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Banco de Bogotá

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CORPORATE PARTICIPANTS

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Operator:

Welcome to the 2Q 2021 consolidated results conference call. My name is Hilda and I'll be your operator during this conference call.

At this moment, all participants are in a listen-only mode. At the end of the presentation, we will conduct a question and answer session. Please note that this conference is being recorded. We now ask that you take your time to read the disclaimer included on page two.

When applicable, in this webcast we'll refer to trillions as millions of millions and to billions as thousands of millions.

Thank you for your attention. Mr. Alejandro Figueroa, CEO of Banco de Bogotá, will be the host and speaker today. Mr. Figueroa, you may begin your conference.

Alejandro Figueroa:

Thank you, Hilda.

- Good morning ladies and gentlemen and welcome to Banco de Bogotá's Q2-2021 earnings call. Thank you all for joining us today; we hope that you and your families have continued to stay safe.

- Second quarter performance led to remarkable results, paving the path to recovery and normalization of our operations, proving once more Banco de Bogotá's resiliency. Favorable economic activity, both in Colombia and Central America for most of the quarter, have led to better business dynamics and the recovery of our credit portfolio, despite the challenging context posed by new contagion waves and social unrest demonstrations in Colombia.

- Attributable Net Income for Q2-2021 was $863.4 billion pesos, increasing 21.6% quarterly and more than doubling our results in Q2-2020. Profitability for the quarter rebounded to 1.8% Return on Average Assets and 16.0% Return on Average Equity, surpassing our long-term profitability expectations. These results were supported by an increase in our Net Interest Income, solid Fee Income contribution, continued normalization in our Provision Expenses, and sustained control on Operating Expenses.

- Regarding key performance ratios, I would like to highlight:

- Net Interest Margin increased 36 bps in the quarter to 4.9%, as a result of a stable lending NIM and positive market dynamics that supported investment yields' revaluation.
  - Fee income continues to stand above $1.2 trillion pesos, leading to a 31.8% ratio for Q2-2021.
  - Efficiency ratio came in at 49.8%, an annual improvement of more than 300 bps, demonstrating our commitment to continuously enhance efficiency. Cost to Assets ratio was stable at 3.4%.

- Regarding our balance sheet, gross loans totaled $145.9 trillion pesos as of June 30 / 2021, growing 2.9% annually and 2.2% quarterly. Isolating FX impacts, growth was 3.0% and 1.2% respectively.

- Deposits reached $158.9 trillion pesos, presenting a 7.1% annual increase excluding FX, driven by market liquidity preferences for demand deposits. As a result, our Deposits to Net Loans ratio remains at 1.15x.

- In terms of credit quality, our 90 days PDL ratio slightly increased 8 bps to 3.3%, which is below our initial expectations after the expiration of first' generation relief programs. Net Cost of Risk decreased 24 bps in the quarter to 2.2%, proving that our prudential reserve build-up throughout 2020 has been more than sufficient to endure loan deterioration, while supporting Cost of Risk convergence towards historical levels.

- On Capital Adequacy, Total Tier 1 ratio was 10.2% for the quarter, leading to a Total Solvency ratio of 12.5%, maintaining comfortable buffers above regulatory minimums and supporting our healthy capital position. It is worth mentioning that with the recently announced Porvenir deconsolidation, our solvency ratios will continue to strengthen in the following quarters.

- Finally, our guidance for 2021 is:

  - For loan growth we expect around 8% to 10%.
  - Our net interest margin target is around 5%.
  - Cost of Risk should be between 2.25% and 2.5%.
  - Our fee income ratio should be close to 35%.
  - Our Efficiency ratio should be around 50%.
  - And in terms of profitability, our ROAA and ROAE should come in at around 1.3% and 12%, respectively.

- Before continuing with our results presentation, I would like to take a moment to thank Mr. Julio Rojas Sarmiento for his many contributions along his five-year tenure at Banco de Bogotá. He played a pivotal role in our Bank's digital transformation and in designing and executing our overall business strategy, targeted at nurturing profitable and sustainable growth. Mr. Rojas will be stepping down from his Executive Vice-President position at the end of this month. The Board of Directors and myself, personally, in all gratitude wish him the best on his future endeavors.

- The Board of Directors has named Mr. Germán Salazar as Executive Vice-President. Mr. Salazar has had a successful career at Banco de Bogotá for more than four decades, most recently serving as International & Treasury Vice-president. He also previously served as Vice-president of Banco de Bogotá Trust Co New York and President of the First Bank of the Americas. To Germán, I extend my sincere congratulations.

Now, I will turn the presentation over to Germán, to comment on the recent Porvenir shareholders' agreement and to provide an update on our digital strategy.

<u>Germán Salazar</u>: Thank you, Alejandro and good morning to everyone who has joined our call today.

- I would like to start by providing an update on Porvenir's recently signed shareholders' agreement, which provides that Banco de Bogotá cedes direct control to Grupo Aval and will no longer consolidate its operation in its financial statements.

- The rationale behind the agreement was to reinforce Grupo Aval's nature as a financial conglomerate while allowing Banco de Bogotá to focus on its banking operations, as well as better reflecting the performance of its core business in the consolidated financial statements. Moreover, Porvenir's deconsolidation allows Banco de Bogotá to optimize its capital structure as I will explain in a few moments.

- It is important to highlight that: first, Porvenir's ownership structure will not change as a result of this new agreement; and second, Banco de Bogotá's bottom line will continue to benefit from the business diversification provided by Porvenir, as its resilient results will be accounted through equity method.

- Now let me address the main financial impacts derived from this corporate transaction:

- As an unconsolidated subsidiary, starting on Q3-2021 our investment in Porvenir will be reflected as an 'Investment in Associates and Joint Ventures', while our investment and trading assets will register a reduction related to the deconsolidation of Porvenir's portfolio and stabilization reserves, along with small variations on other accounts. Consequently, Porvenir's liabilities will also be deconsolidated and the Non-controlling Interest account in our Equity will no longer reflect the stake of Porvenir that we do not own.

- As mentioned before, Porvenir's results will no longer be included on an account-level basis as its bottom line will be recognized via equity method in a proportion according to Banco de Bogotá's 46.9% ownership.

  Simultaneously, the operation will present a profit of $1.3 trillion pesos that will enhance our Equity and will lead to higher CET1 levels.

- Our solvency ratios will improve from the transaction as: 1) it will add CET1 capital; 2) we will have lower goodwill deductions; and 3) reduced RWAs. These factors will offset an increase on the deduction of unconsolidated investments leading to an estimated 96 bps increase in our CET1 level to 9.9% and a Total Solvency ratio of 13.6%.

- Finally, I would like to add that this operation will also improve our capital metrics for most Rating Agencies, further solidifying our creditworthiness.

On ***slide five***, we present our digital strategy results for this quarter.

- One of the pillars of our digital strategy is its permanent evolution as the nature of digitalization is ever-changing. Our strategy expands over different dimensions: client-facing operations, core digital transformation and data analytics. In all of these, we hold key differentiating factors that support our consistent digital growth.

- From a client standpoint, our focus has been on continuously fine-tuning our digital portfolio to the changing preferences of our customers which notably shifted during 2020. We had a strong digital infrastructure to face increasingly digitalized operations, but we did not stop there as we continue to improve and provide the best customer experience possible. Just to mention a few examples: during Q2-2021 we upgraded digital components on our digital payroll loans, mortgages and microcredit products as well as enhanced our virtual banking platform for enterprise banking customers.

- Our digital portfolio is 100% cloud based, easing continued enhancement of existing products and services while promoting testing and development of new ideas. Also, we strive to integrate our new product ideas with our ESG framework. Last May, we launched our Amazonia Debit Card, supporting reforestation efforts led by NGO Saving the Amazon. This card allows our customers to donate 1% of their purchases to support this purpose, complementing our previously launched initiative of financing the planting of one tree for each digital term deposit opened in Colombia. For every two trees planted with customer donations from the Amazonia Debit Card, Banco de Bogotá commits to finance the planting of an additional one.

- As I mentioned, digital transformation of our core operations has always been a priority, in fact, it is the cornerstone of our strategy. Cloud migration of our processes started a few years back, leading to 100% cloud integration of our data platforms, positively impacting process efficiency, market penetration and rapid reaction.

- Regarding our last dimension, data analytics, digitalized operations provide a wealth of information points regarding customer interaction with our channels which in turn steer our strategy focus towards the products and services most relevant to our clients. Increased digital adoption and profitable long-term relationships are only made possible by a thorough understanding of their needs, which we support through our data analytics tools.

- In terms of results of our strategy, digital sales' growth in Q2-2021 came in at a 57.1% annual growth rate since 2019, proving that demand for digital solutions have steadily increased, positioning our digital channels as the leading salespoint. During the first half of 2021, we sold 891 thousand digital units, 2.4x our 2019 first semester sales, leading to a 70% digital sales share in Colombia and close to 30% in Central America. As with our traditional banking, our digital growth is based on a disciplined value-creation focus where every segment is analyzed in their capacity to generate profitable businesses when comparing customer lifetime value with acquisition costs. Thus, ensuring that our digital strategy is profitable, scalable, and sustainable.

- Our active digital clients at a consolidated level presented an annual growth rate of 31.0% in Q2-2021, to a total over 2.7 million who performed over 526 million digital transactions during the quarter, representing 86.3% share of total transactions.

- As digitalized operations become the new normal, we continue to streamline our physical footprint. By the end of June 2021, our storefront count was 757, down 21% from 2019, in order to support the self-funding nature of our digital strategy by capturing digitalization cost benefits in our resource allocation.

- Progress on our digital transformation process has been instrumental in the execution of our corporate strategy. With our clients at the center, we continue to improve our NPS scores reflecting increased satisfaction and evolving on our Bank’s perception.

- Also, digital results have consistently contributed to our sustainable growth, mainly increasing our consumer and mortgage portfolios. Such expansion is supported by improved risk management through inclusion of more and better data as well as it has reinforced our cost control efforts. In turn, we remain focused on positively impacting the communities where we operate through our innovative solutions developed to answer to customers' needs.

Now, I will turn the presentation over to our Head of Corporate Development, FP&A and IR, Mr. Diego Rosas, who will provide a macroeconomic overview as well as review our financial results in further detail.

<u>Diego Rosas:</u>

Thank you, Germán and good morning everyone. I would like to start by providing a macro overview on Colombia, presented on ***slide six***.

- The Colombian economy faced multiple shocks during the second quarter. The third wave of the pandemic started in April and lasted for about three months, while social distancing measures were only implemented during April, thus minimizing economic impact. In May, economic activity was heavily affected by road blockades during the national strike. With this scenario, the economy slowed down significantly, but continued to show positive variations due to statistical base effects. Moreover, real-time indicators showed that the greatest impact occurred in the first two weeks of May and the economy quickly showed signs of recovery, reversing the shock in June and July. For the second quarter, our Economic Research Team projects an economic growth of 18.5% annually.

- For 2021, our economists reaffirm their growth forecast of 7.0%, but recognize favorable dynamics of the economy, which translate into an upward bias in the projection that could take activity to pre-pandemic levels at the end of the year. The rebound in the economy has surprised rating agencies and multilateral entities, which improved their 2021 growth forecasts.

- However, the recovery of the economy has only partially benefited the labor market, which registered 20.5 million employees in May, recovering 70% of the jobs lost due to the pandemic. The seasonally adjusted unemployment rate in June was 15.1%, still above the level registered in the same month of 2019. Although the economy could return to pre-pandemic levels in 2021, the labor market would take longer at the current rate of improvement.

- Inflation began an upward trend in the second quarter, closing at 4.0% in July, after reaching the minimum for the year in March of 1.5%. Monthly results repeatedly surprised, causing an upward revision in market expectations and analysts' consensus. The statistical base effect impacted prices, but road blockades also had an important effect, more than doubling annual food inflation to 9.8%. The core measure excluding food remained below 3.0%, closing the quarter at 2.9%. Our Economic Research team expects inflation of 4.0% at the end of 2021.

- The central bank has continued with its interest rate stability policy at 1.75%. However, accelerating inflation and the recovery of the economy have adjusted consensus and market expectations, with rate increases projected before year-end. Our Economic Research team forecasts three 25 bps increases during the remainder of the year, starting in September and closing 2021 at 2.5%.

- The weak recovery in coal and oil production has impacted the behavior of exports. Imports have benefited from investment goods, causing a recurrent deterioration in the trade balance, which registered a 12-month deficit of more than USD11 billion in May. The deterioration would continue in June with a trade deficit of almost USD13 billion, the largest in five years.

- The pandemic caused an increase in public spending and a weakening in fiscal accounts, prompting the government to present a second alternative for a tax reform in July, after its failed attempt in April. The Ministry of Finance presented a new reform with wider endorsement from businesses and political parties, which seeks to increase tax revenues by $15 trillion pesos. The new tax reform focuses on corporate tax increases, austerity and the fight against tax evasion. Part of the resources will be directed to social programs that were created in the pandemic, such as subsidies for the vulnerable population and payroll subsidies for companies. The project also presented improvements to the Fiscal Rule, establishing a ceiling for public debt of 71% of GDP and a long-term target of 55% of

GDP. The new tax reform has greater political support and is expected to be approved in Congress between August and September.

- In July, Fitch Ratings downgraded Colombia's rating from BBB- to BB+, adjusting the outlook from negative to stable. The decision was expected, after Standard and Poor's move in May. Now, two agencies have removed the investment grade from Colombia. Meanwhile, Moody's has mentioned that its decision on the sovereign rating will be made after the tax reform and budget for the 2022 term are approved.

- Local and external factors impacted the exchange rate in the second quarter, taking it to the highest level of the year. The extension of the roadblocks, social protests and the downgrade of the sovereign rating generated an uptrend in the exchange rate to levels between $3,900 and $4,000. In addition, the expectation of an early normalization of monetary policy in the United States and the new variants of the coronavirus in the world negatively impacted risk assets, including emerging market currencies.

- The vaccination process in Colombia started slowly, as in other emerging markets, but accelerated in the second quarter. Additionally, private companies began the immunization process for their employees with 2.1 million doses. At the end of last week, the country has applied over 31 million vaccines, which represent 60% of one-shot doses in relation to the size of the population, while 13.5 million people have completed their vaccination scheme, which means more than a fifth of the population, positioning the country as one of the most dynamic in Latin America.

Moving to ***page seven***, we present the economic outlook in Central America.

- The IMF forecasts that the Central American economy will grow 5.7% this year and 3.8% in 2022. The global recovery, the vaccination rollout in the region and the easing of the confinement measures support the improved outlook after the pandemic shock. The region benefits from the strong US recovery, the region's main trade and investment partner, as well as its main source of remittances.

- Activity performed favorably at the beginning of the year. In April 2020, Central American activity shrank -12% and latest figures show growth of 15%, at a diverging pace among countries due to their own particularities. Last year, Panama, El Salvador and Honduras registered the largest activity contractions in the region due to their dependence on international trade. However, this now supports their strong recovery. Meanwhile, remittances quickly recovered, and, in fact, today their amount exceeds pre-pandemic levels in all countries.

- Most Central American countries have demonstrated economic reactivation: El Salvador revealed in April annual growth of 22%; and in May, Panama, Costa Rica, Guatemala, Honduras and Nicaragua showed an annual activity surge of 19%, 7.9%,11.8%, 9.6% and

5.4%, respectively. Growth drivers include remittances increase and dynamic government spending which has generated reactivation in key sectors such as construction, manufacturing and exports. Furthermore, advances in vaccination programs, that have allowed mobility normalization, have also favored reactivation and consumption.

- Since 2020, when monetary policy was sharply relaxed in response to the global health emergency, all central banks in the region have maintained their expansive stance. This remains, despite the fact that there are already several emerging economies that have begun to moderate their ultra-dovish stance. In line with the global perspective of a reversal of low inflation from the previous year, an inflationary rebound is registered in Central America that could pressure central banks to anticipate the normalization of their monetary policy. For the time being, Costa Rica, Guatemala and Honduras, which are the countries where the interest rate is the main instrument of monetary policy, have kept their interest rates stable, with possible increases throughout the remainder of the year in line with actions from other central banks in the region.

- Rating agencies' outlooks continued to reflect the impacts of the pandemic in the region given persistent fiscal pressures and doubts on the ability to meet recovery forecasts for 2021. Sustained recovery of fiscal metrics (public debt and fiscal deficit) will support outlook stabilization in the mid-term.

- In particular, Costa Rica´s risk premium has moderated since the agreement with the IMF. The National Assembly has already approved the IMF loan, which, in turn, represents fiscal consolidation progress. Disbursements depend on the materialization of the macroeconomic plan and fiscal evolution depends on Congress approval of a set of bills, including the reform of public employment.

- In El Salvador, authorities are holding conversations with the IMF to obtain financing for an additional USD1.3 billion, which will surely be subject to a fiscal and macroeconomic adjustment plan. Discussions include issues about financial stability and the implementation of the cryptocurrencies law.

- In conclusion, reactivation seems to be the common factor across the region which we expect will contribute to strengthen the recuperation path of our operation in Colombia and Central America.

Before moving into our results' presentation, please keep in mind the following: first, as Porvenir's deconsolidation took place in July, our Q2-2021 results still include Porvenir's operations and our guidance estimations reflect the operating balance sheet structure at the end of the quarter; and second, Multi Financial Group's contribution to our consolidated figures is no longer isolated for comparison purposes, as the acquisition happened more than a year ago.

Now, on ***slide eight*** we present our Balance Sheet evolution during Q2-2021

- Total Assets amounted to $221.4 trillion pesos, increasing 1.6% in annual terms and 1.7% on a quarterly basis. Isolating the FX effect, growth was 1.7% and 0.6% respectively.

- Regarding asset structure, our loan portfolio leads with 63.1% of Total Assets, followed by Other Assets, with 20.3%, and Fixed Income and Equity investments, with 12.7% and 4.0%, respectively.

- Consolidated Gross Loan portfolio grew 2.9% annually and 2.2% quarterly, to a total of $145.9 trillion pesos. Without the effect of FX, increases were 3.0% and 1.2%.

- The structure of the Gross Loan portfolio in terms of economic sector has not changed significantly, maintaining a healthy diversification.

- In terms of loan mix, the Commercial portfolio represents 57.4% of our consolidated loans, as Consumer and Mortgage segments have slightly increased to 27.8% and 14.5%, respectively.

- Quarterly growth in the Commercial portfolio was 1.3%, or 0.5% excluding FX, reflecting increased market competition for high-quality borrowers. The retail portfolio presented healthy increases, in line with our strategy of gaining market share in these segments: Consumer and Mortgage loans grew 3.6% and 3.5%, respectively, during the quarter. Isolating the effect of foreign exchange, growth came in at 2.4% and 2.0% respectively.

- For 2021 we are returning to target loan growth between 8% and 10%, reflecting gradual recovery in consumer expectations, increased financing needs from our commercial customers and positive mortgage market dynamics.

On ***slide nine***, we present our consolidated loan portfolio quality metrics.

- On the top left, our 30 and 90 days PDL ratios for Q2-2021 came in at 4.8% and 3.3%, respectively, increasing 7 and 8 bps in the quarter. Stability in our ratios signal positive payment performance as economies continue to recover and clients have been able to resume payments.

- Net Cost of Risk for Q2-2021 was 2.2%, decreasing 24 bps quarterly, equivalent to a net provision expense of $772.3 billion pesos, reflecting its convergence towards historical levels. Pressures on provision expense have ceded as a result of our prudential and proactive reserve build-up in 2020 and controlled deterioration on the loan portfolio.

- Results for the quarter support our 2021 guidance for Cost of Risk within a range of 2.25% and 2.5%, with an optimistic bias towards the lower limit. We feel confident that our provisioning efforts in 2020, combined with economic reactivation, will lead to normalized Cost of Risk levels.

- Now, moving to the bottom left, in Q2-2021 charge-offs were 0.64x our average 90 days PDLs, lower than our pre-pandemic historical average of 0.85x.

- The lower charge-off activity is explained mainly by our Colombian operation as we continue to allocate previously constituted provisions to problem loans in our retail portfolio, in order to charge-off low recovery exposures in the future.

- Lastly, on the bottom right, we present our allowance coverage metrics which remain robust at approximately 1.1x for 30 days PDLs and 1.6x for 90 days'. In Q2-2021 we maintain our allowance coverage at 5.2% of total Gross Loans. A significant part of this coverage was supported by our qualitative provisioning expense in 2020 derived from Covid-19 impacts on our loan portfolio

Continuing on ***slide ten***, we present regional performance of our loan quality ratios.

- In Colombia:

    - 30-days' PDL ratio increased 30 bps in the quarter, mainly from our commercial portfolio while the 90-days' ratio increased 41 bps in Q2-2021, due to our unsecured consumer exposures.

    - As explained before, loan quality deterioration is also explained by a reduction in our charge-off levels to 0.47x over non-performing loans in the quarter, which is below our 0.6x historical average. We continue to update our recovery expectations on these deteriorated exposures in order to charge-off loans with low recovery estimations.

    - It is also important to note, that our Avianca exposure continues to impact our quality ratios. At the end of Q2-2021 total claims were $642.4 billion pesos, of which 73.8% is secured by ticket sales receivables in Central America; 17.2% is backed by the headquarters building in Bogotá and is currently performing, and the remaining 9% is unsecured, on which we maintain adequate provisioning.

    - Avianca's reorganization proceedings continue to move forward in US courts, and we expect them to address creditor's claims in an upcoming resolution proposal. We feel optimistic about the final agreement which would eventually positively impact our quality ratios.

- Regarding Net Cost of Risk, we observe a 48 bps reduction in the quarter to 2.5%. This is the result of provision expense contraction, as mentioned before, as well as score improvements in some corporate clients.

- In terms of coverage, our allowances to gross loans ratio increased to 7.5% while we maintain a 1.1x and 1.4x coverage over 30-days and 90-days PDLs, respectively.

- Moving to Central America:

  - 30-day and 90-day delinquency ratios quarterly decreased 6 and 14 bps, respectively, largely due to economic reactivation supporting loan normalization in the region, mainly in Guatemala and Honduras.

  - Cost of Risk remains stable at 1.9%, reflecting controlled PDL formation in most countries and reserve-build up in Panama, in line with expected loan performance after the expiration of remaining forbearances.

  - Charge-off levels remain stable at 1.1x for Q2-2021 and represent 1.8% of average loans in the region.

  - Regarding coverage metrics, 30-days PDL coverage remains at 1.1x, while 90-days' has increased to approximately 2.1x. Allowances to gross loans coverage is 3.3% for Q2-2021.

Moving to ***slide eleven***, we show our consolidated loan portfolio quality by segments.

- Commercial portfolio presents stability on its 30-days PDLs, at 4% for Q2-2021 and a slight quarterly increase of 5 bps on its 90-days ratio, mainly from Colombia's portfolio.

- Consumer portfolio' delinquency ratios quarterly increased 15 bps for 30-days PDLs and 24 bps for 90-days PDLs as a result of lower charge-off levels coupled with increased delinquency in unsecured exposures both in Colombia and Central America.

- Mortgage loans' 30-days PDL present a 2 bps' increase in the quarter while 90-days PDL shows an 11 bps' reduction to 2.6%.

On ***slide twelve***, we provide an update on loan relief programs.

- At the end of Q2-2021, active forbearances were 4.3% of our consolidated loan portfolio, roughly half the level observed in Q4-2020. Active grace periods are explained by Panama, where the local regulator has extended its relief program on three occasions, now ending in September 2021. It's important to highlight that each extension has increased application requirements and evidence of income reduction for applicants, thus allowing financial institutions greater autonomy to decide on relief' approval. When analyzing Panama's loan portfolio, 20.7% of the loan balance continues with an active grace period, in line with market levels, and down from 32% three months ago.

- After forbearances expired in most of our operating countries, we implemented a second-generation relief program, which constitutes a renegotiation of credit terms adjusted to the updated payment capacity of borrowers.

- On a consolidated level, 10.6% of our loans have been renegotiated. Since August 2020, in Colombia we started implementing the Programa de Acompañamiento a Deudores PAD, whereby 7.9% of the Colombian portfolio has adjusted its loan terms.

- Regarding Central America, we have implemented a similar initiative, leading to 12.8% of the loans in the region having been renegotiated, mainly in Costa Rica and Honduras. In Panama, we have started to offer this alternative to most-impacted debtors coming-off of grace-periods.

- As a reminder, the majority of second-generation reliefs do not constitute a forbearance; hence, payment performance is adequately reflected on our quality metrics.

- At the bottom of the slide, you can observe that on a consolidated basis, our current loans have increased to 90.9% in Q2-2021 from 88.5% last quarter and from 87.1% registered in Q4-2020, reflecting payment trends continuing to perform better than initially expected.

Moving on to ***slide thirteen*** we present our funding evolution in Q2-2021.

- The bank's total funding has remained stable, amounting to $191.4 trillion pesos. Annual and quarterly growth rates were both 1.3%. When excluding FX, growth was 1.4% and 0.3% respectively.

- Our funding structure breakdown is led by 83.1% from Deposits, followed by 8.8% from Banks and Others and 7.0% from Long Term Bonds. We have also observed a reduction in Interbank Borrowings to 1.1% in line with higher liquidity levels in the market.

- Deposits grew 7.0% YoY and 2.6% QoQ to $158.9 trillion pesos. Isolating the FX effect, growth was 7.1% and 1.5%, respectively. Time Deposits contribute with 39.6%, presenting a small reduction which has been transferred to Saving Accounts which now have a 31.1% share on our deposit structure, while Checking Accounts and Other Deposits represent 29.1% and 0.3%, respectively.

- The deposits to net loans ratio remains at 1.15x as the increase in deposits has been matched with similar growth in the net loan portfolio.

Turning to ***slide fourteen***, we present our equity and solvency levels.

- Total equity for Q2-2021 was $23.5 trillion pesos, increasing 4.2% quarterly and 4.7% annually when excluding FX impact. Growth is explained by $863.4 billion pesos in Attributable Net Income for the quarter and a $294 billion pesos increase in OCI.

- Consequently, our Tangible Common Equity increased to $14.4 trillion pesos, representing a 7.7% quarterly growth, leading to a 7.4% ratio over tangible assets.

- Moving to our capital ratios, we continue to present a solid position by maintaining our buffers above regulatory minimums: 400 bps for CET1 requirement and close to 350 bps for Total Solvency. Total Tier 1 capital and Total Solvency ratios decreased 21 bps and 33 bps in the quarter, respectively, due to:

    - First, peso devaluation had an impact on higher goodwill deductions and higher RWAs from our US denominated assets.

    - And secondly, lower contribution from accounts related with the OCI, as we revised the interpretation of the application of Basel 3 with the Colombian regulator.

- The above impacts were partially mitigated by a quarterly Attributable Net Income of $863.4 billion.

- As mentioned earlier, Porvenir's transaction improves Banco de Bogotá's capital use. On the bottom chart we included a proforma estimation of the impact on our Q2-2021 solvency ratios. Total Tier 1 and Total Solvency would increase to 11.2% and 13.6%, respectively, because of:

    - First, a $1.3 trillion pesos profit from the transaction.

    - Second, goodwill from Porvenir's acquisitions for $436 billion pesos are no longer deducted from our CET1.

    - Third, lower RWAs in $6 trillion pesos, mainly from reduction in Market RWAs.

- And fourth, aforementioned positive factors more than compensate a higher deduction for unconsolidated equity investments of $808 billion pesos.

Turning to ***slide fifteen***, we present our Net Interest Margin ratios.

- Net Interest Income in Q2-2021 was $2.1 trillion pesos, growing 3.9% on a quarterly basis, or 1.7% when excluding FX impact. Main drivers of growth were increased interest income, in line with loan portfolio growth, combined with interest expense reduction.

- Consolidated NIM for the quarter was 4.9%, with a 36 bps quarterly increase explained by stability in lending NIM, at 5.6%, and a rebound in investment NIM.

- Specifically, Investment Margin had a 186 bps quarterly increase, signaling recovery on Banco de Bogotá's and Porvenir's fixed income portfolio after a highly volatile Q1-2021.

- Lending NIM remained stable at 5.6%. Yield on Loans presented a slight 9 bps contraction as a result of two factors: first, increased market competition for loan repurchases at lower rates and second, our focus on growing in secured lending. We will continue defending our loan portfolio profitability despite increased competition.

- Average cost of funds for the quarter remained at 2.5% as we mitigated the impact of a low-rate environment through a proactive management of our funding sources.

In terms of guidance, we maintain our 2021 NIM figure around 5% as a result of increased lending activity for the remainder of the year.

Now, let's move on to ***slide sixteen***, where we present details on our Fee and Other Income.

- Gross fee income for the quarter remained above $1.2 trillion pesos contracting 3.6% QoQ and leading to a fee income ratio of 31.8%, as a result of:

    - First, Q1-2021 was seasonally benefited by Porvenir's severance business.

    - Second, larger Net Interest Income coupled with improved net gains on investments and foreign exchange positions, increased the denominator side of the ratio.

- Regarding Other Operating Income, we observe a 13.7% quarterly growth, mainly explained by an increase in investment gains which came in at $77.1 billion pesos for Q2-2021 compared to a $69.3 billion pesos loss for Q1-2021. This was partially compensated by lower gains from sales of investments.

- Equity Method Income was $187.3 billion pesos for Q2-2021 presenting a small reduction due to lower dividend income from our other associates.

We continue to expect a fee income ratio close to 35% for 2021.

On ***slide seventeen***, we continue with our efficiency metrics.

- Total operating expenses increased 3.7% quarterly, 1.2% excluding FX, as a result of increased administrative expenses mainly due to larger marketing, technological and other personnel expense.

- Our efficiency ratio was 49.8% for Q2-2021, slightly increasing 43 bps in the quarter, while we continue to see stability on our Cost to Assets ratio at 3.4%.

- In spite of the small increase, we continue to abide by our target of an efficiency close to 50% in the remainder of the year.

Lastly, on ***slide eighteen*** we present our profitability returns for the quarter.

- Attributable Net Income was $863.4 billion pesos in Q2-2021, presenting a 21.6% quarterly increase as a result of a 4% increase in NII, a 9.8% reduction in Net Provision Expense and from investment gains on our securities portfolio.

- Continuing to signal rebound on our operations, our bottom line led to a remarkable quarterly pick-up on our Return on Assets to 1.8%, while Return on Equity came in at 16.0%, surpassing our long-term goals. I want to highlight that Banco de Bogotá's year-to-date ROAE was around 15%.

- These results are a tangible proof of our successful approach to overcoming the challenges imposed by the pandemic and reassure us that our strategy is well-cemented and aligned with the core attributes of our business.

- For the second half of 2021, we remain committed to providing the best financial solutions for our customers in a profitable, efficient and risk-effective manner, contributing to our business' organic growth.

- In terms of guidance for 2021 we expect a ROAA of 1.3% and a ROAE of 12%.

Before starting our Q&A session, our guidance for 2021 without including the impact of Porvenir's transaction is:

  - Loan growth between 8% and 10%

- Consolidated NIM around 5%
    - Cost of Risk between 2.25 and 2.5%, skewed towards the lower end of the range.
    - Fee income ratio close to 35%
    - Efficiency ratio to be around 50%
    - Regarding profitability, our ROAA and ROAE should come in at around 1.3% and 12%, respectively.

- Considering that Porvernir's deconsolidation presents a significant change in our balance sheet structure and P&L figures, the following ratios from our aforementioned 2021 guidance are subject to change:

- Fee income ratio will be impacted given that fee income generated by Porvenir's pension fund administration and severance businesses will no longer be consolidated, starting on Q3-2021. Porvenir's results will be recognized through Equity Method in our P&L.

- In a similar way, efficiency ratio is expected to improve around 2 to 3 percentual points as Porvenir's OpEx will no longer be included on an account-level basis.

- Provided that the transaction generates a profit of $1.3 trillion pesos, our 2021 ROAA and ROAE are expected to increase to 1.8% and 18%, respectively, also reflecting the transaction impact on our total assets and equity.

And now we are open to questions.

Operator: Thank you. We will now begin the question and answer session. Some of the answers may be provided in Spanish and will be immediately translated to English.

If you have a question, please press star (*) and then one (1) on your touchtone phone. If you wish to be removed from the queue, please press the pound sign or the hash key (#). If you are using a speakerphone, you may need to pick up the handset first before pressing the numbers. At this time we ask that you limit yourself to one question only. Once again, if you have a question, please press star (*) and then one (1) on your touchtone phone.

We have a question from ***Sebastian Gallego***, from ***Credicorp Capital***. Please go ahead.

Sebastian Gallego: Hi, good morning. Thank you for the presentation and congratulations on the results. I have three questions today. Can you comment on the expectations for charge-offs, particularly in Colombia, in the second half of the year? And maybe if you can elaborate a bit more on the rationale to stay a bit lower than the historical levels, particularly during the second quarter.

Second question is regarding cost of risk. You didn't change your guidance on cost of risk compared to the previous call and I'm just wondering, what is the rationale for that. We have seen better economic numbers. We have seen better customer payment behavior. So I'm just wondering, why do you stand by with a conservative guidance on cost of risk?

And maybe one final question on the guidance, just to clarify, the 12% versus the 18% ROE is just the extraordinary gain from the mark-to-market of the deconsolidation of Porvenir? Or if you can elaborate a little bit more on that would be useful as well. Thank you.

Diego Rosas: Good morning, Sebastian, and thank you very much for your questions. Starting with the first one about charge-offs and why they are below our historical levels is that we were expecting how the Colombian portfolio behaves after the relief measures expired at the end of last year and how the economy would evolve during this year and we continued to build up provisions in those exposures. So we are expecting that, in a quarterly basis, we're going to be back to the historical levels of charge-offs in Colombia and with that, returning to our historical levels in charge-offs for the second half of the year.

Regarding your second question about the cost of risk guidance and why we are maintaining our range, we are maintaining it because we still have some expectations or we want to see what happens in Panama after the relief measures expire at the end of September. However, as I mentioned during the call, we are expecting that our cost of risk will be skewed to the lower level of our guidance. So it will be something around 2.2% to 2.3% for the whole year. As you mentioned, things continue to be improving not only here in Colombia, but in Central America as well and things are behaving better than initially expected.

And you're right regarding your ROAE question. The 12% does not include the non-recurring profit of COP 1.3 trillion from the mark up of Porvenir related to the deconsolidation that was signed during July of this year.

Operator: Thank you. Our next question comes from Nicolas Riva, from Bank of America. Please go ahead.

Nicolas Riva: Thanks for taking my questions. I have two questions. The first one related to this transaction with Porvenir and Grupo Aval. My question is, is Grupo Aval going to pay Banco de Bogotá to acquire control of Porvenir? And if so, how much?

And then my second question on Julio Rojas Sarmiento leaving the company and the press release from July announcing this. And I wanted to ask you, is he taking another position at Grupo Aval? And if so, can you discuss at all what kind of position. Thank you.

Diego Rosas: Hi, Nicolas. Thank you very much for your questions. Regarding your first question, no, Grupo Aval is not going to pay Banco de Bogotá. As you may know, Grupo Aval before the transaction already had indirect control over Porvenir, as they control the shareholders of Porvenir. They have a direct position of 20% of ownership over Porvenir and, through Banco de Occidente, Fiduciaria Occidente, Banco de Bogotá and Fiduciaria Bogotá, they control the whole 100% of Porvenir so they are not paying any premium for that control because they already have that control over Porvenir. And as German mentioned before, there is not going to be any changes on the ownership structure so we are not selling our ownership over Porvenir so there is not going to be any monetary transaction in this operation.

And regarding your second question about Julio Rojas, he will remain associated to Grupo Aval and Banco de Bogotá, although serving a different capacity than his previous Executive VP position and he will be working on some projects at the Organización Luis Carlos Sarmiento Angulo level so he will remain in the group, in a manner of speaking, and he will be directly involved with Banco de Bogotá and Grupo Aval in a different capacity.

Operator: Thank you. As a reminder, if you have any questions, please press star one (* 1). At this moment, we show no other questions. I would like to hand the call over to Mr. Figueroa for closing remarks.

Alejandro Figueroa: Thank you very much to all of you for attending this meeting and we are open to any other questions that you may have in the future. Thank you very much for attending our meeting.

Operator: Thank you. This concludes today's conference. Thank you very much for your assistance. You may now disconnect.