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b) 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 Bolivar Group 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.

e) Treasury Analysis and Risk Control Area:

Identifies, estimates, manages and controls the loans 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.

f) Loans and Loans 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 loans 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.



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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 Bolivar Group. 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.

The information of the loans and investment loans 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.



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37. Controls of Law

During the periods ended on June 30, 2011 and December 31, 2010, the Bank and its subordinate complied with the requirements of mandatory reserves, foreign exchange position, minimum capital, solvency ratio, and mandatory investment and investment limits on fixed assets.

Proper Position

Below is the result of the Bank's and Confinanciera position on and June 30, 2011 and December 31, 2010 (Amounts in millions USD):

		<u>June 30</u>	
		Davivienda	Confinanciera
Bank's Average Position (PP)	USD	91.3	0.0
Maximum Required: 20% Technical Equity		406.5	5.6
Minimum Required: -5% Technical Equity		(101.6)	(1.4)

		<u>June 30</u>	
		Davivienda	Confinanciera
Bank's average cash position (PPC)	USD	17.7	0.0
Maximum Required: 50% Technical Equity		1,016.2	14.0

Average gross leverage position (PBA)		8,170.6	0.0
Maximum Required: 550% Technical Equity	USD	11,178.2	154.5

As of June 30st, 2011 and December 31th, 2010, the Bank and "Confinanciera" complied with the limitations established by the governing entity.

Solvency Reference

The following is the Consolidated Technical Patrimony of Bank at and June 30, 2011 and December 31, 2010

	<u>June 30</u>	<u>December 31</u>
Basic Stockholders equity	1,627,484.99	1,095,142.48
Additional Stockholders equity	486,636.27	498,099.46
Technical stockholders equity	2,114,121.26	1,906,724.84
Risk market value	112,134.21	112,736.97
Weighted assets per risk levels	15,891,508.53	13,352,414.24
Solvency index (PT/(APNR+((100/9)*VeR))	12.34%	13.06%



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The classification of the risk assets in each category is done applying the percentages specified by the Finance Superintendency of 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 each month.

Reserve

The Bank and Confinanciera met the reserve requirement, on the legal currency deposits 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

4.5%

Deposit Certificates with term less than 18 months
Savings Certificates with real value less than 18 months
Bonds under 18 months

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 the June 30, 2011 cut-off is shown below for the Bank and Confinanciera:

		<u>Bank</u>	<u>Confinanciera</u>
TDA A (37%)	USD	171,927.92	2,685.07
TDA B (63%)		292,742.17	3,548.17
Required total		<u>464,670.09</u>	<u>6,233.24</u>
Alternative Loans		-242,476.64	0.00
Investment to be made:		<u>222,193.45</u>	<u>6,233.24</u>
TDA A (37%)	USD	171,864.84	2,685.07
TDA B (63%)		50,328.61	3,548.17



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38. Subsequent events

In the session on August 16, 2011, the Bank's Board of Directors authorized the issuance of bonds on the international market for up to \$ 350 million dollars; it agreed to convene the General Assembly of Shareholders on August 26, 2011 to consider authorization to increase the quota of the issue program and the placement of shares with preferential dividend and no voting rights, which was approved in the Assembly of April 28, 2010, and the issuance of shares with preferential dividend and no voting rights and conversion of ordinary shares into shares with preferential dividend and no voting rights.