

**Report from the Board of Directors and the President
to the General Stockholders' Meeting
Sixth month period June / December 2011**

Messrs. Shareholders:

We are pleased to submit to you the report of activities and results of the second half of year 2011. During this period we obtained good commercial and financial results, which allowed us to receive international recognition.

In the month of October we obtained the investment grade rating granted by the major international credit rating agencies (Moody's, Standard & Poor's and Fitch Ratings), definitively, a decisive step to go out to international markets.

On the other hand, in the month of November, the second issue of preferential shares was successfully carried out, in which we were able to obtain funds from the market for \$716 billion, of which 22% corresponded to foreign investors.

Finally, in the past few days we closed an agreement with HSBC Holding to acquire its operation in El Salvador, Honduras and Costa Rica. This acquisition represents for Banco Davivienda a growth in excess of 20% of the consolidated size of its current business, an expansion close to 30% in the markets served.

We hope that this operation will be closed in the second half of 2012 and thus take this new and significant step in our announced growth strategy and internationalization.

I invite you to learn a little more of these and other activities that we carry out during this bimonthly period, as well as the excellent results that we have obtained.

Board of Directors

Principals

Carlos Guillermo Arango Uribe
Javier Suárez Esparragoza
Alvaro Peláez Arango
Gabriel Humberto Zárate Sánchez
Bernard Pasquier

Alternates

Alvaro Carvajal Bonnet
David Peña Rey
Federico Salazar Mejía
Enrique Flórez Camacho
Mark Alloway

Major Figures

4.0 million Customers
\$35.2 trillion of assets
559 offices in **176** municipalities
1.445 ATMs
10.783 employees
1.7 million credit cards
2.9 million debit cards

International ratings:

BBB- Debt rating by Standard & Poor's (investment degree)

BBB- Debt rating by Fitch Ratings (investment degree)

Baa3 Debt rating by Moody's (investment degree)

National ratings:

AAA Debt rating by BRC

AAA Debt rating by Value & Risk

Evolution of major figures

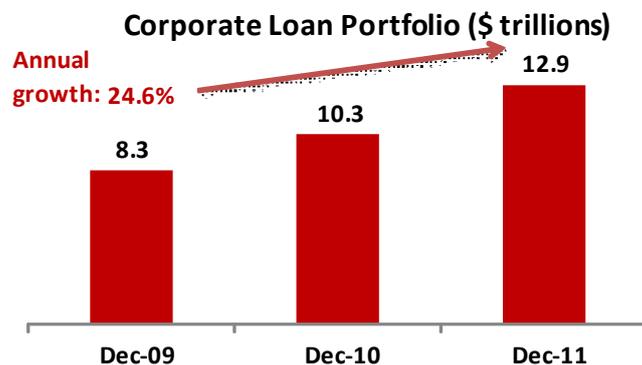
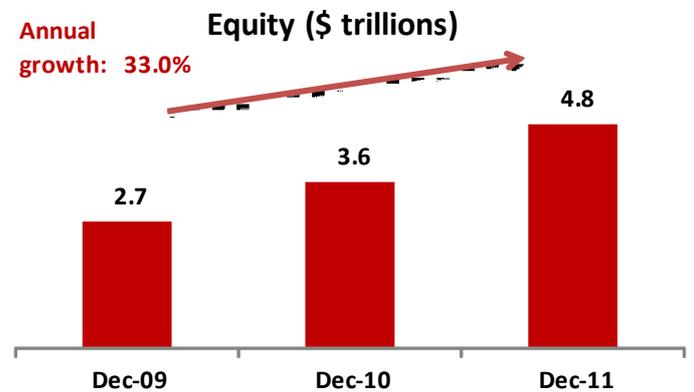
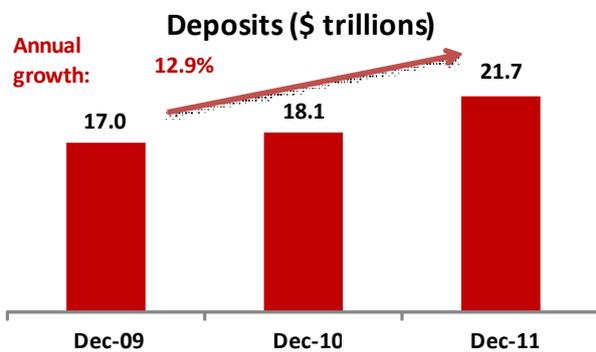
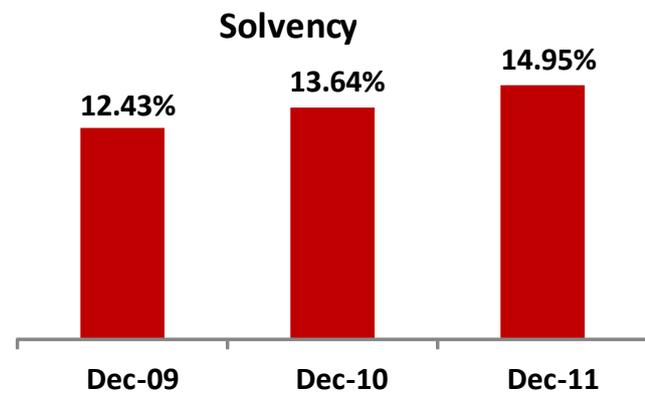
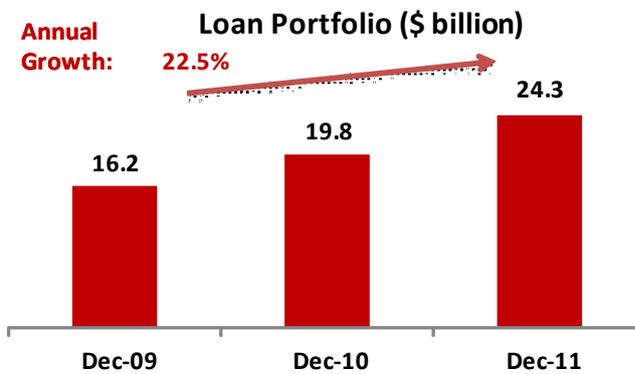
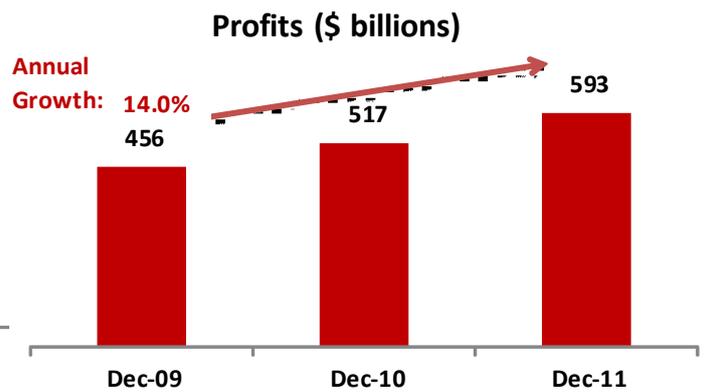
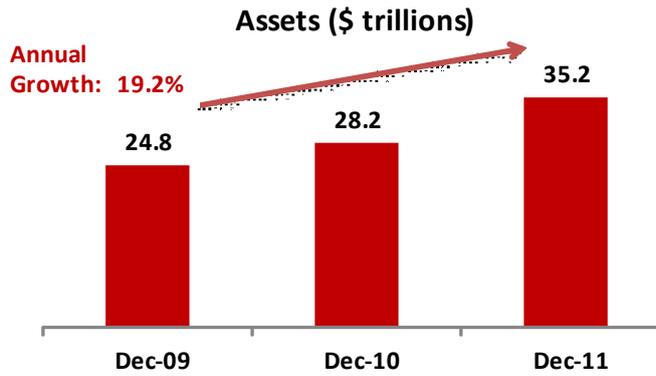


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I. Macroeconomic environment

1. Introduction

Notwithstanding the correction in interest rates by the Central Bank, the Colombian economy experienced in 2011 a growth in excess of that observed in 2010. Consumption by homes and investments, on the expense side, and mining were the components that generated the highest expansion. In the second half of the year the dynamism of the construction service was notorious.

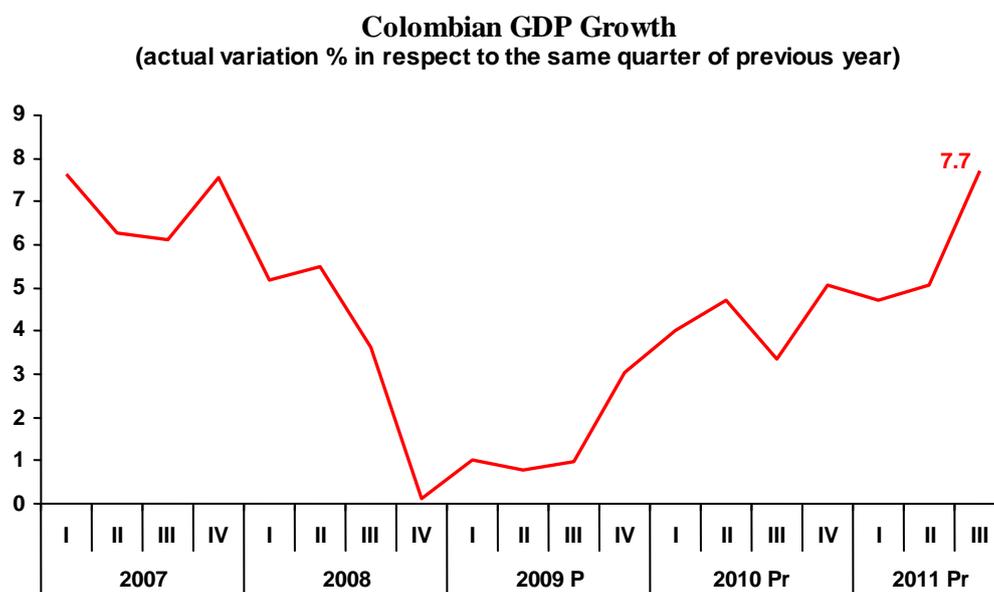
Although the intensive rain regime propitiated significant increases in the prices of food, inflation ended in the goal range established by the Central Bank

The international environment was marked by the crisis of Europe's sovereign debt. The exposure of European banks to this debt generated the devaluation in the price of financial shares. The year was characterized by a strong volatility in the price of shares.

2. Gross Domestic Product

The Colombian economy grew at an actual annual rate of 7.7% in the third quarter of 2011, one of the highest figures in the past ten years, this result positively surprised considering that in general the forecasts by various analysts were around 6.0%.

In the consolidated of the first three quarters the GDP grew at an actual annual rate of 5.8%. Although the growth of the fourth quarter is not available, and notwithstanding that some moderation is observed in the private demand for the fourth quarter, it is considered that with the dynamics of the civil works sector in the last quarter of the year, there could have been an expansion of the GDP in excess of 6% during 2011.



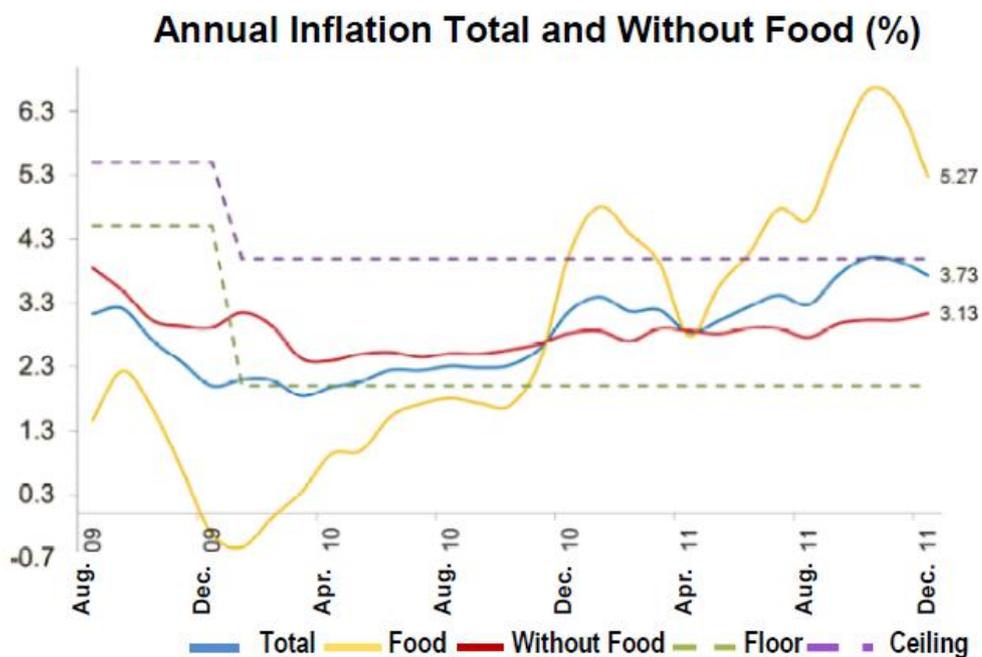
Source: Dane.

In the year to date up to the third quarter 2011, economic activities that have stood out by their significant expansion were mining, taxes and transportation. The mining and quarrying

grew an actual 12.6%, slightly higher than the result of the same period in 2010. In the case of taxes the acceleration of the growth was important passing from growing 5.3% in 2010 to 12.4% in 2011. The transportation sector, in turn, reached a growth of 7.2%, the highest figure in the last four years. On the other hand, community service activities, and those electric power, gas and water experienced the lowest growth, the former with 2.7% and the latter 1.2%.

The analysis of the components of aggregated demand indicate that home consumption remains in an important growth path, in the third quarter had an actual annual increase of 7.4% and in the year to date (September 2011) 5.7%. Gross capital formation increased 18.7% actual, annually in the third quarter of 2011, completing three consecutive quarters with a growth over 16%, thus the investment /GDP ratio was 24% for the consolidated of the first nine month of 2011. Government expense increased 3.2% in the third quarter of last year, the highest figure during 2011. External sector variables showed an expansion of 37.3% in exports and 18.8% in imports.

3. Inflation.



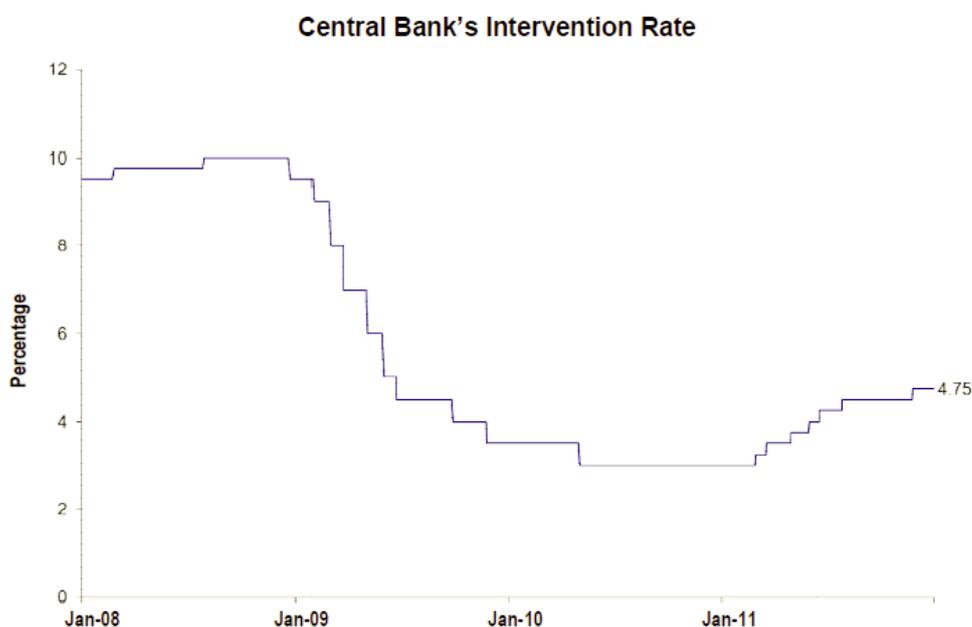
The inflation of year 2011 closed at 3.73%, figure that although is within the goal range established by the Central Bank, does show a growth in respect to the inflation observed in 2010 which had reached 3.17%. Broken down by expense groups, annual food inflation reached 5.27% as compared to the non-food annual inflation that was 3.13%. The food group showed a strong acceleration during most of the year but moderated its growth as of the month of November.

In turn, the performance of the non-food prices shows a slight upward tendency as a result, mainly of the increase in international oil prices and the increase in the exchange rate during the last quarter of the year.

The Labor Concurrence Commission reached an agreement towards the end of the year whereby the minimum salary increase was set at 5.8%.

4. Monetary policy

During the year 2011 the Central Bank modified its political posture by eliminating the monetary incentives for economic growth. As of the month of February the intervention rate was increased by 0.25 percentage points per month. During the month of August, and as a result of the strong deterioration of the stock exchange and opinion indicators in developed countries, those increases were suspended and the rate only increased again in November in such a way that the year closed with a rate of 4.75% as compared to 3% that was observed at the beginning of the year.



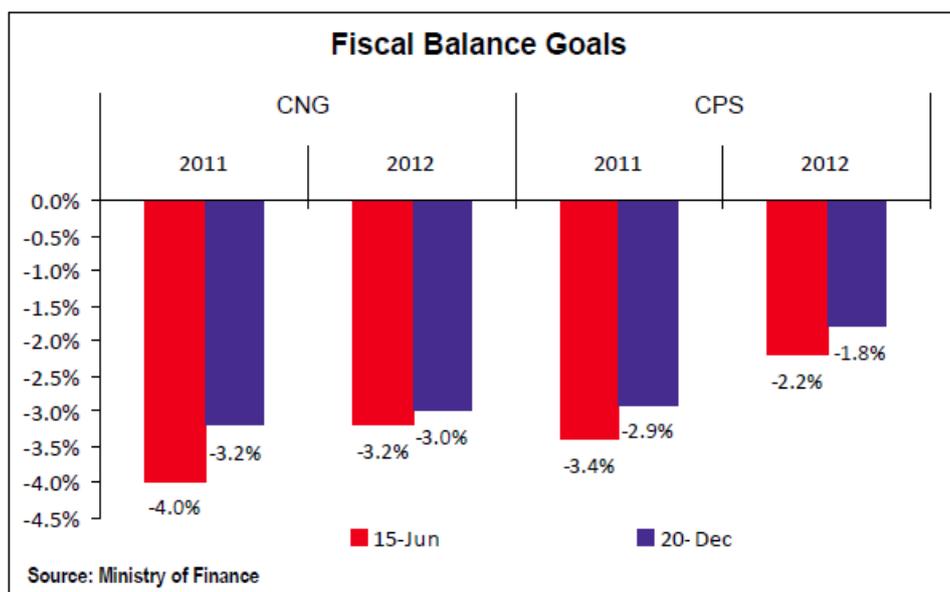
The growth in intervention interest rate was reflected in the growth of the system's asset and liability rates. For example, the DTF (benchmark rate) increased 3.48% in January to 5.12% in December. In turn, consumer credit rate went from 16.8% in the first week of January to 18.6% in the second week of December.

5. Fiscal Policy

Throughout the year 2011 several events took place that impacted the country's fiscal outlook. One of them was perhaps the one of greatest relevance in the international environment and for stock markets was the granting, in the first part of the year, of the investment grade to the sovereign debt issued by Colombia, by Standard & Poor's, Fitch Ratings y Moody's.

Additionally, the approval by Congress of the royalties reform projects was outstanding, as well as the fiscal sustainability and the fiscal rule, that permit the administration of President Santos to have a new institutional fiscal framework for the country.

As far as the income figures are concerned, tax revenues in excess of the figures expected has been observed as a result of the good behavior of the economy. Thanks to this, it is expected that the year 2011 will close with a deficit of -3.2% GDP for the Central National Government (CNG) and of -2.9% GDP for the Consolidated Public Sector (CPS), contemplating the resources intended to take care of the effect of the hard rains and the higher investment expense made by the government to promote the sectors called locomotors.



6. Foreign trade

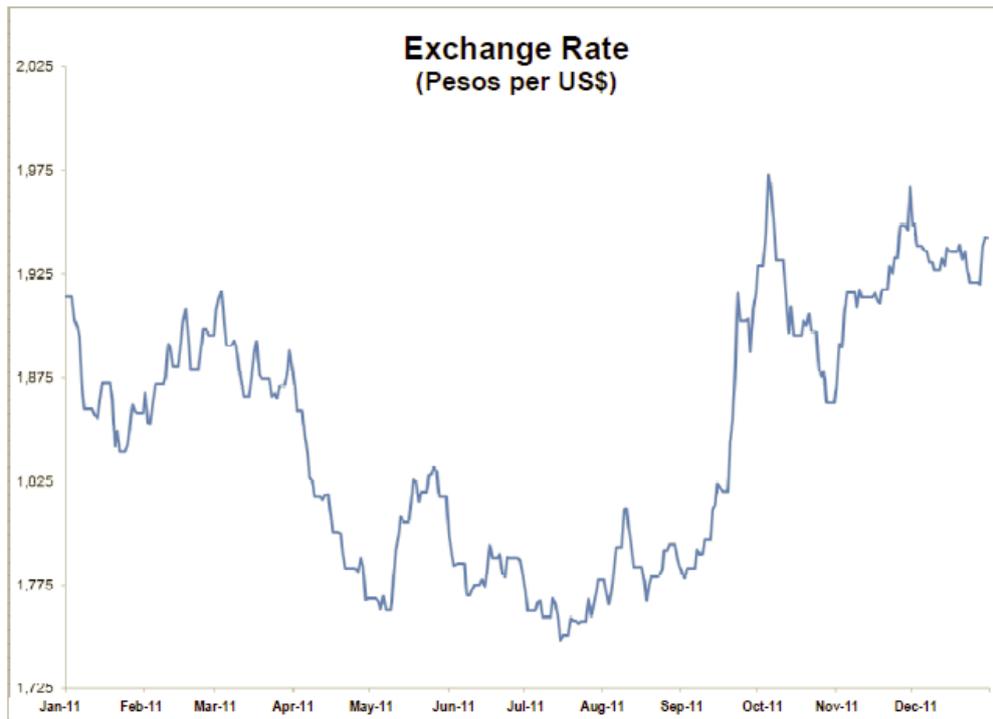
Foreign trade activities showed a very positive result during year 2011. With figures at the closing of the month of October, Colombian exports were US\$46,297 million FOB, reaching an annual growth of 42.2%. Exports continue being promoted by sales of oil and its byproducts. Additionally, exports of nontraditional products have shown an important recovery that is reflected in a growth of 17% as compared to the same period of the previous year. Imports, in turn, reached US\$45,110 million CIF and show an annual growth of 37.1%. Their main growth motor has been external purchases of vehicles and their parts, which have experienced annual variations in excess of 60% in the first 10 months of the year 2011.

7. Exchange rate.

During 2011 the exchange rate had a revaluation trend that permitted to bring down the average exchange rate from \$1,898.6 per US dollar in 2010 to \$1,846.9 in 2011. The peso revaluation persisted during a good part of year 2011 and was interrupted as of the month of September, as a result of the sovereign debt crisis in Europe which ended up affecting the financial system of that continent. The increase in the dollar quotation in the latest part of the year was associated to the strengthening of the dollar worldwide and to the depreciation of a good part of the currencies in the world. As of December 31st of last year, the exchange rate was \$1,942.7.

The factors that contributed to the appreciation of the peso in most of 2011 were related to the price and volume increases in traditional exports (mainly oil and coal), the entry of capital investments (both direct and portfolio) and the obtaining of the investment grade for the

sovereign debt. The movement of these factors permitted to offset the effects of a higher level of imports of goods and services.



8. Progress of the development plan

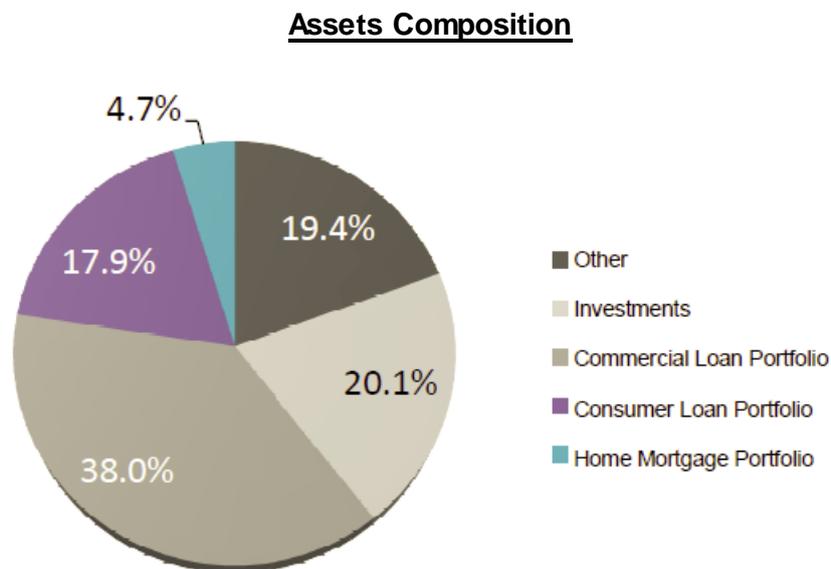
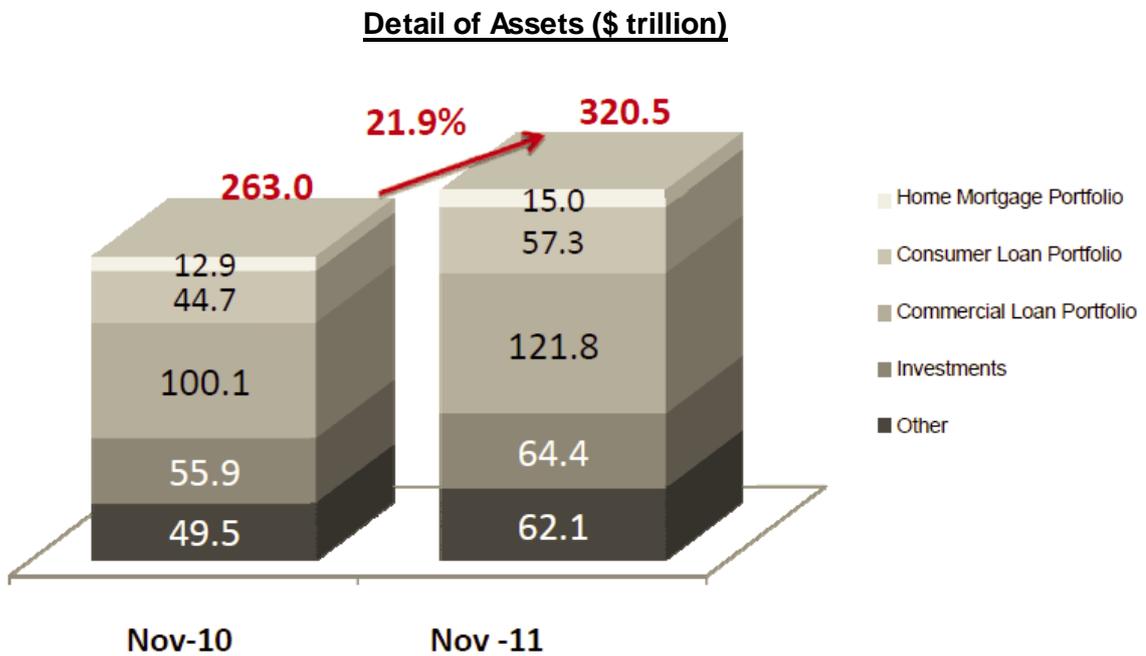
The milestone of President Santos government plan are the “locomotors for development” which are defined as the sector with high positive externalities. The sectors included are: Mining, Housing, Infrastructure, Agriculture and Innovation. For year 2011 investments funds were assigned of 10 trillion pesos for these priorities which represents significant increases as compared to history. The locomotors with highest participation in the investment expense are those of infrastructure, mining and agricultural sector.

II. Financial Sector second half of 2011

1. Main results

The financial system has had a growth of 21.9% as compared to the same month of last year with \$321 billion of assets and liabilities for \$6.2 billion, that is, 14.8% more than those obtained as of November 2010.

Within the assets the loan portfolio represents 60.6% as compared to 59.9% of the previous year, investments reached \$64.4 trillion and liabilities were \$276.5 trillion.



2. Credit portfolio

The growth of the economy of the last few months permits the system's net loan portfolio to grow above 23%. This growth takes place because all credit modalities growth above 20%, even home mortgage loans on which securitizations have been made for close to 6.4 billion pesos.

Loan Portfolio – Credit Institutions (Figures in trillions of pesos)

Loan Portfolio	Nov-10	Nov-11	Growth	
	Value	Value	Value	Variation
Commercial	109.0	132.7	23.7	21.8%
Consumer	44.7	57.3	12.7	28.3%
Microcredit	4.2	5.8	1.6	38.3%
Home Mortgage	12.9	15.0	2.1	16.2%
Provisions	6.5	7.3	0.8	11.8%
Net Loan portfolio	164.2	203.5	39.3	23.9%
Home Mortgage + Securitized	17.7	21.4	3.6	20.5%
Net Loan Portfolio + Securitized	169.0	209.9	40.8	24.2%

Note: Commercial includes Residential Leasing

Source: Financial Superintendence of Colombia

As of November 2011 the quality of the system's total loan portfolio shows an important improvement, passing from 2.15% to 1.88% in the last year, improvement that occurs in a generalized manner in all modalities especially in home mortgage loans where it decreases 69 base points.

Loan Portfolio Quality and Coverage

	Nov-10	Nov-11
	System	System
Consumer	3.14%	2.89%
Commercial	1.57%	1.33%
Home Mortgage	3.24%	2.55%
Total	2.15%	1.88%
Coverage	151.94%	163.60%

Total Loan Portfolio Quality: Unproductive Loan Portfolio by age (Consumer > 60 days, Commercial > 90 days and Home Mortgage > 120 days)/ Total Loan Portfolio

Coverage: Provisions / Past Due Portfolio (>30 days)

Source: Financial Superintendence of Colombia

3. Borrowings from the public

The financial system's growth of borrowings was driven by savings accounts, instrument that represents now 43.08% of deposits. In addition, bonds had a growth of 46.30% in the past year, resulting from the various issues in debt securities that were made throughout the period.

Financial System Borrowings (Figures in trillions of pesos)

	Nov-10	Nov-11	Variation
Savings accounts & CDAT*	77.4	93.7	21.0%
Checking accounts	29.3	34.0	15.8%
CDs	53.4	60.7	13.8%
Other	5.9	6.2	4.7%
Bonds	15.7	22.9	46.3%
Total	181.7	217.5	19.7%

* CDAT = Short Term Savings Certificates of Deposit

Source: Financial Superintendence of Colombia

4. Equity

The growth of assets of the last year has been supported by the increase in the system's equity which grows 18.3% reaching \$44 trillion. This permits the solvency ratio to remain close to 15.2%.

5. Home mortgage

Constructors' loan disbursements as of November 2011 increased 27.4%, passing from \$8,236 billion to \$10,019 billion as compared to the previous year. Gross constructors' portfolio increased 16.5% passing from \$2.35 trillion in November 2010 to \$2.7 trillion as of November 2011.

In respect to the credit disbursements to individuals, these had a growth of 16.0% in comparison with the same period of 2010, and for the specific case of disbursements to purchase Low Income Homes, they increased 9.1%, a result that is explained mainly by the growth of credit for new homes. In turn, we can say that the number of low income home units financed increased in the first three quarters of the year to 41,400.

Accumulated originations of mortgage credit (Figures in billions of Colombian pesos)

	Jan-Nov 2010	Jan-Nov 2011	Growth
Individual	6,644	8,160	22.8%
Subrogations	824	953	-50.8%
Leasing	767	907	36.5%
Total	8,236	10,019	27.4%

Source: Bankers' Association

6. Credit cards

The credit card industry has shown a sustained growth in balances (24.8%) and billings (17.5%). The number of cards in effect increased by 17.5% between November 2011 and the same period in the previous year.

Credit Cards – Financial System (Figures in trillions of pesos)

	Nov-10	Nov-11	Growth
Total Balance	11.1	13.8	24.8%
Consumer Balance	10.3	13.0	26.0%
Commercial Balance	0.7	0.8	7.5%
Billings Jan-Nov	21.9	25.7	17.5%
Number of CC in effect	5,463,250	6,420,327	17.5%

Source: Financial Superintendence of Colombia

7. Motor Vehicles

The dynamics of new vehicle sales during 2011 reached a historic high closing the year with 325,911 units registered, which represents a growth of 28.37% as compared to the units placed in the market in the immediately preceding year.

III. Davivienda

1. Major achievements during the second half of 2011

During the second half of 2011, the Bank concretized various projects that permitted to continue with the Bank's growth and achieve international recognition.

- **International rating**

Within the preparation to enter international markets, Davivienda obtained an investment grade rating from the three major international agencies: Moody's (rating Baa3 granted on October 24, 2011), Standard & Poor's and Fitch Ratings (rating BBB- granted on October 28, 2011).

- **Second Issue of Shares:**

During the month of November 2011, the second issue of preferential shares took place, which collected funds for \$716 billion; today 20.9% of the share are already in the market, thus giving a better liquidity to the share and leveraging the Bank's growth.

- **Placement of Bonds**

In August 2011 Banco Davivienda carried out successfully the second bond issue of the year within the program to issue \$3 trillion. A total of \$500 billion were placed in ordinary bonds receiving a demand of 2.9 times this value.

2. Bank Results

During the second half of the year the Bank contributed to the acquisition of homes by close to 17,000 Colombian families, of which over 6,000 were low income homes. Home loans were also granted to over 11,000 people and companies to obtain their home, thus going over the 4 million customers not including the customers of DaviPlata.

During the course of the year, 138,881 new SME and business customers were acquired offering them development possibilities thanks to our products, disbursing over 35,502 credits with a value of 725,957 million pesos.

We supported the country's agricultural development, disbursing over 45,536 credits with a value equivalent to \$1,888,830 million for more than 25,000 customers at the end of 2011.

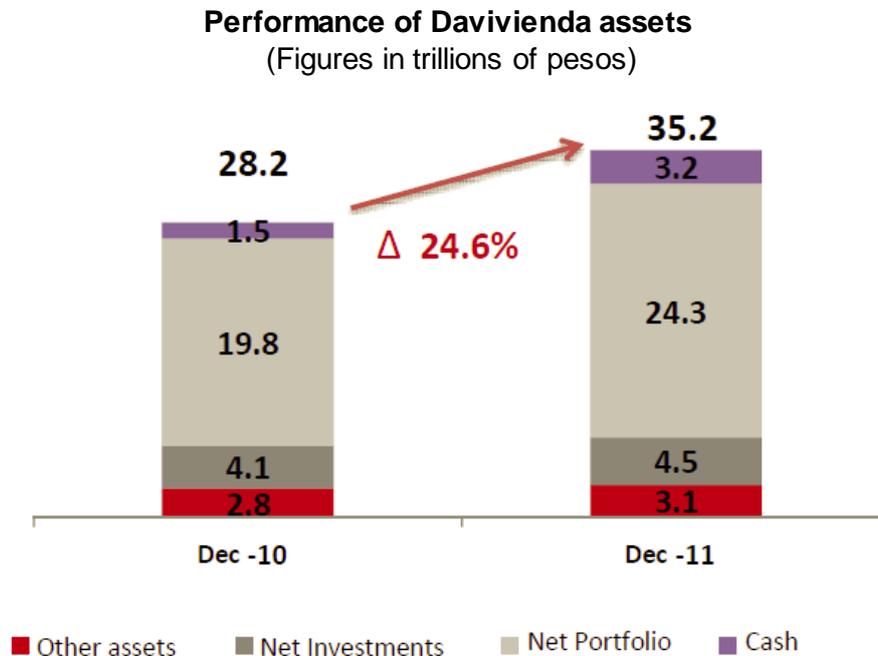
We have contributing to the increase of banking in the country allowing over 500,000 people to manage their money through DaviPlata and that more than 77 public and private companies use the system.

The Bank has oriented its strategy towards sector of the economy aligned with the government, thus achieving a considerable increase in the infrastructure segment where the loan portfolio increased 88% reaching 977 billion as of December 2011. In turn, the transportation segment reached 272 billion and obtained a growth close to 16%.

On the other hand, disbursements to the SME segment reached 2.3 trillion attaining a significant growth of 30%. In turn, the loan portfolio in foreign currency had a high growth equivalent to 46%; with only 4 years this product already has a portfolio of 1.8 trillion.

a. Assets analysis and structure

As of December 2011 Davivienda continues to be the third largest bank by assets in Colombia with \$35.2 trillion and a growth of 24.6% in the last year. This growth is explained by the growth in loan portfolio and investments given the increase of \$4.5 trillion and \$2.1 trillion (growths of 23% and 38%, respectively) and which together represent 88% of the total assets as of December 2011.



b. Loan portfolio

As of December 2011 there was a significant increase of 23% in the loan portfolio as a result, mainly, of the increase in commercial and home mortgage loans (including residential leasing).

In respect to the home mortgage portfolio, it grows 32% close to \$1 trillion pesos; during the year a balance of securitized loans was reached equal to \$2.1 trillion pesos. Taking into consideration this portfolio, the business growth would become 16.7%. Consumer portfolio reached a growth of only 13%, as a consequence of more strict parameters for granting loans established at the beginning of the year.

Banco Davivienda – Net loan portfolio

(Figures in billions of pesos)

DAVIVIENDA	Dec-10	% Part.	Dec-11	% Part.	Growth
Home mortgage & residential leasing	3,146	15.9%	4,166	17.1%	32.4%
Commercial loans & microcredits	10,294	51.9%	12,926	53.1%	25.6%
Credit cards	1,884	9.5%	2,330	9.6%	23.7%
Motor vehicles	868	4.4%	1,022	4.2%	17.7%
Other personal credits	4,745	23.9%	5,143	21.1%	8.4%
Provision of loan portfolio and Financial leasing	-1,118	5.6%	-1,249	5.1%	11.7%
Net loan portfolio	19,819		24,338		22.8%

Loan portfolio quality indicators have increased, due to the deterioration of the indicators of some consumer products; it is for this reason that adjustments to the loan granting policies were made, at the beginning of 2011. In turn, commercial and home mortgage loan portfolios show very low portfolio quality levels that have improved as compared to the previous year.

Regarding coverage and within its risk administration policy, the Bank as maintained its coverage levels above 200%

Banco Davivienda - Unproductive loan portfolio Indicators and coverage

	Dec-09	Dec-10	Dec-11
Consumer	2.81	2.65	3.79
Commercial	1.63	0.73	0.66
Home Mortg.	4.33	5.11	3.84
Total	2.51	2.08	2.22
Coverage	243.2	257.0	219.9

Commercial includes Microcredits

Home Mortgage includes Residential Leasing

Quality: Consumer >60 Days / Total, Commercial > 90 days / Total,

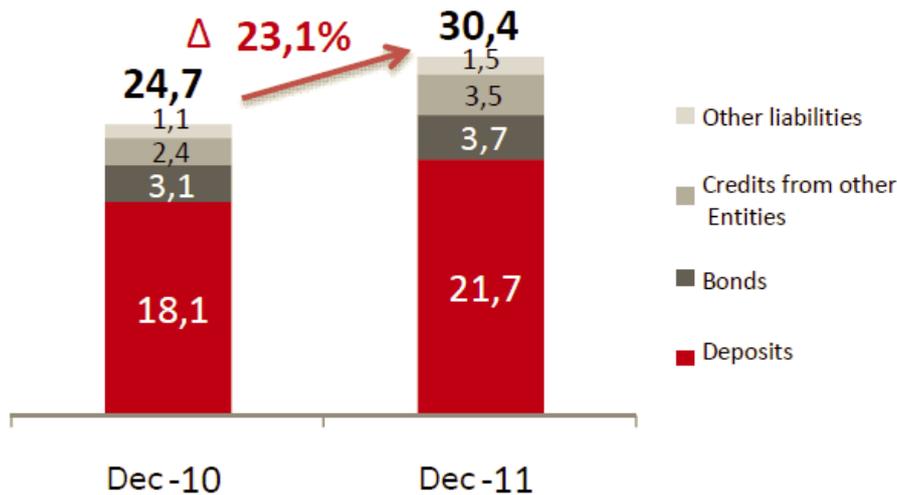
Home mortgage > 60 days / Total.

Coverage: Provisions / Unproductive x Age (Consumer >60 Days, Commercial > 90 days, Home mortgage > 60 days)

c. Liabilities analysis and structure

As of December 2011, the Bank's liabilities showed an increase of \$5.7 trillion as compared to those reported as of the same date in 2010, growing 23.1% and reaching \$30.4 trillion. The traditional borrowing instrument with the highest growth in the past 12 months in the Bank was Savings Account with 41.6%; as a strategy of migrating towards this instrument funds that were in other instruments less efficiency such as CDs. Within the term structure policy, rediscounts with other entities reached a growth of 45.4% equivalent to 3.5 trillion, while Bonds reached a growth of 20.1%, having placed 1.1 trillion during the course of this year.

Banco Davivienda – Liabilities Performance
(Figures in trillions of pesos)



Banco Davivienda - Borrowing Instruments
(Figures billions of pesos)

DAVIVIENDA	Dec-10	%Part.	Dec-11	%Part.	Growth
Savings accounts & CDAT*	8,727	41%	12,324	49%	41%
Checking accounts	3,103	15%	3,448	14%	11%
CDs	5,986	28%	5,696	22%	-5%
Other	247	1%	239	1%	-3%
Bonds	3,083	15%	3,701	15%	20%
Borrowing from the public	21,146		25,408		20%

* CDAT = Short Term Savings Certificate of Deposit

The net loan portfolio over borrowings ratio reached 96%, as compared to 95% in the first half of 2011. Taking into account rediscount obligations, this ratio reaches 84% at the closing of 2011.

d. Equity structure

The Bank's equity closed as of December 2011 at \$4.8 trillion, \$1.2 trillion more than as of December 2010. This is explained with the capitalization through the second issue of preferential shares that took place in November 2011 for 716 billion pesos and to the internal generation of results that reached \$593 billion pesos accumulated during the year.

As of December 2011 the technical equity amounted to \$4.7 billion, while the weighed assets by risk level added \$29.2 billion. Considering a market risk equal to 240 billion, these figures indicate a Bank solvency ratio¹ of 14.95% as compared to the regulatory 9%.

¹ Qualifying capital over weighted assets by risk level plus 100/9 times the value at risk.

e. Income statement

Accumulated results as of December 2011 amounted to \$593 billion. These represent an increase of 14.7% as compared to the accumulated results as of December 2010 that had reached \$517 billion.

Banco Davivienda – Results as of December 2011

(Figures in millions of pesos)

	December	December	Growth	
	2010	2011	Value	%
Income from Loans	2,316,297	2,830,180	513,883	22.2%
Income from Investments*	332,141	309,586	-22,555	-6.8%
Financial Expenses	670,802	842,246	171,444	25.6%
Provisions	374,179	598,276	224,096	59.9%
Net Financial Margin	1,603,457	1,699,244	95,787	6.0%
Operating income	685,353	708,584	23,231	3.4%
Operating expenses	1,642,241	1,674,039	31,798	1.9%
Operating profit	646,569	733,790	87,221	13.5%
Non operating net	12,214	3,649	-8,565	-70.1%
Profit before tax	658,783	746,562	87,779	13.3%
Taxes and others	142,118	153,749	11,631	8.2%
Profit for the period	516,665	592,813	76,148	14.7%

*Investments include results of derivatives and of profit from sale and purchase of securities and foreign currency.

The financial margin at the closing of 2011 showed a growth of 6% as compared to the closing of 2010, notwithstanding the good performance of financial income which grew 18.6% in the same period. This growth occurred mainly by the increase in commercial and consumer loans of 20.1% and 27.2% respectively, as a consequence of the increase of balances of commercial receivables and of the usury rates indexed in the consumer credits and credit cards by 256 base points passing from 26.5% as of June 2011 as compared to 29.1% as of December 2011.

In the financial expenses is reflected the growth of the saving accounts balances, generating an increase in costs of 63% as compared to the closing of 2010 and of the credits with other entities of 52%. In general, financial expenses grew 25.6% at the end of 2011.

Finally, the financial margin is affected by provision expenses which were increased 60%, which corresponds to the growth of receivables and a higher provision to cover the deterioration of some consumer credit lines, for which the Bank modified its credit policies for this segment.

3. Performance of affiliates

a. Bancafé Panama

At the closing of December 2011 Bancafé Panama reached US\$657 million in total assets, which represents a 25% growth in respect to the previous year, and the most important items are bank deposits with, investment portfolio, and loan portfolio.

The equity value is US\$92 million, that is, 11.5% above that of December 2010; this variation is given by the profits of the six month period, which although lower by 23% to those of the same period of the previous year, is considered a good result taking into account the sharp reduction of placement rates that have been observed in the market and that the results of the trading business cannot be compared to those obtained one year ago by market situations.

(Figures in millions of U.S. dollars)

	December 2010	December 2011	Value	%
Assets	526.3	656.8	130.4	24.8%
Liabilities	443.9	564.9	121.0	27.2%
Equity	82.4	91.9	9.5	11.5%
Profits (thousands of USD)	15,001.5	11,590.1	(3,411.3)	-22.7%

b. Confinanciera

The performance of Confinanciera's disbursements maintained a consistent dynamic placing credits for \$305 million, for the financing of vehicles which represents an increase of \$21.6% in respect to the results of year 2010.

Moreover, in the segment of productive vehicles Confinanciera takes a good proportion of the growth reaching disbursements for the sum of \$271,351.6 million that represents an increase of 21.6% as compared to the results of year 2010.

Regarding the quality of the asset, the past due loan portfolio index by age at the end of the year was 2.9% which reflects an adequate control both in origination and in collections of credits granted. At the closing of year 2010 this indicator was 4.8%.

Taking together these results, dynamics, quality of loan portfolio and administrative efficiency, the entity reports at the end of the year profits that amount to \$26 billion, which represents a ROE of 34% which compares favorably with the 32% recorded in the immediately preceding year.

(Figures in billions of pesos)

	December 2010	December 2011	Value	%
Assets	417	479	63	15.1%
Liabilities	346	397	51	14.8%
Equity	71	82	12	16.4%
Profits (millions of pesos)	15,825	25,590	9,765	61.7%

c. Fiduciaria Davivienda

At the end of year 2011, the value of trusts administered by Fiduciaria Davivienda S.A. was \$3,707,259 million, with a growth of 11% in respect to year 2010. This result is explained mainly by the growth of real estate trust business by 35%, of administration by 23% and the decrease of collective portfolios by 6%.

The result of the fund and of the collective portfolios administered, was the following: the Voluntary Pension Fund Dafuturo closed the year with \$728,849 million; Collective Portfolio Daviplus ended with a fund value of \$71,199 million, the reduction of the balance had its origin in the withdrawal of contributions by customers both individuals and corporate customers. Collective Portfolio Consolidar closed the year at \$204,860.9 million. In this portfolio were kept the funds of real estate business; and finally Collective Portfolio Superior ends year 2011 at \$820,785.2 million.

At the closing of year 2011, the value of real estate trust amounted to \$1,427,724.6 million showing a growth of 35% as a result of the strategy of furthering the relations with constructor customers and the obtaining of business in the major cities of the country.

At the closing of year 2011 the value of administration trusts amounted to \$452,173 million, with a growth of 23% in respect to year 2010, due to the increase in parking business and administration and payments.

By the performance of the businesses administered, the commissions for business administration of 2011 business were \$27,164.3 million, higher by 5.4% than those obtained in the previous year, while the net profit of the period grew 2.6% and ended at \$15,514 million, resulting mainly from the growth of structured trust commissions and the reduction of operating expenses.

In respect to the Fiduciaria's balance sheet accounts, 2011 closed with total assets of \$62,363.9 million, liabilities increased 20% to end at \$7,131.8 million; said increase was due to the balance calculated for equity tax and the balance payable in income and complementary tax of tax year 2011; equity grew 5% passing from \$52,438.2 million to \$55,232.1 million, growth generated mainly by the profits of the year.

(Figures in billions of pesos)

	December 2010	December 2011	Value	%
Assets	58	62	4	6.8%
Equity	52	55	3	5.3%
Administered assets*	3,331	3,707	376	11.3%
Profits (millions of pesos)	15,116	15,514	398	2.6%

d. Fiduciaria Fiducaf 

As of December 31, 2011, the value of business administered by Fiducaf  amounted to \$5.6 billion. The trusts that manage pension funds (including consortia) had a participation of 51.6% followed by administration and payments with 26.7% and trust in guarantee with 15.7%. Rentacaf  collective portfolios with a balance of \$252.8 billion and Rentaliquida with \$92.5 billion, had a participation of 6.1%.

At the end of year 2011, income received for fiduciary commissions added \$23.2 billion, lower by 1% than those of the previous year. The highest contribution corresponded to the structured trust business, which commissions were equivalent to \$18.6 billion although they decreased 3.8%; among the structured trust, businesses in consortium had again the highest participation with income for \$11.9 billion, lower by 9% than those of year 2010. In respect to the Collective Portfolios Rentacaf  and Rentaliquida, their commissions increased from 4.1

billion to \$4.6 billion with a significant increase of 12.4%. non operating income amount to \$796.9 million.

By adding to the commissions from businesses, the net returns of the portfolio, the other operating and non operating income, the total income of the company amount to \$28.4 billion. This income was lower by 4.5% than those of year 2010.

Discounting operating expenses of \$18.1 million which decreased 1.3%, extraordinary and non operating expenses for \$263.5 million and the effective tax burden of 30.2%, the period produced net profits of \$7,045 million.

(Figures in billions of pesos)

	December 2010	December 2011	Value	%
Assets	76	81	5	6.0%
Administered Assets	6,557	5,607	(950)	-14.5%
Equity	69	71	2	2.8%
Profits (millions of pesos)	7,334	7,045	(288)	-3.9%

e. Davivalores

At the closing of year 2011 the income of Davivalores reached \$7,779 million pesos, which represents a growth of 136% as compared to the previous year; 90% of this income derived from the performance of customers' orders through commission agreement for a value of \$2,142 million pesos, the placement primary issues for a value of 2,414 million pesos and the administration of securities for \$2,390 million pesos. This result was obtained mainly as a consequence of the important role played by Davivalores together with Banco Davivienda in the processes of issue and placement of shares that took place in the Colombian capital market throughout a record year in this type of operations.

On the other hand, Sociedad Comisionista de Bolsa showed an increase of 93% in its personnel expenses, of 47% in its operating expenses and of 27% in administrative expenses, increases derived from a higher volume of business and from the strengthening of the physical, human and technological structure of the company, in accordance with the development of its strategic plan.

This business dynamics generated that Davivalores ended the year 2011 with a profit of 1,982 million pesos, which represents a growth of 422% in respect to the year 2010, as well as investment portfolios of its customers, administered by Sociedad Comisionista de Bolsa that exceed 2.2 billion pesos.

(Figures in billions of pesos)

	December 2010	December 2011	Value	%
Assets	11.9	14.8	3	24.1%
Administered Assets	1,473.6	2,284.3	811	55.0%
Equity	10.7	12.8	2	20.0%
Profits (millions of pesos)	379.9	1,982.1	1,602	421.7%

4. Risk analysis

The risk administration and management in Banco Davivienda follows the guidelines of the Bolivar Group, is carried out through a strategy of synergy among companies, consolidates in a risk area for all companies which optimizes the technological and academic resources for the development of measurement tools, analysis and control of risks assumed. In Note 33 to the Financial Statements detailed indicators are included for each one of them.

a. Credit Risk Administration System (SARC)

The Bank has continued working in a calibration process of expected loss estimation models. A summary of these models is in Note 33 to the Financial Statements. Davivienda's loan portfolio provisions amounted to \$1.2 billion at the closing of December 2011, providing a coverage of 136% to the unproductive loan portfolio rated C, D, E for all models.

b. Market risk (SARM)

The Bank's Treasury performs its duties in accordance with the definitions, guidelines and strategies defined by the Board of Directors, the Assets and Liabilities Management Committee, and the Financial and Investment Risks Committee. The control and monitoring of the creation of value of the various business lines and/or portfolios is exercised by the Investment Risks Vice Presidency, as well as the identification, measurement and monitoring of the market risk. As of December 31, 2011 the regulatory value at risk (VeR), calculated according to the methodology of the Financial Superintendence of Colombia, was of \$239.5 billion. The summary of the internal model used to calculate the value at risk is in Note 33 of the Financial Statements, as well as the major results of the standard methodology.

c. Liquidity risk

The guidelines established by the Financial Superintendence of Colombia are applied to the liquidity risk measurement, which establish the rules related to the Liquidity Risk Administration System and define the Liquidity Risk Indicator (IRL), which as of December 31, 2011 was of \$6.1 billion pesos in the first band. The guidelines of the Liquidity Risk Administration System (SARL), are explained in Note 33 of the Financial Statements.

d. Operating Risk Administration System (SARO)

As part of the Bank's strategic planning guidelines, improvement and consolidation processes of the operating risk administration system of the Bank continue to be generated, securing, among others, the following fundamental elements:

- Monitoring processes of the operating risk administration system are being implemented in such a way as to facilitate the fast detection and correction of the system deficiencies, as well as a follow up of the effective identification and valuation of risks and application of controls with the frequency and nature of changes in the operating environment.
- As part of an adequate and effective operating improvement of the Bank, different action plans are being carried out that permit to strengthen the effectiveness of the controls, securing the mitigation of risks in the different processes.

- The Operating Risk profile as of December 2011 shows that the risks identified are duly controlled and that on those that are still identified as high risk, action plans are being carried out for their mitigation in conformity with the guidelines and tolerance levels established by the Board of Directors.

We are committed to maintaining the quality and effectiveness of the Bank's risk administration system, adjusting it timely to the dynamics of the changes of processes as a consequence of new business strategies, in conformity with the legal provisions contemplated in External Circular 041 of 2007 from the Financial Superintendence of Colombia.

e. Internal Control System (SCI)

According to the internal control policies duly approved by the Board of Directors, internal control procedures were designed and implemented and the system is being adjusted in accordance with the needs of the environment. This, in conformity with the search for compliance of the expected results in conditions of security, transparency and efficiency.

The Bank implemented and is being controlling and optimizing the compliance with the following components of the SCI:

- Control Environment: We have defined and disclosed principles, values and conducts oriented toward control.
- Risk Management: We have been implementing processes that maintain the efficacy, efficiency and effectiveness of the Bank's management and operating capacity.
- Control Activities: Policies were defined and procedures were implemented that permit the compliance with the instructions from the administration regarding its risks and controls.
- Information and Communication: Controls have been adopted that permit to secure the quality and compliance with the information generated and published.
- Monitoring: We are verifying the internal control performance quality through time.
- Independent evaluations: Audit and Statutory Audit have been designated to make additional evaluations that evidence the effectiveness of the SCI.

The Board of Directors, the Audit Committee, the Legal Representative and the control bodies supervise the compliance with the Bank's SCI and see that the preparation, presentation and disclosure of the financial information adjusts to the provisions of the law.

a. Financial Consumer Service System (SAC)

Aware of the importance of optimizing the environment of service, protection, respect and adequate rendering of services to the financial consumer, the Bank has developed and continues generating new challenges that permit to secure the quality, effectiveness and timelines of its processes. In order to comply with these purposes, the following actions, among others, have been developed:

- Different mechanisms have been defined and implemented that permit to optimize the due diligence in the offering of products and services of the Bank.

- The processes that generate the information to the financial consumers are being secured in such a way that they remain within high quality and timeliness standards.
- New methodologies, technological tools have been implemented and different officer training programs have been developed, that will permit to gradually secure an adequate, effective and timely resolution of complains and claims presented by financial consumers.
- Different strategies are being developed to achieve an understandable and satisfactory education of the financial consumer on the different products and financial services.

This series of activities that are being carried out will continue to optimize an adequate and effective protection of the financial consumer rights and the sustained achievement of the Bank's objectives, consolidating the contractual balance between the parties with high levels of satisfaction and development.

The Bank seeks, according to the development of its objectives in respect to the financial consumer service system (SAC) to comply with the legal provisions contemplated in law 1328 of 2009 and External Circular 015 of 2009 from the Financial Superintendence of Colombia.

b. Information Security Strategies – External Circular 052 of 2007

Continuing with the compliance of External Circular 052 of 2007, it was determined to include within the development of each one of the projects that are initiated in the Bank from their Planning phase, the verification of the regulatory requirements of this rule. Likewise, these requirements are taken into account in the improvement and optimization processes carried out, guaranteeing their permanence and sustainability in time.

Taking into account the mutation and appearance of new Trojans and, in general, of a stronger malicious code, the Bank has maintained itself in a constant update and monitoring process of its transactional channels in order to mitigate timely the new risk that may appear and affect our customers. To support this strategy, the agreements with third parties specialized in the investigation and management of phishing incidents and Trojans that increasingly affect financial institutions worldwide have been updated and reinforced.

The Bank has been working in the actualization project of data published in External Circular 022 of 2010 from the Financial Superintendence of Colombia, validating internally and identifying the level of compliance when making the impact analysis for the Mobile Banking channel. In respect to the requirements related to EMV (Europay MasterCard Visa, interoperability standard of IC cards – cards with microprocessor), the proposed dates were taken into account to carry out internally the adjustments to the plans that had already been established on the total implementation of the EMV in pinpad, at an acquirence level and for the total change of the cards, since Davivienda had initiated with the issue of the chip card since the beginning of year 2011.

The Bank and its affiliates will continue with the research of new tendencies on security matters and, therefore, on tools and controls that will permit to mitigate the risks identified in order to be prepared in the face of new threats and place those controls at the service of our customers, guaranteeing the delivery of products and services with high quality and security levels.

c. Money Laundering and Terrorism Financing Risk Administration System (SARLAFT)

The Bank has adopted and implemented a Money Laundering and Terrorism Financing Risk Administration System SARLAFT, based on the risk administration premise that includes knowing the customer and his operations with the entity, the definition of market, customer and product segments, distribution channels and jurisdictions, monitoring of transactions and reports of operations to the competent authorities in order to avoid being used to give the appearance of legality to assets resulting from illicit activities and/or to finance terrorist activities, in accordance with the provisions of external circular 026 of June 2008 from the Financial Superintendence of Colombia.

The SARLAFT is supported on an organizational culture, policies, controls and procedures that are known and applied by the entire organization and that collect to a large extent the Colombian regulatory framework, the same as well as the recommendations and best international practices on this matter, especially those from the Financial Action Task Force "FATF".

The procedures and rules of conduct on the application of all mechanisms and instruments of control are contained in the SARLAFT Manual and the Code of Conduct that are known and accessible to all officers of the entity.

The Bank carries out from time to time training programs intended to its officers, seeking to create awareness and commitment by each of them.

In addition, the reviews of control mechanisms designed and implemented in the Compliance Unit and other areas of the entity have been included within the Statutory Audit and Internal Audit processes.

In compliance with the rules established, the Board of Directors designated a Compliance Officers and his alternate, who have duly taken office before the Financial Superintendence of Colombia.

5. Administrative Aspects

a. Legal situation

The Bank does not have currently any processes brought against it that could affect its solvency situation or stability. The most important processes are included in Note 20 of the Financial Statements.

b. Administrative situation

As of December 2011, the Bank had 10,232 positions for an indefinite term, 375 fixed term, 43 in training and 13 temporary employees, for a total of 10,783.

c. Intellectual property and copyrights

The Bank has established internally awareness programs for officers, in order that the fulfillment of rules on Intellectual Property and Copyrights will be achieved through self-regulation. In addition, these programs are reinforced by periodic Audit visits to the different areas of the Bank, in order to assess, among others, this aspect.

d. Operations with shareholders and administrators

The operations carried out by Banco Davivienda with its shareholders and administrators conform to the entity's general policies. These operations are detailed in Note 32 to the Financial Statements.

Credits with related parties (shareholders, members and advisors of the board of directors, legal representatives and other related parties) amount to \$254.608.

In turn, deposits with those related parties amount to \$214,419 million.

For their attendance to the Board of Directors meetings, fees and commissions for \$213 million were paid to its members and advisors.

e. Intensity of business group relations

Traditionally, Banco Davivienda maintains business relations with companies of the same group, seeking a greater joint efficiency through the specialization of each company in those areas in which there are competitive advantages.

Following is a summary of the major operations with related parties as of December 31, 2011, which detail is presented in Note 32 to the Financial Statements:

(Figures in millions of pesos)

Assets	944.098
Liabilities	529.412
Income	102.064
Expenses	79.670

During the period ended on December 31, 2011, between Banco Davivienda and other entities by influence or in the interest of Sociedades Bolivar S.A., a portfolio operation was carried out for a value of \$200,000 million.

According to Minutes No 815 of September 13, 2011, the Board of Directors approved the initiation of the actions intended to the merger of Confinanciera S.A. Compañía de Financiamiento with Banco Davivienda S.A., the latter being the absorbing company, and authorized to the administration to carry out all prior processes to the call for a General Stockholders' Meeting at which the merger fusion will be submitted.

f. Expenses of directors of the corporation

The expenses of directors amounted to \$3,425 million.

g. Expenses of advisors or related administrators

The expenses of advisors and administrators are listed below:

Board of Directors Fees	\$120 million
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h. Donations

During the second half of 2011, donations were made for \$2,126 million.

i. Advertising and Public Relations Expenses

Advertising expenses amount to \$55,089 million, and those of public relations to \$328 million.

j. Goods Owned Abroad

The money and other goods of the corporation held abroad amount to \$170,762 million and obligations in foreign currency to \$2,873,720 million.

k. National and/or foreign investments

The detail of investments in participating securities is disclosed in Note 6.9 of the Financial Statements. These amount to \$302,877 million, as follows:

National investments:	\$245,962 with appreciations for \$95,000 million
International investments:	\$ 51,915 with appreciations for \$97,520 million.

6. Statement of Corporate Social Responsibility:

Corporate Social Responsibility

For our organization it is important that all our workers understand the importance of the sustainable development vision in such a way that we are able to integrate it to the business strategy; for this purpose in 2011 we were able to make aware around 650 workers seeking to materialize these notions within the offer of value of each one of the areas in order to be able to identify better our impacts on the organization.

Environmental performance

Aware that our challenge is the adequate evaluation of environmental and social impacts in the credit applications, we have in place the Environmental and Social Risk Administration System; this system is applicable to the long term credit operations of the corporate segment intended to finance customer projects that require environmental license and that exceed the amount established; in addition, it applies to constructor credit according to the amount established.

A breath for the planet

Program that is framed within our Eco-efficiency policy, aimed at lessening the direct impacts of our organization, on the adequate use of natural resources.

1. Recycling

In 2011 we started a waste management program together with the company Colombiana Kimberly Colpapel S.A.* whereby we were able to sensitize our cleaning suppliers and workers through various information campaigns for the management of waste, and the implementation of ecological points in the different areas and offices.

Recycling	Kilograms of paper	Total \$	Trees saved
Cleanup of inactive files	164,134	\$90,273,926	2,788
Recycling offices and General Management Bogota	37,705	\$16,828,480	646
Recycling offices and administrative areas nationwide	20,728	\$10,779,520	391
Total national recycling	222,577	\$117,881,926	3,825

* Estimated figures

In Davivienda we are committed to the savings and the culture of zero paper. Thus, printings were reduced 35%, representing 1,100,000 sheets of paper, in addition, the digitations processes, elimination of printing and duplex printing, saved the printing of 1,700,000 sheets, equivalent to 280 trees.

2. Savings of Water and Power

In 2010 we had increases in the water and power consumption and thus at the end of 2010 and during 2011 we implemented different initiatives that today reflect improvements in the results, with a decrease of 1.11% of the total KW/H and of 2% of the cubic centimeters consumed in the year.

The joint implementation of this type of initiatives in our operations has had a positive behavior generating savings of 1,108 million pesos as compared to the previous year.

3. Hard rains

Year 2011 was a year of challenges especially to face the chaotic results of the hard rains that were suffered in most of the Colombian territory. For Davivienda it was important to participate actively in the support of people that were victims of this rain and contribute a grain of sand to the complicated situation that the country went through. It is for this reason that with the team work among Seguros Bolivar, Asistencias Bolivar and Davivienda y was possible to establish an action plan for this type of emergencies, not only to cover the one experienced last year but to be prepared for future contingencies.

“We did things differently accompanying the customer in his tragedy.”

We accompanied our customers with mortgage credit, giving them special attention in the places affected and facilitating the access to the delivery of the resources, indemnifications and income, through a prepaid card, not only the customers were given an economic solution, but greater support at a complicated time in the lives of their families.

We supported the Agricultural Sector offering them the benefits of normalizing the credits of agricultural customers that were hit by the hard rains of the past two years. These customers have counted on the benefits of the law in respect to the extension of the term and payment of interest at favorable rates.

In the year 2011 899 Hard Rains applications were received for a value of \$88,408 million and according to the study, 727 were approved for \$69,176 million, 8 of them had access to the PADA relief program for \$662 million.

4. Suppliers

Currently we have a total of 3,112 suppliers, located in the different regions of the country that provide services in multiple areas, being able to promote various sectors of the Colombian economy. In order to encourage the process, the project intended to strengthen relations with suppliers is being carried out, which included tasks such as segmentation of suppliers by type of service offered to the Bank by risk associated to the service offered, visits to suppliers and strategic training. The organization Formacion Tejedoras de Servicio (Forming Service Weavers) and Comandos de la Excelencia (Commands of Excellence) was the organization that had the largest number of suppliers reaching 1,132 suppliers.

Each of the actions that we carry out, form a part of several high impact projects, led by social organizations that perform an effective and transparent operation in the search for social transformation.

Major Donations as of December 2011

Major Donations	2011
Fundación Bolívar Davivienda	3,000
Fundación Hogar Infantil Bolívar	1,098
Dividendo por Colombia	234
Other donations	1,779
Culture & business development	166
Democracy, Peace & Coexistence	505
Education	1,106
Childhood, old age and health	3
Total Donaciones	6,112

Figures in millions of pesos

5. Corporate Volunteer Work

As of this date there are 22 regional leaders², 1000 volunteers of the Bolivar Family who have donated over 5900 hours and more than 40 volunteer events around Colombia.

- In 2011 we carried out repairs of premises, delivery of modules and preparation of teaching material.
- Bank of Time programs together with the High Counselor for Reintegration.
- Programs of support to low income people in construction of temporary homes, together with the program Un Techo para Mi Pais (A roof for my country).

² Group Data

7. Customer service

Team work based on the generation of culture and focused on the attributes of services (expediency, advisory, interest and security), have permitted us to achieve a rating of 93.7 according to market studies* which consolidate us as number one Bank in rendering customer service.

Note: (*Study made by *Tecnología y Gerencia*)

8. Important events occurred after the period

During the month of January 2012, the Bank took another step in its regional consolidation by closing an agreement with HSBC Holding to acquire the banks, insurance companies and financial companies of HSBC in El Salvador, Costa Rica and Honduras.

The value agreed for the transaction is of US\$ 801 million. For its payment, the Bank has equity solvency and the resources necessary, thanks to the capital obtained in the past issue of shares and to the liquid investments that as of December as of \$4 trillion, in addition to the support of the issue of international bonds that it expects to make in the first half of 2012 according to the performance of this market.

9. Foreseeable evolution of Banco Davivienda

During the first quarter of 2012 Banco Davivienda will carry out all processes for authorization of the purchase of HSBC with the authorities of El Salvador, Honduras, Costa Rica, Panama and Colombia.

In addition, within this process, it will study and adapt the platforms and structures to take over the operation of this entity after the closing of the operation that it is expected in the second half of the year.

Locally the Bank will continue focused on supporting the economic strategies of the Government supporting projects in housing, infrastructure and agricultural banking. And it will continue promoting the housing portfolios through the financing of low income housing aligned with the Government policies of creation of housing; and the Commercial Portfolio where it is expected to continue growing with rates in excess of 25% in the segments of SMEs, among others.

During the first quarter it is expected to carry out the first bond issue in the international market, taking advantage of the good moment of Colombia and the Bank.

And in turn, the final merger of Confinanciera with Davivienda will be carried out during the course of this year.

10. Financial Information Certification and Liability

We certify that the Financial Statements for the period from July 1st to December 31, 2011 do not contain any defects, inaccuracies or errors that may prevent knowing the true equity situation or the operations of the Bank, in accordance with the provisions of article 46 of Law 964 of 2005.

Pursuant to the provisions of Article 57 of Decree 2649 of 1993, the information and statements integrated in the Financial Statements have been duly verified and obtained from the entity's accounting records, prepared in accordance with accounting standards and principles established in Colombia.

Davivienda has adequate systems for disclosure and control of financial information; for this purpose the corresponding procedures have been designed which permit to assure that this information is adequately presented, which operativeness is verified by General Auditing and the Financial Direction.

Additionally, we inform that there are no significant deficiencies in the design and operation of internal controls that would have prevented the company from adequately recording, processing, summarizing or presenting its financial information, and there were no frauds that affected the quality of the financial information, or changes in its methodology for evaluation.

In the Financial Statements are recorded all assets and liabilities existing as of the closing date and these represent probable rights and future obligations, respectively. In addition, all transactions for the period were recorded and all economic facts have been recognized and correctly classified, described and disclosed. All items have been recognized for the proper amounts, in conformity with article 57 of Decree 2649 of 1993.

The assertions contained therein have been previously verified, pursuant to the regulations and that the same have been faithfully taken from the books in accordance with article 37 of Law 222 of 1995; they have adequate control and financial information disclosure procedures and their operativeness has been verified, in accordance with the provisions of article 46 of Law 964 of 2005.

We appreciate the commitment by all officers and the support from our shareholders, without which these results would not have been possible.

Carlos Arango Uribe
Board of Directors Chairman

Efraín E. Forero Fonseca
President