

FREE ENGLISH LANGUAGE TRANSLATION
STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco Davivienda S.A.:

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

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

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

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

In my opinion, the above mentioned financial statements, taken accurately from books and attached to this report, present fairly, in all significant respects, the financial position of Banco Davivienda S.A. at December 31, and June 30, 2010, the results of its operations and its cash flows for the semesters then ended, in local currency (Colombian pesos), in conformity with generally accepted accounting principles in Colombia, and instructions by the Financial Superintendence of Colombia, applied on a consistent basis.

As it is indicated in note 24 to the financial statements in accordance to the External Circular No. 047 of 2008 issued by the Financial Superintendence of Colombia, effective January 1, 2009, the Bank recorded the balances of the Universalities of Loans Write-Off in the trust memorandum accounts; however, at December 31, 2010, the Financial Superintendence of Colombia has not authorized its transmission, for that reason the Balance Sheet transmitted to the Financial Superintendence of Colombia differs from the official accounting books of the Bank in the record of these accounts.

As indicated in note 36 of the financial statements, the Financial Superintendence of Colombia had no objections to the conversion of Bancafé Internacional S.A subsidiary in the offices of Banco Davivienda S.A in Miami from January 1, 2011.

Based on the results of my examination, I believe:

- a. The Bank's bookkeeping has been performed in conformity with legal rules and accounting pronouncements.
- b. The operations recorded in the books and management performances are in conformity with the bylaws and decisions of General Stockholders' Meeting.
- c. The correspondence, the vouchers of accounts and the minute and record of shares books have been properly maintained.
- d. There are adequate measures of: internal control that include risk management systems implemented, maintenance and custody of its and third parties' assets in its possession.
- e. It has been applied the rules and instructions by the Financial Superintendence of Colombia related to the management and accounting of the foreclosed assets received as payment and the implementation and impact in the balance sheet and in the statement of income of applicable Risk Management Systems.
- f. The information contained in the documents supporting payments of social security contributions, in particular, those related to employees and their base salary for those contributions, has been taken from the records and the accounting supporting documents. The Bank is up to date in payment of contributions to the Social Security System.
- g. The administration report prepared by management agrees with the accompanying financial statements.

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

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

February 4, 2011

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



BANCO DAVIVIENDA S.A.

Balance Sheet

December 31, and June 30, 2010

(Millions of Colombian pesos)

ASSETS	December 31	June 30
Cash and cash equivalents (note 3)	\$ 1,325,604.3	1,250,883.5
Active positions in monetary market operations and those related (note 4)	191,490.7	303,923.1
Investments (note 5)	4,066,216.1	3,599,505.0
Debt securities trading	2,089,684.8	2,260,699.0
Debt securities held to maturity	318,956.6	320,602.1
Debt securities available for sale	1,319,632.2	630,388.8
Equity securities available for sale	312,296.0	312,205.7
Transfer Rights of marketable investments negotiable given in guarantee	53,566.8	105,528.8
Less: Allowance	(27,920.3)	(29,919.4)
Credit portfolio and financial leasing (note 6)	19,819,439.1	17,765,594.4
Housing Portfolio	1,771,169.9	2,307,496.1
Consumptions Portfolio	7,497,130.8	6,624,253.8
Micro-credit Portfolio	73.6	390.2
Commercial Portfolio	11,669,323.1	9,934,497.4
Less: Allowance	(1,118,258.3)	(1,101,043.1)
Customers' acceptances and derivatives (note 7)	72,263.8	55,156.0
Spot transactions	48.6	26.0
Derivatives:	70,845.7	54,301.6
Others	1,369.5	854.4
Accounts receivable (note 8)	321,976.8	301,248.5
Interest Receivable	181,037.1	172,035.8
Fees and Commissions	1,006.6	3,885.8
Payments of Costumers	41,238.0	39,544.8
Others	167,743.2	162,364.1
Less: Allowance	(69,048.1)	(76,582.0)
Foreclosed Assets (Note 9)	52,164.2	52,225.6
Properties and Equipment (Note 10)	364,784.4	362,955.1
Others Assets (note 11)	1,483,987.8	1,605,103.3
Expenses paid, Intangible Assets in Advance and Deferred Charges	1,360,903.7	1,389,928.4
Employees Portfolio	106,743.3	113,746.2
Others	20,585.3	105,790.4
Less: Allowance	(4,244.5)	(4,361.7)
Nets Valuations	538,967.2	500,175.7
Investments (note 5)	140,683.2	109,621.6
Properties and Equipment (Note 10)	394,669.5	390,554.1
Others	3,614.5	0.0
TOTAL ASSETS	\$ 28,236,894.4	25,796,770.2
Creditor Contingent Accounts (note 22)	12,137,265.5	9,502,919.7
Debtor Contingent Accounts (note 22)	476,529.0	629,966.3
Debtor Memorandum Accountst (note 23)	40,034,938.9	38,122,898.4
Creditor Memorandum Accountst (note 23)	64,769,981.1	53,564,057.3
Total Contingent and Memorandum Accounts	\$ 117,418,714.5	101,819,841.7
Trust Memorandum Accounts (Note 24)	\$ 40,258.9	45,147.8
Contingent accounts receivable	372,379.0	374,783.8
Memorandum accounts	69,319.7	75,879.0
Credit memorandum accounts and against	211,022.0	229,377.7



BANCO DAVIVIENDA S.A.
Balance Sheet (Continued)
December 31, and June 30, 2010
(Millions of Colombian pesos)

LIABILITIES AND STOCKHOLDERS' EQUITY	December 31	June 30
<u>Liabilities</u>		
Deposits and callabilities (Note 12)	\$ 18,062,784.8	17,134,148.7
Deposits in bank current accounts	3,102,516.5	2,654,851.8
Term deposits	5,985,764.5	5,881,279.0
Savings deposits	8,705,428.7	8,477,376.2
Savings Certificates real value	21,778.5	0.0
Others	247,296.6	120,641.7
Passive positions in monetary market operations and those related (Note 13)	58,011.9	138,584.3
Bank acceptances outstanding (Note 14)	80,186.7	65,054.3
Operations with derivative financial instruments - speculation	68,791.7	47,826.9
Operations with derivative financial instruments - hedging	11,395.0	17,227.4
Banking credits and other financial obligations (Note 15)	2,384,724.3	1,692,685.4
Other Entities in the Country	1,189,754.1	1,027,836.6
Foreign Entities	1,194,970.2	664,848.8
Accounts payable (Note 16)	644,984.8	703,598.1
Interests	121,213.9	130,484.5
Commissions and Fees	1,509.5	2,053.2
Tax collection	62,218.5	188,689.9
Suppliers	153,371.9	133,645.5
Others	306,671.0	248,725.0
Long Term - debt (note 17)	3,082,595.5	2,773,560.1
Others Liabilities (note 18)	271,108.6	264,232.5
Consolidated Labor obligations	34,235.4	27,034.1
Anticipated Income	16.3	11.4
Others	236,856.9	237,187.0
Estimated Liabilities and allowances (Note 19)	83,935.9	111,289.2
Tax	0.0	30,279.7
Others	81,009.5	81,009.5
TOTAL EXTERNAL LIABILITIES	24,668,332.5	22,883,152.6



BANCO DAVIVIENDA S.A.
Balance Sheet (Continued)
December 31, and June 30, 2010
(Millions of Colombian pesos)

<u>STOCKHOLDERS' EQUITY</u>	<u>December 31</u>	<u>June 30</u>
Capital Stock (Note 20)	51,006.4	47,757.1
Reserves (note 21)	2,693,272.9	2,102,982.3
Legal reserve	1,557,427.4	1,144,620.0
Statutory and occasional reserves	1,135,845.5	958,362.3
Surplus	554,449.8	516,046.2
Gross unrealized gain or loss on investments available for sale	15,482.4	15,870.3
Revaluation assets (notes 5 and 10)	538,967.2	500,175.7
Stockholders' equity revaluation	0.2	0.2
Net income	269,832.8	246,832.0
TOTAL STOCKHOLDERS' EQUITY	3,568,561.9	2,913,617.6
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 28,236,894.4	25,796,770.2
Creditor contingent accounts (note 22)	12,137,265.5	9,502,919.7
Debtor contingent accounts (note 22)	476,529.0	629,966.3
Debtor memorandum accounts (note 23)	40,034,938.9	38,122,898.4
Creditor memorandum accounts (note 23)	64,769,981.1	53,564,057.3
Total contingent and memorandum accounts	\$ 117,418,714.5	101,819,841.7
Trust Memorandum Accounts (Note 24)	\$ 40,258.9	45,147.8
Contingent accounts receivable by contrast	372,379.0	374,783.8
Memorandum accounts and against	69,319.7	75,879.0
Credit memorandum accounts	211,022.0	229,377.7

See the notes accompanying the financial statements.

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Financial Director
Registration 35089-T

PEDRO ÁNGEL PRECIADO VILLARRAGA
Statutory Auditor of Banco Davivienda S.A.
Registration 30723-T
Member of KPMG Ltda.
(See my opinion dated February 4, 2011)



BANCO DAVIVIENDA S.A.

Statements of Income

Semesters ended on December 31, and June 30, 2010
(Millions of Colombian pesos, except the profit per share)

	<u>December 31</u>	<u>June 30</u>
Direct operating income	\$ 2,209,967.1	\$ 2,047,722.6
Amortized interests and discounts- Credit portfolio and others	1,204,273.4	1,129,367.5
Commissions and fees	248,637.9	230,857.0
Appraisal of Investments	89,396.6	81,490.2
Profit on short positions in open repos	1,302.9	861.0
Changes	136,510.0	173,341.0
Profit on the appraisal of derivatives	457,681.9	363,797.4
Profit on portfolio sale	41,009.0	4,022.8
Profit on investments sale	31,155.4	63,985.7
Direct Operating Expenses	1,003,441.8	977,503.4
Interests amortized premium and discount amortized (note 12)	329,387.7	358,444.9
Commissions	43,253.1	32,476.8
Lost on the appraisal of derivatives	486,904.4	386,135.8
Changes	123,304.8	154,026.9
Loss on short position, open repo operations	4,114.6	1,689.1
Lost on investments sale	16,477.2	44,729.9
Direct Operating Income	1,206,525.3	1,070,219.2
Operating Income	568,308.0	575,713.1
Dividends and participations (note 5)	1,266.2	31,700.4
Refund allowance portfolio (note 6)	445,930.9	425,986.1
Refund allowance Accounts Receivable (note 8)	34,283.0	44,024.7
Others (note 25)	86,827.9	74,001.9
Operating Expenses	688,223.4	578,207.0
Employees expenses	279,974.4	240,387.0
Others (note 26)	408,249.0	337,820.0
Operating result before allowances, depreciation and amortizations	\$ 1,086,609.9	\$ 1,067,725.3



BANCO DAVIVIENDA S.A.

Statements of Income (continued)

Semesters ended on December 31, and June 30, 2010
(Millions of Colombian pesos, except the profit per share)

	<u>December 31</u>	<u>June 30</u>
Allowances	\$ 716,688.5	\$ 764,903.8
Investments (note 5)	1,495.5	537.1
Credit Portfolio and Financial Leasing (note 6)	671,026.4	694,038.7
Accounts Receivable (note 8)	38,826.1	65,803.4
Properties and equipment (note 10)	1,968.0	0.0
Others (note 27)	3,372.5	4,524.6
Depreciations - Properties and equipment	21,332.5	17,087.5
Amortizations	74,279.3	70,659.9
Operating Income - Net	274,309.6	215,074.1
Non-operating income (note 28)	143,659.9	125,032.7
Non-operating expenses (note 29)	65,557.7	33,735.9
Non-operating income - Net	78,102.2	91,296.8
Profit before income tax	352,411.8	306,370.9
Tax on Income and Others (note 30)	82,579.0	59,538.9
Net Income	\$ 269,832.8	\$ 246,832.0
Net Income per share (in Colombian Pesos) (note 20)	\$ <u>680.29</u>	\$ <u>1,550.55</u>

See the notes accompanying the financial statements.

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BANCO DAVIVIENDA S.A.

Statements of Changes in the Stockholders' Equity
Semesters ended on December 31, and June 30, 2010
(millions of pesos, except per share information)

	Stock Capital	Legal Reserve	Occasional Reserves	Gross unrealized gain or loss on investments available for sale	Surplus or Deficit for		Stockholders' Equity Revaluation	Net Income	Total Stockholders' Equity
					Revaluation	Devaluation			
Balance at December 31, 2009	\$ 47,757.1	1,144,620.0	793,358.4	411.2	500,310.9	(252.2)	0.2	232,193.5	2,718,399.1
Donations			(2,192.1)						(2,192.1)
Distribution of the net income of the semester ended on December 31, 2009									
Occasional reserve valuation of investments at market prices - Decree 2336 of 1995			32,117.6					(32,117.6)	0.0
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			200,075.9					(200,075.9)	0.0
Dividends paid in cash at Col\$1.361 pesos per share on 47.757.122 shares subscribed and paid. March 11, 2010			(64,997.5)						(64,997.5)
Movement of the semester				15,459.1	229.0	(112.0)			15,576.1
Net income								246,832.0	246,832.0
Balance at June 30, 2010	\$ 47,757.1	1,144,620.0	958,362.3	15,870.3	500,539.9	(364.2)	0.2	246,832.0	2,913,617.6
Donations			(4,059.7)						(4,059.7)
Issuing preferred shares 25,993,997	3,249.3	416,007.9							419,257.2
Discount for cash payment preferred shares		(3,200.5)							(3,200.5)
Distribution of the net income of the semester ended on June 30, 2010									
Occasional reserve for valuation of investments to market prices - Decreto 2336, 1995			16,754.0					(16,754.0)	0.0
Occasional reserve available to the General Stockholders' Meeting for future profit distribution.			164,788.9					(164,788.9)	0.0
Dividends paid in cash at Col\$1.160 pesos per share on 40.056.976 shares subscribed and paid. October 4, 2010								(65,289.1)	(65,289.1)
Movement of the semester				(387.9)	38,903.4	(111.9)			38,403.6
Net income								269,832.8	269,832.8
Balance at December 31, 2010	51,006.4	1,557,427.4	1,135,845.5	15,482.4	539,443.3	(476.1)	0.2	269,832.8	3,568,561.9

See the notes accompanying the financial statements.

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

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

PEDRO ÁNGEL PRECIADO VILLARRAGA
Statutory Auditor of Banco Davivienda S.A.
Registration 30723-T
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(See my opinion dated February 4, 2011)



BANCO DAVIVIENDA S.A.

Statements of Cash Flows

Semesters enden on December 31, and June 30, 2010

(Millions of pesos)

	<u>December 31</u>	<u>June 30</u>
Cash flows provided by operating activities:		
Net income	\$ 269,832.8	246,832.0
Adjustments to reconcile net income to cash used in the operating activities:		
Allowance for investments	1,495.5	537.1
Allowance for credit portfolio and Financial Leasing	671,026.4	694,038.7
Allowance for accounts receivable	38,826.1	65,803.4
Allowance foreclosed assets	2,965.7	3,219.7
Allowance for properties and equipment	1,968.0	0.0
Other assets allowance	167.4	697.2
Allowance for severance payments	11,140.6	10,215.3
Depreciations - goods for own use	21,332.5	17,087.5
Amortizations	74,279.3	70,659.9
Profit on sale of portfolio credits and lease assest	(41,009.0)	(4,022.8)
Profit on the sale of investments, net	(14,678.2)	(19,255.8)
(Profit) Loss on sale of foreclosed assets, net	(105.2)	(911.0)
Profit on sale of properties and equipment, net	1,570.7	(1,619.5)
Refund allowance of the investments	(3,494.6)	(4,669.8)
Refund allowance portfolio	(445,930.9)	(425,986.1)
Refund allowance Accounts Receivable	(34,283.0)	(44,024.7)
Refund allowancwe of the foreclosed assets	(2,983.2)	(1,616.9)
Refund allowance of the property and equipment	(790.8)	(876.9)
Refund allowance of other assets	(284.6)	(932.7)
Other recoveries of estimated liabilities	(17,603.9)	(3,859.2)
Increase deferred income tax	20,540.7	13,623.6
Changes in operating assets and liabilities:		
(Decrease) Increase of gross unrealized gain on investments	(387.9)	15,459.1
Increase in credit portfolio and financial leasing operations	(3,719,019.6)	(2,010,015.9)
(Increase) decrease in accounts receivable	(25,271.4)	5,500.3
Decrease in other assets	46,953.4	29,666.5
Increase in deposits and callabilities	928,636.1	112,912.8
(Decrease) increase in accounts payable	(58,613.3)	117,248.6
Increase in long term-debt	309,035.4	590,878.8
Decrease in other liabilities	(19,474.9)	(11,701.9)
(Decrease) Increase in estimated liabilities and allowances	(9,749.4)	18,306.2
Severance payments	(5,330.3)	(3,528.4)
Net cash used in the operating activities	\$ (1,999,239.6)	(520,334.9)



BANCO DAVIVIENDA S.A.

Statements of Cash Flows (continued)
Semesters enden on December 31, and June 30, 2010
(Millions of pesos)

	<u>December 31</u>	<u>June 30</u>
Cash flows by investment activities:		
(Increase) decrease investment	\$ (450,033.8)	572,254.7
Increase acceptances, cash and derivatives operations	(17,107.8)	(75,339.7)
Additions to property and equipment	(27,783.2)	(18,412.0)
Additions (retirement) of foreclosed assets	(9,737.1)	1,470.3
Product from the sale of foreclosed assets	9,185.7	148.5
Product from the sale of properties and equipment	2,609.0	448.3
Net Income to cash (used in) provided by operating activities	(492,867.2)	480,570.1
Cash flows provided by financing activities:		
Product of sale Credit Portfolio	1,481,088.4	209,310.3
Decrease in Passive Positions in Monetary Market Operaciones and those Related	(80,572.4)	(379,072.3)
Increase Bankers Acceptances outstanding	15,132.4	64,442.5
Increase in banking credits and other financial obligations	692,038.9	303,656.6
Donations	(4,059.7)	(2,192.1)
Subscription of shares	419,257.2	0.0
Discount for cash payment preferred shares	(3,200.5)	0.0
Dividends Payment	(65,289.1)	(64,997.5)
Net cash provided by financing activities	2,454,395.2	131,147.5
Net (Decrease) Increase in cash and cash equivalents	(37,711.6)	91,382.7
Cash and cash equivalents at the beginning of the semester	1,554,806.6	1,463,423.9
Cash and cash equivalents at the end of the semester	\$ 1,517,095.0	1,554,806.6

See the notes accompanying the financial statements.

OLGA LUCÍA RODRÍGUEZ SALAZAR
Legal Representative

CARMEN ANILSA CIFUENTES BARRERA
Financial Director
Registration 35089-T

PEDRO ÁNGEL PRECIADO VILLARRAGA
Statutory Auditor of Banco Davivienda S.A.
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(See my opinion dated February 4, 2011)



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

December 31, and June 30, 2010
(Million of Pesos)

1. Reporting Entity

Banco Davivienda 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 June 10, 1997, it obtained its operating permit. The term established by Public Deed 5145 of October 2003, is up to October 17, 2053, but it may be dissolved or extended prior to that term. The Bank is part of the Sociedades Bolívar Business Group and its purpose is to enter into or perform all operations and contracts legally permitted to banking institutions of a commercial nature subject to the requirements and limitations of the Colombian Law.

The most representative bylaw reforms are:

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

As of December 31, 2010, it operated with three hundred eighty-eight (10.388) employees in five hundred thirty five (535) offices in twenty two (22) branches and agencies in the Colombian territory. It possesses 60% of Fiduciaria Davivienda S.A. shares, 94.90% of Confinanciera S.A. shares, 79% of Davivalores S.A. Broker shares, 100% of Bancafé International Corporation S.A. shares, 99.9% of Bancafé Panamá S.A. shares and 94.011% of Fiduciaria Cafetera S.A. shares. (See detail in note 5 literal 9).

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



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

2. Summary of Main Accounting Policies

2.1. Basic Accounting Policy

The Accounting policies and the preparation of Banks' financial statements are according with generally accepted accounting principles in Colombia and instructions by the Superintendencia Financiera de Colombia.

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

Properties and Equipment

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

Premium on placement of shares

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

Financial statements

For the case of the statement of changes in the financial position, Decree 2649 of 1993 defines it as a basic financial statement; the Superintendencia Financiera de Colombia does not require it.

2.2. Cash flow status and Cash Equivalents

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

2.3. 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 Sold Ordinarily

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

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

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



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

Repo Operations

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

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

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

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 transactions, and Simultaneous

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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2.4. Investments

It includes investments acquired by the Bank 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 Superintendencia Financiera de Colombia, which may be summarized as follows:

Classification	Characteristics	Valuation	Accounting
Negotiable	Titles acquired in order to obtain profits from price fluctuation short-term.	Use just price interchange, reference rates and/or margins, calculated and published daily by the Bolsa de Valores de Colombia or principal market.	<p>The difference is between the current market value and that immediately before recorded as greater or lesser than the initial investment and its counterpart affecting prior results.</p> <p>The investments are valued at market prices, as of the same day of their acquisition, therefore accounting of changes between the acquisition cost and market value of the investments are done as of the date of Purchase.</p>
To keep until maturity	Instruments to which the bank has a serious purpose and the legal, contractual, financial, and operative capacity, to maintain until their maturity.	<p>Exponentially as of the internal rate of return calculated at the time of purchase.</p> <p>When the terms of the issue established the use of the value indicator for the starting date of the compensation period, the internal rate of return must be recalculated every time the face value of the indicator is changed with which the next flow is to be paid.</p> <p>In the case of securities that incorporate prepay options, the internal rate of return must be recalculated every time the future cash flows and payment dates change. The value at the recalculation date of future cash flows should be taken as the purchase value.</p> <p>This procedure is done on a daily basis.</p>	This amount is accounted as the greater value of investment and its counterpart is recorded in period results.



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Classification	Characteristics	Valuation	Accounting
Available-for-sale – debt titles	<p>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.</p> <p>Once the year is up, the first business day after words they may be reclassified to the above categories.</p>	<p>Use just price interchange, reference rates and margins, calculated and published daily by the Bolsa de Valores de Colombia or principal market.</p>	<p>Are counted according to the following procedure:</p> <ul style="list-style-type: none"> - The difference between the amount on the first day of valuation in the one immediately quito it is recorded as a lesser or greater investment with credit or better to P&L accounts. - The difference between the market amount and the current amount is recorded as accumulated income or loss not carried out, within the equity accounts.
Available-for-sale – share titles	<p>With little or minimum marketability, have no quotes, titles that the bank keeps just as control to the matrix.</p>	<p>Investments in share titles are valued according to the marketability index that the have on the date of valuation as follows:</p> <p>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.</p> <p>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.</p>	<p>Little or minimum marketability without any quotes.</p> <ul style="list-style-type: none"> - The difference between market value or updated investment and the value which is recorded in the investment, is accounted as follows: <p>If it is greater, the first instance decreases the provision or devaluation until exhausting it and the excess is recorded as surplus from valuation.</p> <p>If it is less, it affects surplus for valuation until exhausting and the excess is recorded as devaluation.</p> <ul style="list-style-type: none"> - 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.



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Classification	Characteristics	Valuation	Accounting
Available-for-sale – share titles	High and medium marketability: The participative securities and assets which according to the marketability index they maintain at the date of valorization, in accordance to the calculations performed or authorized by the Superintendencia Financiera de Colombia are classified in this category. The capital marketability index determines the degree of liquidity that a share holds in the stock market.	Mid marketability, are valued daily, based on an average price determined and published by the stock markets where they are traded. This average corresponds to the average price for the quantity traded during the last five (5) days before negotiations. High marketability, they are valorized based on the last daily average price considered for negotiation by the stock market in which they are negotiated	High and mid marketability. The updating of market value for the titles of high or mid marketability or those traded in international markets, are accounted as a profit or loss accumulated not performed, waited in the equity accounts, with debit or charge to investment. Dividends or profits distributed in-kind or in cash, including those from capitalization of patrimony revaluation account, are recorded as revenue on 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.

Reclassification of investments

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

Investment Transfer Rights

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

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

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

Allowances or Losses by Credit Risk Rating

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

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



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

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

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

- The Bank assesses the credit risk of the investments that have no assessment and establishes provisions according to the ranges defined by the Superintendencia Financiera de Colombia.

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

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

2.5 Credit Portfolio and Financial Leasing

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

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

Credit modes

The credit portfolio structure contemplates the following modes for credits:

- **Commercial**

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



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Home Leasing.

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

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

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

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

- **Consumption**

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

- **Housing**

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

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

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

Property value should be insured against fire and earthquake.

- **Micro-credit**

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

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

The amount of indebtedness by the debtor may not exceed one hundred twenty (120) minimum daily wages in force at the time of approval of the corresponding credit operation. Balance of indebtedness is understood to mean the amount of current obligations by any corresponding micro-company with



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the financial sector and other sectors, which are recorded by bank operators with the data consulted by the corresponding creditor, excluding those mortgage credits for financing housing and adding to the amount of the new obligation.

Restructured Credits

A restructured loan is one, that through an agreement of any judicial business, has the objective to modify the conditions initially established, in order to allow the debtor, to adequately manage his/her obligation. For these effects, the restructurings are considered novations.

Previous to restructuring a loan, it should be reasonably established, that same will be recovered under the new conditions.

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

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

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

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

Bankruptcy rules Law 1116 of 2006

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

Fiscal Restructuring Law 617 of 2000

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

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

Restructuring Law 550

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



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- **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:

Credit Modality	Default level to
Commercial	3 months
Consumption	2 months
Housing	2 months
Micro-credit	1 month

The accrual is recorded in contingent accounts without affecting the income statement until such time as the effective 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.

Regulation for penalties

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

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

<u>Portfolio</u>	<u>Default Levels</u>
Commercial	570
Consumption	180 (different of vehicle without guarante)
Housing	540
Housing Leasing	540 (Commercial Portfolio)
Commercial Vehicles	540
Consumer Vehicles	360

From May 2010 the bad-debt consumer portfolio is defined as from 360 days past due.

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

- **Regulations for the guarantees**

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

The loan approval in the Bank 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:



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

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

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

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

Criteria for the Evaluation and Reclassification of credit risk

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

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

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

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

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

Alignment Rules

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

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



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Credit Risk Rating for reports

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

Commercial Portfolio

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

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

Consumption Portfolio

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

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

A consumer credit is considered unpaid when in arrears equal to or greater than 90 days.

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

Vivienda y Microcrédito

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

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



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- **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.

2.6 Rules on provisions for credits portfolio

The Bank constitutes provisions in reference to the results as follows:

General Allowance

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

Individual provisions using reference models.

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

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

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

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

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

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

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

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

Calculation methodology in accumulation phase

Procyclical individual component (IPC): For the commercial portfolio and consumption, the expected loss is calculated with the matrix A, ie the result obtained by multiplying the exposure value of the debtor, the probability of default (PI) of the matrix A and loss given default (PDI).



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Componente individual procíclico (CIP) : Para la cartera comercial y consumo, es la pérdida esperada calculada con la matriz A, es decir el resultado obtenido al multiplicar el valor de la exposición del deudor, la probabilidad de incumplimiento (PI) de la matriz A y pérdida dado el incumplimiento (PDI).

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 Superintendencia Financiera de Colombia will provide the migration matrices to be applied for the calculation of expected losses annually.

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

Up until March 31, 2010 holdings provisions that have a reference model were calculated without considering the individual countercyclical component, accumulation phase. The change in methodology to accumulation phase implied a lower value in the recovery of holdings provisions of \$ 22,982 and \$ 11.352.9 during the first and second halves of 2010 respectively.

Individual Allowance

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

Commercial Portfolio

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

The Leasing Operations provisions are recorded in compliance with the commercial loans portfolio policies "natural person with business".

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

<u>Company Size</u>	<u>Assets Level</u>
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

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



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

Rating	Large		Medium		Small		Individual	
	Company		Company		Company			
	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”.

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

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

For the second half of 2010 the Bank modified the interest rate from 58% to 55% in line with the standard, a change that generated an effect of \$ 15,472.8 in the recovery of provisions, which neutralizes the effect on P and L from the countercyclical effect.

- Exposed value of asset

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

Concordat Processes Provisions

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

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

- **Consumption Portfolio**

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

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



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

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

Where:

- Probability of failing

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

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

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

- Loss due to failing (LDF)

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

Type of guarantee	<u>L.D.F.</u>	Days after failing to pay	<u>New L.D.F.</u>	Days after failing to pay	<u>New L.D.F.</u>
Without guarantee	69,00%	180	85,00%	360	100,00%

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

For the second half of 2010 the Bank modified the interest rate from 69% to 65% in line with the standard, a change that generated an effect of \$ 24,123.0 in the recovery of provisions, which neutralizes the effect on P and L from the countercyclical effect.

- Exposed value of the asset

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



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- **Housing portfolio**

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

Rating	% Minimum standard		% Bank's minimum	
	Covered	Uncovered	Covered	Uncovered
	Part	Part	Part	Part
A	1.00%	1.00%	1.50%	3.00%
B	3.20%	100.00%	5.00%	100.00%
C	10.00%	100.00%	20.00%	100.00%
D	20.00%	100.00%	60.00%	100.00%
E	30.00%	100.00%	100.00%	100.00%

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

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

- **Micro-credit portfolio**

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

Rating	% Minimum Standard		% Bank's minimum	
	Capital	Uncovered	Capital	Uncovered
	Balance	Part	Balance	Part
A	1.00%	0.00%	1.60%	1.60%
B	2.20%	1.00%	4.00%	5.00%
C	0.00%	20.00%	0.00%	30.00%
D	0.00%	50.00%	0.00%	60.00%
E	0.00%	100.00%	0.00%	100.00%

- **Effect of Suitable Guarantees on the Establishment of Individual Allowance**

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

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



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Depending on type the guarantee and the time of the respective loan arrears, the percentages of the total value of the guarantee for the establishment of allowances are considered as follows:

For Non-Mortgage Guaranties:

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

For Mortgage Guaranties:

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

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

2.7 Acceptances, Cash Operations and Derivates

Cash Operations

Definition

A spot transaction is one that is registered with a deadline for clearing and settlement as the date of execution or registration of the transaction (ie today for today) (1 +0), or up to three (3) days working days counted from the next record in the operation. (1 +3).

Valuation

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



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Derivatives Transactions

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

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

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

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

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

The Bank operates a policy of trading derivatives exclusively for speculative purposes, as of December 31, 2010, there is only one hedge transaction registered as fair exchange price coverage according to what is defined in paragraph 7.3.2.1 of Chapter XVIII of the External Circular 100 of 1995 of the Superintendencia Financiera de Colombia for the CCS swaps transaction taken by Bank, 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 accredited price suppliers that offer permanent quotes throughout the trading day. In all cases, to value the 'forward' transactions, both buying and selling, the average of the quoted closing bid price and asking price should be used, i.e. the 'mid' price.



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

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

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

Forward foreign exchange transactions:

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

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

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. but each register in 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.



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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 heading, the Bank records transactions denominated Bond Futures and Futures TRM Notion

Valuation

The futures should be valued on the corresponding 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.

Bookkeeping

Since futures transactions are settled daily, the fair value of derivative financial instrument exchange is zero (0), for this reason bookkeeping is done in the assets because it is a derivative financial instrument for speculative purposes.

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 Superintendencia Financiera de Colombia.

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

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



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- Cash Flow Coverage: These cover the exposure to variability in cash flows of a primary position, provided that such variation is attributable to one or more risks and affect, or may affect, the income statement of the controlled entity.
- Coverage of assets or liabilities in foreign currency: These cover only the exchange rate risk of a particular value of assets or liabilities which are denominated or indexed in currencies other than the Colombian peso.

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

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

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

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

Valuation

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

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

Accounting records

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

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

- a) Financial derivatives for hedging purposes: The total gain or loss arising in valuing financial derivatives of fair exchange price for hedging should be recognized immediately in the income statement, using the corresponding PUC accounts for hedging instruments.
- b) Primary Positions: The total profit or loss attributable to the risk being covered should be recognized in the book value of the primary position, so that the fair exchange price is found. The variations are counterbalanced by the relevant sub-statement, even if it is a primary position covered that is valued at cost.

Where a is 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.



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

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 portfolio of two (2) bonds, one (1) as a short position and the other as a long position, both in the same currency, including in each case the capital of the operation. The fundamental distinction between the way the IRS 'swap' is valued and the bonds lies in two aspects: 1) That the valuation of a bond in the spot market is done by discounting the interest rate negotiated by the market on the valuation date, while the valuation of the 'swap' flows is done using the appropriate zero coupon rates as discount rates, and 2) that the projection of future flows of variable rate bonds is calculated using the market rates in force on the date of valuation, while the projection of the swaps flows is done using implicit future rates.

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

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

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

Bookkeeping

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)



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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.

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.

Bookkeeping

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

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

2.8 Accounts Receivable

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

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



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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.

2.9 Foreclosed Assets

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.

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

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

- The initial record is done according to the amount determined in the legal award or that amount agreed with the debtors, registered by public deed and legalized by the office for registration of public documents
- When the amount received of the goods received in payment is lower than the amount of the debt recorded in the balance, the difference is immediately recognized in the profit and loss statement in the portfolio provision account.
- If there should be an amount in favor of the debtor between the amount for which the good is received and the amount of the credit to be canceled, this difference is accounted for as an accounts payable.
- These goods are received on a temporary basis and the Bank must make the sale within two (2) years following the date of their receipt. However, the Bank may request an extension for the sale of the goods received as payment, which shall not exceed in any event two (2) years, counted as of the expiration of the initial term.
- The valuations are used only for three (3) years before closure of the accounts in which they are used; and the outcome of these is recognized as the valuations of the property received in lieu of payment that are recorded in clearing accounts and in all cases the devaluations are provisioned on the statement.
- The profits generated as a result of the sale of these assets through the mutual holding operations and forward sale shall be different in the agreed period of operation; its amortization is carried out against the income statement to the extent that its collection is effective.
- When the sale is in cash, the profit derived from the transaction is registered as income in the statement.

Goods Returned

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

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

Goods not used in the corporate object

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



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

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

2.10 Allowance Foreclosed Assets

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

- Within the year following the receipt of the good, an allowance in monthly aliquots equivalent to 30% of the acquisition cost of the good (value of receipt), which must be increased within the second year by an additional 30% until 60% of the acquisition cost of same is reached.
- Upon expiration of the legal term for the sale (from two to four years), allowance adjusted to 100%.
- In all cases, independent of the 100% provision constitution and before the expiry of the two year-term for the sale of the assets, an must additional extension of two years for their sale is requested from the Superintendencia Financiera de Colombia. If the commercial value of the property is less than the book value of the goods received in payment a provision for the difference is recorded.

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

2.11 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:



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

Straight line method

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

Balance reduction method

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

2.12 Branches and Agencies

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

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

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

2.13 Prepaid Expenses, Deferred Charges and Intangible Assets

Expenses paid in advance correspond to disbursements incurred by the Bank 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, from which it is expected to obtain a future economic benefit and due to its amount and nature, are considered amortizable in a specific moment.

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

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

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

Prepaid Expenses

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



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Deferred charges

- Renovations to private property are depreciated over a period not exceeding two (2) years, and for the term of the contract for leased property.
- Computer software in a period not exceeding three (3) years.
- Deferred income tax generated by effect of temporary differences, will be amortized in the periods in which the temporary differences that originated it are reversed.
- Provisions in a period of twelve (12) months.
- Commissions and advisory in a sixty (60) months period, Corresponding to larger scale projects with long term recovery expectation.

Intangible assets

The commercial credit is amortized monthly using the straight-line method over a period of six (6) and seven (7) years for Bansuperior S.A. and Confinanciera S.A., respectively, and by the exponential method over twenty (20) years for Granbanco S.A.

2.14 Valuation and Revaluation

Assets object of Valuation:

- Investments available for sale in equity securities.

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

- Properties and equipment, specifically real states.

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

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

- Foreclosed Assets

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

2.15 Deferred Tax

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

2.16 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



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which income is amortized in proportion to the values collected by capital.

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

Real Value Unit – R.V.U. Adjustment

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

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

2.17 Estimated Liabilities and Allowances

The Bank records 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.

2.18 Translation of Transactions in Foreign Currency

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

2.19 Contingent Accounts

In these accounts are recorded the operations whereby the Bank 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.



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

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

2.20 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. Furthermore, fiscal memorandum accounts are included, where the figures for the preparations of tax returns are recorded; in addition, they include those recording accounts used for internal control fiscal effects or management information.

2.21 Fiduciary accounts

Register in the fiduciary accounts on the total holdings operations.

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

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

2.22 Net Profit per Share

According to the provisions of External Memorandum Letter 015 of 1994, in order to determine the net profit per share, the Bank uses to December 31, 2010 the weighted average method of shares subscribed and paid by the outstanding time of these and June 30, 2010; the number of shares subscribed and paid in circulation.

Owing to the split made on May 1, 2010, the number of shares in circulation went from 47,757,122 to 382,056,976 because of the change in nominal value from \$ 1,000 (pesos) to \$ 125 (pesos).

3. Cash and Cash Equivalents

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

	<u>December 31</u>	<u>June 30</u>
Colombian Pesos:		
Cash	\$ 759,963.6	734,516.0
Banco de la República (Central Bank)	449,119.0	408,759.9
Banks and other financial entities	17,387.3	5,343.0
Exchange	20,880.0	21,837.3
Remittances in transit	156.0	362.2
Allowance	<u>(545.5)</u>	<u>(561.9)</u>
	<u>1,246,960.4</u>	<u>1,170,256.5</u>
Foreign currency translated into local currency:		
Cash	1,201.3	1,738.3
Banco de la República (Central Bank)	59.5	59.5
Banks and other financial entities	73,205.6	77,169.4
Remittances in transit	4,198.6	1,700.9
Allowance	<u>(21.1)</u>	<u>(41.1)</u>



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	<u>78,643.9</u>	<u>80,627.0</u>
	<u>\$1,325,604.3</u>	<u>1,250,883.5</u>

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

These deposits don't have compensation.

3.1 Reconciliations of Transactions in Legal Currency

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

<u>Items older than 30 days</u>	<u>Amount</u>		<u>Value</u>
Debit notes to reconcile	24	\$	176.5
Credit notes to reconcile	129		(397.5)
ND accounted for not taken by the Bank	21		135.3
NC accounted for not taken by the Bank	<u>8</u>		<u>(4.7)</u>
	<u>182</u>	<u>\$</u>	<u>(90.4)</u>

At December 31, 2010, the reconciliations of accounts in local banks have 48 items of under 30 days, for a net of \$ (58.7), the reconciling items over 30 days have no significant impact and are provisioned for a value of \$ 311.8.

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

<u>Items older than 30 days</u>	<u>Amount</u>		<u>Value</u>
Debit notes to reconcile	31	\$	259.0
Credit notes to reconcile	104		(323.8)
ND accounted for not taken by the Bank	13		57.1
NC accounted for not taken by the Bank	<u>8</u>		<u>(4.7)</u>
	<u>156</u>	<u>\$</u>	<u>(12.2)</u>

On June 30, 2010, reconciliations of accounts in local Banks show 143 items longer than 30 days, for a net value of \$55,2 whit have significant impact and are provisioned net value of \$561,9

3.2 Reconciliations of Transactions in Foreign Currency

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

<u>Items older than 30 days</u>	<u>Amount</u>		<u>Value USD \$</u>
Debit notes to reconcile	5	\$	11.03
Credit notes to reconcile	9		(36.36)
NC accounted for not taken by the Bank	<u>12</u>		<u>(12.9)</u>
	<u>26</u>	<u>\$</u>	<u>(37.42)</u>

The conciliatory items are provisioned for \$ 21.1

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



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<u>Items older than 30 days</u>	<u>Amount</u>		<u>Value USD \$</u>
Debit notes to reconcile	5	\$	14.4
Credit notes to reconcile	7		(71.8)
ND accounted for not taken by the Bank	1		7.1
NC accounted for not taken by the Bank	<u>12</u>		<u>(33.4)</u>
	<u>25</u>	\$	<u>(83.7)</u>

The reconciling items are provisioned for \$41.1.

There are no other restrictions on liquid assets.

3.3 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	\$	603.0	124.6
Plus:			
Allowance charged to operating expenses		239.4	519.1
Less:			
Penalties		51.4	<u>30.8</u>
Refund revenue		<u>224.4</u>	<u>9.9</u>
Closing balance	\$	<u>566.6</u>	<u>603.0</u>

4. Active Positions in Monetary Market Operations and those Related

The following is the detail of the interbank funds sold and resale agreements:

<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>Initiation</u>	<u>Date of Cancellation</u>	<u>Amount of Pesos</u>
<u>December 31</u>					
<u>Foreign Currency</u>					
Overnight Foreign Banks:					
	USD 1.950.000.0	0.030%	Dec.31.10	Jan.03.11	\$ 3,732.2
	USD <u>1.950.000.0</u>				<u>3,732.2</u>
 <u>Legal Currency</u>					
Concurrent					
Banco República		3.250%	Dec.27.10	Jan.04.11	81,744.3
		3.100%	Dec.28.10	Jan.03.11	5,999.4
		3.350%	Dec.28.10	Jan.11.11	46,866.0
		3.200%	Dec.28.10	Jan.04.11	<u>2,209.2</u>
					<u>136,818.9</u>
					\$ <u>140,551.1</u>
Pass					
Stock Exchange Brokers		3.50%	Dec.28.10	Jan.03.11	\$ 4,896.7
		3.45%	Dec.29.10	Jan.04.11	2,179.4
		4.50%	Dec.29.10	Jan.04.11	6,192.2



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3.45%	Dec.30.10	.04.11	9,807.2
5.00%	Dec.28.10	Ene.03.11	1,129.1
3.50%	Dec.28.10	Ene.03.11	2,386.4
3.40%	Dec.29.10	Ene.03.11	1,193.3
3.45%	Dec.29.10	Ene.04.11	2,724.3
5.00%	Dec.29.10	Ene.04.11	2,003.4
3.45%	Dec.30.10	Ene.03.11	1,193.5
3.40%	Dec.28.10	Ene.03.11	4,781.7
3.40%	Dec.30.10	Jan.03.11	2,613.8
5.00%	Dec.29.10	Jan.03.11	1,544.8
5.00%	Dec.29.10	Jan.04.11	6,019.9
3.30%	Dec.29.10	Jan.03.11	<u>2,273.9</u>
			<u>50,939.6</u>
			<u>\$ 191,490.7</u>

<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>June 30</u>	<u>Date of</u>	<u>Initiation</u>	<u>Cancellation</u>	<u>Amount of Pesos</u>	<u>TRM (Pesos)</u>
<u>Foreign Currency</u>								
Overnight Bancos Exterior:								
	USD	5,350,000.0	0.296%	Jun.30.10	Jul.01.10		\$ 10,235.4	1,913.15
		<u>300,000.0</u>	0.040%	Jun.30.10	Jul.01.10		<u>573.9</u>	1,913.15
	USD	<u>5,650,000.0</u>					<u>\$ 10,809.3</u>	
							<u>\$ 10,809.3</u>	

<u>Entity</u>	<u>Amount of dollars</u>	<u>Rate</u>	<u>June 30</u>	<u>Date of</u>	<u>Initiation</u>	<u>Cancellation</u>	<u>Amount of pesos</u>
<u>Legal Currency</u>							
Simultaneous							
Bancos		2.950%	Jun.30.10	Jul.01.10			<u>\$ 10,284.5</u>
Banco República		2.700%	Jun.28.10	Jul.01.10			11,044.7
		3.250%	Jun.30.10	Jul.01.10			99,119.9
		3.320%	Jun.30.10	Jul.01.10			38,148.5
		3.800%	Jun.30.10	Jul.01.10			3,236.2
		3.440%	Jun.30.10	Jul.01.10			99,908.7
		3.200%	Jun.29.10	Jul.01.10			<u>16,450.4</u>
							<u>\$ 267,908.4</u>



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Stock Exchange Brokers	5.50%	Jun.30.10	Jul.06.10	726.7
	5.50%	Jun.30.10	Jul.06.10	1,400.6
	5.50%	Jun.30.10	Jul.06.10	3,054.5
	4.50%	Jun.30.10	Jul.01.10	8,719.7
	4.00%	Jun.30.10	Jul.01.10	<u>1,019.4</u>
				<u>\$ 14,920.9</u>
				<u>\$ 303,923.1</u>

For the first and second half of 2010, the balance and the monthly average yield of active positions (local and foreign currency) totaled \$ 191,490.7 and \$ 890.6 and \$ 303,923.1 and \$ 350.4 respectively.

There are no restrictions on these funds.

5. Investments

The following is the detail of the investment portfolio, at December 31, and June 30, 2010:

<u>December 31</u>	<u>Cost</u>	<u>Allowance</u>
Trading Investments	\$ 2,089,684.8	12,773.1
Debt securities Held to maturity	318,956.6	579.1
Debt securities available for sale	1,319,632.2	1,125.5
Equity securities available for sale	312,296.0	13,442.6
Repurchase rights of marketable investments given in guarantee	13,446.0 <u>40,120.8</u>	0.0 <u>0.0</u>
	\$ <u>4,094,136.4</u>	<u>27,920.3</u>

<u>June 30</u>	<u>Cost</u>	<u>Allowance</u>
Trading Investments	\$ 2,260,699.0	15,795.5
Debt securities Held to maturity	320,602.1	681.3
Debt securities available for sale	630,388.8	0.0
Equity securities available for sale	312,205.7	13,442.6
Repurchase rights of marketable investments given in guarantee	<u>64,342.7</u> <u>41,186.1</u>	<u>0.0</u> <u>0.0</u>
	\$ <u>3,629,424.4</u>	<u>29,919.4</u>

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

-	<u>Investments debt securities trading</u>		
		<u>December 31</u>	<u>June 30</u>
TES	\$	840,514.5	877,475.1
TRD		3,966.6	22,248.0
CERT		0.0	4.0



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Bonds	174,266.8	229,568.5
FOGAFIN	0.0	84,485.3
TDA FINAGRO	149,606.3	209,845.8
CDT's	108,120.4	72,056.2
TIPS	764,418.4	727,938.1
Credit content titles	30,190.9	16,638.2
Securities Issued Foreign	18,600.8	17,897.4
Commercial papers	<u>0.0</u>	<u>2,542.4</u>
	<u>2,089,684.8</u>	<u>2,260,699.0</u>
- <u>Investment to be held up to their maturity</u>		
TRD	313,595.3	314,896.6
CDT	3,018.8	3,024.6
TIPS	<u>2,342.5</u>	<u>2,680.9</u>
	\$ <u>318,956.6</u>	<u>320,602.1</u>

(1) Refers to mandatory investments made in compliance with laws and conform to established rates on savings accounts, checking accounts, deposit certificates, banking services for collection and trust liabilities (Note 12) in terms of Resolution 14 of 2008, as follows: on average daily demand in legal currency each quarter, after deducting the reserve 5.8% from the savings and checking accounts and 4.3% from the term deposit certificates

These percentages apply as of the calculation of the requirement of investment in titles of agrarian development TDA, corresponding to the demandable items of the quarter March to June of 2009. And they are percentages in effect to date (Note 35).

- <u>Investments debt securities available for sale</u>		
	<u>December 31</u>	<u>June 30</u>
Tes B	\$ 492,188.9	496,820.5
TIPS	<u>827,443.4</u>	<u>133,568.3</u>
	\$ <u>1,319,632.2</u>	<u>630,388.8</u>
- <u>Investments equity securities available for sale</u>		
Shares with low and minimum marketability (Note 5.g)	\$ <u>312,296.0</u>	<u>312,846.5</u>
- <u>Investments provided as security negotiable</u>		
Trading in debt securities		
TES	\$ <u>40,120.8</u>	<u>41,186.1</u>
- <u>Repurchase Rights of Investments</u>		
Trading in debt securities		
TES	\$ 13,247.4	41,310.8
FOGAFIN	0.0	23,031.9
TDA Finagro	<u>198.6</u>	<u>0.0</u>
	\$ <u>13,446.0</u>	<u>64,342.7</u>
- Investment allowance	<u>(27,920.3)</u>	<u>(29,919.4)</u>
Net total Investments	\$ <u>4,066,216.1</u>	<u>3,599,505.0</u>



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

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

5.2 Investment Reclassification Effect

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

5.3 Investment portfolio by rating

	<u>December 31</u>	<u>% partic.</u>	<u>Allowance</u>	<u>June 30</u>	<u>% partic.</u>	<u>Allowance</u>
<u>Qualification Long Term</u>						
A	\$ 43,998.1	1.16%	0.0	\$ 40,543.6	1.22%	0.0
A-	13,040.8	0.34%	0.0	8,927.3	0.27%	0.0
A+	33,784.1	0.89%	0.0	33,532.7	1.01%	0.0
AA-	28,682.9	0.76%	0.0	15,121.0	0.46%	0.0
AA	131,887.8	3.49%	0.0	23,683.9	0.71%	0.0
AA+	36,994.6	0.98%	0.0	19,663.6	0.59%	0.0
AAA	1,435,764.0	37.96%	0.0	863,241.4	26.47%	0.0
B+	16,145.1	0.43%	4,843.5	1,158.6	0.03%	347.6
BB	9,023.6	0.24%	902.4	0.0	0.00%	0.0
BB-	20,119.4	0.53%	223.2	23,859.4	0.72%	1,946.3
BB+	2,231.6	0.06%	223.2	0.0	0.00%	0.0
BBB-	23,809.0	0.63%	0.0	23,824.4	0.72%	0.0
BBB	18,757.9	0.50%	0.0	3,698.1	0.11%	0.0
BBB+	38,923.9	1.03%	0.0	39,335.9	1.19%	0.0
C	11,645.8	0.31%	5,822.9	11,635.8	0.35%	5,817.9
CC	1,347.6	0.04%	673.8	1,715.3	0.05%	857.7
CCC	0.0	0.00%	0.0	15,014.6	0.45%	7,507.3
Nation	1,911,655.8	50.55%	0.0	2,063,225.8	62.20%	0.0
Fogafin	<u>0.0</u>	<u>0.00%</u>	<u>0.0</u>	<u>107,517.2</u>	<u>3.24%</u>	<u>0.0</u>
	<u>3,777,811.9</u>	<u>99.89%</u>	<u>14,477.7</u>	<u>3,306,249.2</u>	<u>99.67%</u>	<u>16,476.8</u>
<u>Qualification short term</u>						
1	<u>4,028.5</u>	<u>0.11%</u>	<u>0.0</u>	<u>10,969.5</u>	<u>0.33%</u>	<u>0.0</u>
1+	<u>4,028.5</u>	<u>0.11%</u>	<u>0.0</u>	<u>10,969.5</u>	<u>0.33%</u>	<u>0.0</u>
	<u>3,781,840.4</u>	<u>100.00%</u>	<u>14,477.7</u>	<u>3,317,218.7</u>	<u>100.00%</u>	<u>16,476.8</u>
<u>Equity Securities</u>						
A	312,286.2	100.00%	13,440.7	312,195.9	100.00%	13,440.7
B	<u>9.8</u>	<u>0.00%</u>	<u>1.9</u>	<u>9.8</u>	<u>0.00%</u>	<u>1.9</u>
	<u>312,296.0</u>	<u>100.00%</u>	<u>13,442.6</u>	<u>312,205.7</u>	<u>100.00%</u>	<u>13,442.6</u>
	<u>\$4,094,136.4</u>	<u>100.00%</u>	<u>27,920.3</u>	<u>3,629,424.4</u>	<u>100.00%</u>	<u>29,919.4</u>

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

As a result of the credit portfolio securitization processes, the Bank acquired securities Tips "C", which



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are rated as CCC and are recorded as of December 31, and June 30, 2010 in the negotiable investments in debt securities for (\$15.167,84) Fifteen thousand one hundred and sixty-seven with eighty-four cents (Colombian pesos). In addition, they are recorded in contingent accounts at December 31, and June 30, 2010 for \$32.948,1 and \$32.915,9, respectively.

5.4 Investment Portfolio by issuing

	<u>December 31</u>	<u>Partic.</u>	<u>June 30</u>	<u>Partic.</u>
Government National	\$ 1,761,372.4	43.0%	1,852,482.8	51.0%
Decentralized entities and governmental order	3,836.9	0.1%	13,321.4	0.4%
Fogafin	0.0	0.0%	107,517.2	3.0%
Finagro	149,804.9	3.7%	209,845.8	5.8%
Findeter	20,583.0	0.5%	0.0	0.0%
Entities supervised by the Superintendencia Financiera de Colombia	1,977,499.9	48.3%	1,298,406.1	35.8%
Foreign Entities	94,511.1	2.3%	17,897.4	0.5%
Real entities sector	86,191.4	2.1%	129,953.7	3.5%
Others	<u>336.8</u>	<u>0.0%</u>	<u>0.0</u>	<u>0.0%</u>
	\$ <u>4,094,136.4</u>	<u>100.0%</u>	<u>3,629,424.4</u>	<u>100.0%</u>

5.5 Investment portfolio per currency

	<u>December 31</u>	<u>June 30</u>
Pesos	\$ 3,365,749.9	2,870,809.8
Dólares	94,511.1	93,717.4
Uvr	<u>633,875.4</u>	<u>664,897.2</u>
	\$ <u>4,094,136.4</u>	<u>3,629,424.4</u>

5.6 Investments Portfolio per maturity terms

<u>December 31</u>	<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Trading Investments	\$ 326,495.1	828,751.8	524,907.1	463,097.5	2,143,251.6
Investments debt securities available for sale	0.0	492,188.9	659,119.2	168,324.2	1,319,632.2
Investments equity securities available for sale	0.0	0.0	0.0	312,296.0	312,296.0
Investments debt securities Held to maturity	<u>39,088.8</u>	<u>269,119.3</u>	<u>10,748.5</u>	<u>0.0</u>	<u>318,956.6</u>
	\$ <u>365,584.0</u>	<u>1,590,059.9</u>	<u>1,194,774.8</u>	<u>943,717.7</u>	<u>4,094,136.4</u>
<u>June 30</u>	<u>From 0 to 1 year</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>



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Trading Investments	\$	612,656.8	936,028.7	372,597.0	444,945.2	2,366,227.7
Investments debt securities available for sale		0.0	496,820.5	116,408.9	17,159.5	630,388.9
Investments equity securities available for sale		0.0	0.0	0.0	312,205.7	312,205.7
Investments debt securities Held to maturity		<u>23,808.8</u>	<u>240,517.6</u>	<u>56,275.7</u>	<u>0.0</u>	<u>320,602.1</u>
	\$	<u>636,465.6</u>	<u>1,673,366.8</u>	<u>545,281.6</u>	<u>774,310.4</u>	<u>3,629,424.4</u>

5.7 Maximum, Minimum and Average values

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

<u>Investments</u>	<u>31 de diciembre</u>		
Instruments per kind	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Bonds	\$ 168,195.4	221,813.2	192,720.7
Cdt's	56,003.2	150,939.4	107,181.2
Certs	0.0	25,000.0	4,166.7
Fogafin	0.0	108,686.4	36,131.1
Foreign Entities	17,553.7	18,600.8	18,147.7
TDA Finagro	148,559.4	202,036.5	175,314.2
Tes	735,134.4	1,272,796.2	978,072.2
Tidis	0.0	84.9	14.2
TIPS	663,628.4	764,418.4	706,530.3
Credit content securities	13,210.5	39,483.7	23,936.2
TRD	3,966.6	22,153.7	13,237.1
Available for sale			
Tes	492,188.9	520,406.8	506,664.9
TIPS	282,742.3	830,105.8	409,486.5
Al vencimiento			
CDT	3,018.8	3,032.2	3,026.4
Tes	0.0	2,410.0	401.7
TIPS	0.0	2,661.4	2,088.9
TRD	<u>312,918.0</u>	<u>315,637.8</u>	<u>314,326.3</u>
	\$	<u>2,897,119.7</u>	<u>4,500,267.3</u>
		<u>3,491,446.1</u>	



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

<u>Investments</u>	<u>June 30</u>		
Instruments per kind	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Bonds	\$ 182,482.4	283,794.2	223,946.9
CDT	62,980.8	114,037.5	91,532.0
Certs	4.0	4.0	4.0
Fogafin	108,971.0	124,382.6	119,129.4
Foreign Entities	17,897.4	19,010.2	18,324.6
Commercial papers	2,542.5	15,097.8	10,266.3
TDA	193,625.6	391,979.5	338,712.6
TES	1,241,858.4	2,590,273.9	1,966,233.5
TIPS	762,390.2	1,041,271.5	882,402.7
Credit content securities	21,742.6	25,334.7	24,118.1
TRD	<u>332,472.1</u>	<u>360,391.2</u>	<u>343,506.6</u>
	\$ <u>3,676,723.2</u>	<u>6,078,229.7</u>	<u>4,944,583.1</u>

Active Positions in Monetary Market Operations and those Related

Inter-bank assets	\$ 0.0	318,000.0	63,000.0
Over Night Banks Abroad	2,834.8	18,980.4	7,547.7
Repos and inter-banks assets	<u>20,733.1</u>	<u>293,113.8</u>	<u>108,213.5</u>
	<u>23,567.9</u>	<u>630,094.2</u>	<u>178,761.2</u>

	<u>June 30</u>		
	<u>Minimum</u>	<u>Maximum</u>	<u>Average</u>
Active Positions in Monetary Market Operations and those Related			
Inter-bank liabilities	\$ 0.0	145,965.6	81,117.8
Repos and inter-banks passive	<u>70,321.3</u>	<u>638,035.3</u>	<u>291,721.2</u>
	\$ <u>70,321.3</u>	<u>784,000.9</u>	<u>372,839.0</u>



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5.8 Investments Allowance

The movement of the investment allowance is the following:

		<u>December 31</u>	<u>June 30</u>
Beginning Balance	\$	29,919.4	34,052.1
Plus:			
Allowance charged to operating expenses		1,495.5	537.1
Less:			
Reimbursement of allowance		<u>3,494.6</u>	<u>4,669.8</u>
Ending Balance	\$	<u>27,920.3</u>	<u>29,919.4</u>

5.9 Investment available for the sale in equity securities

Valuation effect in Foreign Exchange Investment:

For the investments of Bancafé Panamá S.A. and Bancafé International Corporation S.A. the treatment given to valuations and/or devaluations is based on the balance adapted to the Colombian standards at November 30, 2009, including the effect of the monetary redenomination.

The following is the detail of the investments available for the sale in equity securities, as well as their risk rating with cut to December 31, and June 30, 2010:

	<u>December 31</u>							
<u>Entity</u>	<u>Capital Stock</u>	<u>%participat.</u>	<u>Costo Acquisition</u>	<u>Costo Adjusted</u>	<u>Valuation / Devaluation</u>	<u>Allowance</u>	<u>Rating Credit Risk</u>	<u>Dividends</u>
Bancafé Panamá S.A.	USD 29,100.0	99.999%	62,884.3	55,696.4	62,125.0	0.0	A	0.0
Bancafé International Corporation S.A.	2,000.0	100.0%	22,407.3	19,846.1	686.1	0.0	A	0.0
Corporación Andina de Fomento	2,725.1	0.0034%	<u>328.8</u>	<u>367.8</u>	<u>58.0</u>	<u>0.0</u>	A	<u>9.2</u>
			<u>85,620.4</u>	<u>75,910.3</u>	<u>62,869.1</u>	<u>0.0</u>		<u>9.2</u>
Finagro	\$143,308	12.67%	52,149.7	61,557.0	6,898.1	0.0	A	0.0
Fiduciaria Cafetera S.A.	33,462	94.011%	44,586.9	55,631.0	9,575.5	0.0	A	0.0
Compañía de Inv. del Café	8,023.8	29.537%	13,440.7	13,440.7	0.0	13,440.7	A	0.0
Cámara de Riesgo Central de Contraparte	34,000	5.507%	1,563.7	1,872.4	(476.1)	0.0	A	0.0
Almacafé	14,472	0.01%	9.8	9.8	0.0	1.9	B	0.0
Confinanciera S.A.	37,031	94.90%	31,880.4	53,833.4	13,386.7	0.0	A	0.0
Davivalores S.A.	2,384	79.00%	2,405.7	2,981.5	5,434.7	0.0	A	0.0
Fiduciaria Davivienda S.A.	23,842	60.00%	381.0	14,024.8	17,438.2	0.0	A	0.0
Titularizadora Colombiana S.A.	71,925	21.12%	17,499.8	17,499.7	11,084.9	0.0	A	0.0
Redeban Multicolor S.A.	10,119	26.04%	8,229.8	8,229.9	9,059.9	0.0	A	0.0
A.C.H. Colombia S.A.	6,595	18.42%	1,848.5	1,848.5	2,225.0	0.0	A	0.0
Deceval S.A.	12,051	11.85%	4,488.9	5,072.1	3,048.3	0.0	A	1,257.0
Cámara de Compensación Divisas de Colombia S.A.	2,500	6.375%	159.4	159.4	5.1	0.0	A	0.0
Tecnibanca S.A.	16,410	0.9412%	<u>85.6</u>	<u>225.5</u>	<u>133.8</u>	<u>0.0</u>	A	<u>0.0</u>



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	<u>178,729.9</u>	<u>236,385.7</u>	<u>77,814.1</u>	<u>13,442.6</u>	<u>1,257.0</u>
\$	<u>264,350.3</u>	<u>312,296.0</u>	<u>140,683.2</u>	<u>13,442.6</u>	<u>1,266.2</u>

In the second half of 2010, received dividends of \$ 9.2 in cash and stock \$ 1.257.0

June 30

<u>Entity</u>	<u>Stock</u> <u>Social</u>	<u>%</u> <u>Participat.</u>	<u>Cost</u> <u>Acquisition</u>	<u>Cost</u> <u>Adjusted</u>	<u>Valuation /</u> <u>Devaluation</u>	<u>Allowance</u>	<u>Ratin</u> <u>g</u> <u>Credi</u> <u>t Risk</u>	<u>Dividend</u> <u>s</u>
Bancafé Panamá S.A.	USD 29,100.0	99.99%	62,884.3	55,672.3	56,597.6	0.0	A	0.0
Bancafé Internacional Corporation S.A.	2,000.0	100.00%	22,407.3	19,837.5	701.5	0.0	A	0.0
Corporación Andina de Fomento	2,725.1	0.00%	328.8	310.2	33.5	0.0	A	0.0
Master Card International (2)	2,134.3	0.00%	0.0	0.0	0.0	0.0	A	5.3
			<u>85,620.4</u>	<u>75,820.0</u>	<u>57,332.6</u>	<u>0.0</u>		<u>5.3</u>
Finagro	\$143,308	12.67%	52,149.7	61,557.0	3,082.5	0.0	A	7,976.8
Fiduciaria Cafetera S.A.	33,462	94.01%	44,586.9	55,631.0	6,536.9	0.0	A	10,104.0
Compañía de Inv. del Café	8,023.8	29.54%	13,440.7	13,440.7	0.0	13,440.7	A	0.0
Cámara de Riesgo Central de Contraparte	34,000	5.51%	1,563.7	1,872.4	(364.2)	0.0	A	0.0
Almacafé	14,472	0.01%	9.8	9.8	0.0	1.9	B	0.0
Confinanciera S.A. (1)	37,031	94.90%	31,880.4	53,833.4	4,522.8	0.0	A	1,050.9
Davivalores S.A.	2,384	79.0%	2,405.7	2,981.5	4,835.1	0.0	A	0.0
Fiduciaria Davivienda S.A.	23,842	60.00%	381.0	14,024.8	12,651.6	0.0	A	5,428.6
Titularizadora Colombiana S.A.	71,925	21.12%	17,499.8	17,499.7	8,672.4	0.0	A	3,738.0
Redeban Multicolor S.A.	10,119	26.04%	8,229.8	8,229.9	7,728.5	0.0	A	1,142.1
A.C.H. Colombia S.A.	6,595	18.42%	1,848.5	1,848.5	1,735.1	0.0	A	923.5
Deceval S.A.	12,051	11.85%	4,488.9	5,072.1	2,802.0	0.0	A	1,257.0
Cámara de Compensación Divisas de Colombia S.A.	2,500	6.38%	159.4	159.4	1.5	0.0	A	0.0
BBVA	89,779	0.00%	0.0	0.0	0.0	0.0	A	0.0
Tecnibanca S.A.	16,410	0.94%	85.6	225.5	84.8	0.0	A	74.2
			<u>178,729.9</u>	<u>236,385.7</u>	<u>52,289.0</u>	<u>13,442.6</u>		<u>31,695.1</u>
			\$ <u>264,350.3</u>	<u>312,205.7</u>	<u>109,621.6</u>	<u>13,442.6</u>		<u>31,700.4</u>

In the first half of 2010, dividends in stock of \$ 2,791.9 and cash \$28,908.5 were received

(1) From Confinanciera dividends of \$ 4,912.9 were received distributed as follows: Cash \$ 1,050.9 and in shares \$3,862.0 registered as a lower value of the investment.

(2) In June 2010, 10,122 Class B Master Card shares were sold and the recorded profit from the sale was \$ 3,650.3



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6. Credit Portfolio and Financial Leasing

6.1 Credit portfolio and financial leasing per modality

	<u>December 31</u>	<u>June 30</u>
<u>Commercial Portfolio:</u>		
Corporate and builders	\$ 7,322,883.8	6,166,267.4
Others commercial lines	2,650,029.8	2,174,689.0
Credit cards	244,402.7	255,228.8
Vehicles	10,711.5	18,198.6
Overdrafts in current account	64,732.3	<u>95,146.4</u>
	<u>10,292,760.1</u>	<u>8,709,530.2</u>
 Housing leasing	 <u>1,376,563.0</u>	 <u>1,224,967.3</u>
	<u>11,669,323.1</u>	<u>9,934,497.4</u>
 <u>Housing Portfolio</u>	 <u>1,771,169.9</u>	 <u>2,307,496.1</u>
<u>Consumption portfolio:</u>		
Credit card	1,883,988.9	1,678,829.9
Other consumption lines	4,697,430.7	4,150,722.1
Vehicles	867,875.3	747,921.8
Overdrafts in current account	<u>47,835.9</u>	<u>46,780.0</u>
	<u>7,497,130.8</u>	<u>6,624,253.8</u>
 <u>Micro-credit</u>	 <u>73.6</u>	 <u>390.2</u>
 Portfolio total	 \$ <u>20,937,697.4</u>	 <u>18,866,637.5</u>
 Less individual allowance	 <u>(1,100,545.9)</u>	 <u>(1,077,964.2)</u>
 Net portfolio sub-total	 \$ <u>19,837,151.5</u>	 <u>17,788,673.3</u>
 Less general allowance	 <u>(17,712.4)</u>	 <u>(23,078.9)</u>
 Net portfolio total	 \$ <u>19,819,439.1</u>	 <u>17,765,594.4</u>

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



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	<u>December 31</u>	<u>June 30</u>
Issuance II	\$ 12,304.6	13,158.4
Issuance III	<u>35,387.3</u>	<u>37,852.6</u>
	<u>\$ 47,691.9</u>	<u>51,011.0</u>

6.2 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 second half of 2010, the Bank placed resources of \$ 376,545.3, \$ 283,005.8 in individual loans and \$ 93,539.5 construction loans, and in the first half of 2010 placed \$ 283,254.1 in individual loans \$ 85,434.6 and \$ 197,819.5 in construction loans.

The value of social interest housing portfolio is as follows:

	<u>December 31</u>	<u>June 30</u>
Individuals	\$ 1,196,218.1	1,213,062.0
Constructors	<u>62,281.3</u>	<u>69,941.0</u>
	<u>\$ 1,258,499.4</u>	<u>1,283,003.0</u>

Portfolio with subsidized rate

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

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

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

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

The coverage benefit will end for:

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



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Cover granted by the Bank

The Bank offered its customers an additional incentive from installment 85 for the maximum next eight (8) years; the Bank will assume the value that the government had been paying under the same conditions. has established a provision to December 31 and June 30, 2010 for \$ 3,847.0, based on a model that considers the actual conduct of the loans.

At December 31, and June 30 2010, the Bank has disbursed 10,620 housing portfolio obligations under this benefit for \$460.010,0. respectively.

6.3 Credit portfolio and financial leasing per risk ratings and guarantee

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

December 31

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u> <u>ADMISIBLE</u>	<u>PROVISIÓN</u> <u>CAPITAL</u>	<u>ALLOWANCE</u> <u>INTERESTS</u>	<u>OTHERS</u>
COMMERCIAL SUITABLE GUARANTY								
A - Normal	\$ 1,943,772.1	16,751.0	1,078.2	1,961,601.3	7,644,417.8	49,486.3	427.7	148.1
B - Aceptable	141,410.0	1,276.1	279.5	142,965.6	643,414.9	17,007.7	137.7	171.1
C – Deficient	33,176.9	539.7	175.8	33,892.3	113,174.6	8,786.3	419.1	166.7
D – Difficult collection	15,241.0	365.9	100.0	15,706.9	67,630.1	15,241.0	343.5	98.0
E – Irrecoverable	<u>26,078.9</u>	<u>344.1</u>	<u>73.3</u>	<u>26,496.3</u>	<u>76,918.0</u>	<u>26,078.9</u>	<u>325.9</u>	<u>72.7</u>
	<u>2,159,678.9</u>	<u>19,276.8</u>	<u>1,706.8</u>	<u>2,180,662.4</u>	<u>8,545,555.4</u>	<u>116,600.3</u>	<u>1,654.0</u>	<u>656.7</u>
COMMERCIAL OTHERS GUARANTIES								
A - Normal	9,114,453.3	78,546.4	5,055.9	9,198,055.7	0.0	232,044.0	2,005.6	694.3
B - Aceptable	236,996.6	2,138.7	468.5	239,603.7	0.0	28,504.2	230.8	286.8
C – Deficient	41,109.2	668.8	217.8	41,995.7	0.0	10,887.1	519.3	206.6
D – Difficult collection	93,936.7	2,254.9	616.3	96,807.9	0.0	93,936.7	2,117.1	604.3
E – Irrecoverable	<u>23,148.4</u>	<u>305.4</u>	<u>65.1</u>	<u>23,518.9</u>	<u>0.0</u>	<u>23,148.5</u>	<u>289.3</u>	<u>64.5</u>
	<u>9,509,644.2</u>	<u>83,914.2</u>	<u>6,423.5</u>	<u>9,599,981.8</u>	<u>0.0</u>	<u>388,520.5</u>	<u>5,162.2</u>	<u>1,856.5</u>
	\$							
	<u>11,669,323.1</u>	<u>103,190.9</u>	<u>8,130.3</u>	<u>11,780,644.2</u>	<u>8,545,555.4</u>	<u>505,120.8</u>	<u>6,816.2</u>	<u>2,513.2</u>
CONSUMPTION SUITABLE GUARANTY								
A – Normal	\$ 743,987.2	6,322.7	1,888.3	752,198.2	2,089,053.0	20,576.4	214.1	88.6
B – Aceptable	28,146.3	478.9	106.1	28,731.3	87,302.5	2,975.2	121.6	32.7
C – Deficient	18,208.1	295.1	62.0	18,565.2	50,479.2	3,006.4	246.0	53.3
D – Difficult collection	15,432.9	323.5	67.6	15,824.0	39,502.7	15,432.9	306.9	66.0
E – Irrecoverable	<u>15,972.9</u>	<u>193.9</u>	<u>100.0</u>	<u>16,266.8</u>	<u>43,626.0</u>	<u>15,972.9</u>	<u>179.5</u>	<u>97.3</u>
	<u>821,747.4</u>	<u>7,614.2</u>	<u>2,224.0</u>	<u>831,585.5</u>	<u>2,309,963.3</u>	<u>57,963.8</u>	<u>1,068.2</u>	<u>337.9</u>
OTHER CONSUMER GUARANTEES								
A - Normal	6,002,664.2	51,013.3	15,234.6	6,068,912.1	0.0	166,015.3	1,727.1	714.4



BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

B - Aceptable	259,462.6	4,414.9	978.3	264,855.7	0.0	27,427.0	1,121.1	301.6
C - Deficiente	138,783.1	2,249.4	472.6	141,505.1	0.0	22,915.1	1,875.2	406.2
D - Difícil Cobro	188,359.8	3,948.2	824.7	193,132.7	0.0	188,359.8	3,746.2	805.0
E - Irrecuperable	<u>86,113.7</u>	<u>1,045.4</u>	<u>539.4</u>	<u>87,698.5</u>	<u>0.0</u>	<u>86,113.7</u>	<u>967.9</u>	<u>524.8</u>
	<u>6,675,383.4</u>	<u>62,671.1</u>	<u>18,049.6</u>	<u>6,756,104.1</u>	<u>0.0</u>	<u>490,830.9</u>	<u>9,437.5</u>	<u>2,752.0</u>
	<u>7,497,130.8</u>	<u>70,285.3</u>	<u>20,273.5</u>	<u>7,587,689.6</u>	<u>2,309,963.3</u>	<u>548,794.7</u>	<u>10,505.6</u>	<u>3,089.8</u>

December 31

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHER S</u>	<u>TOTAL</u>	<u>GUARANTIES ADMISIBLE</u>	<u>ALLOWANC E CAPITAL</u>	<u>ALLOWANCE INTERESTS</u>	<u>OTHER S</u>
MICROCREDIT OTHER WARRANTIES								
A – Normal	53.1	0.3	3.2	56.6	22.0	0.9	0.0	0.2
B – Aceptable	6.5	0.1	0.2	6.8	2.7	0.3	0.0	0.0
C – Deficient	7.5	0.1	0.7	8.3	3.1	2.2	0.1	0.7
E – Irrecoverable	<u>6.5</u>	<u>0.1</u>	<u>0.5</u>	<u>7.2</u>	<u>2.7</u>	<u>6.5</u>	<u>0.1</u>	<u>0.5</u>
	<u>73.6</u>	<u>0.6</u>	<u>4.6</u>	<u>78.8</u>	<u>30.5</u>	<u>10.0</u>	<u>0.2</u>	<u>1.4</u>
General Allowance						<u>0.7</u>		
	<u>\$ 73.6</u>	<u>0.6</u>	<u>4.6</u>	<u>78.8</u>	<u>30.5</u>	<u>10.7</u>	<u>0.2</u>	<u>1.4</u>
HOUSING PORTFOLIO								
A – Normal	\$ 1,613,214.2	7,086.9	9,727.6	1,630,028.7	4,237,958.5	24,286.4	495.6	2,683.4
B – Aceptable	106,982.6	301.9	1,776.7	109,061.2	302,958.2	5,575.0	293.1	1,773.9
C – Deficient	37,374.8	121.5	793.5	38,289.8	111,306.8	7,535.4	121.5	793.5
D – Difficult collection	10,947.1	39.5	387.7	11,374.3	36,118.3	6,572.4	39.5	387.7
E – Irrecoverable	<u>2,651.2</u>	<u>10.2</u>	<u>144.1</u>	<u>2,805.5</u>	<u>9,580.0</u>	<u>2,651.2</u>	<u>10.2</u>	<u>144.1</u>
	<u>1,771,169.9</u>	<u>7,560.1</u>	<u>12,829.6</u>	<u>1,791,559.6</u>	<u>4,697,921.8</u>	<u>46,620.4</u>	<u>960.0</u>	<u>5,782.5</u>
General Allowance						<u>17,711.7</u>		
	<u>1,771,169.9</u>	<u>7,560.1</u>	<u>12,829.6</u>	<u>1,791,559.6</u>	<u>4,697,921.8</u>	<u>64,332.1</u>	<u>960.0</u>	<u>5,782.5</u>
	<u>\$ 20,937,697.4</u>	<u>181,037.1</u>	<u>41,238.0</u>	<u>21,159,972.3</u>	<u>15,553,471.0</u>	<u>1,118,258.3</u>	<u>18,282.1</u>	<u>11,386.9</u>

June 30

IDEAL COMMERCIAL WARRANTY								
A – Normal	\$ 2,109,018.9	18,256.6	1,189.5	2,128,464.9	7,329,917.8	92,044.8	500.1	176.8
B – Aceptable	98,410.1	1,213.1	133.4	99,756.6	384,915.2	19,326.1	175.5	73.2
C – Deficient	36,570.6	751.2	198.8	37,520.6	63,803.8	7,309.3	578.4	187.1
D – Difficult collection	32,779.2	844.4	133.1	33,756.7	95,873.8	32,779.2	809.7	133.7
E – Irrecoverable	<u>12,722.2</u>	<u>601.1</u>	<u>68.4</u>	<u>13,391.8</u>	<u>26,403.7</u>	<u>12,722.2</u>	<u>572.2</u>	<u>70.7</u>
	<u>\$ 2,289,501.0</u>	<u>21,666.4</u>	<u>1,723.2</u>	<u>2,312,890.6</u>	<u>7,900,914.4</u>	<u>164,181.6</u>	<u>2,635.8</u>	<u>641.6</u>

COMMERCIAL OTHER WARRANTY								
A – Normal	\$ 7,107,515.6	61,525.8	4,008.6	7,173,050.0	0.0	141,831.3	1,685.2	596.0
B – Aceptable	385,576.8	4,753.1	522.8	390,852.6	0.0	48,457.8	687.6	287.0
C – Deficient	43,655.4	896.7	237.3	44,789.4	0.0	12,883.8	690.4	223.4



BANCO DAVIVIENDA S.A.
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D – Difficult collection	87,771.1	2,261.0	356.4	90,388.5	0.0	87,771.1	2,168.0	358.1
E – Irrecoverable	<u>20,477.5</u>	<u>967.6</u>	<u>110.1</u>	<u>21,555.1</u>	<u>0.0</u>	<u>20,477.5</u>	<u>921.0</u>	<u>113.7</u>
	<u>\$ 7,644,996.4</u>	<u>70,404.1</u>	<u>5,235.1</u>	<u>7,720,635.6</u>	<u>0.0</u>	<u>311,421.5</u>	<u>6,152.2</u>	<u>1,578.1</u>
	<u>\$ 9,934,497.4</u>	<u>92,070.5</u>	<u>6,958.3</u>	<u>10,033,526.2</u>	<u>7,900,914.4</u>	<u>475,603.1</u>	<u>8,788.0</u>	<u>2,219.8</u>

June 30

	<u>CAPITAL</u>	<u>INTEREST</u> <u>S</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIE</u> <u>S</u>	<u>ALLOWANC</u> <u>E</u>	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
CONSUMPTION SUITABLE GUARANTY									
A – Normal	\$ 640,014.5	5,905.3	1,535.8	647,455.6	1,921,927.7	10,788.5	234.8	96.9	
B – Acceptable	34,133.6	608.7	149.6	34,891.9	108,476.1	2,341.9	150.3	54.5	
C – Deficient	19,300.1	310.4	88.5	19,699.1	56,480.1	4,567.8	273.4	81.0	
D – Difficult collection	17,895.4	393.4	85.1	18,373.9	69,471.7	17,895.4	377.9	83.1	
E – Irrecoverable	<u>14,731.6</u>	<u>182.9</u>	<u>85.7</u>	<u>15,000.3</u>	<u>35,309.7</u>	<u>14,731.6</u>	<u>169.9</u>	<u>82.9</u>	
	726,075.2	7,400.7	1,944.7	735,420.6	2,191,665.3	50,325.2	1,206.3	398.4	
CONSUMPTION OTHERS GUARANTIES									
A – Normal	5,168,964.2	47,693.3	12,403.6	5,229,061.1	0.0	154,690.8	1,896.5	782.9	
B – Acceptable	293,732.6	5,237.9	1,287.4	300,257.9	0.0	32,188.9	1,293.2	468.8	
C – Deficient	151,409.5	2,435.4	694.3	154,539.2	0.0	24,893.7	2,144.5	635.7	
D – Difficult collection	192,081.3	4,222.1	913.7	197,217.1	0.0	192,081.2	4,056.4	892.4	
E – Irrecoverable	<u>91,991.0</u>	<u>1,142.4</u>	<u>535.4</u>	<u>93,668.9</u>	<u>0.0</u>	<u>91,991.0</u>	<u>1,061.1</u>	<u>517.6</u>	
	5,898,178.6	60,731.1	15,834.4	5,974,744.1	0.0	495,845.6	10,451.7	3,297.4	
	<u>\$6,624,253.8</u>	<u>68,131.8</u>	<u>17,779.1</u>	<u>6,710,164.7</u>	<u>2,191,665.3</u>	<u>546,170.8</u>	<u>11,658.0</u>	<u>3,695.8</u>	
MICRO-CREDIT SUITABLE GUARANTY									
A – Normal	<u>4.6</u>	<u>0.0</u>	<u>0.0</u>	<u>4.6</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	
	<u>4.6</u>	<u>0.0</u>	<u>0.0</u>	<u>4.6</u>	<u>0.0</u>	<u>0.1</u>	<u>0.0</u>	<u>0.0</u>	
MICRO-CREDIT OTHERS GUARANTIES									
A – Normal	287.7	2.1	0.3	290.1	17.1	4.6	0.0	0.0	
B – Acceptable	41.6	0.9	0.0	42.6	2.4	2.2	0.1	0.0	
C – Deficient	16.7	0.3	0.0	17.1	1.0	5.0	0.3	0.0	
D – Difficult collection	10.4	0.2	0.0	10.6	0.6	6.2	0.2	0.0	
E – Irrecoverable	<u>29.2</u>	<u>0.6</u>	<u>0.0</u>	<u>29.9</u>	<u>1.7</u>	<u>29.2</u>	<u>0.6</u>	<u>0.0</u>	
	385.6	4.2	0.3	389.8	22.8	47.2	1.2	0.0	
General Allowance						<u>3.9</u>			
	<u>\$ 390.2</u>	<u>4.2</u>	<u>0.3</u>	<u>394.7</u>	<u>22.8</u>	<u>51.2</u>	<u>1.2</u>	<u>0.0</u>	
HOUSING MORTGAGE									
A – Normal	2,149,625.1	11,182.2	11,561.7	2,172,369.0	5,738,477.5	32,440.0	718.3	3,106.3	



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B – Acceptable	106,458.2	422.6	1,687.7	108,568.5	284,192.9	5,720.5	418.6	1,686.9
C – Deficient	34,911.8	132.2	875.3	35,919.3	93,198.0	7,055.7	132.2	875.3
D – Difficult collection	13,961.4	81.7	569.3	14,612.4	37,270.3	8,387.3	81.7	569.3
E – Irrecoverable	<u>2,539.5</u>	<u>10.5</u>	<u>112.9</u>	<u>2,662.8</u>	<u>6,779.1</u>	<u>2,539.4</u>	<u>10.5</u>	<u>112.9</u>
General Allowance	2,307,496.1	11,829.1	14,806.9	2,334,132.2	6,159,917.8	56,142.9	1,361.3	6,350.7
						<u>23,075.0</u>		
	<u>2,307,496.1</u>	<u>11,829.1</u>	<u>14,806.9</u>	<u>2,334,132.2</u>	<u>6,159,917.8</u>	<u>79,217.9</u>	<u>1,361.3</u>	<u>6,350.7</u>
	<u>\$ 18,866,637.5</u>	<u>172,035.8</u>	<u>39,544.8</u>	<u>19,078,218.0</u>	<u>16,252,520.2</u>	<u>1,101,043.1</u>	<u>21,808.6</u>	<u>12,266.2</u>

6.4 Credit portfolio and financial leasing per economic sector

6.5 Credit Portfolio and Financial Leasing per geographical area

COMMERCIAL PORTFOLIO

December 31

	CAPITAL	INTERESTS	OTHERS	TOTAL	GUARANTIES	CAPITAL	INTERESTS	OTHERS
Bogotá	\$ 6,323,290.3	51,783.1	3,097.6	6,378,171.0	3,879,080.5	247,805.7	2,652.5	1,188.3
Antioquia	2,159,419.7	19,749.8	2,125.4	2,181,294.9	2,106,577.8	113,824.8	1,841.3	353.6
Nororiental	1,967,802.3	16,946.9	1,899.0	1,986,648.2	1,648,167.9	97,847.7	1,470.4	674.9
Suroccidental	<u>1,218,810.8</u>	<u>14,711.1</u>	<u>1,008.3</u>	<u>1,234,530.2</u>	<u>911,729.2</u>	<u>45,642.6</u>	<u>852.0</u>	<u>296.4</u>
	<u>\$ 11,669,323.1</u>	<u>103,190.9</u>	<u>8,130.3</u>	<u>11,780,644.3</u>	<u>8,545,555.4</u>	<u>505,120.8</u>	<u>6,816.2</u>	<u>2,513.2</u>

CONSUMPTION PORTFOLIO

Bogotá	3,729,081.3	35,586.2	10,609.1	3,775,276.5	1,315,293.9	284,543.6	5,735.8	1,611.3
Antioquia	1,153,113.7	10,228.2	2,909.0	1,166,250.8	342,213.9	75,422.1	1,270.1	342.0
Nororiental	1,598,799.9	15,262.3	4,100.6	1,618,162.8	405,653.3	119,611.4	2,236.1	735.5
Suroccidental	<u>1,016,136.0</u>	<u>9,208.6</u>	<u>2,654.9</u>	<u>1,027,999.5</u>	<u>246,802.1</u>	<u>69,217.6</u>	<u>1,263.6</u>	<u>401.0</u>
	<u>7,497,130.8</u>	<u>70,285.3</u>	<u>20,273.5</u>	<u>7,587,689.6</u>	<u>2,309,963.3</u>	<u>548,794.7</u>	<u>10,505.6</u>	<u>3,089.8</u>

MICRO-CREDIT

Bogotá	15.0	0.2	1.2	16.4	6.2	2.0	0.1	0.2
Antioquia	37.1	0.2	1.6	38.9	15.3	1.8	0.1	0.0
Nororiental	15.9	0.1	1.3	17.3	6.6	5.3	0.1	0.9
Suroccidental	<u>5.6</u>	<u>0.0</u>	<u>0.6</u>	<u>6.2</u>	<u>2.4</u>	<u>0.9</u>	<u>0.0</u>	<u>0.3</u>
Provisión general						<u>0.6</u>		
	<u>73.6</u>	<u>0.6</u>	<u>4.6</u>	<u>78.8</u>	<u>30.5</u>	<u>10.6</u>	<u>0.2</u>	<u>1.4</u>

HOUSING PORTFOLIO

Bogotá	1,210,707.6	4,952.9	8,089.5	1,223,750.0	3,147,170.1	32,239.9	641.7	3,528.9
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BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

Antioquia	176,652.7	851.2	1,460.1	178,964.0	525,838.5	4,187.0	102.9	633.0
Nororiental	221,107.0	1,031.3	2,445.0	224,583.3	614,175.2	6,197.3	136.5	1,229.2
Suroccidental	<u>162,702.5</u>	<u>724.7</u>	<u>834.9</u>	<u>164,262.2</u>	<u>410,738.0</u>	<u>3,996.1</u>	<u>78.9</u>	<u>391.4</u>
Provisión General						<u>17,711.7</u>		
	<u>1,771,169.9</u>	<u>7,560.1</u>	<u>12,829.6</u>	<u>1,791,559.5</u>	<u>4,697,921.8</u>	<u>64,332.1</u>	<u>960.0</u>	<u>5,782.5</u>
	<u>\$ 20,937,697.4</u>	<u>181,037.1</u>	<u>41,238.0</u>	<u>21,159,972.3</u>	<u>15,553,471.0</u>	<u>1,118,258.3</u>	<u>18,282.1</u>	<u>11,386.9</u>

June 30

COMMERCIAL PORTFOLIO

	<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>	<u>TOTAL</u>	<u>GUARANTIES</u>	<u>ALLOWANCE</u>		
						<u>CAPITAL</u>	<u>INTERESTS</u>	<u>OTHERS</u>
Bogotá	\$ 5,296,014.3	47,300.0	2,760.4	5,346,074.7	4,211,924.7	229,639.4	3,011.5	1,073.0
Antioquia	1,810,461.9	18,451.0	1,875.2	1,830,788.1	1,439,861.9	113,400.4	2,737.3	347.8
Nororiental	1,624,617.5	15,260.5	1,359.9	1,641,237.9	1,292,059.7	86,388.7	2,023.2	491.5
Suroccidental	<u>1,203,403.7</u>	<u>11,059.1</u>	<u>962.9</u>	<u>1,215,425.7</u>	<u>957,068.0</u>	<u>46,174.6</u>	<u>1,016.1</u>	<u>307.4</u>
	<u>\$ 9,934,497.4</u>	<u>92,070.6</u>	<u>6,958.4</u>	<u>10,033,526.4</u>	<u>7,900,914.3</u>	<u>475,603.1</u>	<u>8,788.1</u>	<u>2,219.7</u>

CONSUMPTION PORTFOLIO

Bogotá	3,159,004.3	32,974.3	9,268.4	3,201,247.0	1,045,171.4	268,022.9	5,985.4	1,869.2
Antioquia	1,074,870.2	10,661.9	2,527.7	1,088,059.8	355,625.8	83,032.2	1,605.0	436.7
Nororiental	1,455,138.0	15,123.3	3,640.4	1,473,901.7	481,439.2	121,842.2	2,575.1	880.9
Suroccidental	<u>935,241.3</u>	<u>9,372.3</u>	<u>2,342.6</u>	<u>946,956.2</u>	<u>309,428.9</u>	<u>73,273.5</u>	<u>1,492.5</u>	<u>509.0</u>
	<u>\$ 6,624,253.8</u>	<u>68,131.8</u>	<u>17,779.1</u>	<u>6,710,164.7</u>	<u>2,191,665.3</u>	<u>546,170.8</u>	<u>11,658.0</u>	<u>3,695.8</u>

MICRO-CREDIT

Bogotá	108.2	1.3	0.0	109.5	6.3	12.9	0.4	0.0
Antioquia	131.2	1.4	0.3	132.9	7.7	15.1	0.4	0.0
Nororiental	106.4	1.2	0.0	107.6	6.2	16.7	0.4	0.0
Suroccidental	<u>44.4</u>	<u>0.3</u>	<u>0.0</u>	<u>44.7</u>	<u>2.6</u>	<u>2.6</u>	<u>0.0</u>	<u>0.0</u>
General Allowance						<u>3.9</u>		
	<u>\$390.2</u>	<u>4.2</u>	<u>0.3</u>	<u>394.7</u>	<u>22.8</u>	<u>51.2</u>	<u>1.2</u>	<u>0.0</u>

HOUSING PORTFOLIO

Bogotá	1,560,664.8	7,946.4	9,315.8	1,577,927.0	4,166,233.4	38,171.7	885.2	3,852.3
Antioquia	256,870.8	1,377.5	1,734.2	259,982.5	685,723.0	5,699.6	175.3	720.0
Nororiental	297,741.1	1,533.4	2,768.2	302,042.7	794,827.3	7,666.5	192.5	1,327.8



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Suroccident								
al	<u>192,219.4</u>	<u>971.8</u>	<u>988.7</u>	<u>194,179.9</u>	<u>513,134.2</u>	<u>4,605.1</u>	<u>108.3</u>	<u>450.6</u>
General Allowance						<u>23,075.0</u>		
	<u>2,307,496.1</u>	<u>11,829.1</u>	<u>14,806.9</u>	<u>2,334,132.2</u>	<u>6,159,917.8</u>	<u>79,217.9</u>	<u>1,361.3</u>	<u>6,350.7</u>
	<u>\$ 18,866,637.5</u>	<u>172,035.8</u>	<u>39,544.8</u>	<u>19,078,218.0</u>	<u>16,252,520.2</u>	<u>1,101,043.1</u>	<u>21,808.6</u>	<u>12,266.2</u>

6.6 Credit Portfolio and Financial Leasing per monetary unit

	<u>December 31</u>			
CONCEPT	<u>Legal Currency</u>	<u>Foreign Currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	\$ 10,394,477.4	1,274,845.7	0.0	11,669,323.1
Micro-credit	73.6	0.0	0.0	73.6
Consumption	7,491,730.3	5,400.5	0.0	7,497,130.8
Housing Mortgage	<u>1,138,367.5</u>	<u>0.0</u>	<u>632,802.4</u>	<u>1,771,169.9</u>
	<u>19,024,648.8</u>	<u>1,280,246.2</u>	<u>632,802.4</u>	<u>20,937,697.4</u>

	<u>June 30</u>			
CONCEPT	<u>Legal Currency</u>	<u>Foreign Currency</u>	<u>UVR</u>	<u>Total</u>
Commercial	\$ 9,274,704.0	659,793.4	0.0	9,934,497.4
Micro-credit	390.2	0.0	0.0	390.2
Consumption	6,620,756.0	3,497.8	0.0	6,624,253.8
Housing Mortgage	<u>1,476,043.3</u>	<u>0.0</u>	<u>831,452.8</u>	<u>2,307,496.1</u>
	<u>17,371,893.5</u>	<u>663,291.2</u>	<u>831,452.8</u>	<u>18,866,637.5</u>

6.7 Credit portfolio and Financial Leasing per period of maturity

<u>December 31</u>		<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>To 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Commercial	\$	3,576,651.1	3,344,195.0	3,376,800.0	1,371,677.0	11,669,323.1
Consumption		1,322,476.4	5,255,120.4	875,352.0	44,182.0	7,497,130.8



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Micro-credit	39.6	34.0	0.0	0.0	73.6
Housing	<u>55,120.1</u>	<u>114,208.2</u>	<u>407,440.4</u>	<u>1,194,401.2</u>	<u>1,771,169.9</u>
	\$ <u>4,954,287.2</u>	<u>8,713,557.6</u>	<u>4,659,592.4</u>	<u>2,610,260.2</u>	<u>20,937,697.4</u>
<u>June 30</u>	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>To 5 to 10 years</u>	<u>More than 10 years</u>	<u>Total</u>
Commercial	\$ 3,296,121.3	3,035,690.3	2,499,720.5	1,102,965.3	9,934,497.4
Consumption	495,387.2	4,566,792.8	1,505,586.9	56,486.9	6,624,253.8
Micro-credit	301.1	89.1	0.0	0.0	390.2
Housing	<u>66,755.1</u>	<u>161,268.3</u>	<u>590,474.8</u>	<u>1,488,997.9</u>	<u>2,307,496.1</u>
	\$ <u>3,858,564.7</u>	<u>7,763,840.5</u>	<u>4,595,782.2</u>	<u>2,648,450.1</u>	<u>18,866,637.5</u>

6.8 Restructured Credits Detail

<u>December 31</u>	<u>Restructured Common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	\$ 108,421.9	39,518.7	121,696.3
Consumption	494,599.4	114,167.7	75,520.1
Housing	71,273.3	9,527.3	229,050.3
	<u>\$ 674,294.6</u>	<u>163,213.8</u>	<u>426,266.7</u>
<u>June 30</u>	<u>Restructured Common</u>	<u>Allowance</u>	<u>Guaranty</u>
Commercial	80,208.5	26,720.0	96,474.8
Consumption	465,428.3	115,204.4	70,231.7
Micro-credit	2.0	0.6	0.0
Housing	68,076.4	9,721.5	236,239.4
	<u>\$ 613,715.2</u>	<u>151,646.5</u>	<u>402,945.9</u>

Restructured Credits per Rating

<u>December 31</u>	<u>Commercial</u>		<u>Consumption</u>		<u>Microcredit</u>		<u>Housing</u>	
	<u>Numbers Credits</u>	<u>Restructured Ordinary</u>	<u>Numbers Credits</u>	<u>Restructured Ordinary</u>	<u>Numbers Credits</u>	<u>Restructured Ordinary</u>	<u>Numbers Credits</u>	<u>Restructured Ordinary</u>
A - Normal	856	32,507.9	21,194	286,722.4	0	0.0	1,858	29,668.5
B - Acceptable	369	21,605.1	2,695	34,038.6	0	0.0	1,007	17,893.7
C - Deficient	258	17,269.4	3,775	52,657.2	0	0.0	979	16,359.7



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D – Difficult collection	395	28,095.9	6,266	81,979.2	0	0.0	359	6,263.1
E – Irrecoverable	103	8,943.6	2,909	39,202.0	0	0.0	73	1,088.3
	<u>1,981</u>	<u>\$ 108,421.9</u>	<u>36,839</u>	<u>\$ 494,599.4</u>	<u>0</u>	<u>\$ 0.0</u>	<u>4,276</u>	<u>\$ 71,273.3</u>

June 30	Commercial		Consumption		Microcredit		Housing	
	Numbers	Restructured	Numbers	Restructured	Numbers	Restructured	Numbers	Restructured
	Credits	Ordinary	Credits	Ordinary	Credits	Ordinary	Credits	Ordinary
A - Normal	553	22,956.6	20,360	260,975.3	0	0.0	1,833	29,100.2
B - Acceptable	281	15,978.6	2,488	32,333.0	0	0.0	916	14,135.3
C - Deficient	276	14,852.3	3,770	51,895.5	1	2.0	1,087	17,020.7
D – Difficult collection	347	22,154.6	6,845	80,112.0	0	0.0	455	6,850.5
E – Irrecoverable	99	4,266.4	3,364	40,112.5	0	0.0	70	969.7
	<u>1,556</u>	<u>\$ 80,208.5</u>	<u>36,827</u>	<u>\$ 465,428.3</u>	<u>1</u>	<u>\$ 2.0</u>	<u>4,361</u>	<u>\$ 68,076.4</u>

Restructured Credits per Geographical Zone

December 31

	Commercial	Consumption	Micro-credit	Housing
Bogotá	\$ 50,259.6	235,459.2	0.0	51,564.9
Antioquia	24,473.3	81,549.4	0.0	4,048.5
Nororiental	16,950.4	97,616.1	0.0	9,700.0
Suroccidental	<u>16,738.5</u>	<u>79,974.7</u>	<u>0.0</u>	<u>5,959.9</u>
	<u>108,421.9</u>	<u>494,599.4</u>	<u>0.0</u>	<u>71,273.3</u>

June 30

	Commercial	Consumption	Micro-credit	Housing
Bogotá	\$ 39,832.1	214,007.4	0.0	48,390.1
Antioquia	13,052.9	80,454.1	0.0	3,780.5
Nororiental	14,718.1	92,243.4	2.0	10,630.0
Suroccidental	<u>12,605.4</u>	<u>78,723.4</u>	<u>0.0</u>	<u>5,275.8</u>
	<u>80,208.5</u>	<u>465,428.3</u>	<u>2.0</u>	<u>68,076.4</u>

6.9 Stockholders and employees portfolio

The portfolio includes loans as follows:

	<u>December 31</u>	<u>June 30</u>
Shareholders	\$ 1,087.4	237,157.0
Employee Housing (nota 11)	106,743.3	113,746.2
Consumer and commercial employees	<u>58,385.4</u>	<u>61,041.7</u>



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\$ 165,128.7 174,787.9

The weight time for credit portfolio to stockholders and employees is the following:

<u>Modality</u>	<u>Jul – Dec. 10</u>	<u>Jan – Jun. 10</u>
Individual credits	Between 0,0 – 21.27%	Between 1,38%-22,85%

In accordance with External established by the Circular 054 of 2009, the employee housing portfolio derived from labor benefits for tax benefit was recorded in other assets from June 2010 (see note 11)

The annual effective interest of the stockholders and employees is between 1 and 15 years.

6.10 Portfolio-backed Securities

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

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

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

TERMS OF SALE

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

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others</u> (*)	<u>Total</u>	<u>utility</u>
Pesos- E15	Jul-23- 2010	3,843	12.10	\$ 281,175.3	1,495.9	(111.3)	282,559.9	8,190.1
Tips-E12	Oct-08- 2010	4,902	9.64	103,451.5	461.3	(239.5)	103,673.2	1,659.9
Pesos E16	Dic-02- 2010	13,025	12.38	715,684.7	3,651.1	(221.6)	719,114.2	28,642.4



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Tips E13	Dic-17-2010	<u>4,290</u>	8.95	<u>89,095.7</u>	<u>494.3</u>	<u>(24.9)</u>	<u>89,565.2</u>	<u>2,531.3</u>
		<u>26,060</u>		<u>1,189,407.2</u>	<u>6,102.5</u>	<u>(597.3)</u>	<u>1,194,912.5</u>	<u>41,023.7</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 Portfolio securities during the first half-year of 2010

<u>Issue</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>Capital</u>	<u>Interests</u>	<u>Others (*)</u>	<u>Total</u>	<u>utility</u>
Tips-E11	Feb-18-2010	3,058	4.5	\$75,313.2	351.9	(187.6)	75,477.5	564.9
Pesos-E14	Abr-16-2010	<u>1,477</u>	9.5	<u>133,027.2</u>	851.5	<u>(45.9)</u>	<u>133,832.8</u>	<u>3,325.6</u>
		<u>4,535.0</u>		<u>\$ 208,340.4</u>	<u>1,203.4</u>	<u>(233.5)</u>	<u>209,310.3</u>	<u>3,890.5</u>

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

6.11 Sale Punished Portfolio

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

<u>Sales</u>	<u>Number of credits</u>	<u>Capital</u>	<u>Interest</u>	<u>Other Concepts</u>	<u>Total</u>
Covinoc	80,234	\$ 230,860.2	34,088.3	7,796.9	272,745.5
Konfigura Capital S.A.	<u>682</u>	<u>11,053.1</u>	<u>2,174.1</u>	<u>203.3</u>	<u>13,430.5</u>
	<u>80,916</u>	<u>\$241,913.3</u>	<u>36,262.5</u>	<u>8,000.2</u>	<u>286,176.0</u>

On October 1, 2010, the bad debt portfolio was sold off for \$ 286,176.0, whose sale price rose \$ 30,237.4 from which was received \$ 7,578.3 on October 15, \$ 10,510.7 on October 20 and \$ 1,637. 6 on October 22, 2010, leaving a balance of \$ 10,510.7 for January 17, 2011, plus interest liquidated 15 October 2010 and January 17, 2011 at a rate of 3% PA:

During the first half of 2010, there were no off portfolio sales.

6.12 Portfolio Write Downs

The detail of the bad debt portfolio is as follows:

	<u>Capital</u>	<u>Interests</u>	<u>December 31 Others concepts</u>	<u>Total</u>
Commercial	\$ 19,085.3	855.0	106.1	20,046.4



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Consumption	179,523.8	5,679.9	2,429.7	187,633.4
Housing	8,699.1	66.9	364.7	9,130.7
Micro-credit	19.8	0.6	0.0	20.4
Others receivable accounts	<u>0.0</u>	<u>0.0</u>	<u>2,574.1</u>	<u>2,574.1</u>
	<u>\$ 207,328.1</u>	<u>6,602.4</u>	<u>5,474.5</u>	<u>219,405.0</u>

	<u>June 30</u>			
	<u>Capital</u>	<u>Interests</u>	<u>Others concepts</u>	<u>Total</u>
Commercial	\$ 66,693.4	4,443.9	535.5	71,672.8
Consumption	146,449.5	4,493.9	3,196.5	154,139.8
Housing	7,853.3	51.9	262.1	8,167.3
Micro-credit	812.1	37.3	2.8	852.2
Others receivable accounts	<u>0.0</u>	<u>0.0</u>	<u>7,799.3</u>	<u>7,799.3</u>
	<u>\$ 221,808.2</u>	<u>9,027.0</u>	<u>11,796.3</u>	<u>242,631.5</u>

At December 31, and June 30, 2010, the Bank did not make collector operations.

6.13 Portfolio Purchase

The following is a breakdown of the portfolio purchase conducted by the Bank during the second semester:

<u>Purchase</u>	<u>Date</u>	<u>Number</u>	<u>Rate</u>	<u>capital</u>	<u>Interest</u>	<u>Other</u>	<u>total</u>	<u>Premium</u>
Confinanciera	Oct-15-2010	868	17.3%	\$ 12,521.2	115.4	2.5	12,639.1	4.61%
Confinanciera	Dic-16-2010	<u>727</u>	17.05%	<u>11,327.9</u>	<u>99.2</u>	<u>0.0</u>	<u>11,427.1</u>	5.00%
		<u>1,595.0</u>		<u>\$ 23,849.1</u>	<u>214.5</u>	<u>2.5</u>	<u>24,066.1</u>	

These operations were carried out at market rate.

6.14 Provision for loan and financial leasing

	<u>December 31</u>				
	<u>Commercial</u>	<u>Consumption</u>	<u>Microcrédit</u>	<u>Mortgage</u>	<u>Total</u>
Beginning Balance	\$ 475,603.1	546,170.9	51.2	79,217.9	1,101,043.1
More:					
Provision charged to operating expenses	259,052.3	385,858.5	9.2	26,106.4	671,026.4



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Less:						
Loans punished		19,085.3	179,523.8	19.8	8,699.1	207,328.0
Unrecovered value foreclosed		0.0	0.0	0.0	552.3	552.3
Reimbursement revenue		<u>210,449.3</u>	<u>203,710.8</u>	<u>30.0</u>	<u>31,740.8</u>	<u>445,930.9</u>
Closing balance	\$	<u>505,120.8</u>	<u>548,794.8</u>	<u>10.6</u>	<u>64,332.1</u>	<u>1,118,258.3</u>

June 30

		<u>Comercial</u>	<u>Consumo</u>	<u>Microcrédito</u>	<u>Hipotecaria</u>	<u>Total</u>
Beginning Balance	\$	477,804.5	504,986.0	358.4	72,459.9	1,055,608.8
More:						
Provision charged to operating expenses		285,964.4	377,484.8	733.7	29,855.8	694,038.7
Reclassifications		(1,301.9)	1,547.9	0.0	0.0	246.0
Less:						
Loans punished		66,693.4	146,449.5	812.1	7,853.3	221,808.3
Unrecovered value foreclosed		0.0	0.0	0.0	1,056.1	1,056.1
Reimbursement revenue		<u>220,170.5</u>	<u>191,398.4</u>	<u>228.8</u>	<u>14,188.4</u>	<u>425,986.1</u>
Closing balance	\$	<u>475,603.1</u>	<u>546,170.8</u>	<u>51.2</u>	<u>79,217.9</u>	<u>1,101,043.1</u>

At December 31, and June 30, 2010, the unrecovered value in lieu of payment for \$1,056.1 and \$814.6, respectively, corresponds to the difference between the least cost of the asset and the balance of the debt recorded in the balance sheet, which is recognized in the statement of income in the credit portfolio allowances account.

The Bank's policy has incorporated allowances at December 31, and June 30, 2010 for \$1,118,258.3 and \$1,101,043.1, respectively; in accordance with the regulation these allowance amount to \$886,349.6 and \$835,645.1, respectively.

Policy changes

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

The evaluations made using the new methodology generated a lower recovery provision value for the commercial and consumer portfolios of \$4,151.0 and \$18,831.4 during the first half of 2010.

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

<u>Portafolio</u>	<u>December 31</u>	<u>June 30</u>
consumption	\$ 130.437.6	115.746.6
Commercial	<u>96.317.8</u>	<u>90.408.6</u>
Total	\$ <u>226.755.4</u>	<u>206.155.2</u>

7. Acceptances, Cash and Derivatives operations



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

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

		<u>Cash Operations</u>			
		<u>December 31</u>		<u>June 30</u>	
		<u>Right</u>	<u>Obligation</u>	<u>Right</u>	<u>Obligation</u>
Purchase on foreign currency	\$	87,710.6	(87,691.3)	4,897.3	(4,877.5)
Sale on foreign currency		<u>69,825.2</u>	<u>(69,795.9)</u>	<u>6,138.0</u>	<u>(6,131.8)</u>
		<u>157,535.8</u>	<u>(157,487.2)</u>	<u>11,035.3</u>	<u>(11,009.3)</u>
	\$	<u>48.6</u>		<u>26.0</u>	

As of December 31 and June 30, 2010, the semester performance of the cash transactions were \$ 2,930.0 and \$ 9,439.5, respectively.

<u>Product</u>		<u>December 31</u>	<u>June 30</u>
Forward Contracts	\$	70,845.7	54,005.3
Cash Operations		48.6	26.0
Futures Contracts		0.0	204.8
Speculation Swaps		0.0	65.5
Speculation Options		<u>1,369.5</u>	<u>854.4</u>
	\$	<u>72,263.8</u>	<u>55,156.0</u>

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

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

		<u>Speculation Derivatives</u>				
<u>December 31</u>		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
Purchase on foreign currency	Right	\$ 1,968,308.7	5,707.3	0.0	1,974,016.0	0.0
	Obligation	(1,922,067.1)	(5,707.3)	0.0	(1,927,774.4)	0.0



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Sale on securities	Right	1,192,035.6	76,229.8	0.0	1,268,265.4	0.0
	Obligation	(1,167,431.5)	(76,229.8)	0.0	(1,243,661.3)	0.0
Purchase on securities	Right	0.0	41,961.2	0.0	41,961.2	0.0
	Obligation	0.0	(41,961.2)	0.0	(41,961.2)	0.0
Call options	Purchase	0.0	0.0	0.0	0.0	136.0
Put options	Purchase	0.0	0.0	0.0	0.0	1,233.5
Total Rights		3,160,344.3	123,898.3	0.0	3,284,242.6	1,369.5
Total obligations		<u>(3,089,498.6)</u>	<u>(123,898.3)</u>	<u>0.0</u>	<u>(3,213,396.9)</u>	<u>0.0</u>
Total Net		<u>\$ 70,845.7</u>	<u>0.0</u>	<u>0.0</u>	<u>70,845.7</u>	<u>1,369.5</u>

Speculation Derivatives

<u>June 30</u>		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Total</u>	<u>Options</u>
Purchase on foreign currency	Right	\$ 417,904.1	23,693.6	372.3	441,970.0	0.0
	Obligation	(415,075.7)	(23,609.6)	(306.8)	(438,992.1)	0.0
Sale on foreign currency	Right	1,832,749.2	6,601.0	0.0	1,839,350.2	0.0
	Obligation	(1,781,574.2)	(6,480.2)	0.0	(1,788,054.4)	0.0
Sale on forex	Right	166.1	0.0	0.0	166.1	0.0
	Obligation	(164.2)	0.0	0.0	(164.2)	0.0
Purchase on securities	Right	0.0	3,231.3	0.0	3,231.3	0.0
	Obligation	0.0	(3,231.3)	0.0	(3,231.3)	0.0
Sale on securities	Right	0.0	4,937.8	0.0	4,937.8	0.0
	Obligation	0.0	(4,937.8)	0.0	(4,937.8)	0.0
On interest rate	Right	0.0	0.0	326.4	326.4	0.0
	Obligation	0.0	0.0	(326.4)	(326.4)	0.0
Call options	Purchase	0.0	0.0	0.0	0.0	160.2
Put options	Purchase	0.0	0.0	0.0	0.0	694.2
Total Rights		2,250,819.4	38,463.7	698.7	2,289,981.8	854.4
Total obligations		<u>(2,196,814.1)</u>	<u>(38,258.9)</u>	<u>(633.2)</u>	<u>(2,235,706.2)</u>	<u>0.0</u>
Total Net		<u>\$ 54,005.3</u>	<u>204.8</u>	<u>65.5</u>	<u>54,275.6</u>	<u>854.4</u>

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



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	<u>December 31</u>			
	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>Total</u>
Cash operations	\$62,226.4	5,367.4	0.0	67,593.8
Futures	0.1	0.0	0.0	0.1
Swap speculation	0.0	0.0	11,395.0	11,395.0
Swaps hedging	<u>1,197.8</u>	<u>0.0</u>	<u>0.0</u>	<u>1,197.8</u>
Options	<u>\$ 63,424.3</u>	<u>5,367.4</u>	<u>11,395.0</u>	<u>80,186.7</u>

	<u>June 30</u>			
	<u>From 0 to 1 years</u>	<u>From 1 to 5 years</u>	<u>From 5 to 10 years</u>	<u>Total</u>
Cash operations	\$46,223.6	0.0	0.0	46,223.6
Forward Agreements	131.3	0.0	0.0	131.3
Swap speculation	0.0	17,227.4	0.0	17,227.4
Swaps hedging	<u>1,472.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1,472.0</u>
Options	<u>\$ 47,826.9</u>	<u>17,227.4</u>	<u>0.0</u>	<u>65,054.3</u>

8 Accounts Receivable

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

	<u>December 31</u>	<u>June 30</u>
Credit Portfolio (note 6.3)		
Interests	\$ 173,499.9	164,740.4
Component Financial Leasing Operations	<u>7,537.2</u>	<u>7,295.4</u>
	<u>181,037.1</u>	<u>172,035.8</u>
Fees and Commissions	<u>1,006.6</u>	<u>3,885.8</u>



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Payments of Costumers		
Housing	12,829.6	14,806.9
Consumption	20,273.5	17,779.3
Micro-credit	4.6	0.3
Commercial	<u>8,130.3</u>	<u>6,958.3</u>
	<u>41,238.0</u>	<u>39,544.8</u>
Others:		
Dividends and participations	0.0	1,494.6
Payments of costumers – foreign money	2,845.4	2,058.8
Advance local purchase	14,711.2	11,911.6
Advance of contracts and suppliers	39,431.3	44,803.6
Various:		
Sale of Goods and Services	6,947.0	747.5
Cash and exchange Lacking	1,334.2	927.1
Insurance Company claims	5,760.2	3,213.5
National Treasure	18,839.9	19,494.2
Forward Operations	2,679.0	84.4
Affiliated Companies	1,857.1	1,424.7
Government relieves (Law 546, 199, Loans Reliquidation)	15,719.8	15,719.8
Credit card advances and purchases not processed	320.2	7,194.8
Debtor – Treasury operations	2,063.7	5,527.7
Accounts Receivable – sale punished Consumption portfolio (Note 6)	<u>10,590.2</u>	0.0
Banco de la Republica – Coverage rate	7,947.0	4,706.9
Managed Portfolio	6,799.2	6,744.1
Debtor – Commercial establishments	5,497.2	7,041.8
Handling and other charges of consumption portfolio	0.0	2,043.1
Outstanding portfolio processes to implement	10,719.7	11,516.0
Miscellaneous (Less than 5%)	<u>13,680.9</u>	<u>15,709.9</u>
	\$ <u>299,965.8</u>	<u>271,031.5</u>
Total Receivable Accounts	\$ <u>523,247.5</u>	<u>486,497.9</u>
Allowances	<u>(69,048.1)</u>	<u>(76,582.0)</u>
Net Total Receivable Accounts	\$ <u>454,199.4</u>	<u>409,915.9</u>

**** Mortgage Relief**

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

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



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Notes to the Financial Statements

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

8.1 Allowance for Accounts Receivable

The detail of allowance for accounts receivable is as follows:

	<u>December 31</u>	<u>June 30</u>
Portfolio interests (note 6)	\$ 18,282.1	21,808.5
Payment of clients	11,386.9	12,266.5
Government relieves	13,575.4	13,575.4
Credit card	0.0	246.7
Advance Providers	6,629.8	2,378.9
Miscellaneous	<u>19,173.9</u>	<u>26,306.0</u>
	<u>\$ 69,048.1</u>	<u>76,582.0</u>

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

<u>December 31</u>	<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>	<u>Others</u>	<u>Total</u>
Beginning Balance	\$ 11,007.7	15,353.9	1.4	7,711.8	42,507.2	76,582.0
Plus:						
Allowance charged to operating Expenses	6,488.1	15,253.8	1.7	3,131.6	13,950.9	38,826.1
Less:						
Loans written and Sanitation	961.1	8,109.6	0.6	431.6	2,574.1	12,077.0
Reimbursement	<u>7,205.3</u>	<u>8,902.6</u>	<u>0.9</u>	<u>3,669.4</u>	<u>14,504.8</u>	<u>34,283.0</u>
Ending Balance	<u>\$ 9,329.4</u>	<u>13,595.5</u>	<u>1.6</u>	<u>6,742.4</u>	<u>39,379.2</u>	<u>69,048.1</u>
<u>June 30</u>	<u>Commercial</u>	<u>Consumption</u>	<u>Micro-credit</u>	<u>Housing</u>	<u>Others</u>	<u>Total</u>
Beginning Balance	\$ 17,561.3	13,340.8	9.5	14,297.5	31,250.7	76,459.8
Plus:						
Allowance charged to operating Expenses	11,309.2	18,540.0	39.0	6,049.2	29,866.0	65,803.4
Reclassification						
Less:						
Punished Portfolio	4,979.4	7,690.3	40.1	314.0	7,799.3	20,823.3
Reclassifications	833.2	0.0	0.0	0.0	0.0	833.2
Reimbursement	<u>12,050.2</u>	<u>8,836.6</u>	<u>6.9</u>	<u>12,320.8</u>	<u>10,810.2</u>	<u>44,024.7</u>



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Notes to the Financial Statements

Ending Balance	\$	<u>11,007.7</u>	<u>15,353.9</u>	<u>1.4</u>	<u>7,711.8</u>	<u>42,507.2</u>	<u>76,582.0</u>
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BANCO DAVIVIENDA S.A.
Notes to the Financial Statements

9 Foreclosed Assets

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

	<u>December 31</u>	<u>June 30</u>
<u>Assets received in payment:</u>		
Destined to housing:		
Real estates	\$ 7,759.6	6,979.9
Assets received in auction	1,624.7	1,443.1
Inflation adjustments	<u>0.2</u>	<u>0.2</u>
Total destined to housing	<u>9,384.5</u>	<u>8,423.2</u>
<u>Different from housing</u>		
Real estates	10,474.1	10,058.9
Assets received in auction	1,510.7	1,449.5
Inflation adjustments	<u>22.9</u>	<u>235.2</u>
Adjustment cost	<u>12,007.7</u>	<u>11,743.6</u>
<u>Personal property (1):</u>		
Securities	1,101.7	1,101.7
Personal properties	<u>2,409.5</u>	<u>2,101.4</u>
	<u>3,511.2</u>	<u>3,203.1</u>
Total different from housing	\$ <u>15,518.9</u>	<u>14,946.7</u>
Total Assets received in lieu of payment	\$ <u>24,903.4</u>	<u>23,369.9</u>
<u>Assets restored from housing leasing contracts:</u>		
Housing	\$ <u>1,081.1</u>	<u>1,557.1</u>
<u>Assets not used in the Company's purpose:</u>		
Lands	19,344.7	19,518.5
Buildings	29,230.8	29,897.4
Depreciation	<u>(6,458.4)</u>	<u>(6,162.4)</u>
	\$ <u>42,117.1</u>	<u>43,253.5</u>
<u>Less:</u>		
Allowance assets destined to housing	4,387.7	3,501.2
Allowance assets different from housing	6,575.6	7,437.4
Allowance personal property	1,750.3	1,582.8
Allowance assets restored from leasing contracts	314.2	342.2
Allowance assets not used in the Company's purpose	<u>2,909.6</u>	<u>3,091.4</u>
	<u>15,937.4</u>	<u>15,954.9</u>
Total Foreclosed Assest	\$ <u>52,164.2</u>	<u>52,225.6</u>



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Notes to the Financial Statements

(1) The detail of personal property received as payment is as follows:

	<u>December 31</u>		<u>June 30</u>	
	<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Rights and securities				
Shares	\$ 27.3	27.3	27.3	27.3
Trust Zuana – Timeshare	<u>1,074.4</u>	<u>1,050.7</u>	<u>1,074.4</u>	<u>1,073.7</u>
	<u>1,101.7</u>	<u>1,078.0</u>	<u>1,101.7</u>	<u>1,071.0</u>
Personal Assest				
Vehicles	2,048.1	544.0	1,695.9	399.4
Machinery	9.4	9.4	53.5	53.5
Real States	343.2	110.1	343.1	50.0
Art assets	<u>8.8</u>	<u>8.8</u>	<u>8.9</u>	<u>8.9</u>
	<u>2,409.5</u>	<u>672.3</u>	<u>2,101.4</u>	<u>511.8</u>
	\$ <u>3,511.2</u>	<u>1,750.3</u>	<u>3,203.1</u>	<u>1,582.8</u>

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

	<u>Less than 1 year</u>	<u>Between 1 & 5 years</u>	<u>Between 5 & 10 years</u>	<u>More than 10 years</u>	<u>Total</u>	<u>Allowance</u>
<u>December 31</u>						
Housing	\$4,194.0	4,431.5	627.7	131.3	9,384.5	\$4,387.7
Different from housing	5,418.3	2,885.8	3,005.4	698.2	12,007.7	6,575.6
Real States	1,970.5	503.2	1,028.7	8.8	3,511.2	1,750.3
Returned Goods	722.1	300.5	58.5	0.0	1,081.1	314.2
Assets not used	<u>0.0</u>	<u>29,456.1</u>	<u>12,661.0</u>	<u>0.0</u>	<u>42,117.1</u>	<u>2,909.5</u>
	<u>\$12,304.9</u>	<u>37,577.1</u>	<u>17,381.3</u>	<u>838.3</u>	<u>68,101.6</u>	<u>15,937.4</u>
<u>June 30</u>						
Housing	\$4,528.6	3,092.2	734.5	67.9	8,423.2	3,501.2
Different from housing	4,766.0	2,578.7	3,748.2	650.7	11,743.6	7,437.3
Real States	1,707.0	424.5	1,071.6	0.0	3,203.1	1,582.8
Returned Goods	1,198.4	300.2	58.5	0.0	1,557.1	342.2
Assets not used	<u>0.0</u>	<u>30,569.5</u>	<u>12,684.0</u>	<u>0.0</u>	<u>43,253.5</u>	<u>3,091.4</u>
	<u>\$12,200.1</u>	<u>36,965.1</u>	<u>18,296.7</u>	<u>718.6</u>	<u>68,180.5</u>	<u>15,954.9</u>

During 2010, valuations were made of property received in lieu of payment for housing, generating a profit in recovery of \$ 5,931.7 and 7,074.7 for the second and first half of 2010, respectively. These valuations are recorded in the accounts. (Note 23)



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

	<u>December 31</u>		<u>June 30</u>	
	Amount	Value	Amount	Value
Goods Received as Payment	144	\$ 9,480.1	160	\$11,409.2
Non using goods	<u>4</u>	<u>840.5</u>	<u>1</u>	<u>2,000.0</u>
Total Sales	<u>148</u>	<u>10,320.6</u>	<u>161</u>	<u>13,409.2</u>
Sales Profit		338.0		329.2
Amortization of the deferred profit		882.6		613.2
Profit from sale of unused assets		<u>468.4</u>		<u>1,648.3</u>
Results effect (note 28)		<u>1,689.0</u>		<u>\$ 2,590.7</u>

During the second and first half of 2010, losses were recorded for the sale of assets received in lieu of property of \$ 1,231.5 and \$ 185.2, sales losses for property totaled \$ 352.3 and \$ 786.6; the loss on sale of property not used during the first half of 2010 amounted to \$ 707.8.

9.1 Allowance for Foreclosed Assets

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

	<u>December 31</u>	<u>June 30</u>
Beginning balance	\$ 15,954.9	14,352.1
Plus:		
Allowance charged to operating expenses	2,965.7	3,219.7
Less:		
Refund revenue - recoveries	<u>2,983.2</u>	1,616.9
Ending balance	\$ <u>15,937.4</u>	<u>15,954.9</u>

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

<u>December 31</u>		<u>June 30</u>	
<u>Amount</u>	<u>Allowance</u>	<u>Amount</u>	<u>Allowance</u>
<u>176</u>	\$ <u>8,716.8</u>	<u>179</u>	<u>8,549.3</u>

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

The Bank acquired real estate properties from the securitizations of portfolio written off CCVI, CCVII, CCVIII for \$26.1, and \$46.1 as of December 31, and June 30, 2010, respectively and granted housing leasing credits.

To December 31, and June 30, 2010 there are insurance policies that cover subtraction, fire, earthquake, riot, explosion, volcanic eruption, low voltage, land, losses or damages to offices and vehicles.



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Notes to the Financial Statements

10 Properties and Equipment

A detail of properties and equipment is as follows:

	<u>December 31</u>			<u>June 30</u>		
	<u>Cost</u>	<u>Inflation Adjustment</u>	<u>Cost Adjusted</u>	<u>Cost</u>	<u>Inflation Adjustment</u>	<u>Cost Adjusted</u>
Lands, buildings & constructions						
In progress	\$ 347,272.0	36,619.2	383,891.2	342,537.6	36,818.5	379,356.1
Equipment, vehicles, office						
Furniture and supplies	90,105.5	9,523.0	99,628.5	114,668.8	11,957.5	126,626.3
Computer equipment	<u>182,246.7</u>	<u>18,682.8</u>	<u>200,929.5</u>	<u>242,997.8</u>	<u>27,730.3</u>	<u>270,728.1</u>
	<u>619,624.2</u>	<u>64,825.0</u>	<u>684,449.2</u>	<u>700,204.2</u>	<u>76,506.3</u>	<u>776,710.5</u>
Less: accumulated depreciation	(290,913.8)	(20,695.8)	(311,609.6)	(379,683.6)	(27,193.8)	(406,877.4)
Less: allowance	<u>(8,055.2)</u>	<u>0.0</u>	<u>(8,055.2)</u>	<u>(6,878.0)</u>	<u>0.0</u>	<u>(6,878.0)</u>
	<u>\$ 320,655.2</u>	<u>44,129.2</u>	<u>364,784.4</u>	<u>313,642.6</u>	<u>49,312.5</u>	<u>362,955.1</u>

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

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

	<u>December 31</u>	<u>June 30</u>
Surplus buildings revaluations	\$ 359,580.0	355,249.3
Surplus buildings not used revaluations	<u>35,089.5</u>	<u>35,304.8</u>
	<u>\$ 394,669.5</u>	<u>390,554.1</u>

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

The depreciation charged to expenses in the biannual periods that ended on December 31, and June 30, 2010 was of \$ 21.332,5 and \$17.087,5, respectively.

At March 2006 the Bank acquired the building Bancolombia conavi of street 26 for a value \$19.607,6, which was conducted by two (2) Financial Leasing contracts to 60 months with Leasing Colombia at a rate of DTF TA + 3.2 and leasing credit at a rate of DTF TA + 3.3 with an option to purchase 10%. As established by the legal rules applicable to such contracts, the bank records properties and equipment in the value of the Land for \$2.801.0.

As of December 31, and June 30, 2010 the expense for payment of leasing rents, amounts to \$1.636,2 and \$1.992,1, respectively.

10.1 Allowance of Properties and Equipment

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



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	<u>December 31</u>	<u>June 30</u>
Beginning balance	\$ 6,878.0	7,754.9
Plus:		
Allowance charged to operating expenses	1,968.0	0.0
Less:		
Refund previous years	0.0	78.4
Refund to revenue – recoveries	<u>790.8</u>	<u>798.5</u>
Ending balance	\$ <u>8,055.2</u>	<u>6,878.0</u>

11 Other assets

11.1 Permanent contributions

At December 31, and June 30, 2010 permanent contributions (memberships) were held in social clubs for a value of \$251,7.

11.2 Expenses paid, Intangible Assets in Advance and Deferred Charges

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

	<u>December 31</u>	<u>June 30</u>
<u>Anticipated expenses and deferred charges:</u>		
Expenses paid in advance:		
Interests	\$ 1.7	1.6
Leases	0.0	10.6
Insurance	6,102.5	7,601.7
Others	<u>0.0</u>	<u>411.8</u>
	<u>6,104.2</u>	<u>8,025.7</u>
<u>Deferred charges</u>		
Remodeling	48,433.8	31,365.8
Deferred Income tax "debit" for temporary Differences	19,585.1	8,562.5
Commissions and advisories	4,024.2	4,428.5
Endowments	0.0	4,089.7
Business strategy pre purchase tickets	1,528.1	00
Computer programs	4.3	36.6
Others (Less than 5%)	<u>0.0</u>	<u>152.4</u>
	<u>73,575.5</u>	<u>48,635.5</u>
Total Anticipated expenses and deferred charges	<u>79,679.7</u>	<u>56,661.2</u>
<u>Intangible Assets</u>		
Mercantile Credit	<u>1,281,224.0</u>	<u>1,333,267.2</u>
Expenses in advance, Intangible Assets and Deferred Charges	\$ <u>1,360,903.7</u>	<u>1,389,928.4</u>



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The movement of the expenses in advance, Intangible Assets and deferred charges at December 31, and June 30, 2010 is as follows:

	Balance at <u>June 30</u>	<u>Charges</u>	<u>Amortizations</u>	Balance at <u>December 31</u>
Expenses in advance	\$ 8,025.7	14,019.5	15,941.0	6,104.2
Deferred Charges	48,635.5	66,876.4	41,936.4	73,575.5
Intangible Assets	<u>1,333,267.2</u>	<u>0.0</u>	<u>52,043.2</u>	<u>1,281,224.0</u>
	<u>1,389,928.4</u>	<u>80,895.9</u>	<u>109,920.6</u>	<u>1,360,903.7</u>

Below we present the expenses in advance, Intangible Assets and deferred charges during for amortize for deadlines, with closing on December 31, and June 30, 2010 is as follows:

	<u>Less than 1 year</u>	<u>Between 1 & 5 years</u>	<u>More than 10 years</u>	<u>Total</u>
<u>December 31</u>				
Advance expenses				
Interests	\$ 1.7	0.0	0.0	1.7
Insurances	<u>6,102.5</u>	<u>0.0</u>	<u>0.0</u>	<u>6,102.5</u>
	<u>6,104.2</u>	<u>0.0</u>	<u>0.0</u>	<u>6,104.2</u>
Deferred Charges				
Remodeling	25,770.9	22,662.9	0.0	48,433.8
Computer Software	4.3	0.0	0.0	4.3
Deferred income tax "debit" for				
Temporary Differences	19,585.1	0.0	0.0	19,585.1
Commissions and advisories	4,024.2	0.0	0.0	4,024.2
Business strategy pre				
purchase tickets	<u>1,528.1</u>	<u>0.0</u>	<u>0.0</u>	<u>1,528.1</u>
	<u>50,912.6</u>	<u>22,662.9</u>	<u>0.0</u>	<u>73,575.5</u>
Intangible Assets				
Mercantile Credit	\$ <u>31.8</u>	<u>55,448.0</u>	<u>1,225,744.2</u>	<u>1,281,224.0</u>
	<u>\$ 57,048.6</u>	<u>78,110.9</u>	<u>1,225,744.2</u>	<u>1,360,903.7</u>
<u>June 30</u>				
Advance expenses				
Interests	\$ 1.6	0.0	0.0	1.6
Leases	10.6	0.0	0.0	10.6
Insurances	7,601.7	0.0	0.0	7,601.7
Others	<u>411.8</u>	<u>0.0</u>	<u>0.0</u>	<u>411.8</u>
	<u>8,025.7</u>	<u>0.0</u>	<u>0.0</u>	<u>8,025.7</u>
Deferred Charges				
Remodeling	10,416.4	20,949.4	0.0	31,365.8
Computer Software	36.6	0.0	0.0	36.6
Deferred income tax "debit" for				
Temporary Differences	8,562.5	0.0	0.0	8,562.5



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Commissions and advisories	4,428.5	0.0	0.0	4,428.5
Endowments	4,089.7	0.0	0.0	4,089.7
Others	<u>152.4</u>	<u>0.0</u>	<u>0.0</u>	<u>152.4</u>
	<u>27,686.1</u>	<u>20,949.4</u>	<u>0.0</u>	<u>48,635.5</u>
Intangible Assets				
Mercantile Credit	<u>0.0</u>	<u>86,771.4</u>	<u>1,246,495.8</u>	<u>1,333,267.2</u>
	\$ <u>35,711.8</u>	<u>107,720.8</u>	<u>1,246,495.8</u>	<u>1,389,928.4</u>

Intangible Assets

This is the commercial credit generated by the purchase of acquired credit facilities. At December 31, and June 30, 2010 this amounted to \$ 1,281,224.0 and \$1,333,267.2 respectively.

Following, a breakdown of mercantile loan:

Bansuperior S.A. Commercial Credit:

For the purchase of Bansuperior S.A. completed in September 2005. The mercantile credit was recorded for \$311.237.4, which redeemed in seventy-two (72) monthly rates, according to the 200503346-55 communication dated 8 August 8, 2005 issued by the Superintendencia Financiera de Colombia.

The following is the detail of the amortization:

Amount generated in September 2005	\$ 311,237.4
Amortization accumulated at December 31, 2005	(15,939.4)
Merge effect value in May, 2006	6,222.9
Amortization at December, 2010	<u>(269,757.3)</u>
Amount to be amortized at December 31, 2010	\$ <u>31,763.6</u>

Confinanciera S.A Commercial Credit:

For the purchase of shares of Confinanciera S.A. made in December 2006, a commercial credit was recorded for \$56.918.8, which is amortized in eighty-four (84) monthly aliquots, as of December 2006.

The following is the detail of the amortization of the commercial credit generated:

Amount generated in December, 2006	\$ 56,918.8
Amortization at December, 2010	<u>(33,202.6)</u>
Amount to be amortized at December 31, 2010	\$ <u>23,716.2</u>

Granbanco S.A. – Bancafe Commercial Credit:

The commercial credit was generated by the purchase of Granbanco of February 16, 2007 for the amount of \$1.372.458; operation authorized by means of Resolution 0139 of January 31, 2007 from the Superintendencia Financiera de Colombia.

According to the provisions of External Memorandum Letter 034 of 2006 by the Superintendencia



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

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

Year	% amortiz.	Lines of Business						Value to amortized per year
		Consumption	Commercial	Pyme	Credit Card	Housing	Affiliates	
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>292,103.0</u>	<u>600,872.0</u>	<u>95,195.0</u>	<u>222,395.0</u>	<u>153,150.0</u>	<u>8,743.0</u>	<u>1,372,458.0</u>

The following are the major characteristics considered in the evaluation of the Mercantil Credit:

- The definition and determination of lines of business was a process carried out jointly with the directors of Davivienda and Granbanco, 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 was made, taking into account the synergies that could be found. In this manner, the value of the commercial credit was assigned in the following six (6) lines of business with valuation at market prices and based on the figures as of the closing of December 31, 2006 for Davivienda and January 31, 2007 for Granbanco: consumption, commercial, SME, credit card, housing and affiliates (Panamá, Miami and Fiducafé).
- The general criteria to define the above lines of business were: characteristics proper of the lines of business (average placement rates, average balance by customer/product, customers profile, growth of portfolio and allocation of expenses); feasibility of independent valuation and international accounting rules.



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- Upon definition of the lines of business and identification of their corresponding assets, based on the global the balance sheet and statement of income and the different information system of each of the entities, the statements of income and balance sheets were determined for each line of business, for a projected period of 10 years.

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

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

<u>Business line</u>	<u>Participation</u>	<u>Commercial Credit recorded</u>	<u>Accumulated Amortization</u>	<u>Balance</u>
Consumption	21.3%	\$ 292,103.0	31,225.4	260,877.6
Commercial	43.8%	600,872.0	64,232.3	536,639.7
SME	6.9%	95,195.0	10,176.2	85,018.8
Credit Card	16.2%	222,395.0	23,773.7	198,621.3
Housing	11.2%	153,150.0	16,371.5	136,778.5
Affiliates	<u>0.6%</u>	<u>8,743.0</u>	<u>934.8</u>	<u>7,808.3</u>
Total	<u>100.0%</u>	<u>\$ 1,372,458.0</u>	<u>146,713.9</u>	<u>1,225,744.2</u>

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

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

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

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

11.3 Other Assets - Other

The detail of other assets – other is as follows:

	December 31	<u>June 30</u>
Permanent contributions	\$ 251.7	251.7
Letters of credit of deferred payment	2,609.6	6,306.2
Others Deposits (1)	1,811.6	17,404.3
Goods given in accommodatum	2,307.6	2,367.1



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Art and culture assets	2,001.0	1,917.6
Rights in trust (2)	3,776.6	3,818.9
Others Rights in trust	48.0	47.9
Withholding	0.0	16,089.8
Income surplus	7,612.7	54,796.0
Negotiated unpaid remittances	0.0	2,572.6
Anticipated industry and commerce tax	105.6	158.4
Others (Less than 5%)	<u>60.9</u>	<u>59.9</u>
	\$ <u>20,585.3</u>	<u>105,790.4</u>

(1) In the first semester lien for \$15,730.1 was recorded in the Legal Deposit and the contingent accounts, corresponding to the injunction of February 26, 2010 to freeze TES Law 546 payments to the Bank under the Public Interest claim process introduced by Mr. Alberto Botero Castro. These titles matured on February 28, 2010.

On July 29, 2010 was raised the embargo was lifted from the Bank over the TES Law 546.

(2) Rights in trust

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

	<u>December 31</u>		<u>June 30</u>	
	<u>Balance</u>	<u>Allowance</u>	<u>Balance</u>	<u>Allowance</u>
Copescol S.A.	\$ 982.8	982.8	982.8	982.8
Agropecuaria Molina Vivas	37.0	37.0	37.0	37.0
Textiles Omnes S.A.	465.6	465.6	465.5	465.5
Fiduciaria Superior	<u>2,291.2</u>	<u>0.0</u>	<u>2,333.5</u>	<u>0.0</u>
	\$ <u>3,776.6</u>	<u>1,485.4</u>	<u>3,818.9</u>	<u>1,485.4</u>

* Corresponds to the settlement remainder *Fiduciaria Superior* September 2009.

11.4 Employees Portfolio

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

<u>December 31</u>	<u>Housing</u>	<u>Admissible Guaranties</u>	<u>Allowance</u>
A –Normal	106,743,3	\$ 106,743,3	292,972.8
		<u>\$ 106,743,3</u>	<u>1,601.4</u>
		<u>292,972.8</u>	<u>1,601.4</u>



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<u>June 30</u>	<u>Housing</u>	<u>Admissible Guaranties</u>	<u>Allowance</u>
A –Normal	\$ 113,433.0	312,507.7	1,702.4
B –Acceptable	310.9	713.1	15.8
C –Deficient	2.1	40.5	0.5
D –Difficult collection	<u>0.2</u>	<u>143.8</u>	<u>0.1</u>
	<u>\$ 113,746.2</u>	<u>313,405.1</u>	<u>1,718.8</u>

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

Consumer loans to employees were reclassified from the other assets account to the credit portfolio accounts, which amounted to \$49,373.0, leaving matters related to the employment benefits in other assets.

11.5 Allowance for other assets

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

	<u>December 31</u>	<u>June 30</u>
Beginning balance	\$ 4,361.7	6,303.2
Plus:		
Allowance charged to operating expenses	167.4	697.2
Less:		
Transfer Employees allowance	0.0	1,547.9
Write downs	0.0	158.1
Refunding to income – Recoveries	<u>284.6</u>	<u>932.7</u>
Ending balance	<u>\$ 4,244.5</u>	<u>4,361.7</u>

12 Deposits and callabilities

The following is the detail of deposits and callabilities:

	<u>Maximum annual interest rate</u>	<u>December 31</u>	<u>June 30</u>
Deposits in current account	0,0%	\$ 3,102,516.5	2,654,851.8
Certificates in pesos			
- Lower than 6 months	0,01% - 4,05%	1,215,698.8	1,418,413.9
- Equal to 6 and lower than 12 months	3,70% - 4,33%	2,117,000.9	2,161,696.2
- Equal to 12 and lower than 18 months	4,12% - 4,36%	702,666.9	660,372.5
- Equal or higher than 18 months	4,30% - 5,35%	<u>1,950,397.9</u>	<u>1,640,796.4</u>
		<u>5,985,764.5</u>	<u>5,881,279.0</u>



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Savings deposits

- Common savings deposits	0,0% - 4,0%	8,654,819.4	8,429,444.4
- Special savings accounts		<u>50,609.3</u>	<u>47,931.8</u>
		<u>8,705,428.7</u>	<u>8,477,376.2</u>

Savings Certificates of real value

- Equal to 6 and less than 12 months	Uvr + 1.45	<u>21,778.5</u>	<u>0.0</u>
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Other deposits and callabilities:

Banks and intermediaries		14,323.4	1,822.0
Callabilities per banking services		226,358.4	115,121.4
Affiliated establishments		<u>6,614.8</u>	<u>3,698.3</u>
		<u>247,296.6</u>	<u>120,641.7</u>
		\$ <u>18,062,784.8</u>	<u>17,134,148.7</u>

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

<u>Modality</u>	<u>December 31</u>	<u>June 30</u>
Deposits and callabilities interests:		
Common deposits	\$ 60,183.2	90,952.2
Term savings certificates	0.0	16.6
Certificates in pesos	134,358.3	141,098.0
Deposits in current account	<u>5,991.9</u>	<u>795.7</u>
	<u>200,533.4</u>	<u>232,862.5</u>
Adjustments of the real value unit	<u>277.7</u>	<u>6,750.1</u>
Other interests:		
Bank credits and other financial obligations	32,508.1	30,544.4
Inter-bank funds	264.8	925.6
Bonds	86,912.8	80,725.5
Commitments and simultaneous transfer repos	4,170.8	4,641.4
Contracts Financial Leasing (note10)	1,969.2	1,992.1
Preferred shareholders - advance shares purchase	2,748.1	<u>0.0</u>
Others	<u>2.8</u>	<u>3.3</u>
	<u>128,576.6</u>	<u>118,832.3</u>
	\$ <u>329,387.7</u>	<u>358,444.9</u>



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12.1 Reserve

On December 31, and June 30, 2010 a reserve on deposits and enforceability was formed in accordance with External Resolution 11 of October 2008 of the Banco de la República (Note 36).

The reserve required and the average disposable to the Bank during the second and first half of 2010, was:

	<u>December 31</u>	<u>June 30</u>
Average reserve requirement	\$ 1,497,500.0	1,527,118.0
Average reserve available	1,508,673.0	1,537,544.0

13 Passive Positions in Monetary Market Operations and those Related

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

<u>Entity</u>	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Initiation</u>	<u>Date of Cancellation</u>	<u>Market Value</u>	<u>TRM (Pesos)</u>
<u>December 31</u>						
<u>Foreign Currency</u>						
Overnight Foreign Banks:						
	USD 10,000,000.0	0,50%	Dic.30.10	Ene.03.11	\$19,139.8	1,913.98
	USD 10,000,000.0	0,50%	Dic.30.10	Ene.03.11	19,139.8	1,913.98
	<u>5,000,000.0</u>	0,45%	Dic.30.10	Ene.03.11	<u>9,569.9</u>	1,913.98
	USD <u>25,000,000.0</u>				<u>47,849.5</u>	
<u>Legal Currency</u>						
Liabilities Repos						
		1.02%	Dic.30.10	Ene.06.11	\$ 162.0	
		1.53%	Dic.30.10	Ene.03.11	<u>10,000.4</u>	
					<u>10,162.4</u>	
Total Passive Positions in Monetary Market Operations and those Related					\$ <u>58,011.9</u>	



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June 30	<u>Entity</u>	<u>Amount in Dollars</u>	<u>Rate</u>	<u>Initiation</u>	<u>Date of Cancellation</u>	<u>Market Value</u>	<u>TRM (Pesos)</u>	
	<u>Foreign Currency</u>							
	Overnight Foreign Banks							
		USD 10,000,000	0.40%	Jun.30.10	Jul.01.10	\$ 19,131.5	1,913.15	
		USD <u>10,000,000</u>	0.30%	Jun.30.10	Jul.01.10	<u>19,131.5</u>	1,913.15	
		USD <u>20,000,000</u>				<u>38,263.0</u>		
	<u>Legal Currency</u>							
	Liabilities Interbank Banks		3.00%	Jun.30.10	Jul.01.10	\$ 30,000.0		
	Liabilities Repos Real Sector							
			1.02%	Jun.30.10	Jul.08.10	\$ 28.7		
			1.02%	Jun.25.10	Jul.01.10	75.6		
			1.02%	Jun.23.10	Jul.01.10	123.1		
			1.02%	Jun.30.10	Jul.08.10	163.9		
			1.02%	Jun.30.10	Jul.01.10	17,100.0		
			0.81%	Jun.29.10	Jul.01.10	294.0		
			1.33%	Jun.30.10	Jul.02.10	615.0		
			0.10%	Jun.28.10	Jul.02.10	105.0		
			0.10%	Jun.25.10	Jul.01.10	152.0		
			0.10%	Jun.24.10	Jul.01.10	100.0		
			0.10%	Jun.29.10	Jul.01.10	<u>217.0</u>		
						<u>18,974.3</u>		
	Companies Trust							
			2.88%	Jun.30.10	Jul.01.10	4,000.0		
			2.88%	Jun.30.10	Jul.01.10	2,900.0		
			2.88%	Jun.30.10	Jul.01.10	12,221.0		
			2.88%	Jun.28.10	Jul.01.10	<u>6,000.9</u>		
						<u>25,121.9</u>		
	Companies Pension Fund Administrators and Severance		2.88%	Jun.30.10	Jul.01.10	<u>1,000.0</u>		
						<u>45,096.3</u>		
	Repurchases							
	Brokers		2.75%	Jun.30.10	Jul.01.10	<u>6,081.8</u>		
	Short positions							
	Banks		2.95%	Jun.30.10	Jul.08.10	<u>10,284.5</u>		
	Banco República		2.70%	Jun.30.10	Jul.01.10	4,426.1		
			2.70%	Jun.28.10	Jul.01.10	<u>4,432.6</u>		
						<u>8,858.7</u>		
	Total Passive Positions in Monetary Market Operations and those Related						\$ <u>138,584.3</u>	

For the second and first half of 2010, the balance and the average monthly yield for these passive positions (local and foreign currency) were \$ 58,011.9 and \$ 739.2 and \$ 119,441.0 and \$ 927.8 respectively.

There are no restrictions on these funds.



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14 Acceptances Outstanding and Financial Derivatives

The following is the detail of account:

<u>Product</u>	<u>December 31</u>	<u>June 30</u>
Forward Agreements	67,593.8	46,223.6
Futures Contracts	0.0	131.3
Speculation Swaps	0.1	0.0
Options Speculation	1,197.8	1,472.0
Coverage Swaps	<u>11,395.0</u>	<u>17,227.4</u>
	\$ 80,186.7	<u>65,054.3</u>

As of January 1, 2010 and as indicated in Chapter XVIII of the External Circular 100 of the Financial Superintendence of Colombia, the accounting for derivatives is done taking into account the outcome of the fair trade price value as follows:

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

<u>December 31</u>		<u>Speculation Derivatives</u>				<u>Total</u>	<u>Hedging</u>
		<u>Forward</u>	<u>Futures</u>	<u>Swaps</u>	<u>Options</u>		<u>Swaps</u>
<u>Buy currency</u>	Right	(\$ 1,079,474.1)	0.0	0.0	0.0	(1,079,474.1)	0.0
	Obligation	1,099,086.2	0.0	0.0	0.0	1,099,086.2	0.0
<u>Sell currency</u>	Right	(1,824,808.7)	0.0	0.0	0.0	(1,824,808.7)	0.0
	Obligation	1,872,775.1	0.0	0.0	0.0	1,872,775.1	0.0
<u>Currency Sale</u>	Right	(1,255.5)	0.0	0.0	0.0	(1,255.5)	0.0
	Obligation	1,270.8	0.0	0.0	0.0	1,270.8	0.0
<u>Interest rate</u>	Right	0.0	0.0	(91.6)	0.0	(91.6)	0.0
	Obligation	0.0	0.0	91.7	0.0	91.7	0.0
<u>On Currency</u>	Right	0.0	0.0	0.0	0.0	0.0	(316,983.1)
	Obligation	0.0	0.0	0.0	0.0	0.0	328,378.1
<u>Call options</u>	Sale	0.0	0.0	0.0	416.9	416.9	0.0
<u>Put options</u>	Sale	0.0	0.0	0.0	780.9	780.9	0.0



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Total Rights	(2,905,538.3)	0,0	(91.6)	0.0	(2,905,629.9)	(316,983.1)
Total obligations	<u>2,973,132.1</u>	<u>0,0</u>	<u>91.7</u>	<u>1,197.8</u>	<u>2,974,421.6</u>	<u>328,378.1</u>
Total Net	<u>\$ 67,593.8</u>	<u>0,0</u>	<u>0.1</u>	<u>1,197.8</u>	<u>68,791.7</u>	<u>11,395.0</u>

		<u>Speculation Derivatives</u>					Hedging derivatives
<u>30 de junio</u>		Forward	Futures	Swaps	Options	Total	Swaps
<u>Buy currency</u>	Right	(\$ 1,555,040.4)	(291.6)	0.0	0.0	(1,555,332.0)	0.0
	Obligation	1,599,319.9	304.8	0.0	0.0	1,599,624.7	0.0
<u>Sell currency</u>	Right	(298,844.0)	(15,634.1)	0.0	0.0	(314,478.1)	0.0
	Obligation	300,788.1	15,752.2	0.0	0.0	316,540.3	0.0
<u>Interest rate</u>	Right	0.0	0.0	(150.6)	0.0	(150.6)	0.0
	Obligation	0.0	0.0	150.6	0.0	150.6	0.0
<u>Interest rate CCS</u>	Right	0.0	0.0	0.0	0.0	0.0	(314,795.3)
	Obligation	0.0	0.0	0.0	0.0	0.0	332,022.7
<u>Call options</u>	Sale	0.0	0.0	0.0	241.9	241.9	0.0
<u>Call options</u>							
<u>Put options</u>	Sale	0.0	0.0	0.0	1,230.1	1,230.1	0.0
<u>Put options</u>							
		(1,853,884.4)	(15,925.7)	(150.6)	0.0	(1,869,960.7)	(314,795.3)
Total Rights		1,900,108.0	16,057.0	150.6	1,472.0	1,917,787.6	332,022.7
Total obligations		\$ 46,223.6	131.3	0.0	1,472.0	47,826.9	17,227.4

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

December 31

	<u>Less than 1 year</u>	<u>Between 1 & 5 years</u>	<u>Between 5 & 10 years</u>	<u>Total</u>
Spot transactions	\$62,226.4	5,367.4	0.0	67,593.8
Futures	0.1	0.0	0.0	0.1
Speculative Swaps	0.0	0.0	11,395.0	11,395.0
Hedging Swaps	<u>0.0</u>	<u>1,197.8</u>	<u>0.0</u>	<u>1,197.8</u>
Options	<u>\$ 62,226.5</u>	<u>6,565.2</u>	<u>11,395.0</u>	<u>80,186.7</u>



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June 30

	<u>Less than 1</u> <u>year</u>	<u>Between 1 & 5</u> <u>years</u>	<u>Between 5 & 10</u> <u>years</u>	<u>Total</u>
Spot transactions	46,223.6	0.0	0.0	46,223.6
Forward Contracts	131.3	0.0	0.0	131.3
Speculative Swaps	0.0	17,227.4	0.0	17,227.4
Hedging Swaps	<u>0.0</u>	<u>1,472.0</u>	<u>0.0</u>	<u>1,472.0</u>
Options	<u>\$ 46,354.9</u>	<u>18,699.4</u>	<u>0.0</u>	<u>65,054.3</u>

14.1 Hedge Operation – Granbanco purchase

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

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

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

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

<u>Period</u>	<u>Detail</u>	<u>Term</u> <u>(years)</u>	<u>Initial</u> <u>Period</u>	<u>Final</u> <u>Period</u>	<u>Value \$</u>		
					<u>Right</u>	<u>Obligation</u>	<u>Net</u>
-	-	-	-	-	-	-	-
Dec-10	Bonos IFC Hedge Swap	7	Feb.07.07	Feb.07.14	316,983.1	328,378.1	(11,395.0)
Jun-10	Bonos IFC Hedge Swap	7	Feb.07.07	Feb.07.14	314,795.3	332,022.7	(17,227.4)

Flows generated by hedge operation for Financing Granbanco purchase:

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

- IFC Bonds interest coupon payment (coverage capital):

The second half of 2010 generated the payment of 7 ° Bonos IFC coupon, generating a cash outflow of \$ 12,722.2:



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

The first half of 2010 generated the payment of 6 ° Bonos IFC coupon, generating a cash outflow of \$16,848.0.

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

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

Resets

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

Reset agreements of this operation in the first half of 2010 generated two outward flows of \$ 49,600.5

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

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

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

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



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14.2 CCS Hedge accounting record

These hedges are recorded at just trade value.

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

		<u>December 31</u>		<u>June 30</u>
CCS Assets	\$	22,786.2		40,328.6
Bono IFC Assets		<u>6,298.3</u>	-	<u>(15,753.6)</u>
Net assets	\$	<u>29,084.5</u>	-	<u>24,575.0</u>

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

From January to May 2010 it was treated as described in External Circular 100 of the SFC Chapter XVIII paragraph 7.3.2.2. referred to as cash flow hedges.

In June 2010 it was changed to that known as fair trade value hedging described in section 7.3.2.1 of Chapter XVIII.

In June 2010, the Financial Superintendence of Colombia accepted the proposal submitted by the Bank to adopt the existing Swaps operations valuation methodology as defined in Chapter XVIII of the Basic Accounting and External Circular 100 of 1995 Financial. The above proposal was based on the analysis of the comparison of the methodology adopted by the Financial Superintendence of Colombia in November 2007 to assess cross-currency swap operations entered in February 2007 with the current methodology defined in Chapter XVIII.

The transfer of the Swap valuation from equity accounts to results by changing to the accounting treatment called hedging fair exchange price generated a greater income of \$ 14,360.0.

The economic effect of change in valuation methodology was \$ 5,550.7, which means more income for the Bank as recorded in the month of June 2010.

15 Banking Credits and Other Financial Obligation

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

<u>Entity</u>	<u>Interest payable</u>	<u>December 31</u>				<u>Total Capital</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>	
Others Entities in the Country:						
<u>Legal Currency</u>						
Bancoldex	\$ 304.6	5,621.1	66,583.8	9,404.4	0.0	81,609.3
Finagro	1,777.7	7,369.4	98,209.6	28,263.0	31,793.9	165,635.9
Findeter	2,935.6	21,659.0	105,466.5	472,137.6	237,741.9	837,005.0
Overdrafts Current account	<u>0.0</u>	<u>45.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>45.5</u>
	<u>5,017.9</u>	<u>34,695.0</u>	<u>270,259.9</u>	<u>509,805.0</u>	<u>269,535.8</u>	<u>1,084,295.7</u>
<u>Foreign Currency</u>						
Bancoldex	211.3	80,535.7	16,755.9	8,151.6	0.0	105,443.2
Overdrafts Current account	<u>0.0</u>	<u>15.3</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>15.3</u>
	<u>211.3</u>	<u>80,551.0</u>	<u>16,755.9</u>	<u>8,151.6</u>	<u>0.0</u>	<u>105,458.5</u>



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	<u>5,229.2</u>	<u>115,246.0</u>	<u>287,015.8</u>	<u>517,956.6</u>	<u>269,535.8</u>	<u>1,189,754.2</u>
Foreign Entities:	<u>3,126.6</u>	<u>1,180,308.5</u>	<u>14,661.7</u>	<u>0.0</u>	<u>0.0</u>	<u>1,194,970.2</u>
	<u>\$ 8,355.8</u>	<u>1,295,554.4</u>	<u>301,677.5</u>	<u>517,956.6</u>	<u>269,535.8</u>	<u>2,384,724.3</u>

June 30

<u>Entity</u>	<u>Interest payable</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 Capital</u>
Others Entities in the Country:						
<u>Legal Currency</u>						
Bancoldex	\$ 408.3	4,713.6	25,643.6	36,777.5	615.5	67,750.2
Finagro	1,817.6	8,238.5	105,271.2	16,665.0	26,237.2	156,411.9
Findeter	4,784.5	18,259.3	56,537.4	430,426.1	271,487.4	776,710.2
Overdrafts Current account	0.0	141.3	0.0	0.0	0.0	141.3
	<u>7,010.4</u>	<u>31,352.7</u>	<u>187,452.2</u>	<u>483,868.6</u>	<u>298,340.1</u>	<u>1,001,013.6</u>
Foreign Currency						
Bancoldex	23.6	2,152.3	17,727.7	6,504.6	0.0	26,384.6
Overdrafts Current account	<u>0.0</u>	<u>438.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>438.5</u>
	<u>23.6</u>	<u>2,590.8</u>	<u>17,727.7</u>	<u>6,504.6</u>	<u>0.0</u>	<u>26,823.1</u>
Others Banks and Financial Entities						
Legal Currency	<u>7,034.0</u>	<u>33,943.5</u>	<u>205,179.9</u>	<u>490,373.2</u>	<u>298,340.1</u>	<u>1,027,836.6</u>
Foreign Entities:						
	<u>1,243.3</u>	<u>641,317.1</u>	<u>23,531.7</u>	<u>0.0</u>	<u>0.0</u>	<u>664,848.8</u>
	<u>\$ 8,277.3</u>	<u>675,260.6</u>	<u>228,711.6</u>	<u>490,373.2</u>	<u>298,340.1</u>	<u>1,692,685.4</u>

16 Accounts Payable

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

	<u>December 31</u>	<u>June 30</u>
Interests:		
Deposits and callabilities	\$ 83,697.3	96,833.9
Banking credits and other financial obligations (note 15)	8,355.8	8,277.3
Investment securities outstanding	<u>29,160.8</u>	<u>25,373.3</u>
	\$ <u>121,213.9</u>	<u>130,484.5</u>
Commissions and fees	\$ <u>1,509.5</u>	<u>2,053.2</u>
Collection made		
Rent Companies	48,795.4	151,616.9
Industry and trade and farm vehicle	6,308.7	30,440.5
Others	<u>7,114.4</u>	<u>6,632.5</u>
	<u>62,218.5</u>	<u>188,689.9</u>

Suppliers:



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Accounts payable vendors	74,525.8	80,827.3
ACH network compensation	65,182.9	35,241.6
Visa, mastercard network compensation	4,065.4	13,241.6
Others	<u>9,597.8</u>	<u>3,778.5</u>
	\$ <u>153,371.9</u>	<u>133,645.5</u>

Others:

Timbres	101.4	158.7
Surcharge and others	2.4	6,695.2
Income and Supplemental	13,234.8	0.0
Industry and Trade	10,908.6	0.0
Dividends and surpluses	3,231.4	1,329.3
Sales Tax payable	6,808.6	4,115.6
Tax on transactions	12,554.8	8,257.5
Promising purchasers	9,746.0	8,587.8
Labor withholdings and obligations	50,296.6	40,481.6
Insurance premiums	2,497.5	3,718.5
Drafts payable	34,517.4	30,526.3
Fondo de Garantías de Instituciones Financieras	127.7	108.4
Checks drawn uncollected	12,511.7	12,246.8
Accounts payable Nation Law 546 of 1999	\$ <u>49,283.2</u>	41,549.1
	<u>205,822.1</u>	<u>157,774.8</u>

Various others:

Commercial establishments	5,153.0	5,093.0
Forward Operations	4,578.5	765.9
Treasury payment orders	22,354.4	4,641.2
Balances and fees in favor	9,538.5	7,574.2
Remaining Portfolio	5,398.1	3,923.1
Trade accounts payable to Network	802.1	1,840.2
Solidarity Peace Bonds	20,043.4	20,239.3
Visa prepaid balances	9,162.9	6,923.7
Collection management costs	2,937.2	5,049.7
Outstanding disbursements	3,342.8	12,272.0
Various (less than 5%)	<u>17,538.0</u>	<u>22,627.9</u>
	\$ <u>306,671.0</u>	<u>248,725.0</u>

17 Long Term - Debt

At December 31, and June 30, 2010 the Bank records investment securities outstanding for \$3,082,595.5 and \$2,773,560.1, respectively, corresponding to issuances of common and mortgage bonds.

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



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Issuance Kind	Date	Offer Amount	Serie	Term (Months)	Yield	Cancellation	Book Value	
							December 31	June 30
<u>Montgage Bonds</u>								
<u>Guarantee:</u> Mortgage Loans rating "A" and prepaid option for issuer every 3 months.								
First Issuance Mortgage Bonds	03-Dic-04	\$ 19,118.0	G	84	UVR - 0.3	03-Dic-11	\$ 623.5	2,140.8
First Issuance of VIS Structured Mortgage Bonds sector 1	23-Jun-06	60,173.5	G	84	UVR + 0.75	23-Jun-13	<u>12,022.0</u>	<u>17,214.2</u>
Total Mortgage Bonds							<u>12,645.5</u>	<u>19,355.0</u>
<u>Subordinated Bonds</u>								
First Issuance Subordinated IFC Bonds in US dollars(*)								
<u>Guarantee:</u> Mortgage Loans rating "A" and prepaid option for issuer every 3 months.								
First Issuance Subordinated IPC Bonds No Guarantee	07-Feb-07	368,641.1	G	84	Libor6 + 2.75	07-Feb-14	316,983.0	315,669.8
First Issuance Subordinated IPC Bonds No Guarantee	19-Feb-08	147,777.0	C	84	IPC + 6.65	19-Feb-15	147,777.0	147,777.0
First Issuance Subordinated UVR Bonds No Guarantee	19-Feb-08	151,577.5	D	84	UVR + 6.65	19-Feb-15	170,193.2	171,338.0
Second Issuance Subordinated IPC Bonds No Guarantee	24-Feb-10	138,497.2	C7	84	IPC + 5.25	24-Feb-17	138,497.2	138,497.2
Second Issuance Subordinated UVR Bonds No Guarantee	24-Feb-10	111,503.0	U10	120	UVR + 5.50	24-Feb-20	<u>113,925.4</u>	<u>112,503.1</u>
Total Subordinated Bonds							<u>887,375.8</u>	<u>885,785.1</u>
<u>Common Bonds (No Guarantee)</u>								
Second Issuance common Bonds IPC	05-Ago-08	\$ 170,570.0	G	60	IPC + 6.24	05-Ago-13	170,570.0	170,570.0
First Issuance common Bonds DTF Sector 1	05-Ago-08	50,550.0	E	24	DTF + 2.39	05-Ago-11	0.0	50,550.0
	05-Ago-08	147,300.0	E	36	DTF + 2.59	05-Ago-11	<u>147,300.0</u>	<u>147,300.0</u>
							<u>317,870.0</u>	<u>368,420.0</u>
Second Issuance common Bonds DTF Sector 1	05-Feb-09	67,295.8	E1	18	DTF + 1.1	05-Ago-10	0.0	67,295.8
	05-Feb-09	79,671.2	E2	24	DTF + 1.2	05-Feb-11	79,671.2	79,671.2
	05-Feb-09	89,800.0	E3	36	DTF + 1.35	05-Feb-12	<u>89,800.0</u>	<u>89,800.0</u>
							<u>169,471.2</u>	<u>236,767.0</u>
Second Issuance common Bonds fixed rate Sector 1	05-Feb-09	121,800.0	F5	60	TF 10.40%	05-Feb-14	121,800.0	121,800.0
First Issuance common Bonds IPC	05-Feb-09	123,433.0	G	84	IPC + 5.50	05-Feb-16	123,433.0	123,433.0
First Issuance common Bonds IBR	05-Feb-09	68,000.0	G	18	IBR + 1.48	05-Ago-10	0.0	68,000.0
Second Issuance common Bonds DTF Sector 2	16-Jul-09	72,000.0	E2	24	DTF + 1.38	16-Jul-11	72,000.0	72,000.0
Second Issuance common Bonds fixed rate Sector 2	16-Jul-09	73,000.0	E3	36	TF 7.89%	16-Jul-12	73,000.0	73,000.0
First Issuance common Bonds IPC Sector 2	16-Jul-09	215,000.0	G5	60	IPC + 4.79	16-Jul-14	215,000.0	215,000.0
First Issuance common Bonds IBR Sector 2	16-Jul-09	90,000.0	I1	18	IBR + 1.44	16-Ene-11	90,000.0	90,000.0



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Second Issuance common Bonds IPC Sector 1	12-Feb-10	215,062.0	C5	60	IPC + 3.98	12-Feb-15	215,062.0	215,062.0
Third Issuance common Bonds DTF Sector 1	12-Feb-10	86,051.0	T2	24	DTF + 0.95	12-Feb-12	86,051.0	86,051.0
Second Issuance common Bonds IBR Sector 1	12-Feb-10	97,050.0	B1	18	IBR + 0.95	12-Ago-11	97,050.0	97,050.0
	12-Feb-10	101,837.0	B3	36	IBR + 1.36	12-Feb-13	<u>101,837.0</u>	<u>101,837.0</u>
							<u>198,887.0</u>	<u>198,887.0</u>
Third Issuance common Bonds IPC Sector 2	07-Oct-10	120,150.0	C5	60	IPC + 3.14	07-Oct-15	120,150.0	0.0
	07-Oct-10	196,050.0	C7	84	IPC + 3.63	07-Oct-17	<u>196,050.0</u>	<u>0.0</u>
							<u>316,200.0</u>	<u>0.0</u>
Third Issuance common Bonds IBR Sector 2	07-Oct-10	91,550.0	B2	24	IBR + 1.10	07-Oct-12	91,550.0	0.0
	07-Oct-10	92,250.0	B3	36	IBR + 1.31	07-Oct-13	<u>92,250.0</u>	<u>0.0</u>
							<u>183,800.0</u>	<u>0.0</u>
Total common Bonds							<u>2,182,574.2</u>	<u>1,868,420.0</u>
							<u>\$3,082,595.5</u>	<u>\$2,773,560.1</u>

(*) Pursuant to provisions established by the Superintendencia Financiera de Colombia by means of communication dated November 6, 2007 (note 7), the valuation of this obligation was modified from TIR to market value, employing the future implied rates obtained from the zero coupon rates of the libor- swap dollar curve for the respective terms. To calculate the present value of such cash flows the Bank 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 two (2) Cross Currency Swap in pesos per \$368.575,5 that lets to change the exposure of the libor rate and the dollar. (note 7)

Bonds per monetary unit

		<u>December 31</u>	<u>June 30</u>
Legal currency	\$	2,468,848.4	2,154,694.2
Foreign currency		316,983.0	315,669.8
UVR		<u>296,764.1</u>	<u>303,196.1</u>
	\$	<u>3,082,595.5</u>	<u>2,773,560.1</u>

Bonds per period of maturity:

		<u>December 31</u>	<u>June 30</u>
Less than 1 year	\$	486,644.7	0.0
Between 1 & 5 years		2,024,045.2	1,744,987.0
Between 5 & 10 years		<u>571,905.6</u>	<u>1,028,573.1</u>
	\$	<u>3,082,595.5</u>	<u>2,773,560.1</u>



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18 Others Liabilities

Other liabilities relate to:

	<u>December 31</u>	<u>June 30</u>
Consolidated Labor obligations	\$ 34,235.4	27,034.1
Anticipated income	16.3	11.4
Others	<u>236,856.9</u>	<u>237,187.0</u>
	<u>\$ 271,108.6</u>	<u>264,232.5</u>

The following is the detail of the other liabilities.

18.1 Labor obligations

The detail of the consolidated labor obligations is as follows:

	<u>December 31</u>	<u>June 30</u>
Consolidated severance payments	\$ 11,736.9	5,754.5
Severance payment interests	1,662.5	453.8
Consolidated vacations	14,312.8	13,886.2
Other social benefits	<u>6,523.2</u>	<u>6,939.6</u>
	<u>\$ 34,235.4</u>	<u>27,034.1</u>

The Bank applies the labor regime set forth on Law 50, from 1990

As of the December 31, 2010 cut off the Bank has no pension liabilities.

18.2 Anticipated income movement

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

	<u>Balance at June 30</u>	<u>Credits</u>	<u>Charges</u>	<u>Balance at December 31</u>
Interests	\$ 6.0	10.8	5.9	10.9
Others	<u>5.4</u>	<u>0.0</u>	<u>0.0</u>	<u>5.4</u>
	<u>11.4</u>	<u>10.8</u>	<u>5.9</u>	<u>16.3</u>

18.3 Others

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

	<u>Balance at June 30</u>	<u>Credits</u>	<u>Charges</u>	<u>Balance at December 31</u>
Deferred credits (1)	\$ 43,271.8	30,416.7	31,794.5	41,894.0
Letter of credit deferred payment	6,306.2	12,564.3	16,260.9	2,609
Deferred income tax	83,933.4	32,065.8	11,525.1	104,474.1
Credits for applied	72,636.8	32,976,716.7	32,997,646.2	51,707.3



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Surpluses in exchange	1,815.9	87,668.0	89,355.4	128.5
Surpluses in cash	2,026.1	81,990.9	80,683.4	3,333.6
Accounts cancelled	24,935.7	9,930.3	2,325.8	32,540.2
Others	<u>2,261.1</u>	<u>696,050.4</u>	<u>698,141.9</u>	<u>169.6</u>
	<u>237,187.0</u>	<u>33,927,403.1</u>	<u>33,927,733.2</u>	<u>236,856.9</u>

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

	<u>December 31</u>	<u>June 30</u>
Credit Portfolio expressed in RVU.	\$ 0.0	18,549.5
Amortized of deferred restructured credits	20,600.8	19,720.4
Profit on foreclosed assets sale	3,426.0	3,819.0
Profit on assets sale	6,279.0	0.0
Profit from Selling off bad debt portfolio	10,510.7	0.0
Others	<u>1,077.5</u>	<u>1,182.8</u>
	\$ <u>41,894.0</u>	<u>43,271.8</u>

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

	<u>December 31</u>	<u>June 30</u>
From 0 to 1 years	\$ 16,789.7	22,368.5
From 1 to 5 years	3,526.3	1,325.3
From 5 to 10 years	0.0	0.0
More than 10 years	<u>21,578.0</u>	<u>19,578.0</u>
	\$ <u>41,894.0</u>	<u>43,271.8</u>

19 Estimated Liabilities and Allowances

The following is the detail of estimated liabilities and allowances:

	<u>December 31</u>	<u>June 30</u>
Taxes:		
Income tax 2010	\$ 0.0	21,560.1
Industry and commerce	<u>0.0</u>	<u>8,719.6</u>
	<u>0.0</u>	<u>30,279.7</u>
Others:		
Tes Interests Law 546, 1999	964.0	672.3
Contributions & affiliations	6.3	6.3
Penalties and sanctions Superfinanciera	410.0	410.0
Penalties and sanctions, litigations, indemnifications and lawsuits	79,688.0	76,998.4
	2,867.6	<u>2,922.5</u>
Other Allowances (Less than 5%)	<u>83,935.9</u>	<u>81,009.5</u>
	\$ <u>83,935.9</u>	<u>111,289.2</u>

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



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Fines And Sanctions From Legal Actions

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

Litigation covered by Fogafin

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

Bank's Lawsuits

They are the other processes that generate contingent liability to the Bank, not covered by Fogafin.

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

<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>
<u>December 31</u>			
Litigation covered by contract Fogafin	525	13,971.0	68,150.9
Bank			
Penalties and sanctions others administrative	15	52,504.7	93,505.4
Labor Demands	53	885.4	2,262.0
Common Process	<u>1,294</u>	<u>12,326.9</u>	<u>88,824.5</u>
	<u>1,887</u>	\$ <u>79,688.0</u>	\$ <u>252,742.8</u>
<u>Class of process</u>	<u>Quality processes</u>	<u>Allowance value</u>	<u>Claims Value</u>
<u>June 30</u>			
Litigation covered by contract Fogafin	729	14,630.6	78,115.5
Bank			
Penalties and sanctions others administrative	13	52,100.1	81,454.0
Labor Demands	50	624.5	1,802.9
Common Process	<u>1,346</u>	<u>9,643.2</u>	<u>74,888.1</u>
	<u>2,138</u>	\$ <u>76,998.4</u>	\$ <u>236,260.5</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 could be:

Criminal

In the case of a criminal proceeding linked to the Bank as Civilly Responsible Third Party – As of June 30, 2010 and December 31, 2010 there were 5 processes of this type, whose claims rose to \$437.8.



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Ordinary civilians, special, administrative and labor disputes

As of December 31, and June 30, 2010 there were 1.882 and 2.133 processes with claims amounting to \$252.605.0 and \$235.948,8, 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.

Below are the judicial proceedings that may generate greater economic impact for the Bank:

Tax processes:

Income tax taxable year 2003:

The Bank filed the income tax declaration determined by the system of presumptive income and stating a credit balance of \$ 7,004.8, a value that was refunded by the Tax Authorities.

Subsequently, the Bank corrected the income statement to reduce the basis of presumptive income and thus the credit balance increased by the sum of \$ 3,046.5.

The Tax Authorities considered that it was inappropriate and determined a higher income tax of \$ 2,638.8 and imposed a penalty for inaccuracy of 160% for the amount of \$ 4,222.0, for a total of \$ 6,860.8.

Thus, the balance claimed by the Bank for \$ 10,051.3 went to \$ 3,190, 5 million pesos, by subtracting the higher tax and penalty determined by the Tax Authorities worth \$ 6,860.8.

Given that the Tax Authorities initially refunded the sum of \$ 7,004.8 to the Bank, and which according to them, the credit balance is \$ 3,190.5 after applying the higher tax and penalty, the Tax Authorities requested the Bank return the sum of \$ 3,814.3 plus interest.

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

1. Process to nullify and restoration of the right against the decision of February 2007 and the official settlement of the review of March 2006 valued at \$ 6,860.8.

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 closing arguments were presented. To date we are awaiting the final decision to be handed down.

On July 29, 2009 the record entered the office of State Council for final decision. In the opinion of the tax advisor the contingency for the Bank is possible.

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

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

1. Process to nullify and restoration of the right against the decision of June 2006 and the resolution of August 2005 of \$ 3,046.4



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The process discusses the rejection of the higher positive balance of \$ 3,046.4 million pesos. 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 possible.

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.

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

The process discusses a penalty for improper refund of \$ 3,814.3. 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 \$317,0. 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 \$3,814,0 - the amount that, according to the DIAN, was returned to the Bank

Rental Taxes for the Year 2004

Revision settlement dated December 28, 2007, which the Tax Administration Office claims they know nothing about the deductions for portfolio reserves, help from the Government, losses due to accidents or investments in productive fixed real assets. Generating a higher tax of \$13,802,2 for a total of \$34,857,2. 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.

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 October 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 to court June 30, 2010, the provision for this process was \$ 34,857.2.

The following actions to be brought by the Bank will appeal that decision to the State Council; in the opinion of the tax advisor attending the case, a favorable outcome is expected for the interests of the Bank.



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

Although tax counsel believes that the chances are remote, at the cut off for December 31, 2010 this process is provisioned for \$ 34,858.0.

Equity Tax Taxable Year 2004

The Bank presented the tax statement for the estate for the taxable year 2004, determining a tax of \$1,928. The statement was later corrected to exclude from the net worth the stabilization value made to fixed assets in the taxable year 1995 in the amount of \$ 25,000, which meant a lower tax of \$ 75.0.

The Tax Authorities questioned such correction and therefore issued official settlement imposing correction of \$ 121.

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 \$14.975,0, which includes the greater tax of \$5.759,7 and the sanction for imprecision for \$9.215,3.

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.

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.



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

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

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

Prior to the list of accusations, the National Tax and Customs Directorate DIAN issued Resolution No. 9000012 of May 4, 2009 through which it imposes sanction for non-proceeding devolution and/or compensation, consisting in 50% of the overdue interests liquidated for an amount of \$305,9, amount accepted in the transaction of mutual agreement, as is established in Minute No. 000035 of June 26, 2007, signed by the Special Committee of Conciliation and Termination of the Fiscal Administration.

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

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

In 2008 the Tax and Customs - DIAN returned the sum of \$ 4,484.6 to the Bank for wealth tax for the taxable year 2007 that the bank improperly paid, bearing in mind that during the merger with Granbanco SA, Bancafé was applicable to the tax stability contract.

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

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

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

At this time the Bank has recorded a provision for \$ 1,121.0, as in the opinion of tax counsel, the probability is possible.

Contract for Guarantee of Passive Contingencies executed with Fogafin

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

By virtue of said contract Fogafin, under the terms of the contract, guarantees to Banco Davivienda S.A. the payment of certain passive contingencies that are expressly determined in that document. The coverage is 85% 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 subsidiaries 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 to with the provisions that existed at that time determines that any possible losses in the secured legal processes do not affect the profit and loss statement of the Bank.

As of December 31, June 30, 2010 the processes covered by Fogafin are 525 and 729 with a provision of \$13.971.0 and \$14.630,6 and intended amounts of \$68.150.9 and \$78.115,5, respectively.



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According to the above, the Bank structured a number of general ledger accounts that reflect not only the reality of its contingent liabilities guaranteed by the contract with Fogafin, but others including the issues that are not guaranteed by Fogafin and therefore must be borne in full by the Bank.

Processes that generate the greatest contingency impact in liabilities for the Bank

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 \$5,000.0. 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 \$ 382.0, 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 \$ 4,000.0. 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 \$ 1,000.0.
4. Through the action of Direct Reparation, Martha Esperanza Suarez and others sued Banco Davivienda and others declaring that they are responsible for the damages they claim to have suffered during the construction of the urbanization "Parques del Sol II", where land faults have made the homes uninhabitable. The process is currently underway in the Administrative Circuit Court 38 of Bogota and is to decide on a motion for dismissal and a motion for reconsideration filed by the Bank against the writ of admission. The amount of the claim is estimated at \$ 5,200.0 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 Davivienda sold to Grupo Empresarial Los Andes S.A. The process is underway in the 2nd Circuit Civil Court Pitalito and the last action recorded is the answer to the demand on October 11, 2010. The claims are estimated at \$ 9,000.0 and the contingency is qualified as remote.
6. Olga Irene Vega Correa began a class action against the Bank and other financial institutions stating that these entities charge fees that are unconstitutional, illegal, unjust and exorbitant for the financial services they provide. The process is pending before the Administrative Court of Tolima, to which an answer to the complaint was filed last October 2010. The amount of the claim is undefined but has been estimated at a sum in excess of \$ 5,000.0. The contingency is remote as similar settled cases have denied the claims of the plaintiffs.
7. Finally, within this group of important cases and for being major the contingencies, we must mention the class actions currently pending, taking into account that each of these litigation types can cover a large number of applicants who are within the parameters determined by the demand, the amounts of the claims would increase by large amounts. At December 31, 2010 the following cases are in process:
 - There is a class action brought by Mr. Alvaro Bocarejo Romero and other Concasa debtors, where the actors feel that the Corporación de Ahorro y Vivienda Concasa (Concasa Savings and Housing Corporation), to which the organization is the successor, wrongly charged interest on housing loans to



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customers of this Corporation, filed in court 37, Civil Circuit of Bogota, of which the Organization was notified and who filed an appeal against the admission decree, which was resolved by rejecting the claim and transfer of jurisdiction to the Administrative Judges, which were declared incompetent and generated a negative conflict of jurisdictions with the Supreme Judicial Council assigning it to Judge 37 of the Civil Circuit of the Bogota, which in September 2010 granted the application and ordered us to be personally notified. There are 142 plaintiffs and there is no clear evidence to establish the amount of the claim and no provision has been established for any contingency and is estimated as remote, taking into account that the organizations met the parameters of Act 546 for the recalculation of the appropriations allowed in the UPAC system.

- Mr. Oscar Zambrano Parada and other parties brought a lawsuit before the 31st Civil Court of Bogotá Circuit seeking for acknowledgment of damages for the alleged unlawful charging of commissions for financial and bank services. The Bank answered the lawsuit within the legal terms and the lawsuit is currently under the period allowed for producing evidence. There are not objective parameters to calculate the amount of the claims, a reason why there is no allowance for the contingency until establishing a risk during the course of the proceedings. The contingency was treated as remote. The process is currently in the evidence stage.
- Mrs. Rosmery Roa Sarmiento brought a class action before the 20th Civil Court of Bogotá Circuit, for the alleged unlawful charging of financial services provided by the Bank. With the data currently on record under the proceedings it has not been possible to determine the amount of the claims. Evidence ordered by the Court are being produced at this time. In accordance to the case law on similar cases against other banks, the judges have rejected lawsuits for lacking of legal support and therefore this contingency has been treated as remote. There is a similar class action brought by José Guillermo T Roa at the 5th Civil Court of Bogotá Circuit currently under the period allowed for producing evidence, on which the same considerations apply.
- Mrs. Aida Acero and other parties brought a class action before the 7th Civil Court of Bogotá Circuit for excess charging of Upac in housing mortgage credits granted by that time on which they argue inappropriate collection. There are no objective elements of judgment to quantify the lawsuit and integration of the group. The contingency has been treated as remote, and therefore no allowance.
- Mrs. Silvana Heredia and other parties brought a class action before the 9th Civil Court of Barranquilla seeking relocation to houses of similar conditions to the persons who purchased Social Interest Housing (Viviendas de Interés Social) in a sector of that city which has experienced problems with foundations. The Bank is involved as one of the defendants for having granted the mortgage credits on those houses This is awaiting the first instance court ruling. The suit is for an undetermined amount and the contingency has been described as remote so far.
- Ms. Ana Rocio Murcia Gómez and other parties sued the Bank and other persons, for geological faults in the lands where the houses of "Parques del Sol" Condominium located in the municipality of Soacha were built. The law suit is under process in 29th Administrative Court of Bogota, it is in the evidence stage. The linkage of the bank is due to the fact of having granted mortgage credits on these properties. It is a matter of undetermined amount and the process has been classified as remote.
- Mr. Henderson Sepúlveda and other parties brought a class action at the 5th Civil Court of the Bogotá Circuit against the Bank for excessive charging of rates of interest on credit card transactions. This proceeding is currently under the period for producing evidence, there is no valid fundamental data to calculate the amount of the claims and the contingency has been treated as remote.
- Mrs Clara Cecilia Murcia and others entered a group demand in administrative court 5 in Bogota against the courts that did not comply with the provisions of Act 546 on the termination of the corresponding executive processes. The application requests that those judges be ordered at national level to complete such matters. The Company is linked as a third party for having filed at the time the relevant executive processes, it is pending process of an amendment to the lawsuit filed by the actors. The process has been described as remote.



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- Mr. Cornelius Villada Rubio and others filed a class action lawsuit, lodged with the Administrative Circuit Judge 7 in Ibagué, seeking compensation for the damages resulting from being reported to credit bureaus without their permission, or because they were reported for more than 10 years. The suit was answered on June 9, 2009 but on occasion the challenge presented by one of the defendants claim was admitted again and we were notified of this on December 13, 2010. The amount in dispute is undetermined, and is classified as a remote contingency.
- Mrs. Martha Luz Sanz Borja presented a group action suit against the Bank and other entities in order to be compensated for damages and losses caused by the fissures and affectations which their dwellings located in the Altos del Campos Housing Project suffered by defects of the terrain. The bank only financed a few dwellings. The suit was answered on June 10, 2009. The topic of prior exceptions is pending decision. The claims are indeterminate and qualified 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.
- Through a class action Mr. Pedro Antonio Chaustre and Mrs. Claudia Patricia Vasquez sued the Bank and Promociones y Cobranzas Beta S.A. on the grounds that Davivienda charges its Diners card users preliminary recovery costs in an abusive and inconsiderate manner. The process is passing through Civil Court 30 of Bogotá District, in February 2010 the Bank and Promotions and Beta Collections jointly answered the demand. The risk is considered remote given that the contracts for opening credit states that collection fees are charged to the debtor and additionally, a preliminary recovery was made to the people that now comprise the applicant group for being in arrears.
- Nohora Beatriz Santos Quiroga and other inhabitants of urbanization "Quintas del Sur" sued the Bank through a class action, since in their opinion such entities are liable for damages suffered by the actor group for the deficiencies in construction of the buildings that make up the said development. The group action is in process in Civil Administrative Court 29 in Bogotá; July 26, 2010 we answered the demand and we are waiting for the other defendants to be notified. The claims amounted to 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 homes located in the Vista Hermosa urbanization. On November 11, 2010 the demand was answered. The amount of the claim is undetermined and has been described as a remote contingency.

Processes that generate active contingency in which the Bank acts as plaintiff

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

1. Several processes have been presented by the Bank against two insurance companies AIG Colombia Seguros Generales S.A. and Liberty Seguros S.A. which details the existence of the Global Banking Policy No. 1976 dated March 3, 2005, in effect until March 2006, as well as the existence of the insured loss and the non-compliance of the contract by the defendants for denial of payment of said loss with the credits disbursements within the program called Fondo Ganadero del Caquetá. As per the above, it is hoped that the defendants will indemnify the company, in the amount of \$ 30,000.0 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 the evidence stage. This is qualified as a probable contingency.
2. Taking into account, that the State Council's decision, which granted the Tax Stability to Bancafé, established that the Bank has the right to request the reimbursement of the paid indexed amounts, previous to the sentence, with the corresponding expected interests for tax purposes, we had requested to the Tax Administration, the payment of \$35,128.7 as interests. On December 2, 2008, by means of Resolution No. 09036, the Tax Administration decided to recognize \$7,110.6.



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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 \$29,131.1. The Cundinamarca Court Section III denied the payment order by Decree in April 2009, an appeal was filed against the aforementioned decision, which was upheld in October 2009, subsequently, on 12 November 2009, the presiding judge decided to refer the case to Section IV. On 5 March 2010 the appeal was admitted and we await the decision of the second degree.

3. Initiated by ordinary process against the Compañía Suramericana de Seguros in order to claim under the insurance policy # 1999040002 Manejo Bancario, implemented in the banking contract between the Banco Cafetero S.A. and the Compañía Agrícola de Seguros, incident which caused a loss for Granbanco SA Bancafé valued at \$ 5,531.4. The process is being handled in the 6th Civil Court of the Bogota Circuit where it is in the evidentiary stage. This contingency is classified as probable.

Wealth tax - first installment - 2007 - Plaintiff Davivienda: Demand initiated on October 15, 2009 for the amount of \$ 4,305 was granted by order on October 30 of the same year. On 10 June 2010 concluding arguments were filed and on 2 September, the Court issued its decision denying the claims of the lawsuit.

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

4. Estate tax - Second installment - 2007 - Plaintiff the Bank: Demand initiated on October 15, 2009 for the amount of \$ 4,305 was granted by order on October 30 of the same year. On August 27, 2010 concluding arguments were entered, by an Order of June 24, 2010 the Administrative Court refused the order sought by the Bank to answer the complaint filed by the DIAN (detrimental action) against the resolutions that agreed to return a part of the wealth tax paid, action realized by an Order of October 8, 2010. On October 14 the DIAN attorney attached to the proceedings a copy of the unfavorable ruling produced by the Court. Of this report. Under these conditions, the coming action will be the first instance ruling corresponding to the second installment.

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

20 Capital Stock

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

	<u>December 31</u>	<u>June 30</u>
Authorized Capital	\$ 60,000.0	60,000.0
Subscribed and paid capital	51,006.4	47,757.1
Subscribed capital receivable	0.8	0.0

The Authorized, Subscribed and paid capital at December 31, and June 30, 2010 is represented in the following actions:

	<u>December 31</u>	<u>June 30</u>
Authorized shares	480,000,000	480,000,000
Subscribed and paid common and preferential shares:	408,050,973	382,056,976



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Subscribed shares receivable	<u>6.003</u>	<u>0.0</u>
Shares in circulation	<u>408,056,976</u>	<u>382,056,976</u>
Weighted average of shares subscribed	396,645,865	159,190,407
Nominal value (in pesos)	\$ 125.00	125.00
Intrinsic value with valuations (in pesos)	8,745.25	7,626.13
Intrinsic value without valuations (in pesos)	7,745.25	6,316.97
Net income per share (in pesos)	<u>\$ 680.29</u>	<u>1.550.55</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.

The General Assembly of Shareholders held on April 28, 2010, approved:

-To split the Bank's shares by reducing the nominal value of the share, taking as a divisor the number eight (8) (hereinafter the "Conversion Factor"), from a nominal value of one thousand pesos (\$1.000.00) each to a new nominal value of one hundred twenty-five pesos (\$ 125.00) each. Consequently, the authorized capital of \$60.000.0 was represented by 480 million shares.

- Issue of shares:

According to the aforementioned reform and in line with the official approval of the Financial Superintendence of Colombia, the issuance and placement of up to fifty million (\$ 50,000,000) shares was authorized with preferential dividend and no voting rights for a period of up to three (3) years from its entry in the RNVE. After obtaining such approval, the Bank made the issuance of 26,000,000 preferential shares at a share price of \$ 16,129 (pesos), of which 25,993,997 were issued and subscribed. Consequently there was a capital of \$ 3,249.3 million and a premium for collocation of preferential shares of \$ 416,007.9 million that increase equity by \$ 419,257.2.

At December 31, 2010, there are 6,003 preferential shares receivable that generate a subscribed capital receivable of \$ 0.8 and \$ 96.1 million in premium placement of preferential shares receivable (Note 21).

The General Assembly of Shareholders held on September 30, 2010, approved:

The payment of a dividend of \$ 160 (pesos) per share for a total of \$ 65,289.1 for the 408,056,976 preferential and ordinary shares.

-Share Conversion

To allow minority shareholders who were not members of the Grupo Bolívar the option to convert up to 50% of the common stock held into shares with preferential dividend and no voting rights; each ordinary share becomes a preferential share so that the conversion does not generate a modification of the Bank's paid capital, nor the number of shares of the shareholder; the above operation was approved by the Superintendencia Financiera de Colombia on June 8, 2010. The number of shares converted from ordinary to preferential amounted to 25,586,704.



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21 Reserves

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

	<u>December 31</u>	<u>June 30</u>
Legal reserve:		
For profit appropriation	\$ 24,192.5	24,192.5
For premium on the placement of common shares	1,120,427.5	1,120,427.5
Premium for placement of preferential shares	412,903.5	0.0
Premium for placement of preferential shares receivable	<u>(96.1)</u>	<u>0.0</u>
	<u>1,557,427.4</u>	<u>1,144,620.0</u>
Statutory and occasional reserves:		
At the disposal of Board of Directors	0.0	21,547.9
For charities and grants available to the Board of Directors	7,155.2	8,214.9
At the disposal of the General Assembly of Shareholders *	1,064,302.7	880.965.9
For fiscal allowances	<u>64,387.6</u>	<u>47,633.6</u>
	<u>1,135,845.5</u>	<u>958,362.3</u>
	\$ <u>2,693,272.9</u>	<u>2,102,982.3</u>

On December 31, and June 30, 2010 donations were made in the amounts of \$4.059.7 and \$2.192.1 respectively, paid for by the occasional reserves used for this purpose, authorized by the Shareholders' Assembly.

The General Assembly of Shareholders held in september and March 2010 approved the release of reserves available to the Assembly for \$3.000.0 and \$ 9.000.0, respectively, for a reserve available to the Board for donations.

22 Contingent Accounts

A detail of contingent accounts is as follows:

	<u>December 31</u>	<u>June 30</u>
Creditors:		
Values gave during repo and simultaneous operations	\$ 188,375.1	273,331.1
Bank guaranties	798,854.5	414,753.3
Letters of credit	78,173.2	86.780.0
Approved and not disbursed credits	3,674,516.8	2,298,673.4
Credit card opening	7,012,231.7	5,941,218.0
Obligations in options	99,527.0	217,566.4
Accounts payable to the Nation, Law 546/99	21,582.6	21,582.6
Leasing contract purchase property street 26	2,787.0	4.609.3
Litigation (Note 19)	252,742.8	236,260.5
Receiving payment order money	3.6	1,549.9
Others	<u>8,471.2</u>	<u>6,595.1</u>
	\$ <u>12,137,265.5</u>	<u>9,502,919.7</u>



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Debtors:			
Values gave during repo and simultaneous operations	\$	13,446.0	103,501.2
Credit portfolio interests		33,272.7	39,619.4
Housing leasing portfolio interests		2,498.9	2,836.7
Rights in options		54,165.6	147,094.1
Housing portfolio relieves Law 546/99		26,491.8	23,889.2
Credit portfolio monetary correction		5,711.4	8,649.8
Written down restructured portfolio(1)		693.5	41,258.2
Rights contract certificated		17,193.0	17,193.0
Lawsuits		214,915.2	127,033.8
C Securities II securitization II		32,948.1	32,915.9
Income statement credit balance		7,756.5	7,756.5
TES Embargo Lav 546		0.0	15,730.1
Securitization residual value		29,959.9	24,192.5
Other debtor contingencies (Less than 5%)		<u>37,476.4</u>	38,296.0
	\$	<u>476,529.0</u>	<u>629,966.3</u>

(1) Corresponds to the business restructuring agreement entered into on February 3, 2005 between Promotora La Alborada and its creditors; Product of this agreement Banco Davivienda S.A. received a representative title of 21.121.632.105 shares for an amount of \$21.121.6. The remaining balance corresponds to a credit of 101.988.429.81 UVR liquidated to June 30, 2010 for \$19.060.8, which will be paid in a sole installment on January 30, 2012.

December 31, 2010 the Bank sold these assets and expects to carry out their legalization in February 2011 for \$ 12,399.0 of which \$ 6,199.5 will be received, as follows: November 23 and December 27, 2010 \$ 1,239 .9 and \$ 4,959.6 respectively.

23 Memorandum Accounts

The following is the detail of the Memorandum Accounts:

	<u>December 31</u>	<u>June 30</u>
Debtor:		
Assets and securities received in custody	\$ 3,846,064.7	3,180,152.1
Assets and securities received in guarantee	53,566.8	105,528.7
Revaluation assets received as payment – real state	5,931.9	7,074.7
Revaluation assets received as payment – personal property	6,427.1	6,427.1
Remittance and sent to other recovery	9,408.7	8,731.6
Write down assets	1,215,278.6	1,364,664.1
Assets inflation adjustment	58,834.2	58,834.2
Distribution of paid-up capital	51,006.4	0.0
Credits to stockholders and related parties	1,316.7	14,183.7
Loans to parents, subsidiaries and subordinates	4.1	0.0
Agricultural portfolio new loans	1,146,717.1	883,115.0
Property and equipment fully depreciated	182,878.4	182,714.0
Fiscal Value of non-monetary assets	24,322,662.0	24,322,662.0
Allowance people in concordat situation	46,895.4	39,097.7



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Investment negociable in debt securities	2,089,684.8	2,260,699.0
Investment to be maintained up to their maturity	318,956.6	320,602.1
Investment available for sale – debt securities	1,319,632.2	630,388.8
Reciprocal operations with Parent Companies and subordinates	314,157.7	300,450.3
Reciprocal operations that affect expenses and costs with parent companies	11,426.1	8,985.4
Capital, interest and insurance securitized portfolio	2,244,316.1	1,333,378.0
Capital, interest, and other bad debt portfolio items sold off (universal)	98,931.7	104,095.3
Universalities assets, expenses and contingencies	524,426.1	534,505.6
Interest, RVU and guaranties	665,162.9	626,494.1
Mortgage bonds housing portfolio	47,305.7	50,958.6
Base tax on VAT (value added tax) for purchases	19,992.7	17,093.7
Special litigation processes	95,124.9	79,968.5
Swaps rights on foreign currency US dollars	0.0	314,795.3
Depreciation of Housing Leasing	168,991.4	95,172.7
Lineal cause of syndicated credit and bonds	5,634.6	4,585.1
DCV indirect deposits	1,050,192.0	1,095,181.5
Others debtor Memorandum accounts (Less than 5%)	<u>114,011.3</u>	<u>172,359.5</u>
	\$ <u>40,034,938.9</u>	<u>38,122,898.4</u>

	<u>December 31</u>	<u>June 30</u>
Creditor:		
Assets and securities received in custody	\$ 147,533.4	165,820.4
Assets and securities received in guarantee for futures loans	5,987,045.8	5,937,378.8
Guarantees outstanding to cancel	3,964,202.8	3,245,125.5
Assets and securities received in guaranty	15,553,880.0	16,300,609.1
Assets and securities received in other guaranties	15,630.9	1,668.7
Assets and securities received in administration	0.0	108.7
Inflation adjustment to stockholders' equity	252,185.5	252,185.5
Capitalization for stockholders' equity revaluation	252,185.2	252,185.2
Fixed income negociable investments yields	190,589.7	69,709.8
Stockholders' equity fiscal value	2,451,251.9	2,451,251.9
Capital, interest and others comercial portfolio	11,780,652.9	10,033,572.9
Capital, interest and others consumption portfolio	7,587,689.5	6,710,127.2
Capital, interest and others micro – credit portfolio	78.9	394.8
Capital, interest and others housing portfolio	1,800,079.9	2,343,666.7
Liability reciprocal operations with Parent Companies & Subordinates	63,592.3	51,067.7
Reciprocal operations affecting income with Parent Company	50,304.5	21,662.3
Universality guaranties, liabilities and incomes	224,174.1	245,627.5
Securitized portfolio guaranties	6,422,262.1	4,442,323.2
Subordinated bonds	0.0	315,669.8
Technical Heritage - October 2010	3,599,879.3	0.0
Technical Heritage - November 2010	3,608,849.8	0.0
Self-withholding base - Decree 700 – Investment	547,645.5	394,794.6
Other debtor contingencies (Less than 5%)	<u>270,267.1</u>	<u>329,107.0</u>



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\$ 64,769,981.1 53,564,057.3

24 Fiduciary Accounts

24.1 Housing Write Down Portfolio Universality CCV

In December 31, and June 30, 2010, universalities CCV, CCVII y CCVIII of Financial Statements are recorded Trust Memorandum Accounts.

These universalities were constituted through penalties approved by the General Shareholders' Assembly held on December 16, 2003; May 11 and November 9, 2004 respectively. It was then decide to retrieve the balance of the Bank, a set of housing credits, that due to their particular risk situation had been totally provisioned and at the same time perform an issuance of titles.

The portfolios of written off accounts receivable for CCV, CCVII, and CCVIII housing was separated from the capital and the Balance of the Bank, in accordance to what is established in article 12 of Law 546 of 1999, regulated by Resolution 775 of 2001 of the Colombian Financial Superintendence 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 Colombian Financial Superintendence, the Titles CCV, CCVII, and CCVIII were inscribed in the Registro Nacional de Valores e Intermediarios [National Registry of Titles and intermediaries], and their public offer authorized by having presented before the mentioned Registry the entirety of the documentation established in article 3 of the mentioned Resolution.

Housing Write Down Portfolio Universality - CCVIII

The following corresponds to the detail of the universality operation entered into on November 9, 2004:

Capital	\$	92,256.2
Interests		2,131.6
Insurance		2,737.1
Other Assets		3,848.0
Deferred		(3,191.5)
Housing RVU Contingency		12,855.3
Housing Interest Contingency		<u>23,834.7</u>
 Total Universality	 \$	 <u>134,471.4</u>

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

The CCVIII mortgage instruments are issued and administered by the Bank with an exclusive support in the CCVIII Universality (Housing Write Down Portfolio III) and without guaranty from their own stockholders' equity.

The custody and administration of the issuance is made by DECEVAL in accordance with the terms of the issuance deposit and administration contract entered into between the Bank and DECEVAL.

In December 3, 2008, these securities were classified CCC by the Colombia's Classification Company Duff and Phelps S.A according to their risks conditions.



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Some stockholders of the Bank acquired all these CCVIII mortgage instruments.

The characteristics of the CCVIII mortgage instruments are the following:

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued Face Value</u>
22-Dec-04	22-Dec-12	I	96	Uncertain	<u>\$ 6.999,1</u>

- Designation: the name of the instruments will be CCVIII Mortgage Instruments.
- Denomination: the CCVIII instruments will be expressed in RVU Units.
- Number of instruments in this issuance: 4.800
- Face value: 10.000 RVU
 - Outstanding Law: The CCVIII instruments are freely negotiable in the second market and they have the character of bearer instruments.
- Minimum Investment: equivalent to 200.000 RVU.
- Minimum negotiation amount in the secondary market: 10.000 RVU.
 - System: They have the character and the prerogatives of the securities and also those belonging to the Mortgage Instruments. They are subject to the regulations provided in the Law 546/99.
 - Profitability: Uncertain, derived from the collections achieved from the write down portfolio that is the basis of the process, net of expenses, and during the term of the instruments.
 - Payment of yields: The CCVIII instruments yields will be paid quarterly, at the end of the quarter, in accordance with the allowances in payment priority.
 - Amortization: The CCVIII instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly quotas on the payment dates of the 23 to 32 quarters of the issuance term. The capital payments that can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.
 - Placement: The CCVIII instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
 - Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.

Housing Write Down Portfolio Universality - CCVII

The following corresponds to the detail of the universality operation entered into on May 11, 2004:

Capital	\$	126.288,6
Interests		4.148,7
Insurance		8.155,7
Other Assets		1.835,4
Deferred		(2.987,7)
Housing RVU Contingency		54.817,1
Housing Interest Contingency		<u>74.043,3</u>
Total Universality	\$	<u>266.301,1</u>



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

The CCVII mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV II (Housing Write Down Portfolio II) Universality and without any guaranty from their own stockholders' equity.

The custody and administration of the issuance is made by DECEVAL in accordance with the deposit and administration contract of the issuance, entered into by the Bank and DECEVAL.

In May 12, 2009, these securities were classified CCC by the Colombia's Classification Company Duff and Phelps S.A. according to their risks conditions.

Some of the Bank stockholders acquired all these CCVII mortgage instruments.

The characteristics of the CCVII mortgage instruments are the following:

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued Face Value</u>
26-May-04	26-May-12	I	96	Uncertain	<u>\$ 10.042,0</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 portfolio that is the basis of this process, net of expenses, during the term of the instruments.
- Payment of the yields: the yields from the CCVII instruments will be paid quarterly, at the end of the quarter, in accordance with the allowances in the payment priorities.
- Amortization: The CCVII instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly quotas on the payment dates of the 22 to 32 quarters of the issuance term. The capital payments that can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.
- Placement: The CCVII instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
- Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.



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Housing Write Down Portfolio Universality - CCV

The following corresponds to the detail of the universality operation entered into on December 16, 2003:

Capital	\$	155.179,0
Interests		7.318,9
Other Assets		10.003,3
Deferred		<u>(6.095,3)</u>
Total Universality	\$	<u>166.405,9</u>

The portfolio was constituted by 7.811 credits, with RVU + 11.98% weighted rate. The 53% corresponds to VIS portfolio and the remaining 47% to non-VIS portfolio.

The CCV mortgage instruments are issued and administered by the Bank with the exclusive support on the CCV Universality (Housing Write Down Portfolio) and without any guaranty from their own stockholders' equity.

The custody and administration of the issuance is made by DECEVAL according to the issuance deposit and administration contract entered into between the Bank and DECEVAL.

At December 3, 2008, these instruments were rated CCC by the rating company Duff and Phelps de Colombia S.A., in accordance with their risk condition.

Some stockholders of the Bank acquired all these CCV mortgage instruments.

The characteristics of the CCV mortgage instruments are the following:

<u>From</u>	<u>To</u>	<u>Series</u>	<u>Term (Months)</u>	<u>Yields</u>	<u>Issued Face Value</u>
29-Dec-03	29-Dec-11	I	96	Uncertain	<u>\$ 13.977,4</u>

- Designation: the name of the instruments will be CCV Mortgage Instruments.
- Denomination: The CCV instruments will be expressed in RVU Units.
- Number of instruments constituting the issuance: 10.140
- Face Value: 10.000 RVU
 - Outstanding Law: The CCV instruments are freely negotiable in the secondary market and they have the character of bearer instruments.
- Minimum Investment: Equivalent to 200.000 RVU.
- Minimum negotiation amount in the secondary market: 200.000 RVU.
 - System: They have the character and the prerogatives of the securities and also of those corresponding to the Mortgage Instruments. They are subject to the regulations provided in the Law.
 - Profitability: Uncertain and derived from the collections achieved from the write down portfolio that is the basis of this process, net of expenses, during the term of the instruments.
 - Payment of the yields: the yields from the CCV instruments will be paid quarterly, at the end of the quarter, in accordance with the allowances in the payment priorities.
 - Amortization: The CCV instruments confer to their holders the right of receiving, with Universality funds and subject to the payment priority, the capital refunding in successive quarterly quotas on the payment dates of the 25 to 32 quarters of the issuance term. The capital payments that



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can not be made in any payment date will accumulate for being made in the following payment date, without exceeding the payment date corresponding to the 32 quarter of the issuance term.

- Placement: The CCV instruments were placed in the secondary market through the DAVIVALORES S.A. stock market commissioner, through the entering into of an "Underwriting" Agreement to the "Best Effort".
- Underwriting Price: Equivalent to the face value of each instrument, added with the premium that was defined in the offer announcement.

The detail of the fiduciary accounts, with closing on December 31, and June 30, 2010 are presented below:

<u>December 31</u>	<u>CCV</u>	<u>CCVII</u>	<u>CCVIII</u>	<u>Total</u>
<u>Balance</u>				
Cash and cash equivalents	\$ 190.0	783.2	942.0	1,915.2
Credit Portfolio	18,579.8	10,127.6	8,482.4	37,189.8
Debtor	<u>162.2</u>	<u>613.9</u>	<u>377.8</u>	<u>1,153.9</u>
Assets Total	<u>18,932.0</u>	<u>11,524.7</u>	<u>9,802.2</u>	<u>40,258.9</u>
Interests	0.0	741.7	1,207.9	1,949.6
Accounts payable	300.9	349.2	73.2	723.3
Creditors	2,290.4	306.2	38.8	2,635.4
Long term-debt	<u>16,340.9</u>	<u>10,127.6</u>	<u>8,482.1</u>	<u>34,950.6</u>
Liabilities Total	<u>18,932.2</u>	<u>11,524.7</u>	<u>9,802.0</u>	<u>40,258.9</u>
<u>Results</u>				
Operating Income	1.4	0.4	0.4	2.2
Readjustment to real value unit R.V.U.	18.7	11.9	8.6	39.2
Portfolio recovery	2,379.3	3,017.8	2,987.0	8,384.1
Real State trust recovery	<u>1,761.2</u>	<u>1,265.6</u>	<u>869.8</u>	<u>3,896.6</u>
Operating Income total	<u>4,160.6</u>	<u>4,295.7</u>	<u>3,865.8</u>	<u>12,322.1</u>
<u>Operating Expenses</u>				
Others Interests	1,605.5	2,789.1	2,958.1	7,352.7
Commissions	163.6	164.2	143.6	471.4
Fees	0.0	0.0	0.0	0.0
Insurance	1,842.4	946.3	462.6	3,251.3
Miscellaneous	<u>549.1</u>	<u>396.0</u>	<u>301.6</u>	<u>1,246.7</u>
Operating Expenses Total	<u>4,160.6</u>	<u>4,295.6</u>	<u>3,865.9</u>	<u>12,322.1</u>
<u>Contingents</u>				
Portfolio	184,438.1	93,552.9	32,450.8	310,441.8
Other contingencies	<u>24,394.9</u>	<u>23,009.5</u>	<u>14,532.8</u>	<u>61,937.2</u>
Total contingencies	<u>208,833.0</u>	<u>116,562.4</u>	<u>46,983.6</u>	<u>372,379.0</u>
<u>Debtors</u>				
Portfolio	<u>26,959.9</u>	<u>22,969.6</u>	<u>19,390.2</u>	<u>69,319.7</u>
<u>Creditors</u>				
Portfolio	<u>81,065.0</u>	<u>63,403.7</u>	<u>66,553.3</u>	<u>211,022.0</u>



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<u>June 30</u>	<u>CCV</u>	<u>CCVII</u>	<u>CCVIII</u>	<u>Total</u>
<u>Balance</u>				
Cash and cash equivalents	\$ 2,437.8	636.7	250.8	3,325.3
Credit Portfolio	19,331.3	12,400.5	9,150.9	40,882.7
Debtor	<u>389.8</u>	<u>219.6</u>	<u>330.4</u>	<u>939.8</u>
Assets Total	<u>22,158.9</u>	<u>13,256.8</u>	<u>9,732.1</u>	<u>45,147.8</u>
Interests	244.9	237.3	398.3	880.5
Accounts payable	237.6	253.4	67.6	558.6
Creditors	2,345.1	287.1	115.3	2,747.5
Long term-debt	<u>19,331.3</u>	<u>12,479.0</u>	<u>9,150.9</u>	<u>40,961.2</u>
Liabilities Total	<u>22,158.9</u>	<u>13,256.8</u>	<u>9,732.1</u>	<u>45,147.8</u>
<u>Results</u>				
Operating Income	4.1	0.9	1.1	6.1
Readjustment to real value unit R.V.U.	443.1	302.9	209.8	955.8
Portfolio recovery	3,434.0	1,907.7	2,985.2	8,326.9
Real State trust recovery	<u>888.7</u>	<u>1,210.7</u>	<u>596.4</u>	<u>2,695.8</u>
Operating Income total	<u>4,769.9</u>	<u>3,422.2</u>	<u>3,792.5</u>	<u>11,984.6</u>
Operating Expenses				
Others Interests	2,181.2	1,797.0	2,893.9	6,872.1
Commissions	146.7	105.6	125.4	377.7
Fees	0.0	0.0	0.0	0.0
Insurance	1,858.6	986.4	505.8	3,350.8
Miscellaneous	<u>583.4</u>	<u>533.2</u>	<u>267.4</u>	<u>1,384.0</u>
Operating Expenses Total	<u>4,769.9</u>	<u>3,422.2</u>	<u>3,792.5</u>	<u>11,984.6</u>
<u>Contingents</u>				
Portfolio	182,838.9	94,467.4	32,891.1	310,197.4
Other contingencies	<u>24,769.2</u>	<u>22,783.6</u>	<u>17,033.7</u>	<u>64,586.5</u>
Total contingencies	<u>207,608.1</u>	<u>117,251.0</u>	<u>49,924.8</u>	<u>374,783.9</u>
<u>Debtors</u>				
Portfolio	<u>28,967.1</u>	<u>25,156.7</u>	<u>21,755.2</u>	<u>75,879.0</u>
<u>Creditors</u>				
Portfolio	<u>86,122.4</u>	<u>69,867.4</u>	<u>73,387.9</u>	<u>229,377.7</u>

25 Operating Income – Other

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

	<u>December 31</u>	<u>June 30</u>
Traveler withdrawal	\$ 16,852.7	15,041.2
Collection use of networks	15,968.6	13,624.2
Sale Checkbooks	1,844.4	1,543.8



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Virtual Services	2,174.1	2,368.9
Business Services	17,767.5	14,933.2
Check book sale	14,498.0	13,028.9
Credit card refusals	1,613.2	1,502.7
National and local deposit	9,034.1	6,100.1
Others (Less than 5%)	<u>7,075.3</u>	<u>5,858.9</u>
	<u>86,827.9</u>	<u>74,001.9</u>

26 Operating Expenses – Others

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

	<u>December 31</u>	<u>June 30</u>
Fees	\$ 61,291.5	41,612.4
Taxes	37,752.8	47,763.9
Leases	28,393.2	25,337.6
Contributions and affiliations	22,955.2	20,439.9
Insurance	46,278.0	40,627.2
Maintenance and repairs	13,757.4	13,693.2
Suitability offices	12,938.1	6,264.9
Services toilet and surveillance	14,989.5	13,396.5
Temporary services	3,828.5	1,874.0
Advertising and propaganda	48,398.0	38,576.0
Public relations	576.4	313.7
Public Services	32,781.8	24,851.5
Electronic Data Processing	32,357.7	21,551.8
Travel expenses	7,699.1	4,071.5
Transportation	27,601.7	24,346.3
Tools & stationery	7,529.3	7,103.9
Donations	778.0	0.0
Commissions redes	74.0	84.0
Others	<u>8,268.8</u>	<u>5,911.7</u>
	\$ <u>408,249.0</u>	<u>337,820.0</u>

27 Allowances – Others

The following is the detail of other allowances:

	<u>December 31</u>	<u>June 30</u>
Cash	\$ 239.4	519.1
Foreclosed Assets	2,965.7	3,219.7
Other assets	167.4	697.2
Other estimated liabilities	<u>0.0</u>	<u>88.6</u>
	\$ <u>3,372.5</u>	<u>4,524.6</u>



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28 Non-Operating Income

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

	<u>December 31</u>	<u>June 30</u>
Gross profit on sale of:		
Foreclosed Assets	\$ 1,689.0	2,590.7
Properties & Equipment	<u>1,630.5</u>	<u>1,662.4</u>
	<u>3,319.5</u>	<u>4,253.1</u>
Recoveries		
Portfolio an property written off	87,865.1	69,320.0
Refund allowances properties and equipment	790.8	876.9
Refund allowances foreclosed assets	2,983.2	1,616.9
Refund allowances investments	3,494.6	4,669.8
Refund allowances other assets	284.6	932.7
Refund other allowances	1,106.4	4,842.0
Refund By sinister	1,768.3	3,054.4
Refund deposit insurance	0.0	3,977.8
Refund year estimated liabilities	8,203.9	18.6
Refund estimated liabilities prior periods	9,400.0	3,762.2
Others Recoveries	<u>10,140.5</u>	<u>12,759.9</u>
	<u>126,037.4</u>	<u>105,831.2</u>
Business collaboration contract (1)	9,243.9	8,507.2
Leases	621.5	700.6
Various (Less than 5%)	<u>4,437.6</u>	<u>5,740.6</u>
	<u>14,303.0</u>	<u>14,948.4</u>
	\$ <u>143,659.9</u>	<u>125,032.7</u>

(1)Through business cooperation contract concluded between the bank and the Fiduciaria Davivienda S.A. which is extended every year, with the porpuse of promotion business trust, it was agreed to distribute the income the proceeds in equal parts between the trustee and the Bank

29 Non-Operating Expenses

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

	<u>December 31</u>	<u>June 30</u>
Loss on sale of assets received in payment	\$ 1,583.8	1,679.7
Loss on sale of properties and equipment	3,201.2	42.9
Damage loss	18,174.7	15,693.1
Penalties and sanctions	7,329.2	1,442.0
Expenses assets received in payment	889.2	782.1
Other assets losses	421.6	529.3
Client recognition	808.1	697.3
Housing relieves return	9,257.7	3,564.7
Non-operating expenses prior years	10,756.2	2,227.6
Interest arrears official entities	3,168.0	0.0



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Commercial deference	2,210.8	275.5
Legal Management	929.2	155.6
Portfolio fees	433.3	72.5
Others (Less than 5%)	<u>6,394.7</u>	<u>6,573.9</u>
	\$ <u>65,557.7</u>	<u>33,735.9</u>

30 Income Tax

The following is the reconciliation between accounting profit and estimated taxable income, for the periods ended on December 31, and June 30, 2010:

	<u>December 31</u>	<u>June 30</u>
Profit before income tax	\$ 352,411.8	306,370.9
(Plus or less) entries that increase (decrease) fiscal profit:		
Taxes on financial movements non taxable	15,019.1	11,545.0
Fines and penalties for lack of reserve	8,771.2	0.0
Non deductible brp´s, assets, litigations, other allowances	24,104.6	17,265.5
Profit on sale of investments	16,200.5	0.0
Difference for application of special Valuation systems net 2008 and 2009	30,053.7	18,238.6
Dividends and income non taxable	(853.4)	(35,562.4)
40% deduction for depreciable productive assets	(5,234.4)	(3,591.1)
Difference between accounting and fiscal depreciation	(79,543.2)	(79,503.1)
Non – deductible allowances reimbursement	(26,024.9)	(20,267.4)
Other deductions and tax benefits	45,684.5	8,842.6
Net Income	380,589.5	223,338.6
Presumptive income	30,574.9	30,574.8
Less exempt income	(159,192.5)	(158,005.0)
Tasable net income	221,397.0	65,333.6
Income Tax	73,060.9	21,560.1
Adjustment of income tax from previous years	0.0	17,131.0
Deferred income tax	<u>9,518.1</u>	<u>20,847.8</u>
Total income tax and surtax	\$ <u>82,579.0</u>	<u>59,538.9</u>

Accounting equity at December 31, 2010 differs from the fiscal equity because of the following:

Accounting stockholders´ equity	\$ 3,568,561.9
More or (less) entries taht increase (decrease) the stockholders equity´due to fiscal effects:	
Allowances Assets	65,712.8
Estimated liabilities and allowances	82,972.3
Effect of the Derived items	7,992.9



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Effect of adjustments for inflation and other effects	48,790.2
Property & equipment accounting revaluations	(395,641.4)
Deferred tax payable effect	(84,889.0)
Increased commercial credit amortization value	(308,963.0)
Fiscal stockholders equity	\$ <u>2,984,466.7</u>

Income Statements for taxable years 2008 and 2009 are available and can be challenged by the Tax Authorities review.

31 Related Parties Transactions

The following are considered to be related parties:

- Sociedades Bolivar S.A. its subsidiaries and subordinates.
- Shareholders or actual beneficiaries of 10% 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 Bolivar.

The Bank may enter into transactions, agreements or contracts with related parties on the understanding that any such operations are carried out with reasonable values, taking into account the following criteria among others:

- The conditions and prevailing market rates in the sector where the transaction is conducted
- The activity of the Companies involved
- Growth prospects of the respective business

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

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%(1)	Other Grupo Bolivar companies	Grupo Bolivar Administrators (2)	Other shareholders with less than 10% of Bank's capital	Total
Assets	1,087.4	2,203,347.7	26,257.0	13,621.3	0.0	2,244,313.4
Cash	0.0	2,719.8	0.0	0.0	0.0	2,719.8
Investments	0.0	2,053,670.2	0.0	0.0	0.0	2,053,670.2
Credit Portfolio and Financial Leasing	1,087.4	2,049.2	21,816.9	13,491.0	0.0	38,444.5
Accounts Receivable	0.0	2,878.8	615.7	130.3	0.0	3,624.8
Other Assets	0.0	1,067.3	3,824.4	0.0	0.0	4,891.7
Valuations	0.0	140,962.4	0.0	0.0	0.0	140,962.4
Liabilities	2,172.8	509,483.5	77,618.8	2,660.6	316,989.1	908,924.8
Deposits and callabilities	2,172.8	324,613.1	61,429.4	2,525.8	0.0	390,741.1
Loans from banks and other financial obligations	0.0	165,635.9	0.0	0.0	0.0	165,635.9
Accounts Payable	0.0	8,734.5	2,361.7	84.8	6.0	11,187.0
Investments securities outstanding	0.0	10,500.0	13,816.6	50.0	316,983.1	341,349.7
Others Liabilities	0.0	0.0	11.1	0.0	0.0	11.1



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Incomes	0.0	112,692.1	26,288.8	623.0	0.0	139,603.9
Operating	0.0	112,640.8	26,073.8	596.3	0.0	139,310.9
Non - operating	0.0	51.3	215.0	26.7	0.0	293.0
Expenses	1.5	35,938.4	17,902.8	546.8	6,379.6	60,769.1
Operating	1.5	35,637.7	17,648.1	546.8	6,379.6	60,213.7
Non - operating	0.0	300.7	254.7	0.0	0.0	555.4

All operations are conducted at market prices; placement rates are between 0.0 and 24.42% and deposit rates between 0.0% and 5.15

There are no With shareholders operations which are equal to or exceed 5% of the technical capital of the Bank.

⁽¹⁾ Includes subordinates. Finagro titles are included in the investments.

⁽²⁾ Legal Representatives and members of the Board of Grupo Bolívar, plus Davivienda bank Branch Managers with legal representation.

Operations with Subordinates Companies:

December 31

	Fiduciaria Davivienda S.A.	Fiduciaria Cafetera S.A.	Davivalores S.A.	Confinanciera S.A.	Bancafé International Corporation S.A.	Bancafé Panamá S.A.	Total
Assets	32,962.3	65,206.5	8,416.2	68,898.0	20,619.4	120,454.2	316,556.6
Cash	0.0	0.0	0.0	0.0	87.1	2,632.7	2,719.8
Investments	14,024.8	55,631.0	2,981.5	53,833.4	19,846.1	55,696.4	202,013.2
Credit Portfolio and Financial Leasing	4.0	0.0	0.0	0.0	0.0	0.0	4.0
Accounts Receivable	1,495.3	0.0	0.0	640.9	0.0	0.0	2,136.2
Other Assets	0.0	0.0	0.0	1,037.0	0.0	0.0	1,037.0
Valuations	17,438.2	9,575.5	5,434.7	13,386.7	686.2	62,125.1	108,646.4
Liabilities	690.1	9,206.3	2,684.7	4,319.8	0.0	0.0	16,900.9
Deposits and callabilities	690.1	9,206.3	2,684.7	4,307.6	0.0	0.0	16,888.7
Accounts Payable	0.0	0.0	0.0	12.2	0.0	0.0	12.2
Incomes	0.4	23.5	57.6	97.6	9.4	45.7	234.2
Operating	0.4	0.5	57.6	97.6	9.4	45.7	211.2
Non - operating	0.0	23.0	0.0	0.0	0.0	0.0	23.0
Expenses	38.7	132.4	73.9	8.6	0.0	0.0	253.6
Operating	38.7	132.4	73.9	8.6	0.0	0.0	253.6



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Operations with Related Companies:

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 Grupo Bolivar companies	Grupo Bolivar Administrators	Other shareholders with less than 10% of Bank's capital	Total
	(1)	(2)				
Assets	0.0	1,501,881.5	27,683.6	13,435.9	13,874.9	1,556,875.9
Cash	0.0	562.9	0.0	0.0	0.0	562.9
Active Positions in Monetary Market Operations and Related	0.0	10,235.4	0.0	0.0	0.0	10,235.4
Investments	0.0	1,370,220.8	0.0	0.0	0.0	1,370,220.8
Credit Portfolio and Financial Leasing	0.0	2,303.6	18,970.8	13,292.0	13,874.8	48,441.2
Accounts Receivable	0.0	8,662.5	5,281.6	143.9	0.1	14,088.1
Other Assets	0.0	30.3	3,431.2	0.0	0.0	3,461.5
Investment Valuations	0.0	109,866.0	0.0	0.0	0.0	109,866.0
Liabilities	1,756.5	512,929.0	89,219.7	2,965.0	326,013.0	932,883.2
Deposits and callabilities	1,756.5	331,820.3	47,065.0	2,850.2	10,172.1	393,664.1
Loans from banks and other financial obligations	0.0	156,411.9	0.0	0.0	0.0	156,411.9
Accounts Payable	0.0	14,196.8	5,341.8	64.8	6.1	19,609.5
Investments securities outstanding	0.0	10,500.0	36,812.9	50.0	315,834.8	363,197.7
Incomes	0.9	100,715.0	20,731.9	644.4	15,813.7	137,905.9
Operating	0.9	100,555.0	19,927.2	633.6	15,813.7	136,930.4
Non - operating	0.0	160.0	804.7	10.8	0.0	975.5
Expenses	5.1	34,331.7	17,530.9	292.4	236.8	52,396.9
Operating	5.1	34,022.0	17,462.2	292.4	236.8	52,018.5
Non - operating	0.0	309.7	68.7	0.0	0.0	378.4

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.



BANCO DAVIVIENDA S.A.
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(1) Includes subordinates. Finagro titles are included in the investments.

(2) Legal Representatives and members of the Board of Grupo Bolívar, plus Davivienda bank Branch Managers

*Includes net effect valuation of subordinated IFC bonds of \$ 15,794.1, as follows: income \$ 107,767.3 and spending \$ 91,973.2

Operations with Subordinates Companies:

June 30

	Fiduciaria Davivienda S.A.	Fiduciaria Cafetera S.A.	Davivalores S.A.	Confinanciera S.A.	Bancafé International Corporation S.A.	Bancafé Panamá S.A.	Total
Assets	28,104.4	62,167.8	7,816.6	58,445.8	30,851.7	112,755.5	300,141.9
Cash	0.0	0.0	0.0	0.0	77.3	485.6	562.9
Active Positions in Monetary Market Operations and Related	0.0	0.0	0.0	0.0	10,235.4	0.0	10,235.4
Investments	14,024.8	55,631.0	2,981.5	53,833.4	19,837.5	55,672.3	201,980.3
Credit Portfolio and Financial Leasing	0.9	0.0	0.0	1.9	0.0	0.0	2.8
Accounts Receivable	1,427.1	0.0	0.0	87.8	0.1	0.0	1,515.0
Valuations	12,651.6	6,536.9	4,835.1	4,522.8	701.5	56,597.6	85,845.5
Liabilities	534.8	6,891.7	2,946.3	18,913.5	0.0	0.0	29,286.2
Deposits and callabilities	534.8	6,891.7	2,944.8	18,912.7	0.0	0.0	29,284.0
Accounts Payable	0.0	0.0	1.5	0.8	0.0	0.0	2.2
Incomes	5,449.8	10,110.0	0.4	1,186.0	18.4	3,987.5	20,752.2
Operating	5,429.6	10,104.9	0.4	1,093.0	18.4	3,987.5	20,633.8
Non - operating	20.2	5.2	0.0	93.0	0.0	0.0	118.4
Expenses	88.2	335.6	72.9	48.7	0.0	552.4	1,097.8
Operating	88.2	335.6	72.9	48.7	0.0	552.4	1,097.8



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32 Risk Management

Comprehensive risk management is based on a governance structure designed to achieve strategic objectives on the basis of management, risk management and control, which support the growth of the business and exploitation of opportunities. On this basis, efforts are focused on the implementation of the strategy and the control of the associated risks.

Así las cosas la gestión integral del riesgo tiene como principio fundamental el mantenimiento del negocio a través del tiempo y sobre esta definición se construyen las políticas y principios que regulan esta gestión en todas las instancias de la organización.

Teniendo en cuenta lo anterior, The management and control of these risks is done through different areas that with specialized functions in specific lines or segments, as in the case of credit risk, market and liquidity, or that manage transversal forces, such as the operational risk management system and internal control.

Enforcement of this strategy is carried out by the Directorate of Financial Control and the Committee Chair.

Integrated risk management has the maintenance of business over time as a fundamental principle and the policies and principles regulating the management at all levels of the organization are built based on this definition.

32.1 Organizational Structure

According to the basic guidelines of security and professionalism, the operational, risk and commercial areas of the Bank must be separated from each other. however, to take advantage of synergies with the Grupo Bolívar companies, there are cross-support programs to aid the development of risk management tools.

In Personal Banking, the Vice President of Personal Credit Banking is in charge of the evaluation, execution, administration and collection of all lines of credit. The approval of all personal credit lines is based on a pyramidal structure of authority in amounts defined according to the experience of the staff and level of risk of the transactions, etc., and there are also credit committees for collective decision-making, responsible for analyzing major operations or those that represent a higher level of complexity.

For these lines of credit, there are achievement scores which have been built based on historical information to evaluate the customer variables, their behavior and borrowing in the financial sector, type of product and warranty. There are also methodologies developed to break the credit world down into groups so they can be assigned risk levels individually.

The main personal banking of homogeneous groups are:

- Housing loans and leases
- Vehicle loans
- Credit card
- Warrant credits
- Other consumer loans

In Corporate and Business Banking, the business strategy depends on the Vice Presidency of Business Enterprise and the credit risk assessment rests with the Vice Presidency of Corporate Credit, which is



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responsible for analyzing credit requests, monitoring existing obligations, assigning risk categories and carrying out recovery actions when necessary.

The Vice Presidency of Corporate Credit is responsible for providing credit facilities, the target market are the national and international companies with revenues exceeding \$ 30,000.0, whose economic activity is within the rules and conditions set both by the Superintendency of Companies and by the Bank.

To meet this goal a thorough analysis of the creditworthiness of companies is performed, the macro and microeconomic conditions in which they operate is examined, as well as the culture, strategy, policies, procedures and the various quantitative and qualitative risks, and the size and importance of the economic sector in which they work.

It is the responsibility of the Vice Presidency of Risk and Financial Control to evaluate the different alternatives of financial risk coverage to which the Bank is exposed, manage grant policies, assess the risk of bulk portfolios, SMB and enterprises, to maintain a risk balance - profitability, and to strengthen financial reporting (Balances, Financial Statements, Budget), as well as the generation of management figures for products, transactions and revenue from services.

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

In the management of operational risk, it is the Vice Presidency of Risk and Financial Control that is responsible for ensuring the integrity of business processes and the ability to maintain the services that are available to customers and associates, aimed at transparency in business management.

32.2 Credit Risk – Credit Products:

El manual del SARC consolida la información sobre la gestión y administración de riesgo de crédito. En el se consigna las normas y procedimientos necesarios para el control y la administración del riesgo de crédito.

El área de Riesgo de Crédito esta encargada de velar por el adecuado cumplimiento de las políticas y procedimientos establecidos para llevar a cabo la gestión de riesgos, de acuerdo con las decisiones tomadas por la Junta Directiva o por el Comité de Riesgo de Crédito, teniendo en cuenta las atribuciones que le corresponden a cada estamento; también es responsable de la medición y análisis, así como de la revisión y evaluación periódica de las metodologías de medición asociadas a cada etapa del ciclo de crédito.

La composición de la cartera por líneas de negocios del Banco es la siguiente al 31 de diciembre de 2010:



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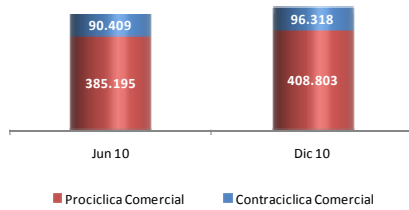
Teniendo en cuenta la grafica anterior, la banca de personas participa con el 50.8% mientras la banca de empresas aporta el 49.2%.

32.2.1. Reference Models published by the Superintendencia Financiera de Colombia

The Bank implemented as of July, 2007, under its credits risk metrics policy the Business Reference Model (Modelo de Referencia Comercial MRC), complying with the guidelines of External Memorandum Letter 035 of 2006. Starting July, 2008, the Bank adopted the Consumption Reference Model (MRCO), according to the definitions issued by the Superintendencia Financiera de Colombia.

Similarly, from April 2010, the Bank implemented the calculation of provisions using the countercyclical approach methodology, according to the definitions of External Circular 035 of 2009 issued by the Superintendencia Financiera de Colombia.

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



Estos modelos de referencia así como la normatividad vigente son el fundamento para la estimación de las provisiones de cartera.

(Figures in thousand of millions)	Total Counter-cyclical Provision	Total Pro-Cyclical Provision	Total General Provision *	Total Bank Provision
June 30	\$206.2	871.8	23.1	1,101.0
December 31	226.8	873.7	17.7	1,118.2

* Aplica para cartera de vivienda y microcrédito.



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32.2.2. Personal Banking

The personal banking portfolio includes loans for individuals, which relate mainly to housing and consumer credit.

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

For these portfolio classes the Bank has been developing its own models for origination, monitoring, collection management and estimation of losses, which are in continuous calibration and are essential for managing credit risk; these statistical models are composed of historical behavior of portfolios, demographic variables of the customers and cash flow projections, among others.

The following are the principal balances for each portfolio segment and the risk provisions assigned to each of them.

(Figures in thousand of millions)		Balance	% C, D, E	Provision	Coverage C,D,E
Housing and Residential Leasing					
	10-Jun	\$ 3,532.5	2.3%	149.4	184.8%
	10-Dic	3,147.7	2.7%	144.7	169.9%
Credit Card					
	10-Jun	1,678.8	5.7%	101.0	106.0%
	10-Dic	1,884.0	4.5%	98.3	115.9%
Others Consumption					
	10-Jun	2,084.0	12.2%	295.7	116.0%
	10-Dic	2,532.2	10.0%	295.4	117.0%
Warrant Consumption					
	10-Jun	2,135.5	4.0%	113.8	134.0%
	10-Dic	2,237.1	3.4%	106.6	141.5%
Vehicle					
	10-Jun	726.0	7.2%	47.5	90.6%
	10-Dic	843.8	5.9%	48.4	96.7%
Total					
	10-Jun	10,156.7	5.6%	707.3	124.5%
	10-Dic	\$ 10,644.9	5.1%	693.5	126.5%

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

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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During the second half of 2010 participation in personal banking increased due to increases in holdings of portfolios of other products, especially rotary crediexpress and fixed crediexpress, keeping the coverage level for this segment very similar to the previous semester even though the unproductive portfolio percentage has decreased. This suggests that the adjustments made to the cutoff and increases in the minimum levels of income for these segments have led to better quality placements.

In mortgage banking during the semester there were portfolio sales to the *Titularizadora Colombiana* worth 1.2 billion pesos, closing the year with a portfolio balance, including leasing, worth 3.1 billion pesos.

In the vehicle banking, thanks to strong sales in the second half of 2010, new Bank strategies and implementation of the auto show in November, there was an increase of 16% closing the year with a portfolio balance amounting to 0.8 billion pesos.

Below is the portfolio breakdown of Personal Banking and changes during the second half of 2010:

(Figures in thousand of millions)		Balance	Variation %	Variation \$	Participation
		\$ 3,532.5			
Credit Card	Dic-10	3,147.7	(10.9)%	\$(384.7)	29,6%
	Jun-10	1,678.8			
Others Consumption	Jun-10	1,884.0	12.2%	205.2	17.7%
	Jun-10	2,084.0			
Warrant Consumption	Jun-10	2,532.2	21.5%	448.2	23.8%
	Jun-10	2,135.5			
Vehicle	Jun-10	2,237.1	4.8%	101.6	21.0%
	Jun-10	726.0			
		843.8	16.2%	117.9	7.9%
Total	Jun-10	10,156.7			
	Jun-10	10,644.9	4.8%	488.1	100.0%

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



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32.2.3 Corporate Banking

Created by the banking system for enterprises and classified within the Bank in segments according to their size, smes, business and corporate, Constructors Banking is also included in this portfolio.

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

In relation to the model used for the management of Corporate credit risk, this uses quantitative and qualitative factors, and its indicators have been developed based on financial statements and individual characteristics of the companies.

As regards the quantitative aspects, the company's financial information allows measurement of its progress, comparing the results achieved in the last three (3) years and thus permits the precise determination of aspects such as cash flow, debt capacity, profitability and efficiency.

Similarly, the model allows us to compare these results against their peers in the sector to which they relate.

In SMB Banking, the policies for evaluation and acceptance of clients for credit are based on historical analysis and financial survey of the clients, involving sectoral analysis and perspectives plus an alternative assessment of the capacity and suitability of the company's Management, as well as measuring the ability to pay in the analysis of projected cash flows.

In Agricultural Banking, a feasibility study of agricultural production projects is carried out, giving a relative importance to the client's experience in the activity, as well as the fundamental technical parameters for acceptance in each subsector.

In official Banking, the analysis focuses on strict compliance with the policy guidelines formulated by the Ministry of Finance, in law 617 of 2000, 358 of 1997 and 819 of 2003, as well as additional analysis of the medium-term fiscal framework and adequacy of the income offered through pledges to attend the debts of public borrowing.

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

(Figures in thousand of millions)		Balance	% C, D, E	provisions	Coverage C,D,E
Corporate					
	Jun-10	\$6.447.4	0.8%	\$221.0	428.0%
	Dic-10	7,835.3	0.7%	226.6	435.8%
Construction					
	Jun-10	591.7	7.3%	42.0	96.7%
	Dic-10	559.0	6.7%	42.3	112.7%
Pyme and Business					
	Jun-10	1,670.7	6.5%	131.4	120.5%
	Dic-10	1,900.2	5.8%	141.0	128.9%
Total					
	Jun-10	8,709.8	2.3%	394.4	193.2%
	Dic-10	10,294.4	1.9%	409.9	206.0%



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Teniendo en cuenta lo anterior y como efecto económico derivado de la aplicación de las políticas de administración de riesgos de crédito el Banco, paso de un nivel de provisiones de \$1.101.0 a \$1.118.2 (miles de millones), como se muestra a continuación:

(Figures in thousand of millions)		Balance	Variation % Balance Dic - Jun	provisions	Variation % provisions Dic - Jun
Commercial					
	Jun-10	\$9,934.5		\$475.6	
	Dic-10	11,669.3	17.5%	505.1	6.2%
Consumption					
	Jun-10	6,624.3		546.2	
	Dic-10	7,497.1	13.2%	548.8	0.5%
Housing					
	Jun-10	2,307.5		79.2	
	Dic-10	1,771.2	-23.2%	64.2	-18.8%
Microcredit					
	Jun-10	0.4		0.1	
	Dic-10	0.1	-81.1%	0.0	-79.1%
Total					
	Jun-10	18,866.6		1,101.0	
	Dic-10	20,937.7	11.0%	1,118.2	1.6%

El impacto en resultados se registra con un menor valor de gasto neto de recuperaciones en el semestre, así:

(Figures in thousand of millions)		Balance	Portfolio Recovery	Net Expense	Punishment
Provisions that constitutes					
	Jun-10	\$694.0	425.9	268.1	221.8
	Dic-10	671.0	445.9	225.1	207.3

32.3 Market Risk

32.3.1 Treasury Book

Administration of Financial Risks

The Financial Risk Administration Manual consolidates information on the management and administration of the company's risks. In it are set forth the rules and procedures necessary for the control and administration of the Market Risks.

The Area of financial risks is in charge of overseeing the adequate compliance with the policies and procedures established to carry out risk management in the Group, in accordance to the decisions made by the Board of Directors or by the Committee of Financial Risks and Investments of the Bolivar Group,



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taking into account the attributions that correspond to each category, the Risks Area is also responsible of the mediation, analysis as well as the review and periodic evaluation of the methodologies of valorization of financial of financial instruments.

Operations

The definition of entities authorized to operate with companies of the Bolivar Group, is made using a model that evaluates the financial performance of the counterparty through a score of representative financial indicators and taking into account considerations of a qualitative type.

The incursion in new markets and products is made once the impact and the corresponding risk profile have been measured and have been approved by the Board of Directors of the entity, in accordance with the procedure established for that purpose.

The Bank has designed a solid structure of exposure limits to control the different portfolios that make up the treasury book and the activities carried out to undertake the management of this. Investment limits, counterparty, repurchase transactions, derivatives are defined among others as well as limits per trader, position limits, modified duration limits and VaR limitations to control the operation of the treasury, the above is controlled by means of strong tools.

Portfolio Composition

Below is the Bank's investment portfolio of the Bank al December 31, and June 30, 2010:

Investment Portfolio per accounting classification

(figures in thousand of millions)

	<u>December 31</u>	<u>Part.%</u>	<u>June 30</u>	<u>Part.%</u>
Negotiable	\$ 2.143,3	56,7%	\$ 2.366,2	71,3%
Available for sale	1.319,6	34,9%	630,4	19,0%
To Maturity	<u>319,0</u>	<u>8,4%</u>	<u>320,6</u>	<u>9,7%</u>
Total	<u>\$ 3.781,8</u>	<u>100,0%</u>	<u>\$ 3.317,2</u>	<u>100,0%</u>

Investment Portafolio per instrument and accounting classification

(figures in thousand of millions)

Instrument	<u>Negotiable</u>		<u>Available for sale</u>		<u>Maturity</u>		<u>Total ⁽¹⁾</u>	<u>Part.%</u>
	<u>Part.%</u>	<u>Part.%</u>	<u>Part.%</u>	<u>Part.%</u>	<u>Part.%</u>	<u>Part.%</u>		
Bonds	\$ 223,1	10,4%	0,0	0,0%	0,0	0,0%	\$ 223,1	5,9%
CDT's	108,1	3,2%	0,0	0,0%	3,0	0,9%	111,1	2,9%
Fogafin	0,0	0,0%	0,0	0,0%	0,0	0,0%	0,0	0,0%
TDA's	149,8	8,9%	0,0	0,0%	0,0	0,0%	149,8	4,0%
TES	893,9	41,7%	492,2	37,3%	0,0	0,0%	1.386,1	36,7%
TIP's	764,4	35,7%	827,4	62,7%	2,3	0,7%	1.594,2	42,2%
TRD's	<u>\$ 4,0</u>	<u>0,2%</u>	<u>0,0</u>	<u>0,0%</u>	<u>313,6</u>	<u>98,3%</u>	<u>317,6</u>	<u>8,4%</u>
Total	<u>\$ 2.143,3</u>	<u>56,7%</u>	<u>1.319,6</u>	<u>34,9%</u>	<u>319,0</u>	<u>8,4%</u>	<u>\$3.781,8</u>	<u>100,0%</u>

(1) Negotiable investments + available for sale + maturity. Does not include simultaneous operations, interbanking

(2) Within the funding strategy of the housing portfolio, the position of tips has increased due to the securitization made.

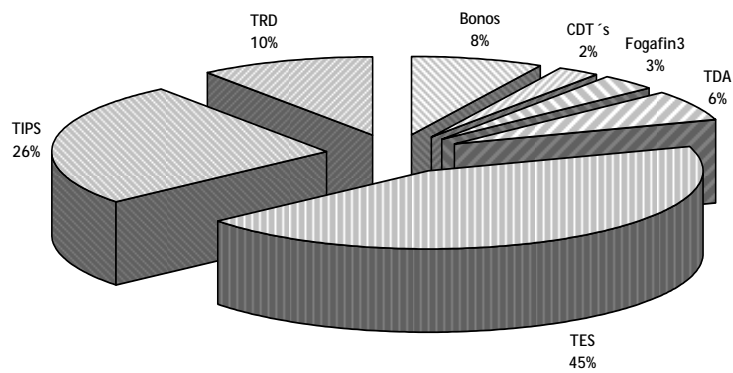


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Portfolio Composition of Investment per instrument

December 31, 2010

June 30, 2010





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Value at Risk Internal Model

The Treasury performs their job in accordance with the alignments and strategies defined by the Board of Directors and Financial Risk Committee; the control for developing the value for the different business lines and/or portfolio is under the responsibility of the Risk Area.

The internal model has not been submitted for consideration by the Superintendencia Financiera de Colombia to be used as a normative calculation tool. This model is used as a complementary tool for analyzing and managing risk. This risk measurement model draws on the VaR (Value at Risk) published by JP Morgan 1994, in the Risk Metrics paper: "Return to Risk Metrics: The Evolution of the Standard."

For the calculation of the volatility of returns, the model EWMA (1) (Exponentially Weighted Moving Average) is used, which permits to grant a higher weight to the new information and grants a lower weight that falls with time in an exponential manner, to past observations.

Teniendo en cuenta la estructura de portafolio mencionada anteriormente la cual obedece a las políticas de riesgo definidas, el potencial impacto económico de riesgo de mercado medido a través del Valor en Riesgo (modelo interno), con corte al 31 de diciembre de 2010, es:

(figures in thousand of millions)

<u>Accounting Rate of Investment</u>	<u>VPN</u>	<u>Part. %</u>	<u>Term modific.</u>	<u>VaR 95% 1 day</u>	<u>VaR 99% 1 day</u>	<u>VaR 99% 10 days</u>
Trading	\$ 2.143,3	56,7%	2,7	5,6	8,0	25,3
Available for sale	1.319,5	34,9%	2,8	5,7	8,1	25,5
At Maturity	<u>319.0</u>	<u>8,4%</u>	<u>3.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Portfolio	<u>\$ 3.781.8</u>	<u>100,0%</u>	<u>2,75</u>	<u>11,3</u>	<u>15,9</u>	<u>50,4</u>

De qual forma este indicador tuvo el siguiente comportamiento en el período de julio a diciembre de 2010:

Comportamiento VaR 95% 1 día

Maximum	Minimum	Average	Last (December 31 / 2010)
14.9	6.2	8.8	11.3

(figures in thousand of millions)

32.3.2 Policies of limits and risk positions

The Financial Risk and Investment Committee (CRFel), 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 Bank activity. To achieve this, the Board of Directors and (CRFel) should set tolerance limits on financial risk to the treasury, as well as position, duration and maximum loss levels among others, for each of the products in which the entity holds positions. The Board and the ALM Committee must set tolerance limits on liquidity risks, as well as monitor the levels of liquidity, terms, mismatches, among others for each of the business lines in which the entity is involved.

These bodies are responsible for authorizing the introduction of new products, defining the respective exposure limits to the different risks and ensuring that the institution has sufficient capacity to manage them efficiently, taking into account the policy parameters laid down in Chapter VI, XVIII and XXI of the



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Basic Accounting and Financial External Circular 100 of 1995. Similarly, the CRFeI, the GAP 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 defined by the Board, whether for an existing product or a new product is studied by the Department of Financial Risks in conjunction with the areas involved² and is evaluated and authorized by the CRFeI and / or who GAP Committee who will submit it to the Board for ratification.
shares was authorize

33 Information Security Strategies – External Circular 052 of 2007

Continuing with the process of sustainability in compliance of external Circular 052, there have been changes in the organizational structure for information security aimed at strengthening Risk Management in the Bank.

In each of the projects developed, the identification of regulatory requirements is included from inception as a priority such as incorporation and enforcement, becoming part of the process.

All processes and controls implemented are maintained for compliance with phases I, II and III and in accordance with the risks identified in the processes, the controls considered necessary to safeguard the security of the Bank's channels of information are implemented.

The development of internal awareness campaigns continues aimed at strengthening and maintaining security management through the communication of data protection mechanisms, with examples, rules and messages about the appropriate use of Bank information, always supporting the campaign by the union in the Banking Association focused on customers.

To maintain the phases implemented to support the objectives of External Circular 052, the Bank continues to develop the initiatives, projects and investments needed to maintain the mechanisms, processes, procedures and tools required and to conduct investigations and updates on information security issues and the prevention of fraud that can be implemented to mitigate existing and new risks.

34 Corporate Government

The Board of Directors of Banco Davivienda SA; adopted the Board Rules according to the guidelines of the Code of Best Corporate Practices - Country Code –and based on the principles of transparency, respect for shareholder rights, disclosure, due diligence and loyalty of consultants and managers, but also determines the operating regime of corporate bodies in order to promote the participation of its shareholders.

Similarly, the General Assembly of Shareholders adopted the Regulations of the General Assembly of Shareholders and implemented mechanisms for dissemination of the announcement and development of online meetings through the website.

The Bank has also strengthened the information channels for the shareholders and investors to include financial and non-financial information on the web page where they can consult documents that comprise the Corporate Government System, among them, the statutes, the shareholders rights and obligations guide, good government corporate code, the regulations of the Board of Directors and General Shareholders Meeting, as well as information related to the financial performance, administrative management, consultants, control institutes, shares, etc. At the same time, through the Corporate Government Code, the Bank has defined its

² Among others: Front Office, Back Office, Middle Office as well as Legal, Accounting and Technology Areas.



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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

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 Bank and supervises placement and follow-through of same.

The next (esquema) can ilust the main (organos) the support of the board to the develop the functions.



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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.

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 Grupo Bolivar 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 credit risks and/or counterparty, market and liquidity inherent to the treasury business, establishes limits and maximum levels of exposure to the different risks making efforts to obtain that these will be consistent with the equity position of the entity and, specifically, with the capital assigned to each business.

f) Credit and Portfolio Analysis and Risk Control Area:

It establishes, measures, administers and controls the risks generated on occasion of the efforts of evaluation, granting, administration and collection of the different lines of credit that the Bank offers in order to estimate foreseeable and unforeseeable losses.

g) Corporate Government Committee

The Committee's main function is to support the Board of Directors in the implementation of good corporate government practices and the fulfillment of established policies of the Bank in this regard.



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In reference to the Internal Control System, the adjustment of which has been required by External Memorandum 014 of 2009 modified by the External Memorandum 038 of 2009 issued by the Colombian Financial Superintendence, The Bank implemented the requirements with regard to the control and information and communications environment, as well as policies and mechanisms that adequately cover the liabilities in control activities, carrying out actions to optimize and document its functioning.

However, in respect to the report and disclosure mechanisms established, in order that the Board of Directors and Top Management will be duly informed regarding the entity's risks position, it is considered that the above presented structure affirms that the entity has mechanisms that guarantee the adequate flow of information to provide it support, monitoring and follow up.

The methodology and results of the management of measuring risks is detailed in Note 32 of the Risk Management Manual where the methodologies are presented to allow for identification of different types of risks as well as their measuring systems

The members of the risk areas are qualified and prepared persons and with experience subject to the entity's selection process. It seeks, especially, that the members will be people who comply with the principles and values of the institution, which guarantees a qualified human resource at a personal, family, moral and professional levels.

The Risk Area is comprised of a technical infrastructure, tools and systems that are required to guarantee the efficient, effective and appropriate handling of the Treasury Risk Management department, provides technical support in accordance with the size, nature, complexity and volume of operations, as well as the processes that allow for effective control and monitoring of policies and established limitations.

The Internal Audit area carries out verification tasks to the operations in a random manner in the Bank, risk analysis, to determine if the processes, limits and controls, are in agreement with the policies and responsibilities set forth in the manuals. In addition, it participates in the projects that are being performed to advise the users on the definition of controls in order that they will be knowledgeable about the applications. As a result of this, Auditing facilitates to the Administration, analysis and recommendations to strengthen the Internal Control. Likewise, it promotes the self-control culture among the officers at all levels of the organization, emphasizing on the security of the information and the compliance of rules and procedures.

The Board of Directors determined the separation of functions into Front, Middle and Back Office as independent areas to prevent conflicts of interest. The Front Office is handled by the Treasury Vice-President and is directly in charge of the negotiation of the client relationships and the business aspects surrounding them. The Middle Office is in charge of, among other functions, the measuring of risks, verification of policy fulfillment and establishing limitations as well as the analysis of risks. This area falls under the responsibility of the Planning and Risk Vice-President of the Grupo Bolivar. Finally, the Back Office is the area in charge of finalizing the operative aspects of the negotiations such as closure, registration and final authorization of the operations and handled by the Operations Vice-President.

The information of the credit and investment portfolio used for the management of risks is found in solid platforms and applications that permit their management for the generation of reports. Likewise, they meet the information security policies and the capacity sufficient for the size of the data bases of the different business types.

Additionally to the models, the adequate organizational and technological structure, there are documented and audited administrative and operational processes. In respect to the prevention of money laundering and financing of terrorism, the subjects related to the knowledge of the customer, change operations, civil liability of the compliance officer and personal liability of the members of the Board have been strengthened, as provided by the new regulations.



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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.

35 Controls of Law

At December 31, and June 30, 2010, the Bank complied with the requirements of mandatory reserves, foreign exchange position, minimum capital, solvency ratio and mandatory investment and investment limits in fixed assets.

Proper Position

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

		<u>December 31</u>	<u>June 30</u>
Bank's Average Position (PP)	USD	1,862.7	18.4
Maximum Required: 20% Technical Equity		372.5	299.7
Minimum required: -5% Technical Equity		(93.1)	(74.9)
Bank's average cash position (PPC)		13.1	3.8
Maximum Required: 50% Technical Equity		6.6	749.3
Average gross leverage position (PBA)		3,689.4	2,648.7
Maximum Required: 550% Technical Equity	USD	10,244.8	8,242.1

On December 31, and June 30, 2010 the Bank complied with the limits for its own position.

Solvency Reference

The following is the Technical Equity of Bank at December 31, and June 30, 2010:

		<u>December 31</u>	<u>June 30</u>
Basic Patrimony	\$	\$ 2,589,665.0	\$ 1,995,431.0
Additional Patrimony		<u>1,005,353.5</u>	<u>994,604.1</u>
Technical Patrimony		<u>3,595,018.5</u>	<u>2,990,035.1</u>
Value in Market Risk		170,855.9	119,362.4
Weighed Assets per risk levels		24,450,085.8	21,234,870.5
Solvency Index (PT/(APNR+((100/9)*VeR))		13.64%	13.25%
Minimum 9%			

The classification of the risk assets in each category is done applying the percentages specified by the Superintendencia Financiera de Colombia on each one of the asset amounts, contingency account, business and fiduciary matters established in the Single Account Plan.



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Individual fulfillment is verified each month.

Reserve

The Bank met the reserve requirement for deposits in local currency according to the following percentages:

At 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

At 4.5%

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

The reserve required and available to the Bank, during the second and first half of 2010, was:

	<u>December 31</u>	<u>June 30</u>
Required reserve	\$1,598,931.0	1,453,512.0
Reserve available	1,614,372.0	1,462,210.0

Investment required

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 December 31, and June 30, 2010 cut-off is shown below:

<u>Finagro</u>	<u>December 31</u>	<u>June 30</u>
TDA A (37%)	\$273,088.7	264,528.0
TDA B (63%)	464,988.9	450,412.0
Required total	738,077.6	714,940.0



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Alternative Portfolio	(372,314.8)	(313,996.0)
Investment to be made	365,762.9	400,944.0
TDA A (37%)	273,088.7	264,526.0
TDA B (63%)	92,674.2	136,418.0

36 Subsequent events

Miami Branch

Receiving approval from the Federal Reserve System of the United States (FED) for the operating license from the Florida Office of Financial Regulation (OFR) and the non-objection from the Financial Superintendence of Colombia, the Banco Davivienda's international branch opened on 3 January 2011 in Miami (USA). As a result, the transfer of assets and liabilities from the "Banco Cafetero International Corporation" subsidiary to the "Banco Davivienda S.A. Miami International Bank Branch" was formalized.

It started branch operations on January 1, 2011 and thus the integration of the Balances and daily account movements from that date.

The following is a summary of the integrated figures

Assets	USD\$	103.452.943.11
Liabilities		91.315.928.76
Investment disposal		10.369.000.00
Record of profit for integration		1.768.014.35