

## **Banco Davivienda**

Report by the Board of Directors  
and Chairman of the General  
Stockholders' Meeting

January – June 2009



## **Board of Directors**

### Principals

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Carlos Guillermo Arango Uribe  
Javier Suarez Esparragoza  
Alvaro Pelaez Arango  
Gabriel Humberto Zarate Sanchez  
Mark Alloway

### Alternates

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Alvaro Carvajal Bonnet  
David Peña Rey  
Federico Salazar Mejia  
Enrique Florez Camacho  
Lakshmi Shyam Sunder

## General Information

June 2009

<b>BRC Colombia Rating</b>	<b>AAA</b>
Number of customers	4.3 million
Number of offices	532
Number of own ATMs	1,331
Number of employees	9,256
Number of credit cards	1.31 million
Number of debit cards	2.64 million
Assets	\$22.3 trillion
Borrowings from public	\$15.2 trillion
Solvency ratio	12.74%
<b>Net profit for six-month period</b>	<b>\$224,266 million</b>

## **Report to the Board of Directors and the President to the General Stockholders' Meeting**

January – June 2009

Messrs. Stockholders:

It is a pleasure for me to present the report of activities of Banco Davivienda as of June 2009.

The first half of the year was characterized by deep changes in the tendencies of the economy and international markets, mainly in developed countries and particularly in their banking sectors, facing one of the most critical situations of the global economy since the 30s.

The growth forecasts for most of the developed economies are negative for the rest of 2009 and a slow recovery is only expected as of the end of this year and the beginning of 2010. The crisis has required intervention and support programs by governments and multinational financial institutions, which objective is to reactivate the economies through the support to the most affected productive sectors incentives to consumption and mobilization of loans to individuals and companies.

Colombia has handled the effects of this crisis in a satisfactory manner thanks to an adequate macroeconomic management by the Central Bank and the National Government, and to a strong financial system capable of accompanying the economic development of our country. An example of this is that no restriction has been imposed on the availability of credit resources to the various economic sectors, or to families.

The first half of the year was characterized both by the reduction of interest rates by the Central Bank and by a moderate inflation, which was reflected in a higher return of the system's investment portfolio.

On the other hand, the interest rate subsidy granted by the Government since the month of April for the purchase of new homes of up to 335 minimum legal wages in effect has permitted the reactivation of mortgage loan disbursements for low and medium income families.

## Macroeconomic environment

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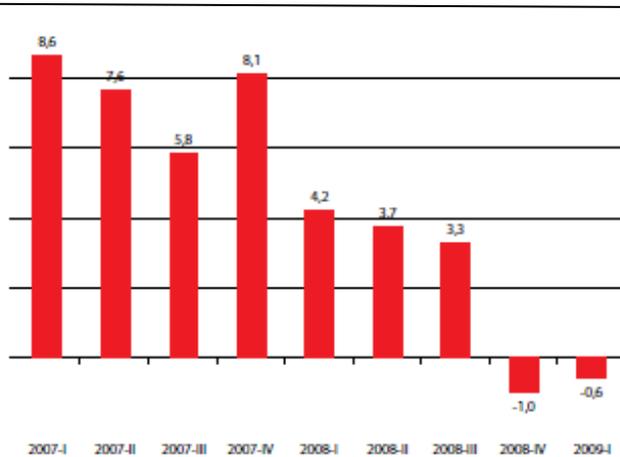
In tune with the international economic evolution, the Colombian economy has shown real negative growth during the last quarter of 2008 and the first quarter of this year. Figures available for the months of April and May do not permit to disregard that the contraction has extended to the second quarter of this year. To the three causes for the negative growth that we identified in the previous report (restrictive monetary policy that was carried out since the middle of 2006 up to 2008, the effect of inflationary pressures on consumption and the weakening of the world's demand) are added to the drop in trust by homes, which has weakened the demand for durable goods, and the growing unemployment levels.

Notwithstanding the foregoing, the outlook for the second half of the year are encouraging. First of all, The Central Bank has reduced considerably its intervention rate, which went from 10% in November 2008 to 4.5% last June, which has brought about the reduction of active rates and the break in the negative tendency of loan drawdown evolution. On the other hand, inflation levels have reduced significantly, which increases the purchasing power of salaries. Finally, commodity prices have started to react as a result of the recovery of some economies such as those of China and Brazil.

### GDP

According to figures by the DANE (National Administrative Department of Statistics), the Colombian economy dropped to a rate of 1% annually in the last quarter of 2008 and to 0.06 in the first quarter of this year. These negative variations respond mainly to the performance by the manufacturing industry which decreased at a rate of 7.9% in the first quarter of the year and to the retail trade sector that showed a reduction of 2.7% in the same period. Another sector with negative growth was transportation, with a reduction of 2%. The best results occurred in the mining and quarrying sector, with a growth of 10.6%, and the financial establishments, insurance, real estate and service to business sectors, with an increase of 4.7%, in respect to the same period of the previous year.

ANNUAL GROWTH OF GDP (PERCENTAGES)

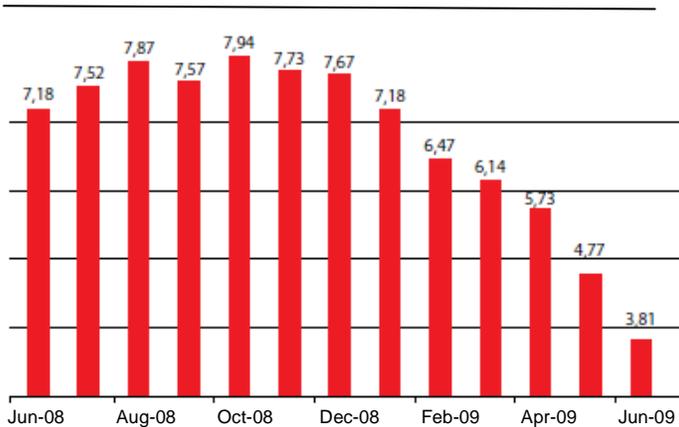


In respect to expenses, the items with highest slowdown in the past year corresponds to investment.

### Inflation

As of last June the annual variation of the consumer price index was 3.81%, significantly lower than the 7.67% obtained as of December 2008. This major deflation is the result, mainly, of the favorable evolution of food prices, particularly root and garden vegetables, which have permitted a reduction in annual inflation of food prices that went from growing 13.17% in December 2008 to just 2.81% in June 2009. Another of the items of the CPI that shows a favorable behavior is transportation, thanks to the stability in internal gas prices. Finally, the reduction in home consumption and investment levels has mitigated the pressure on price adjustment in the economy.

ANNUAL INFLATION 2008 – 2009 (PERCENTAGES)



According to the recent evolution of inflation, and notwithstanding that an acceleration of it is anticipated in the second half of the year, there is a high probability that the consumer price growth will be below the target range set by the Central Bank for 2009.

### Labor market

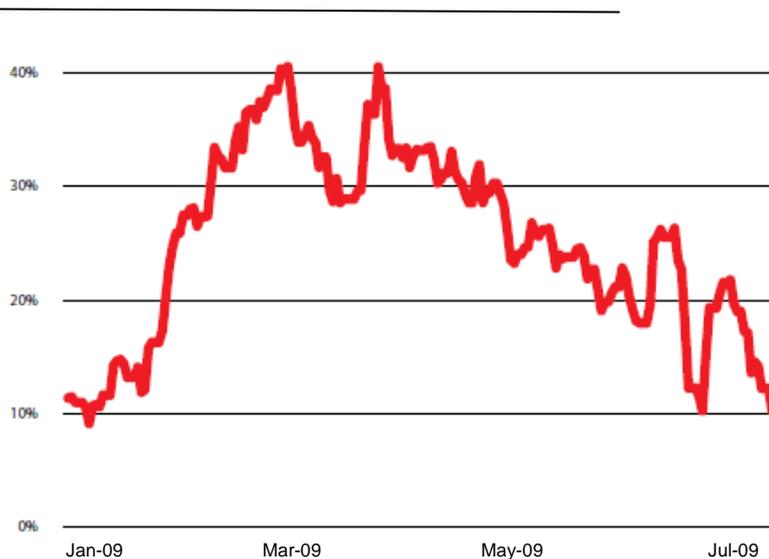
As a result of the economy's recession process of the past few months, the unemployment levels have increased. As of May, the total national unemployment rate rose to 11.65% and for the 13 most important cities it reached 12.45%. These figures are significantly higher than 10.83% and 11.7% respectively, a year ago. Notwithstanding that a slight upward trend in the growth of the economy is expected for the second half of 2009, it is very likely that the generation of employment will not occur in the same proportion, because of the efforts by companies to improve their performance indicators through productivity increases.

### Exchange rates

The market's representative exchange rate at the closing of June was \$2,158 per U.S. dollar, representing a devaluation of 12.2% annually. However, the mentioned rate is 16% lower than the one in effect at the beginning of April and lower than the rate of \$2,246 per dollar at the beginning of the year.

This revaluation process of the peso is the result of several factors. On the one part, there has been a better international environment that has favored the return of capital towards emerging countries. On the other hand, as a result of the increase in the fiscal deficit that is taking place as a consequence of the fall in tax revenues, the Government has increased its foreign debt levels, which has implied a significant entry of foreign currency to take care of expenses in local currency. Finally, in the past few months there has been an increase in commodity prices, especially oil, which has compensated the devaluation pressures of the end of 2008 and beginning of this year.

ANNUAL YEAR TO DATE DEVALUATION



## Foreign trade

As a result of the drop in commodity prices in the first few months of this year as compared to the same period last year, the country's export dynamics shows a considerable deterioration. In fact, in the first three months of the year sales abroad dropped 13.2% in respect to the same period last year. Export reduction is more drastic for traditional goods, especially oil, that shows a reduction of 21%. Exports of nontraditional products, in turn, had a 4.2% reduction.

As a consequence of the reduction in prices internationally and the drop in internal demand, during the first four months of the year total imports of goods experienced a reduction of 13.3%. This drop is explained mainly, by the reduction of purchases of durable goods, with a contraction of 18.7% and by the drop in raw material purchases for the industry (-24.9%).

## Financial sector first half 2009

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### Balance sheet

As of June 2009, the amount of assets of the group of credit institutions showed a variation of 15.5% in respect to the same period of the previous year, reaching a balance of \$224.7 trillion. The investment portfolio totaled \$45.3 trillion, higher by \$20 trillion than in the same period of last year. The liabilities were \$195.9 trillion, reaching a growth of 14.4% in the past 12 months.

### Loan portfolio

The loan portfolio continues to grow, mainly commercial and microcredits.

<b>Loan Portfolio Credit Establishments</b>		<b>June 08</b>	<b>June 09</b>	<b>Growth</b>	
Figures in trillion pesos		<b>Value</b>	<b>Value</b>	<b>Value</b>	<b>Variation</b>
<b>Portfolio</b>					
	Commercial	72.7	84.0	11.3	16%
	Consumer	36.7	37.7	1.0	3%
	Microcredit	2.2	3.5	1.3	59%
	Mortgage	9.5	9.8	0.3	3%
	Provisions	5.5	7.1	1.6	29%
	<b>Net Portfolio</b>	<b>115.5</b>	<b>127.8</b>	<b>12.3</b>	<b>11%</b>
	Mortgage & Securitized	12.9	14.6	1.7	13%
	<b>Net Portfolio + Securitized</b>	<b>118.9</b>	<b>132.6</b>	<b>13.7</b>	<b>12%</b>

Source: Financial Superintendence Of Colombia

As of June 2009, there had been a deterioration in the system's loan quality, increasing from 4.10% to 4.68% last year. This is due mainly to the higher deterioration in the consumer portfolio.

#### Loan quality deterioration

	December 2008		June 2009	
	Davivienda	System	Davivienda	System
Consumer	7.0%	7.2%	8.1%	8.1%
Commercial	2.3%	2.7%	3.6%	3.3%
Mortgage	3.2%	4.2%	2.9%	4.6%
<b>Total</b>	<b>4.0%</b>	<b>4.1%</b>	<b>5.0%</b>	<b>4.7%</b>
<b>Coverage</b>	<b>146.0%</b>	<b>117.1%</b>	<b>131.1%</b>	<b>111.3%</b>

Total portfolio quality: Past due portfolio / total portfolio

### Borrowings from public

The growth in borrowings was intensified in time deposits, instrument that currently represents 43% of deposits.

Total financial system borrowings		June 2008	June 2009	Variation
Figures in trillion pesos	Savings accounts	51.2	57.3	12%
	Checking accounts	20.4	23.6	16%
	Time deposits	49.0	60.7	24%
Source: Financial Superintendence Of Colombia	<b>Total</b>	<b>120.6</b>	<b>141.6</b>	<b>17%</b>

### Equity

As of June 2009, the equity of credit institutions amounted to \$28 trillion, \$5.5 trillion higher than the previous year.

Considering the growth of assets, the solvency ratio remained stable passing from 13.13% in June 2008 to 13.69% in the same period of 2009.

### Results for the period

Credit institutions report accumulated profits as of June 2009 of \$2.69 trillion, 13% in excess to the figure reported in the same period in the previous year. Profitability on equity for the system was 22%.

## Mortgage loans

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### Loans to individuals

Originations of mortgage loans to individuals accumulated as of June 2009 showed a growth of 6% as compared to the same period of 2008.

<b>Accumulated mortgage loan originations</b>		<b>Jan. – Jun. 2008</b>	<b>Jan. – Jun. 2009</b>	<b>Growth</b>
Figures in billion pesos	Individuals	2,019	2,061	2%
	Subrogations	39	46	17%
	Leasing	168	242	44%
Source: Bankers' Association	<b>Total</b>	<b>2.226</b>	<b>2,349</b>	<b>6%</b>

In the period from January through June of this year, interest rate subsidies for new home purchases for up to 335 minimum legal wages was in effect only during the months of April and May. Therefore, a higher growth is expected for this segment in the rest of the year.

### Construction licenses

Construction licenses from January to May 2009 showed a reduction as compared to the same period in 2009, mainly licenses approved for purposes other than homes, 14%, and housing licenses, 31%.

### Constructor loan portfolio

Constructor loan disbursements from January to June 2009 fell 11%, passing from \$1.3 trillion to \$1.1 trillion in respect to the same period of the previous year. Gross constructor loan portfolio went from \$2.2 trillion to \$2.7 trillion for the same period.

### Low income housing performance

Originations of mortgage loans for low income housing to individuals increased, passing from \$616 billion accumulated as of June 2008 to \$731 billion as of June 2009, including disbursements by the National Savings Fund.

# Banco Davivienda

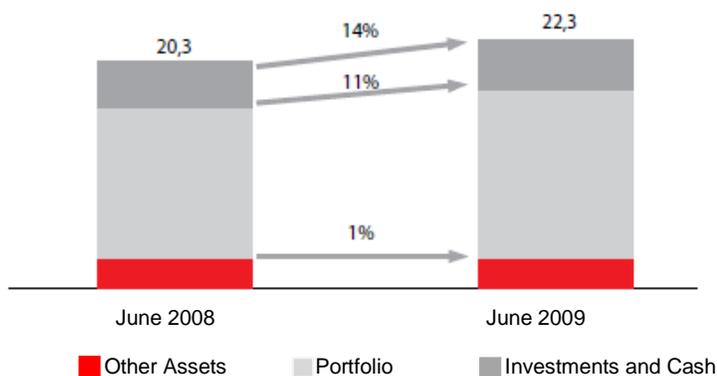
The integration process of Davivienda-Bancafe and the affiliates is carried out satisfactorily, in accordance with the plan. The activity program for 2009 is carried out without any drawbacks and it is expected that during the second half it will continue with the integral migration of applications and data bases, image unification and office design, and the integration of international affiliates.

## Assets analysis and structure

As of June 2009, the Bank's assets showed a growth of \$2.04 trillion as compared to the same month in 2008, reaching \$22.3 trillion. This growth is driven by the increase in the loan portfolio, which now represents 67% of the assets.

### ASSETS PERFORMANCE

Figures in trillion pesos



## Loan portfolio

As of June 2009 there was a significant increase in the evolution of the loan portfolio, mainly as a result of the increase in the commercial loan portfolio given the dynamics of that sector and the use of the synergies provided by the merger with Granbanco.

<b>Banco Davivienda Total loan portfolio</b>		<b>June 2008</b>	<b>Share</b>	<b>June 2009</b>	<b>Share</b>	<b>Growth</b>
Figures in billion pesos						
Mortgage & leasing		2,700	19%	2,750	17%	2%
Commercial		6,474	45%	7,853	49%	21%
Credit cards		1,536	11%	1,453	9%	-5%
Vehicles		618	4%	649	4%	5%
Other personal credits		2,918	20%	3,312	21%	13%
<b>Total</b>		<b>14,245</b>	<b>100%</b>	<b>16,016</b>	<b>100%</b>	<b>12%</b>

Similarly to the system's results, Davivienda's loan portfolio quality indicators have shown a slight deterioration in the year, although the coverage continues to be above the sector's average.

<b>Banco Davivienda Past due receivables indicators June 2009</b>		<b>Quality Indicators</b>		<b>Coverage Indicators</b>	
		<b>Davivienda</b>	<b>System</b>	<b>Davivienda</b>	<b>System</b>
	Commercial	3.6%	3.3%	123.1%	129.7%
Quality indicator: Past due receivables (over 31 days) / Total	Consumer	8.1%	8.1%	128.1%	95.8%
Coverage indicator: Provisions / Past due receivable (over 31 days)	Mortgage	2.9%	4.6%	105.8%	76.0%
	<b>Total</b>	<b>5.0%</b>	<b>4.7%</b>	<b>131.1%</b>	<b>111.3%</b>

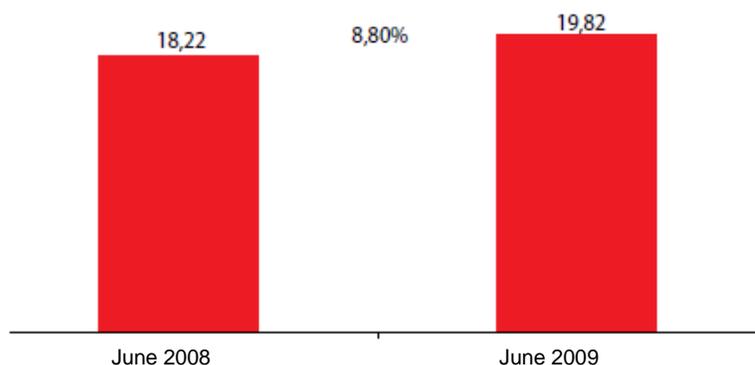
## Liabilities analysis and structure

As of June 2009, the Bank's liabilities showed a growth of \$1.60 trillion in respect to those shown as of the same date in 2008.

As compared to the same month in 2008, reaching \$22.3 trillion. This growth is driven by the increase in the loan portfolio, which now represents 67% of the assets.

### LIABILITIES PERFORMANCE

Figures in trillion pesos



## Borrowings from the public

The Bank's traditional borrowing instrument that showed the highest growth in the past 12 months was time deposits with 13%; also outstanding is the growth in bond issues. During the first quarter Davivienda carried out the first part of the global issue program of \$1 trillion; that portion corresponded to \$550 billion and for this fraction there was a demand of \$1.26 trillion.

### Banco Davivienda Borrowing instruments

		June 2008	Share	June 2009	Share	Growth
Figures in billion pesos						
	Savings accounts	7,022	47%	7,206	42%	3%
	Checking accounts	2,054	14%	2,197	13%	7%
	Time deposits	5,190	35%	5,853	34%	13%
	Bonds	686	5%	1,758	10%	159%
	<b>Total</b>	<b>14,952</b>	<b>100%</b>	<b>17,014</b>	<b>100%</b>	<b>14%</b>

## Equity structure

The Bank's equity closed as of June 2009 at \$2.48 trillion, \$441 billion over the amount as of June 2008.

As of June 2009 the qualifying capital amounted to \$2.5 trillion, while assets weighted by risk level were \$18.4 trillion. Jointly, these two figures indicate a Bank's solvency ratio (qualifying capital / assets weighted by risk) of 12.74%.

## Income statement

The results as of June 2009 amounted to \$224,266 million. These represent an increase of 11.3% in respect to the results of the year 2008.

				Growth	
		June 2008	June 2009	Value	Percentage
Figures in million pesos					
	Financial revenues	1,244,572	1,446,795	202,223	16.2%
	Financial expenses	474,169	538,841	64,672	13.6%
	<b>Intermediation profit</b>	<b>770,403</b>	<b>907,954</b>	<b>137,550</b>	<b>17.9%</b>
	Operating expenses	501,832	530,234	28,402	5.7%
	Income from services	304,221	311,917	7,695	2.5%
	<b>Operating profit</b>	<b>572,793</b>	<b>689,636</b>	<b>116,843</b>	<b>20.4%</b>
	Bonds	371,340	465,370	94,030	25.3%
	<b>Net profit</b>	<b>201,453</b>	<b>224,266</b>	<b>22,814</b>	<b>11.3%</b>

## Affiliates' performance

### Bancafe Panama

During the first half of year 2009, there was a growth of 31% in assets and of 25.5% in profits.

				Growth	
<b>Bancafe Panama</b>		June 2008	June 2009	Value	Variation
Figures in million U.S. dollars					
Assets		325.0	425.3	100.3	30.9
Liabilities		272.6	363.9	91.4	33.5
Equity		52.4	61.4	8.9	17.1
<b>Profits</b>		<b>4.3</b>	<b>5.4</b>	<b>1.1</b>	<b>25.5</b>

### Bancafe Internacional

During the first half of the year the Bank submitted to the Financial Superintendence of Colombia an application to convert its Miami affiliate (up to that time an Edge Act Corporation) into a Branch, as a prior step to submit that same application to the Federal Reserve Bank of the United States. This will permit to increase the affiliate's level of activity in the future.

				Growth	
<b>Bancafe Internacional</b>		June 2008	June 2009	Value	Variation
Figures in million U.S. dollars					
Assets		125.8	123.9	-1.9	-1.5%
Liabilities		113.5	111.8	-1.7	-1.5%
Equity		12.4	12.1	-0.3	-2.1%
<b>Profits</b>		<b>0.0</b>	<b>-0.2</b>	<b>-0.2</b>	

### Confinanciera

During the first half of 2009 there was a change in the country's vehicle market tendency, with lower growth of financing for purchase of vehicles and high delinquency levels. Even so, the entity continued showing great strength in the generation of productive assets, notwithstanding the difficulties faced by the cargo and passenger vehicle segments.

				Growth	
				Value	Variation
<b>Confinanciera</b>		<b>June 2008</b>	<b>June 2009</b>		
Figures in million pesos	Assets	440,458	433,407	-7,052	-1.60%
	Liabilities	392,033	374,194	-17,839	-4.55%
	Equity	48,426	59,213	10,787	22.28%
	<b>Profits</b>	<b>3,570</b>	<b>5,219</b>	<b>1,649</b>	<b>46.19%</b>

## Fiduciaria Davivienda

During the first half of 2009 its profits grew 57%. The return on the initial equity was 30.9% and the return on assets was 19%.

				Growth	
				Value	Variation
<b>Fiduciaria Davivienda</b>		<b>June 2008</b>	<b>June 2009</b>		
Figures in million pesos	Assets	51,860	44,085	-7,775	-15.0%
	Liabilities	20,204	5,113	-15,090	-74.7%
	Equity	31,656	38,971	7,315	23.1%
	<b>Profits</b>	<b>4,017</b>	<b>6,300</b>	<b>2,283</b>	<b>56.8%</b>

The assets in trust grew 33.2%; most of them, 30%, are represented by investment trusts: Fideicomiso Superior and collective portfolios with pact of permanence. Worth mentioning is the modality of Dafuturo, with a growth of 18% as of June 2009 as compared to the same period in 2008.

## Fiducafe

In the first part of the year, the total business administered directly by the Fiduciaria amounted to \$5.6 trillion, with a variation of 31.87%. Of the total business, pension trusts had a share of 77.6%, followed by administration and payment trusts with 11.9% and guarantee with payment sources with 2.4%. The Open Collective Portfolio Rentacafe, showed an ending balance of \$712,116 million.

				Growth	
				Value	Variation
<b>Fiducafe</b>		<b>June 2008</b>	<b>June 2009</b>		
Figures in million pesos	Assets	54,895	63,640	8,745	15.93%
	Liabilities	11,941	8,708	-3,233	-27.08%
	Equity	42,954	54,932	11,978	27.89%
	<b>Profits</b>	<b>4,742</b>	<b>11,115</b>	<b>6,373</b>	<b>134.40%</b>

## Davivalores

During the first half of 2009, profits decreased 15%. This drop is the results of an income reduction as compared to the previous year, mainly by the reduction in the commissions obtained by primary placements.

<b>Davivalores</b>				<b>Growth</b>	
		<b>June 2008</b>	<b>June 2009</b>	<b>Value</b>	<b>Variation</b>
Figures in million pesos	Assets	7,258	9,311	2,052	28.3%
	Liabilities	489	682	193	39.4%
	Equity	6,759	8,629	1,860	27.5%
	<b>Profits</b>	<b>987</b>	<b>838</b>	<b>-149</b>	<b>-15.1%</b>

## Risk analysis

The risk management and administration at Banco Davivienda and the Bolivar Group is carried out through a strategy of synergy between the companies, consolidating a risk area for all companies which optimizes the technological academic resources for the development of measurement, analysis and control tools of the risks assumed. In Note 32 to the Financial Statements are included the detailed indicators for each of them.

### Credit Risk Administration System (SARC)

The Bank has continued working in an adjustment process of the expected loss estimation models. A summary of these models is found in Note 32 to the Financial Statements. The provisions of Davivienda loan portfolio amounted to \$1 trillion at the closing of June 2009.

### Market risk

Treasury performs in accordance with the guidelines and strategies defined by the Board of Director and the Financial and Investment Risk Committee. The control of value creation of the different lines of business and/or portfolios is exercised by the Financial Risk Area as well as the identification, measurement and monitoring of the market risk. As of June 2009 the statutory risk value, calculated as per the methodology described in chapter XXI of the Basic, Accounting and Financial Circular (External Circular 100) from the Financial Superintendence of Colombia was of US \$114 million. The summary of the internal model used to calculate the value at risk is found in Note 32 to the Financial Statements, as well as the major results of the standard methodology.

## **Liquidity risk**

For measuring the liquidity risk the guidelines established in Chapter VI of the Basic, Accounting and Financial Circular (External Circular 100 of 1995) issued by the Financial Superintendence of Colombia are applied, which establish the criteria and procedures for the evaluation and management of liquidity risks and asset and liability management (ALM). Additionally, the Bank is developing the tools necessary to comply with the requirements set forth in External Circular 016 of May 2008, which defines the guidelines of the Liquidity Risk Administration System (SARL, for its initials in Spanish).

## **Operational Risk Administration System (SARO)**

Pursuant to External Circulars 048 and 049 of 2006 from the Financial Superintendence of Colombia, Davivienda established the Operational Risk Administration System (SARO, for its initials in Spanish), which will permit to strengthen the institution and reduce operating losses. Note 32 to the Financial Statements includes the detail of the SARO implementation.

Davivienda meets the minimum security and quality requirements of Circular 052 of 2007 from the Financial Superintendence of Colombia, which are explained in Note 33 to the Financial Statements.

## **Administrative aspects**

### **Internal control**

Currently Davivienda applies control rules to its operations and Auditing is in charge of studying the security procedures, making sure that said procedures are updated and fulfilled.

### **Audit Committee**

In the 2009 year to date, the Audit Committee has complied with the rules of the Financial Superintendence and the Audit Committee Regulations adopted by the Bank's Board of Directors, verifying the performance of the procedures carried out by the Administration on subjects related to the disclosure of financial information and to the adequate operation of the internal control, through the analysis of the reports submitted by Auditing and the Statutory Auditors, as well as the special fulfillment of the rules on Prevention of Money Laundering based on the information from the Compliance officer and making a follow up to the communications from the Financial Superintendence of Colombia.

As of June 30, 2009, the Audit Committee considers that there is an adequate and satisfactory internal control; consequently, there are no deficiencies that affect the normal course of activities performed within the Bank and which could affect the transparency of the financial information.

## **Money Laundering and Terrorism Financing Risk Administration System (SARLAFT)**

Pursuant to the provisions of External Circular 026 of June 2008 from the Financial Superintendence of Colombia, the Bank has implemented a Money Laundering and Terrorism Financing Risk Administration System (SARLAFT, for its initials in Spanish) in order to prevent being used to give the appearance of legality to assets originating in illegal activities.

This system is supported on an organizational culture, policies and procedures that are known to and applicable by the entire organization and that collect the Colombian regulatory framework, as well as the recommendations and international best practices on this subject, mainly those of the Financial Action Task Force "FATF".

The procedures and rules of conduct on the application of all control mechanisms and instruments are integrated in the SARLAFT Manual and Code of Conduct, which is known by and accessible to all officers of the Bank.

The Bank periodically holds training programs for its officers, seeking to create awareness and commitment in each of them. In addition, it exercises the controls on the fulfillment of the rules and procedures that rule the subject of prevention of money laundering and financing of terrorism.

### **Legal situation**

The Bank currently does not have any processes against it that would affect its solvency situation or stability. The most important processes are listed in Note 19 of the Financial Statements.

### **Administrative situation**

As of June 2009 the Bank has 8,775 employment positions under an indefinite term agreement, 54 at fixed term, 300 in training and 127 part time employees, for a total of 9,256.

### **Intellectual property and copyrights**

Davivienda has established internally awareness programs to its employees, in order to achieve, through self-regulation, the compliance with the Intellectual Property and Copyrights rules. Additionally, these programs are reinforced by periodical Audit visits to the different areas of the Bank, in order to evaluate, among others, this issue.

### **Operations with partners and administrators**

The operations carried out by Banco Davivienda with its partners and administrators conform to the entity's general policies. These operations are detailed in Note 31 to the Financial Statements.

Credits and deposits with related parties (shareholders, Board members and advisors, administrators and other related parties) amount to \$212,576 and \$270,935 million, respectively.

For attendance to the Board of Directors meetings, fees and commissions were paid to its members and advisors for \$278 million.

### **Intensity of business group relations**

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

Following is a summary of the major operations with related parties as of June 30, 2009, the detail of which is shown in Note 31 to the Financial Statements:

Figures in million pesos	Assets	374,828
	Liabilities	455,594
	Income	43,317
	Expenses	31,044

There were no significant operations completed during the period ended on June 30, 2009 between Banco Davivienda and other entities by influence or in the interest of Sociedades Bolivar S.A., or between Sociedades Bolivar S.A. and other entities in the interest of Davivienda.

There were no major decisions made by Banco Davivienda or not made by influence or in the interest of Sociedades Bolivar S.A., or decisions made or not made by Sociedades Bolivar S.A. in the interest the Bank.

### **Expenses for company directors**

Disbursements made to directors amount to \$3,263 million.

### **Expenses for advisors or managers retained**

Disbursements to advisors and managers are listed below:

Figures in million pesos	Board of Directors Fees	158
	Other fees	6,084

## Donations

During the first half of 2009 donations were made for \$813 million.

## Advertising and public relations expenses

Advertising expenses amount to \$21,952 million and public relations expenses to \$725 million.

## Goods held abroad

Money and other goods of the company held abroad amount to \$105,772 million and obligations in foreign currency to \$1,091,817 million.

## National and/or foreign investments

The detail of investments is disclosed in Note 5 to the Financial Statements. These amount to \$285,237 million, as follows:

Figures in million pesos	National investments	200,061
	International investments	85,176

## Predictable evolution of Banco Davivienda

In 2009 it is expected to continue to merger process of the Bancafe and Davivienda networks, without affecting the customers of either entity, providing benefits to them and rendering additional services. It is expected to complete the migration of the customers and applications and continue with the change of image of the Bancafe network offices.

## Major events occurred after closing of period

In July 2009 the second part of the program of issue of ordinary bonds for \$1 trillion took place. This part corresponded to \$450 billion.

In the process of homologation of ratings and due to the acquisition of Duff & Phelps by Fitch International, the rating company Fitch Ratings gave Banco Davivienda ratings of F1+ for short term and AA for long term. As stated by said entity, this rating is not due to changes in the financial situation or credit quality of Banco Davivienda, but to changes in rating methodologies.

## **Certification and responsibility of financial information**

We certify that the Financial Statements and other relevant reports to the public do not contain any defects, inaccuracies or errors that may prevent knowing the true equity situation or the operations of Davivienda.

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

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

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

Attached to this report are the Balance Sheet and Income Statement as of June 30, 2009. In these statements are recorded all assets and liabilities existing as of the closing date and these represent probable rights and future obligations, respectively. In addition, all transactions for the period were recorded and all economic facts have been recognized and correctly classified, described and disclosed. All items have been recognized for the proper amounts, in conformity items have been recognized for the proper amounts, in conformity with Article 57 of Decree 2649 of 1993.

We appreciate the commitment by all employees and the support from our stockholders, without which these results would not had been possible.

CARLOS ARANGO URIBE  
Chairman of the Board of Directors

EFRAÍN E. FORERO FONSECA  
President