4Q 2021 Results
Banco de Bogotá

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CORPORATE PARTICIPANTS

Alejandro Figueroa: Banco de Bogotá – CEO

Germán Salazar: Banco de Bogotá – Executive Vice-president

Javier Dorich Doig, CFA: Banco de Bogotá – Head of FP&A, Corporate Development and IR.

Operator:

Welcome to the 4Q 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 Q4-2021 earnings call. Thank you all for joining us today.

- Although 2021 was a year marked by a strong economic recovery both at global and regional levels, we continued to face the loss of human lives due to the pandemic. This situation has affected many families in Colombia and Central America, to whom we extend our solidarity and support.

- I would like to start by mentioning our annual Attributable Net Income, which reached a level of $4.4 trillion pesos in 2021, marking our strongest yearly result in history. $3.1 trillion come from our recurring operations and $1.3 trillion pesos, from the extraordinary income from Porvenir's deconsolidation. Return on Average Equity was 13.4%, when excluding Porvenir's transaction one-off gain.

- Our key business ratios reflect positive performance in line with economic growth:

  - Annual Net Interest Margin was 4.9%, below 2020's 5.4%. Lending NIM, although stable for the quarter, came in at 5.7% for the year due to a persistent low-rate environment throughout most of 2021. Investment NIM also reflected the effect of volatile market dynamics on fixed-income investments.

- Fee income totaled $4.1 trillion pesos in 2021, lower than 2020, as Porvenir's deconsolidation led to a reduction in Pension Fee' income. Consequently, annual Fee Income ratio was 28.5%.

- Efficiency ratio for the year was 52.4%, excluding the one-time income from Porvenir. Operational expenditure increased in line with a gradual return to full-scale operations as economic activity resumed.

• Our Balance Sheet performance for the year is summarized as follows:

  - Gross loans reached $156.2 trillion pesos, increasing 15% annually.

  - Deposits totaled $163.7 trillion pesos, representing 81.5% of the funding mix. Deposits to Net Loans ratio closed at 1.1x, converging towards historical levels near to 1.0x.

  - Moving on to credit, the 90-days PDL ratio improved 61 bps annually to 2.7%, as better payment dynamics reflected economic reactivation. This resulted in an annual Net Cost of Risk at 2.0%, supported by our strong reserve build-up in 2020 and reflecting lower loan deterioration than initially expected.

  - Finally, Capital Adequacy ratios remain solid as Tier 1 Capital and Total Solvency ratios closed at 11.5% and 13.5%, respectively. Total Solvency ratio maintains a 391 bps buffer over regulatory minimums.

• Regarding the spin-off transaction: Banco de Bogotá currently owns 100% of BAC Holding International Corp (BHI), an entity that owns 100% of BAC Credomatic Group. We will spin-off 75% of the holding company, BHI, in favor of our shareholders.

• We are already in the execution stage, as this week our stock and Grupo Aval's are suspended for trading, until March 30th. This time will be used to carry out spin-off operations to the beneficiary entities that were created to receive the holding company's shares and that will merge with BAC Holding International company, which will continue to own 100% of BAC Credomatic Group after the transaction is completed. Germán Salazar will provide additional details.

• As we expect to complete BAC's spin-off in the next week, the 2022 guidance I am about to provide reflects our continued operations. That is, deconsolidating 75% of BHI, from our Balance Sheet and P&L Statement while retaining a 25% stake which will be recognized via Equity Method.

Our guidance for 2022 is:

  - For loan growth we expect to be around 13%,
  - Our Net Interest Margin target is 4.8%,
  - Cost of Risk should be around 1.8%,

- Our fee income ratio should be north of 20%,
- Efficiency ratio should come in below 50%,
- And in terms of profitability, our ROAA should come in at around 1.5% while ROAE would be between 13% and 14%.

Now, I would like to hand over the presentation to our Executive Vice-president, Germán Salazar who will provide an overview of our Strategy Performance in 2021 as well as further updates on the spin-off transaction.

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

Let me begin on ***slide 4***, on which I would like to highlight the main initiatives undertaken as part of our corporate strategy and how they benefited our stakeholders in 2021.

- Banco de Bogotá's corporate strategy is customer-centric, as we strive to constantly add value through our products and services. In 2021, we created a new Experience Management Center which centralizes efforts to permanently improve customer experience throughout the service journey. This center oversees a wide range of client-facing operations, ranging from process optimization to customer attention.

- 2021's results in terms of Experience Management leveraged on increased digitalization and analytical capacity, which allowed us to capture efficiencies across both our client-facing and back-office operations. To provide a few examples, we achieved a significant reduction on our onboarding process from 40 to 3 minutes for new customers, as well as emphasized self-management features through our digital platforms which we redesigned to facilitate user experience. Furthermore, as a focal point of our customer journey is the experience provided at our branches, at year' end we reached 59 digital storefronts that support a renewed banking experience.

- Increasing customer' satisfaction has derived in sustainable business growth. We are aware of the role Banco de Bogotá plays in society at-large and we have decidedly contributed to economic reactivation. Our growth strategy placed particular focus on SME' financing in order to support employment protection and activity recovery. We also participated in public aid programs as well as continued to strengthen lending to the retail segment.

- Growth is also possible given our robust digital infrastructure that potentiate synergies across different ecosystems, boosting market penetration and channel diversification. Our analytical capacity has also strengthened by implementing machine learning models and facilitating information access through Power BI tools, supported on a centralized cloud-based data model. Greater digitalization and access to real-time data favors a more robust risk control framework as we adjusted analytical and fraud prevention models and improved cybersecurity, to protect information confidentiality, integrity, and availability.

- We are mindful that growth in our operations must be environment-friendly and generate positive social impacts. As a result, we have strengthened our sustainable products portfolio in which we direct funds towards financing a wide variety of Green and Social projects through specific credit lines with attractive interest rates. Also in 2021, we launched our *Amazonía* debit card and digital Term Deposit which contribute to our larger initiative to support reforestation of the Colombian Amazon.

- Our commitment to the environment is also evidenced through the implementation of an energy efficiency plan, which includes increased use of renewable energy at our headquarters and administrative buildings, steps towards achieving carbon neutral and LEED certifications for our infrastructure, and mitigation of our carbon footprint by installing photocatalytic billboards as part of our publicity strategy. As a recognition to our commitment to ESG, Banco de Bogotá was included for the second year in S&P's Global Sustainability Yearbook, as part of the Top 8% banks with best sustainability practices.

- None of the aforementioned results would have been possible without the highly valued contribution of our employees. We received once again the Great Place to Work certification, which is a reputable third party feedback on our Human Capital Management efforts, targeted towards employee satisfaction and ensuring equality, inclusion and diversity.

Continuing on ***slide 5***, we present greater detail of our digital strategy performance.

- Our efforts directed towards constantly enhancing customer experience by developing new products and improving digital channels' continue to deliver strong results. Digital sales reached a milestone of almost 2.1 million digital products sold in 2021 by Banco de Bogotá and BAC Credomatic, a 66.2% annual increase. This represents a 70% digital share of our total sales in Colombia and 30% in Central America, both levels among the best in their respective markets.

- As digital platforms are our leading salespoint, we have focused on streamlining sale processes by offering a 100% digital experience characterized by shorter onboarding times, ranging from 4 minutes to open a savings account to 7 minutes for credit cards, higher conversion rates and increased customer satisfaction as measured by our internal Net Promoter Scores.

- Furthermore, digitalization has been pivotal in attracting new customers and increasing market penetration in specific segments while maintaining our risk appetite. For example, in consumer loans, we increased lending to clients without previous credit experience through advanced data analytics and biometric tools. As a result, at the end of 2021 we had 3.23 million active digital clients, 730 thousand more than in 2020 and presenting annual growth rates of 31% over 2019's total.

- In order to increase digitalization, we have placed great emphasis on permanently improving our mobile banking experience. In 2021 we relaunched our mobile app in Colombia which provides access to the most comprehensive financial product portfolio in the market as well as facilitates transactionality through innovative cash-management features. In Central America, we also performed constant updates to our mobile apps in each country as well as introduced a Personal Financial Manager functionality supporting our customers' financial planning.

- As a consequence of improved digital platforms, almost 2.3 billion transactions in 2021 were digital, representing an 86% share over total transactions performed in the year, exemplifying increased digital adoption.

- Finally, complementing our digital experience, we reached 59 digital branches in 2021 of which 52 are located in Colombia. In 2022, we expect to adapt 30 additional branches to this innovative format as we continue to optimize our physical footprint.

As Alejandro previously mentioned, on ***slide 6***, I would like to provide an update on BHI's spin-off transaction announced on September 15th, 2021.

- Briefly summarizing, the transaction consists on the 75% spin-off of BAC Holding International shares, ultimate and sole owner of BAC Credomatic banking group. The spin-off will prove beneficial for Banco de Bogotá as we will eliminate multijurisdictional complexities, unlock value in our capital position and reinforce our growth strategy in the Colombian market.

- Moving to developments regarding the transaction, on December 21st, 2021, the Colombian Financial Superintendency approved the proposed spin-off. Following regulatory confirmation, we proceeded to obtain approval from both our local bondholders' and our shareholders at separate extraordinary assemblies held on December 28th, 2021, and January 18th, 2022, respectively.

- During Q1-2022, Grupo Aval advanced on its own required approvals from regulators and shareholders, as well as obtained consent from international bondholders to proceed with the transaction. As communicated to the market last week, the Colombian regulator granted its approval to Grupo Aval and as a result we are in the execution stage of the transaction.

- Yesterday a trading suspension period began for both Banco de Bogota's and Grupo Aval's shares, until March 30th, 2022. During the suspension periods we are expecting to:

  - Execute the spin-off of BHI shares to a new company (NewCo), specially constituted to act as a recipient of the spun off asset, with an identical shareholder structure as Banco de Bogotá's.
  - In turn, Grupo Aval's shares received from its participation in Banco de Bogotá's NewCo will be spun-off to an additional NewCo constituted at Grupo Aval's level.
  - After the spin-off is materialized, both Banco de Bogotá and Grupo Aval's NewCos will merge into BHI, which will be the surviving and absorbing company as Banco de Bogotá retains a 25% stake interest.
  - Finally, BHI shares will be listed on the Colombian and Panamanian stock exchanges.

- As we will elaborate further in a few moments, the transaction will enhance our Solvency ratios in around 130 bps. However, maintaining a forward-looking view on capital management, our Board of Directors has proposed to not declare a cash dividend, anticipating headwinds from progress on Basel 3 adoption phase-in period.

Following with our Colombian macroeconomic outlook, please continue to ***slide 7***.

- The Colombian economy completely recovered from the pandemic shock in 2021 as growth came in at 10.6% annually and 2.8% over 2019, surpassing pre-pandemic production levels despite additional contagion waves and temporary slowdown in the second quarter due to the national strike. Satisfactory progress in vaccination roll-out supported greater sectoral reactivation. In 2021, 64.7 million vaccines were applied leading to completing immunization schemes on 28.3 million people, equivalent to 56% of the population.

- Economic recovery is expected to continue in 2022 although moderating its pace due to the exhaustion of the statistical base effect. The projection of our Economic Research team is 5.0% for 2022, including some uncertainty due to external and internal factors, such as the geopolitical landscape and local electoral outcomes. Growth levers are expected to rebalance reflecting greater contribution from services and investment sectors, while durable goods demand slows.

- Higher economic activity has not fully extended to the labor market. Jobs lost due to the pandemic decreased its recovery pace reaching an 84% level in December 2021. Seasonally adjusted unemployment rate totaled 12.3% in December, above pre-pandemic levels.

- Inflation accelerated significantly in 2021, breaching the 4% upper limit of the Central Bank's target range. Yearly inflation was 5.6%, driven mainly by the food group with price increases above 17% for the year. Upside risks linger in 2022 as inflation is expected to continue above 4%. Our Economic Research team expects a 6.4% inflation for 2022.

- Accelerated increases on consumer prices supported Central Bank’s decisions to end an expansionary policy which led to a higher reference rate. The first adjustment was made in September, with a 25 bps increase, and continued in October and December with 50 bps increases each, closing the year with a benchmark rate at 3.0%. Increases accelerated in January, with an additional 100 bps hike reaching 4.0%. Our Economic Research team expects further adjustments throughout 2022 in order to reach 7.5%.

- Despite Colombia no longer being considered investment grade by S&P and Fitch, high economic growth and increased tax collection led to improvements on our fiscal metrics. Government disclosed a 7.1% of GDP fiscal deficit in 2021, adjusting by 0.5% compared to 2020 level. Public debt closed at 63.8% of GDP, also improving when compared to 2020 in almost a full percentage point. For 2022, the adjustment would continue, projecting a 6.2% of GDP deficit and a debt level around 62.7% of GDP. Despite fiscal adjustments continuing in 2022, fiscal challenges remain in the medium term.

- External accounts deteriorated in 2021 with a widening current account deficit to 5.7% of GDP, driven by a larger gap in goods trading. Imports increased in line with a rebound in domestic demand as exports continued to lag due to lower coal and oil production levels. Regarding external financing, we observed greater weight of external debt, placing foreign direct investment in second place. In the foreign exchange market, volatility was a constant in 2021, fluctuating between $3,395 and $4,105, closing the year at $3,981, devaluating 16% in the year.

- The first half of the year will focus on the Presidential election. The baseline scenario considers a government maintaining orthodox macroeconomic policies which is reinforced by the results of Congressional elections, where no political party reached a majority in each of its chambers.

Now, let’s continue with economic performance in Central America on ***slide 8***.

- Latest growth estimates for Central America by the International Monetary Fund suggest a regional 6.7% growth in 2021, after contracting 6.9% in 2020. Growth was supported by: first, greater dynamism of internal demand, in a context of fewer mobility restrictions to contain COVID-19 contagions; and second, a rebound in external demand driven by economic recovery of trading partners. Pressuring regional growth outlooks is the rise in commodity prices, particularly 50% in oil, as the region is a net importer.

- In line with global economic trends, activity in Central America is expected to moderate in 2022, reaching a 4.2% growth rate. Nevertheless, growth would still be above the 2010-2019 4.0% annual average for the region. Among individual 2022 growth projections, Panama and Guatemala stand out at 5% and 4.5%, respectively. Normalization on global monetary policy and subsequent economic effects will be relevant again in 2022, in addition to commodity prices.

- Vaccination progress has played an important role in economic activity recovery in Central America. Costa Rica leads with almost 75% of its population completing a vaccination scheme, followed by El Salvador, Nicaragua and Panama, which have 65%, 60% and 58%, respectively. Honduras with a 45% level and Guatemala at 31%, fall behind in the region.

- Because of faster labor market recovery in developed economies, remittances inflows grew in the region thus increasing available income and favoring domestic demand. El Salvador, Honduras, Guatemala and Nicaragua registered record highs in their monthly remittance inflows in Q4-2021, while annual figures marked a new annual maximum for these countries. Recovery of the Central American economy will continue to be highly dependent on the performance of the developed economies, which are the main source of remittances. This dependency is larger in El Salvador and Honduras, where net remittance flows increased from 21% and 22% of GDP before the pandemic to 29% and 28% of GDP in 2021, respectively.

- Global inflation pressures impact Central America's prices, particularly in recent months, due to continued surge in oil prices and persistent disruptions in global supply chains. Inflation in the region stood at 3.8% in December, higher than 1.7% registered in the previous year. Except for Guatemala, which recorded an annual contraction from 4.8% to 2.9%, all countries registered significant inflation increases. Nicaragua at 7.7%, Honduras at 6.2% and El Salvador at 6.5%, presented the highest inflation levels while Panama's inflation went from -1.6% in 2020 to 2.6% in 2021, relatively low when compared to peers in the region and other emerging economies.

- Acknowledging inflationary pressures in a context of improved economic performance in the region, there is an upward bias in terms of monetary policy rates. Guatemala and Honduras maintained their policy rates unchanged during the past months at 1.75% and 3.00%, respectively. On the other hand, Costa Rica raised its interest rate in 50 bps each in December 2021 and January 2022, placing it at 1.75% while remaining broadly expansionary. Additional rate increases in 2022 are not discarded if a high-inflation environment persists as it has been above the 3% target.

- From a political perspective, in November 2021 Xiomara Castro became Honduras' president with 51.1% of the votes, while in Costa Rica the first round of the presidential and legislative elections was held last February. No candidate surpassed 40% of the votes' threshold, hence a second round will be held on April 3rd with two central candidates: Figueres from the *Partido de Liberación Nacional* and Chaves from the *Partido Progreso Social Democrático*.

I will now hand over the presentation to Mr. Javier Dorich, Head of Corporate Development, Financial Planning and Investor Relations, who will provide details on our financial results.

Javier Dorich Doig:

Thank you, Germán. Good morning everyone.

Starting on ***slide 9***, we present an overview of our consolidated asset structure.

- Banco de Bogotá's consolidated assets at the end of Q4-2021 totaled $232.3 trillion pesos increasing 3.5% in the quarter and 11.6% annually. Excluding exchange rate fluctuations, growth was of 1.0% and 2.7%, respectively.

- In order to make a direct comparison to Q4-2020 figures which still consolidated Porvenir's balance sheet, Q4-2021 assets including Porvenir would have reached $233.8 trillion pesos, implying a 12.3% annual growth or 3.4% when isolating FX movements.

- Asset structure did not change significantly in the quarter, led by the Net Loan Portfolio representing 64.6%, up 84 bps in the quarter. Other Assets followed in ranking with 19%, while Investments explain 16.3% of consolidated assets, with 12.2% in fixed income and 4.1% in equity investments.

- Our Gross Loan Portfolio closed at $156.2 trillion pesos in Q4-2021, preserving a healthy diversification; more dynamic sectors, that have driven economic growth, have gained participation, such as Construction and Manufacturing. Growth was 15% for the year and 4.5% on a quarterly basis, excluding devaluation effects, Gross Loans increased 6.2% in 2021 and 2.0% over the previous quarter.

- On the bottom part of the slide, you will see that we continue to rebalance our loan portfolio mix towards a higher-yielding retail segment. Commercial loans represent 56.4% of our Gross Loan Portfolio at Q4-2021, down from 58.3% in the previous year. Contrastingly, consumer and mortgage segments' participation increased to 28.6% and 14.8%, respectively.

- Commercial portfolio increased 11.1% in annual terms on a consolidated basis, or 4.2% when adjusting for FX. Growth is mainly driven by a strong rebound in corporate financing needs in Central America, leading to a yearly increase of 9.2%. Panama, Costa Rica and El Salvador present the best commercial lending dynamics in the region, all reaching double digit annual growth in dollar terms of 13.5%, 13.2% and 11.8%, individually.

- In Colombia, we observed mixed dynamics within the commercial portfolio. Aggressive market pricing within larger corporate clients has led to a reduction in this specific segment as we maintain a stance on safeguarding profitability. On the other hand, the aforementioned reduction was mitigated by a strong 39.3% yearly growth on SMEs and 7.8% annual increase on medium to smaller corporate clients. Going forward, we expect that improved business confidence will derive in increased loan demand thus defending and even improving our market share in this specific segment.

- Consumer loans' growth was 20.2% in 2021 and 9.3% when excluding FX. Quarterly growth was 6.4% and 3.4%, respectively, driven by increased use of credit cards both in

Colombia and Central America as well as higher originations in secured products such as payroll and auto loans, mainly in Colombia. Unsecured consumer loans also contributed to both quarterly and annual growth, in line with higher economic activity.

- Mortgage markets continued to present dynamism across the region, particularly in Colombia. Consolidated growth was 21.4% for the year and 5.7% for the quarter; excluding FX, annual and quarterly growth came in at 8.4% and 2.3%, respectively. In Colombia, home ownership subsidies provided by the government have maintained strong mortgage demand leading to an annual growth rate of 22.6%, supporting our mid-term goal of increasing market share in this product towards similar levels as in our commercial and consumer loans.

In terms of guidance for 2022 we expect loan growth to come around 13%.

Continuing on ***slide 10*** we present our Loan Portfolio Quality indicators.

- Starting on the top-left, consolidated 30-day and 90-day PDL ratios show a quarterly reduction of 45 bps and 24 bps, respectively. Payment performance for the quarter was better than initially expected after the end of relief measures' application in Panama, last quarter.

- Moving to the top-right we observe a slight increase of 13 bps in our quarterly Net Cost of Risk to 1.9%, leading to an annual result of 2.0%, better than our previously guided figure of 2.1% for 2021. Increases in the quarter are due to the re-expression in pesos of our dollar-denominated provisions from Central America as we will explain further in the next slide.

- Charge-off activity increased in Q4-2021 to 0.86x our average 90-day PDLs, representing 2.4% of our average loan balance, explained mostly by our Central American consumer loans as a result of charging-off the most impacted retail exposures after the relief program ended in Panama.

- In terms of coverage, quarterly contractions on our PDL ratios led to an increase on our Allowances over 30 and 90-day PDL' ratios to 1.24x and 1.82x, respectively. As a percentage of our Gross Loan Portfolio, allowances were 4.9% in Q4-2021 as a result of loan growth outpacing that of provisions.

On ***slide 11***, we present the regional breakdown of our loan portfolio quality metrics.

- In Colombia:
    - Continued economic reactivation has trickled down to improvements in our quality ratios. We saw a quarterly reduction of 52 bps in 30-day PDLs while 90-day PDLs contracted 30 bps in the same period. Better performance was observed across both commercial and retail loans, where no significant concentrations stand out.

- Q4-2021 Net Cost of Risk contracted to 1.9% as improved economic performance has reduced pressures on provision expense. In annual terms, credit cost decreased 151 bps, to 2.2%.

- Charge-off ratio in Colombia was 0.68x in Q4-2021, increasing in the quarter mainly due to lower 90-day PDLs, as noted earlier, considering that charge-off activity remained around $500 billion pesos, slightly lower than Q3-2021. Charge-offs for the quarter represented 3% of the local average loan portfolio.

- Coverage ratios increased to 1.34x over 30-day PDLs and 1.69x over 90-day PDLs, taking in the previously explained improvements in loan quality.

- Regarding Central America:

    - In Q4-2021, 30 and 90-day PDL ratios improved in 32 and 12 bps, respectively, to 2.9% and 1.5%. Better performance responds to favorable economic activity allowing borrowers to resume payments, mainly in Panama after relief grace periods came to an end. On our 30-days ratio we observe that consumer portfolio explains the bulk of the reduction, while at a 90-days delinquency, improved quality also comes from the commercial portfolio in addition to loan growth.

    - Net Cost of Risk for the quarter remained at 1.9%. An increase in Panama's provision expense, explained by grace periods' conclusion, was counterbalanced by reduced provisions in Costa Rica and El Salvador as well as loan portfolio growth.

    - Charge-offs increased to 1.24x in the quarter related to consumer loans, mainly in Panama, as already explained. Charge-offs to average loans ratio was 2.0% in Q4-2021.

    - A combination of improved loan performance and higher provision expenses led to higher coverage metrics, resulting in 1.1x for our 30-day PDLs and 2.1x for non-performing loans.

Following with ***slide 12***, we present our loan quality ratios by segments.

- Regarding our commercial portfolio, we observe a 14 and 18 bps quarterly contraction on the 30-day and 90-day PDL ratios, respectively, reaching 3.2% and 2.7%, favored by commercial loan growth, mainly in Central America, as well as by controlled PDL formation.

- Consumer portfolio quality ratios closed at 4.9% for 30-days in arrears and 2.6% at the 90-days mark, a reduction of 112 and 50 bps respectively, illustrating healthy loan growth in this segment as well as proactive delinquency management.

- Mortgage loans' 30-day PDL ratio improved 45 bps in Q4-2021 to 4.5%, while remaining stable at 2.6% on its 90-day PDLs.

On ***slide 13*** we present an update on our loan relief programs.

- At the end of Q4-2021, loans with active relief periods continued to decrease to 1.1% of our Consolidated Loan Portfolio, down from 2.0% in the previous quarter. This reduction is explained mainly by Panama, as forbearances gradually expire. In terms of a percentage from our Central American loan portfolio, loans with an active relief account for 2.0%.

- Regarding second-generation reliefs, which relate to credit terms renegotiations, 10.7% of our loan portfolio is currently under an updated amortization schedule. Breaking down per region, loans under Programa de Acompañamiento a Deudores (PAD) in Colombia went down to 6.7% of our local portfolio, down 86 bps from previous quarter, reflecting loan amortization.

- In Central America, renegotiated loans went up from 12.5% in Q3-2021 to 13.8% in Q4-2021, explained by Panama, as second-relief measures were more widely implemented after forbearances' expiration in September 2021.

- On a consolidated level 95% of our loans are performing or below 30 days in arrears, presenting a quarterly improvement of 1.4 percentual points. Current loans increased 0.5% quarterly in Colombia and 1.9% in Central America, reflecting positive payment performance.

Now, please move to ***slide 14***, where we present our funding structure.

- Funding totaled $200.8 trillion pesos by year end, growing 11.7% Y-o-Y. Excluding FX, annual growth was 3.0%. Quarterly growth came in at 3.4% or 1.0% when isolating devaluation impacts.

- Deposits continue to be our main source of funds with an 81.5% share, followed by Banks and Others, accounting for 10.6% of our funding mix, while Long-Term Bonds and Interbank Borrowings represent 7.0% and 0.8%, respectively.

- Regarding deposits, we observed an increase of 11.2% Y-o-Y and 3.4% in the quarter. Excluding exchange rate fluctuation, annual growth was 2.3% and 0.8% quarterly. Time Deposits continue to lead with a 38.6% share, down 2 percentage points in Q4-2021, reflecting a preference for Saving Accounts which increased 187 bps in the quarter, as Checking Accounts remained stable at 30%.

- Our deposits to net loans ratio closed at 1.10x, contracting 442 bps annually, converging towards our traditional historical levels of having our deposits fully matched with our Net Loans. In Colombia we have already reached this balance while in Central America we continue to maintain a Deposits surplus in line with a more conservative liquidity risk management.

On ***slide 15*** we continue with our equity and solvency metrics evolution.

- Total equity was $25.3 trillion pesos at the end of 2021, increasing 12.6% annually and 3.2% in the quarter. Annual growth is explained by an increase of $2.2 trillion pesos in Attributable Net Income, reaching $4.4 trillion pesos for the year, and an increase in our OCI mainly due to hedging of Net Foreign Investments. Yearly reduction on our Non-controlling Interest is explained by Porvenir's deconsolidation in Q3-2021.

- Tangible Common Equity increased 27.3% in 2021 and 3.0% in the quarter to $17.6 trillion pesos as a result of the aforementioned increases in Attributable Net Income and OCI as well as by a lower goodwill related to Porvenir's transaction. Tangible Capital Ratio closed Q4-2021 at 7.8%.

- Moving to Capital Adequacy, presented at the bottom of the slide, Consolidated Solvency ratio came in at 13.5% for Q4-2021, illustrating stability on the Bank's capital position when compared to the previous quarter. Annual increase of 148 bps is explained by Basel III adoption in addition to capital accretions from higher Attributable Net Income and Porvenir's deconsolidation.

- 35 bps quarterly increase in Total Tier 1 ratio includes the capital treatment of our Q4-2021 net results as well as lower deductions in unconsolidated capital investments. At the end of the quarter, CET1 ratio was 10.2% and AT1 remained at 1.3%. Tier 2 reductions are explained by a lower balance on our Additional General Provisions which were proactively constituted throughout 2020.

- In terms of solvency ratios for 2022, as mentioned earlier, BHI's spin-off will have a positive net effect on our capital position, as deconsolidation of RWAs and lower goodwill deductions will compensate lower equity, additional deductions of non-consolidated investments and the exclusion of the AT1 instrument issued by BAC International Bank from our Tier 1.

- As we continue to move along the Basel III 3-year transition period, which annually increases minimum solvency requirements, our capital levels will face some headwinds in Q1-2022:

  - First, depreciation of fixed income markets has led to higher unrealized losses in OCI.
  - Second, changes in operational risk are expected to increase RWAs.

    - And third, as we have mentioned in previous calls, during the first quarter our Tier 2 debt issuances will have lower capital credit as well as we will observe reduced phased-in capital contribution from OCI accounts related to Basel III transition.

- In line with Banco de Bogotá's favorable position to capture potential growth and in order to maintain a robust capital profile, the Board of Directors will propose in the upcoming Shareholder's Meeting to not declare a cash dividend. As a reminder, dividend payout decisions remain at the Shareholder's Meeting level; Banco de Bogotá's Ordinary Shareholders' Meeting will take place next March 29th.

On ***slide 16***, we begin the presentation of our P&L figures. I would like to note that annual variations are calculated using a proforma scenario which is shown in the presentation as '4Q-21 Pre', which consolidates Porvenir. This scenario ensures comparability with Q4-2020 as it does not show Porvenir's deconsolidation carried out in Q3-2021.

Regarding Net Interest Margin ratios.

- Net Interest Income for Q4-2021 was $2.3 trillion pesos, increasing 2.0% in the quarter or 1.6% when isolating FX fluctuations. Yearly total was $8.65 trillion pesos, growing 4.8% without Porvenir's deconsolidation. Excluding exchange rate effects, annual growth is 4.0%.

- Quarterly Total NIM remained at 5.0% explained by a stable Lending NIM at 5.8% and a 24 bps decrease on Investment NIM, with marginal impacts on the aggregated figure. Total NIM for full year 2021 was 4.9%, contracting 52 bps annually due to a generalized low-interest rate environment, thus reducing Yield on Loans to 5.7%, and to volatile market dynamics that impacted yields on fixed-income investments.

- Q4-2021 shows a slight 4 bps increase on Yield on Loans, starting the process of variable-rate asset' repricing in line with upward movements in the benchmark interest rate. Higher rates also led to a quarterly increase of 10 bps in Cost of Funds, which adjusted faster to new rate levels. Yield on investments decreased 14 bps in the quarter, reflecting a challenging market sentiment, as previously explained.

- Porvenir's transaction did not significantly impact our NIM figures except for the Yield on Fixed Income, resulting in a higher Investment NIM. A higher investment yield is explained by a larger share of investments in inflation-linked debt securities issued by both private and public entities.

Our guidance for 2022 is to reach a total NIM around 4.8%.

Turning to ***slide 17***, we show our Fee and Other Income performance.

- Gross Fee Income for Q4-2021 was $1.16 trillion pesos resulting in a ratio of 30.2%. Quarterly increase of 11.8%, or 11.2% when excluding FX, is explained by higher income from banking services and credit card fees in line with increased transaction levels due to typical seasonality.

- Therefore, banking fees represented 92.4% of our fee income in the quarter, with Fiduciary Activities, Other Fees and Pension fees accounting for 3.2%, 3.1% and 1.3%, respectively.

- Fee Income ratio for 2021 was 28.5%, equivalent to a fee income of $4.1 trillion pesos. In the pre-Porvenir's deconsolidation scenario, Fee Income would have increased 12% annually, equivalent to $1.2 trillion pesos.

- Other Operating Income totaled $489.5 billion pesos in Q4-2021, increasing 16.5% quarterly, as a result of higher gains on derivatives and Equity Method Income.

- Equity Method Income totaled $130.8 billion pesos in the quarter, adding to the annual result of $563.3 billion pesos. Results present a 2.4% yearly decrease mainly from Corficolombiana's operations due to:

    - First, the tax reform approved in Q3-2021 triggered a recalculation of deferred taxes impacting bottom line results in around $139 billion pesos, explaining the unusually low Equity Method Income registered in that period.

    - And second, in December 2021, we had a $69 billion pesos contraction mainly driven by goodwill deterioration in one of the road concessions projects.

- It is also important to note that Porvenir's results are included as Equity Method starting in August; however, challenging market conditions that impacted valuation of public debt securities, led to a lower income contribution during Q4-2021.

- Lastly total Other Operating Income for 2021 was $3.17 trillion pesos. $1.3 trillion is non-recurring due to Porvenir's transaction, while at the same time its deconsolidation led to lower net gains on negotiable derivative instruments and sale of investments.

In terms of guidance, we expect a Fee Income Ratio above 20%.

Let's continue with our efficiency ratios on ***slide 18***.

- Efficiency ratio for 2021 is 48.5%; however, when isolating one-off impacts such as Porvenir's $1.3 trillion extraordinary income and Corficolombiana's deferred tax adjustment of $139 billion pesos, efficiency would have been 52.4% for the year.

- In pre-Porvenir's deconsolidation scenario, efficiency would have been 52.1% in 2021, which compares very similar to 2019's ratio considering that both years had full-scale operations. 2020 OpEx levels reflected the impact of quarantines and lock-down measures which reduced administrative expenses, thus in 2021 we were expecting an uptick as operations gradually returned to pre-pandemic levels.

- Higher expenses are explained by increased variable compensation for our commercial staff, in line with loan growth, larger expense on marketing and advertisement, as well as costs related to a full operation of our branch network.

- On the other hand, although total income grew via NII and Fee income, it was partially offset by the impact of Porvenir's deconsolidation as we observed lower gains on derivatives and sales of investments as previously explained, leading to increases on our efficiency ratio.

- In terms of our Cost to average Assets, we observe a 3.4% ratio in 2021 or 3.6% considering our previous corporate structure, illustrating efficient growth.

In 2022, we expect that our efficiency ratio will result below 50% as our commitment to cost control is unchanged.

Lastly, on ***slide 19*** we present our Net Income and Profitability ratios.

- In Q4-2021 Net Income Attributable to Shareholders was $770.6 billion pesos, explained by a 2.0% quarterly increase on Net Interest Income and 13.4% on Net Fee Income, while mitigated by an 8.1% increase in Operational Expense, as well as a 10.5% surge on Net Provisions Expense.

- Results for the quarter led to an annual figure of $4.36 trillion pesos, including the extraordinary income from Porvenir's deconsolidation in Q3-2021. Excluding this one-off, annual attributable net income would be $3.05 trillion pesos.

- In terms of profitability, Return on Average Assets for the quarter was 1.4% while Return on Average Equity was 12.4%. On annual terms, ROAA and ROAE from recurring operations were 1.5% and 13.4%, respectively, exceeding our previously guided figures of 1.3% and 12%. Including Porvenir's extraordinary income, annual ROAA and ROAE were 2.1% and 19.1%.

- The aforementioned results, position Banco de Bogotá as the most profitable Colombian bank, proving our commitment to constant value-generation for all of our stakeholders.

In 2022, ROAA is expected to be 1.5% and ROAE to come in between 13% and 14%.

Before starting the Q&A session, I would like to summarize our 2022' guidance which reflects recurring operations, that is: Banco de Bogotá's Colombian banking operation, Multi Financial Group performance in Panamá and including the 25% interest in BHI via Equity Method as the spin-off will be completed next week.

  - For loan growth we expect to be around 13%,
  - Our Net Interest Margin target is 4.8%,
  - Cost of Risk should be around 1.8%,
  - Our fee income ratio should be north of 20%,

- Efficiency ratio should come in below 50%,
- And in terms of profitability, our ROAA should come in at around 1.5% while ROAE would be between 13% and 14%.

And now we are open to questions.

Operator: Thank you. We will now begin the question-and-answer session.

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 ***Nicolas Riva,*** *from* ***Bank of America***.

Nicolas Riva: Thanks very much for the chance to ask questions. I have two questions. The first one on the tender offer on the '27, if you can confirm there is no related bond issuance that you're going to be paying for that using your cash position. So that's my first question.

And then my second question on the spin-off of Central America. Last week, Aval said in the earnings call, and I believe that you said the same thing earlier in your comments, that there's going to be a positive impact on your capital, about 130 basis points. If that's the case, and then assuming that the spin-off happens before the end of the month, and I also would like to have some confirmation there, are you expecting then the Tier 1 to increase to 12.8% by the end of March, everything else constant? Thanks.

***Germán Salazar*:** Thank you for the questions. First question is going to be answered by myself. And I have to tell you that there's no bond issuance connected with this payment of the current '27 bond outstanding that we have in our books. Basically, it obeys an excess liquidity that we have in dollars as a result of dividends paid by BAC at the end of the last year and we believe that there's an interesting opportunity because of the secondary market price. And secondly, because of the negative carry that we may have by maintaining the bond that this moment in time and after the spin-off, we don't really "need it", to the extent that it was basically hedging a dollar-based position that we had in our books before the spin-off. So, in summary there is not a bond issuance related to this prepayment of the bond.

***Javier Dorich*:** Hi, Nicolas and thank you for the questions. In terms of your second question, the answer is no. There is not going to be a 130-basis point increase in our tier 1 ratio mainly because there are some headwinds as we mentioned earlier. For example, we have a negative valuation effect due to our portfolio that is happening all across the world, as you know, for example, what's happening with inflation and with the FED. Second, we have an increase in operational risk that is increasing our RWAs. And third, as we mentioned already, we are not going to count anymore with the USD $520 million of the AT1 associated with BAC International Bank. So, we expect that our Tier 1 ratio may increase a little, but not the full 130 basis points.

Operator*:** Thank you. The next question comes from ***Julián Ausique, *from* ***Corredores Davivienda***.

***Julián Ausique*:** Hi, everyone and thank you for having my questions.

I have three questions. The first one is just to confirm that the guidance that you are giving us has considered already the deconsolidation of BHI from the operation of Banco de Bogotá.

My second question is to know if you have already talked with MSCI Colcap index about how they will treat the new company that will be listed in the Colombian market, if it's going to be already part of the index or if we have to wait for the company to be listed in November.

My third question is just to know if on March 30th, when the shares of Banco de Bogotá and Grupo Aval will start to trade again, BHI will trade also? Thank you.

***Javier Dorich*:** Well, in the first case, you ask about the guidance and the answer is yes. It considers only recurring operations, so it excludes BAC from our figures but it's also there in a 25% stake via equity method.

***Germán Salazar*:** In connection with your second question about the conversations with MSCI, no. We have not yet, so we could not give you color at this moment in time. Thirdly, what you're asking is whether the BHI share is going to be trading as of the end of the month, the answer is yes, in both stocks, in the Panamanian and the Colombian stock exchange.

Operator*:** Thank you. Our next question comes from ***Natalia Corfield, *from* ***JP Morgan***.

***Natalia Corfield*:** Hi, everybody. Thank you for taking my question. I have a question on your tender and another one on your capitalization.

On the tenders today, I understand that you're taking the '27 mainly because it's the one trading below par, but looking at your '26 is also below par now. And so, would you be considering a tender of this one as well? And how much is this bond contributing to your capital right now?

And on your capitalization, I understand it's not going to increase much after the spin-off. What are your plans? Do you intend to issue AT1s? I understand that there was a possibility of a capital injection. Where do you stand on those fronts? Those are my questions.

***Germán Salazar*:** The answer to your first question is yes on the '27, not on the '26, because those are the subordinated instruments that contribute to our solvency ratios. So, at the moment, there's only a part of the '27. It is an issuance for USD 600 million. We aim at prepaying half of that amount. So, that's what I could tell you as far as your first question is concerned.

***Javier Dorich*:** Yeah. Thank you, Natalia. And in terms of your second question, the answer is that we are not thinking in terms of an AT1 right now. We may in the future but right now we don't think we need that kind of instrument for our capital.

***Operator*:** Thank you. As a reminder, if you have any questions, please press star one (*1).

The next question comes from ***Daniel Mora,*** *from* ***Credicorp Capital***.

***Daniel Mora*:** Hi. Good morning, everyone, and thank you for the presentation. I have a couple of questions. The first one would be if you can confirm the exact number of shares that BAC Holding International (BHI) will have and also to confirm the exchange terms between shares of Banco de Bogotá and the shares for BHI, I mean, for one share of Banco de Bogotá, how many shares of BHI will that be?

And my second question would be what will be the net effect on the CET1 ratio, considering already the spin-off of BHI and also the headwinds that you have been mentioning during the conference call. And if you can provide a target of the CET1 that you want to reach under Basel III standards, considering also the capital ratios of Banco de Bogotá?.

The third question is related to the margins. I would like to know if you can break down the 4.8% margin for 2022, if you can give us what would be the yield on loans or the NIM on loans, the NIM on investments and also the cost of funds, that would be great. Thank you so much.

***Germán Salazar*:** Thank you for the questions. In answer to the first one, I could tell you that that information in connection with the reference price that we will have for shares will be provided by the stock exchanges once this spin-off process is accomplished during the following days. So, at this moment we could not give you an amount on that particular regard.

And secondly, Javier is going to answer your question.

***Javier Dorich*:** Yeah. Thank you, Daniel. First of all, in terms of our CET1 ratio, as I mentioned earlier, we expect to increase it slightly from Q4 2021 to Q1 2022. Slightly means less than 50 basis points.

You also asked for guidance in terms of what's our goal in terms of CET1 and I think that's a moving target. We also want to have some room above the minimum regulatory. If you see our history, we always tend to be well above the minimum regulatory, but we don't have right now any specific number to give you.

And in terms of last question, you asked about NIM. What I can tell you, for example, is that, as you know, and I mentioned earlier, in 2022, the bank is changing because now we have to consider only the operation in Colombia and MFG in Panama. And for example, in Colombia, we expect a NIM above 5%, but in Panama it may be below 3%. So that mix gives you a 4.8% figure and that is increasing against 2021 due to some factors. For example, an increase in interest rates. Germán mentioned in the first part of the presentation that we expect the Central Bank to increase it to 7.5%. And also, due to a change in the mix of our loan portfolio since we expect consumer and mortgage loans increasing faster than our commercial loan portfolio.

Operator*:** Thank you. We have a follow-up question from ***Natalia Corfield, from JP Morgan. Please go ahead.

***Natalia Corfield*:** Thank you for taking my follow-up. In your 2026 note, how much does this note contribute to your capital? And just to confirm that you are not going to pay dividends relative to 2021. Those are my two questions.

***Javier Dorich*:** Yeah. In the first question, the answer is this year (2022) it counts as of 50%. So, the USD 1.1 billion issuance is worth to us in terms of solvency to USD 550 million.

And the second question, as far as we can say, the answer is yes, we're not paying dividends. But as I already mentioned, it is not a decision of the management but of the shareholders' assembly, which is taking place next week, March 29th.

Operator: Thank you very much. And now I would like to turn the call over to Mr. Figueroa for closing remarks.

Alejandro Figueroa: Thank you very much to all of you for attending this meeting. Any additional questions that you may have, please call us and we will be very happy to answer and see you next quarter.

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