1Q 2022 Results

Banco de Bogotá

Information reported in COP and under IFRS.

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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 1Q 2022 Banco de Bogotá's consolidated results conference call. My name is Hilda and I will 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.

Banco de Bogotá is an issuer of securities in Colombia and, as such, it is required to comply with periodic reporting requirements and corporate governance practices. As a financial institution, the Bank is subject to inspection and surveillance from Colombia's Superintendency of Finance.

The financial information included in this report was prepared with unaudited consolidated financial information, in accordance with IFRS as currently issued by the IASB. Details of the calculations of Non GAAP measures such as ROAA and ROAE, among others, are explained when required in this report.

Banco de Bogotá executed a spin-off of a 75% equity stake in BAC Holding International Corp (“BHI”) to its shareholders on March 25th, 2022. Prior to the spin-off, Banco de Bogotá was the direct parent of BHI. The Bank has retained a direct stake of 25% in BHI. This interest in BHI is reported as discontinued operations for reporting periods prior to the spin-off, including for the full period of the three months ended March 31st, 2022, and will be reported under the "share of profit of equity accounted investees, net of tax (equity method)" line item for subsequent periods. Furthermore, on July 28th, 2021, Banco de Bogotá ceded control of Fondo de Pensiones y Cesantías Porvenir (Porvenir) to Grupo Aval, while retaining an unchanged 46.9% equity interest in the company. Consequently, Porvenir results were deconsolidated from Banco de Bogotá's financial statements starting on the results reported for the three months ended September 30th, 2021; from this date onwards Banco de Bogotá's stake in Porvenir is reflected as an "Investment in associates and joint ventures", while its results are reported under "share of profit of equity accounted investees, net of tax (equity method)".

As a result, for comparability purposes, we have prepared and present supplemental unaudited pro forma financial information for the three months ended March 31st, 2021, and the three months ended on December 31st, 2021. That assumes that the consolidation of Porvenir was completed on January 1st, 2021, and/or BHI's spin-off was completed on January 1st, 2021, and October 1st, 2021, respectively. The supplemental unaudited pro forma financial information does not purport to be indicative of our results or financial position had the relevant transactions occurred on the dates assumed and does not project our results of operations or financial position for any future period or date.

The pro forma financial information is unaudited and the completion of the external audit for the year ended December 31st, 2022, may result in adjustments to the unaudited pro forma financial information presented herein; any such adjustments may be material. For further information, please see the supplemental unaudited pro forma financial information in our first quarter earnings release dated May 24th, 2022.

The Colombian peso/dollar end-of-period annual devaluation as of March 31st, 2022, was 2.0%. quarterly revaluation was 5.7%. In this report, calculations of growth, excluding the exchange rate movement of the Colombian Peso, use the exchange rate as of March 31st, 2022 (COP 3,756).

This report includes forward-looking statements. In some cases, you can identify these forward-looking statements by words such as "may", "will", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these and other comparable words. Actual results and events may differ materially from those anticipated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates, and other risk factors. Recipients of this document are responsible for the assessment and use of the information provided herein. Matters described in this presentation and our knowledge of them may change extensively and materially over time, but we expressly disclaim any obligation to review, update or correct the information provided in this report, including any forward-looking statements, and do not intend to provide any update for such material developments prior to our next earnings report. The content of this document and the figures included herein are intended to provide a summary of the subjects discussed rather than a comprehensive description.

When applicable, in this webcast, we 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 Q1-2022 earnings call. Thank you all for joining us today.

- Let me begin by addressing the spin-off of 75% of BAC Holding International (BHI) from Banco de Bogotá, which was completed as of March 31st, 2022.

- As we have mentioned in previous calls, there were two main reasons to execute the spin-off. First, due to BAC's excellent results and the effect of the devaluation of the Colombian peso, BAC has grown to be the same size of Banco de Bogotá. Separating Banco de Bogotá and BAC will strengthen their respective strategic position, allowing them to capture future growth, and to adapt to their own local market dynamics through more efficient capital, fiscal and regulatory structures. Second, we believe that the spin-off will unlock value for our shareholders by allowing both shares to trade independently.

- Some of the main results from the spin-off are:

  - First, our exposure to Central America fell for more than 50% of total assets in December 2021 to 15.3% as of March 31st. Panamanian exposure is now limited primarily to Multibank, which was not spun-off and is still owned 100% by Banco de Bogotá.

  - Second, on the day of the spin-off, our consolidated assets decreased by $111.2 trillion pesos, consolidated net loans decreased by $69.8 trillion pesos and consolidated deposits decreased by $83.8 trillion pesos. Banco de Bogotá's total shareholders' equity decreased by $ 9.5 trillion pesos, of which $3.6 trillion pesos was tangible equity while $5.9 trillion was intangible equity.

  - Third, we booked $1.3 trillion of extraordinary attributable net income from the realization of certain OCI accounts as a byproduct of the spin-off.

- Now, moving to our results, economic dynamics supported Banco de Bogotá's performance in the first quarter, with an Attributable Net Income of $2.3 trillion pesos, or $963 billion pesos when excluding the extraordinary income from BHI's spin-off.

- Net Interest Margin increased 38 bps in the quarter to 4.6% as a result of upward trends both from lending and investment NIMs. Particularly, reference rate increase have positively favored yield from the lending book.

- Fee income ratio stands at 21.8% for the quarter, above 21.6% in Q1-2021, given increased use of banking services, particularly in credit cards.

- Efficiency ratio came in at 43.3% when excluding BHI's spin-off extraordinary income, a quarterly improvement of more than 10 percentage points. Cost to Asset ratio also, improved to 2.4%.

- Now, moving to the balance sheet, our performance is summarized as follows.

  - Gross loans from continued operations totaled $83 trillion pesos as of March 31st, 2022, growing 4.6% annually and 2.3% quarterly, excluding the impact of foreign exchange.

  - Deposits remain our principal funding source, reaching $77 trillion pesos. Deposits to Net Loans ratio was 0.99x.

  - Regarding quality of the loan portfolio, the 90 days PDL ratio improved by 17 bps to 3.7%, continuing the trend we observed as of December 2021. Recent prudent provisioning expense and positive payment behavior during the quarter led to a Net Cost of Risk of 2.0%.

  - Finally, Capital Adequacy ratios remained above regulatory minimums at 10.4% for CET1 and Tier 1 Capital, and 13.0% for Total Solvency. These levels continue supporting our growth strategy.

- Lastly, guidance for 2022 is:

  - For loan growth we expect to be around 12%.
  - Net Interest Margin is 4.7%.
  - Cost of Risk should be around 1.8%.
  - Fee income ratio is expected to be above 20%.
  - Efficiency ratio should remain below 45%.
  - And in terms of profitability, return on assets should come in at around 2.5%, while return on equity would be around 21% for the whole year.

Now, I will hand over the presentation to our Executive Vice-President, Germán Salazar, who will comment further on the economic environment and on the result of Banco de Bogotá's digital strategy.

Germán Salazar:

Thank you, Alejandro.

Moving to ***slide 4***, which summarizes our digital strategy, let me begin by explaining that given BHI's spin-off, digital strategy metrics shall only be reflected the Colombian operation from now on, as MFG contributions are marginal.

- Digital strategy remains as one of the main levers to achieve incremental business growth and enhance customer' acquisition, by scaling digital developments and agile methodologies to improvements in our operations. From the inception of the digital lab in 2017, we have sold over 3.5 million digital products as we have constantly added new products to the digital portfolio. In Q1-2022, we sold over 495,000 digital products, marking our strongest quarterly performance with annual and quarterly double-digit growth of 56% and 11%, respectively.

- Furthermore, digital sales in this quarter alone represent more than 50% of 2020's sales and close to a third of 2021's, confirming our digital strategy success.

- 52% of digital sales in the quarter is represented by processes that target new segments and business, creating opportunities not traditionally available. The remaining 48% can be attributed to the migration of our traditional business to digital channels as we provide a seamless and effective digital experience.

- To improve our success rate, we have implemented automatic marketing tools that allow experience flow resumption for those customers who were not able to finish the product acquisition process effectively. In Q1-2022, this strategy led us to recover more than 6,000 products, adding more than $23 billion pesos in new loans. The lead-recovery process was implemented for Credit Cards and Personal Loans, and we expect to add more products in the following quarters.

- Digital sales’ share of total product sales grew to 75%, reflecting the highest digital participation ever. In Q1-2022, we placed over 109,000 digital Credit Cards, while we sold over 80,000 Personal Loans and 17,000 payroll advances. Also, 218,000 digital savings products (savings accounts and term deposits) were placed in the Q1-2022.

- The digital experience we provide allows for shorter onboarding times for direct digital product openings as well as for salesforce' assisted processes, thus increasing productivity.

- Moving to digital adoption, in Q1-2022, we reached over 2.1 million active digital retail users, equivalent to 65% of our retail clients, who benefit from our ever-improving mobile and virtual banking platforms. Successful customer experience through our mobile app is reflected by 4.7 ratings in both Android and Apple app stores, one of the biggest and the highest among banking apps in Colombia.

- Over 75% of total transactions performed by our customers are digital, surpassing 170 million in Q1-2022. To foster higher transactionality, we are redesigning most frequently used transactions such as utilities' payments, inter-bank transfers and loan payments between Aval banks, among others. As a result, I would like to single out a 100% in-house solution developed to streamline PSE payments, a process relaunched in the quarter which improved transactional effectiveness from 65% to 75%. As a result of these efforts, we received from FinTech Americas the award for Payments and Wallet innovation.

- Rounding up on our digitalization initiatives, we have launched informative campaigns highlighting to ease the use of our digital channels, new functionalities and security elements such as the digital token, in order to improve conversion rates and usage frequency. As our digital operations strengthen, we continue to capture efficiencies through the optimization of our storefronts, which contracted 4.7% quarterly to 429 full-service branches in Colombia, of which 51 provide digital features.

On ***slide 5***, I will present a summary of the Colombian macroeconomic outlook.

- Economic growth dynamics seen in 2021 continue in 2022. For the first quarter, the economy grew 8.5% annually, benefiting from strengthened consumer demand amid a full reopening of the economy and progressive elimination of measures implemented to contain the pandemic.

- Indeed, the country overcame the fourth contagion wave at the beginning of the year, while advancing in the vaccination process towards reaching 70% of the population with a complete scheme, maintaining low contagion rates.

- A good start to the year led multiple entities to review their growth forecast, including the International Monetary Fund, which adjusted its expectation upwards from 4.5% to 5.8% for 2022. Our Economic Research team had already adjusted its projection to 5.5%. In any case, risks persist in a global slowdown context due to the Ukraine war consequences, lower activity dynamics in China, global supply limitations, and monetary policy cycle adjustments.

- Meanwhile, the labor market continued to recover and even gained traction at the beginning of the year, although there is still room for improvement to achieve pre-pandemic unemployment levels. The unemployment rate in the 13 main cities was 12.6% in March, decreasing 4 percentage points when compared to 2021 and less than a full point above March 2019 figure.

- On the inflation side, news are less encouraging, as has been the constant worldwide. The war in Ukraine and its impact on commodities was felt in Colombia, mainly through food prices, which were already under some pressure before that event. In April total inflation rose to 9.2%, 50% explained by the food category, annually increasing in excess of 26%. However, there are somewhat more generalized price pressures, as is evident from core inflation measurement rising to 6.3%, moving away from the target range (2.0% to 4.0%). By the end of the year, our Economic Research Team forecasts an 8.6% inflation, depending on food prices' reduction, and it would continue to moderate towards 2023.

- Consequently, Banco de la República continued to normalize its monetary policy, increasing the benchmark rate on several occasions and even accelerating the pace of adjustments, deciding 100 bps increases in most recent meetings, setting the rate at 6.0%. Moreover, the entity's Board of Directors considered the possibility of a quicker tightening of the policy stance, with a minority voting for adjustments of 150 bps. Although this type of movement cannot be completely ruled out, the central bank has maintained its message of gradual increases, which is why our Economic Research team expects the interest rate to reach 8.0% in the forthcoming months.

- Volatility on the foreign exchange market continued, with a trading range between $3,700 and $4,000 pesos per US dollar, recently trading very close to the upper limit. Although after the start of the war in Ukraine, the Colombian peso was one of the most benefited currencies thanks to the country's low exposure to Russia and being an oil exporter, the gains were short-lived. Proximity of presidential elections and U.S. dollar strengthening at a global level, led the exchange rate to the yearly maximum and very close to levels reached during the pandemic.

- Results from Congress' elections sparked announcements from the rating agencies. Fitch ratings affirmed that Congress atomization will reinforce a checks and balances system when approving next government's reforms. In a similar way, it considered that the economic policy framework in the country will remain intact and that institutional robustness will prevent radical changes. Moody's also highlighted a more segmented Congress and expects legislative and judicial branches to act as a counterweight to disruptive proposals as Standard & Poor's foresees pragmatism to prevail in reforms that require approval in a divided Congress while affirming BB+ rating earlier this month.

As we continue to consolidate Multi Financial Group, let us move to an outlook on Panama's macroeconomics. Please go to ***slide 6.***

- After reporting its largest annual economic contraction of 17.9% in 2020, in 2021 the Panamanian economy strongly recovered, growing 15.3%. As is the case with other emerging markets, there is still space for further improvement as production is 5.4%, below that observed in 2019.

- The sector that contributed the most to annual growth was Mining, increasing 116% and 183% when compared to 2020 and 2019, respectively. This particular sector has gained relevance in recent years due to specific projects such as Cobre Panama, which proved resilient to pandemic shocks. Wholesale and retail trade remains the most representative activity in the economy, accounting for 18.5%, growing 19.2% in 2021, almost completely closing the gap with 2019 production levels.

- In its latest report, the International Monetary Fund adjusted Panama's growth projection upwards, from 5.0% to 7.5% for 2022, forecasting an average annual growth rate around 5.0% at least until 2027.

- Supporting economic growth, dynamics in the construction sector led to a 31% growth in 2021 after a sharp 52% contraction in 2020, still 36% below 2019 levels. Growth potential remains as it should benefit from a full reopening of the economy as well as from both local and global recovery.

- Regarding consumer prices, Panama recorded two consecutive years of deflation in 2019 and 2020, with levels of -0.1% and -1.6%, respectively. In 2021, the trend was reversed, increasing 2.6% annually, highest level since 2014. Additional inflationary pressures were observed in the first quarter 2022, reaching 3.2% as a consequence of higher commodity prices and restrictions in global supply chains. Price impacts from the war in Ukraine and prolonged quarantines in China because of COVID-19 are yet to be seen, which would lead to higher inflation, especially due to Panama's net oil importing position.

- In terms of Panama's sovereign rating, Moody's rates the country at Baa2 or BBB with a stable outlook, while Fitch recently revised its outlook from negative to stable on a BBB- rating due to improved economic recovery and fiscal position. Standard & Poor's has had a negative outlook for its BBB rating since August 2021 based on a downside risk perception in the fiscal front, creating the possibility of a downgrade. In any case, the investment grade is not at risk.

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, and good morning, everyone. Let's begin on ***slide 7***, where we present an overview of our consolidated asset structure.

- Please note that Q1-2022 figures reflect our current corporate structure which significantly changed due to BHI's spin-off. As a result, we have deconsolidated BHI's contribution from our financial statements, recognizing our remaining 25% stake in BHI as an investment in associates, and 100% of its net income for the quarter is reflected as a discontinued operation on our P&L, as the transaction was completed on March 30th.Starting on Q2-2022, BHI's contribution to our results, in proportion of our equity interest, will be reflected through the Equity Method.

- Consequently, in order to maintain comparability, pro forma figures prior to Q1-2022 shown on our presentation and reports were recalculated to reflect recent corporate events: namely, the spin-off of 75% of BHI's operation and Porvenir's deconsolidation. Pro forma figures subtract 100% of both BHI's and Porvenir's assets, liabilities and net income, as appropriate for each period and are reflected in a deconsolidated or discontinued line in our Balance Sheet and P&L statements, respectively. Performance ratios that require average figures are calculated on pro forma figures while Profitability ratios are presented "as reported".

- It is important to note that due to the pro forma nature of these figures, they are indicative only, they do not substitute previously reported financial information and they may be subject to future revisions as we have specified in the disclaimer.

- Q1-2022 Consolidated Assets totaled $122 trillion pesos, increasing 4.3% quarterly. As a result of BHI's spin-off Central American assets now represent 15.3% of our consolidated total, explained mainly by Multi Financial Group operations in Panama.

- In terms of our asset structure, Net Loans and Leases continue to be our main asset, representing 64.2% of consolidated assets, followed by Other Assets at 14.4% and Fixed Income Investments at 10.8%. Equity Investments increased to 10.6% given that our 25% stake in BHI is now accounted for as an associate company.

- Gross Loan Portfolio grew 1.3% quarterly, or 2.3% when isolating the 5.7% Colombian peso revaluation in the period. As we continue with our strategy of rebalancing our loan mix towards higher retail segment' participation, commercial loans represented 66.5% of our portfolio, down 2 percentage points from a year ago, while consumer lending accounted for 22.3% and mortgages represented 10.8%.

- Mortgage portfolio continues to be a strategic growth segment, given our preference for secured lending, increasing 4.7% quarterly when excluding FX, mainly driven by our Colombian operations.

- The commercial portfolio grew 2.6% in the quarter adjusting for exchange rate impact, as we observed higher lending in ordinary and liquidity products as well as in the construction segment. Partially offsetting this growth were foreign currency loans where we observed higher prepayments, in line with the Colombian peso revaluation.

- Consumer loans increased 0.7% in the quarter when excluding FX, explained by higher origination appetite in unsecured lines more than compensating challenging dynamics in the payroll lending market.

For 2022, we expect loan growth to be around 12%, accelerating in the second semester as current macro and political headwinds pressuring loan demand are expected to recede.

Moving to our consolidated Loan Portfolio Quality metrics on ***slide 8***, let me start by providing a brief update on our loan' reliefs.

- Active forbearances by the end of Q1-2022 were 0.6% of the Consolidated Loan Portfolio, exclusively from Panamanian operations (MFG), while 8.9% of consolidated loans are under a renegotiated payment schedule (second-wave reliefs).

- In Colombia, structural reliefs continue to reflect positive payment performance as principal amortizations have supported a decrease from 6.7% in Q4-2021 to 5.8% of the Colombian loan portfolio in Q1-2022.

- Regarding MFG, forbearances continue to gradually expire and by the end of the quarter, they only represented 3.5% of our Panamanian loans, down from 5.4% in the previous quarter. Renegotiated loans are 24.5% of MFG's loan portfolio, equivalent to $847.1 million dollars, of which 55.3% are in commercial loans, 29.3% in mortgages and 15.5% in consumer lending.

- Loan quality performance in Q1-2022 improved as the consolidated 30-day PDL ratio decreased by 10 bps, to 4.9%, while strong normalization efforts resulted in a 17 bps quarterly contraction on the 90-day PDL ratio, to 3.7%. In annual terms, loan portfolio quality improvements are more notable, as 30 and 90-day PDL ratios decreased 108 and 53 bps, respectively.

- On the top right, Net Cost of Risk metrics reflect a sharp annual 59 bps recovery over pro forma figures, in line with improved economic activity easing pressures on loan deterioration, thus on provision expense. In Q1-2022, consolidated gross provisions totaled $481.3 billion pesos, up 10.5% in the quarter, leading to a 2.3% Gross CoR. When including recovery performance, Net Cost of Risk is 2.0%.

- Current Cost of Risk levels are in line with those of normalized operations now that pandemic shocks have been almost completely overcome. For the full year 2022, we expect a Net Cost of Risk around 1.8%.

- Charge-off ratios on the bottom-left, present stability as in the quarter, our charge-offs were 0.65x our average 90-day PDLs and 2.5% of our average loans.

- Lastly, coverage metrics continue to be strong and reflect the aforementioned quarterly provision expense increase, reaching 1.24x and 1.65x our 30 and 90-day PDLs, respectively. Allowances as a proportion of gross loans were 6.1%.

As presented on ***slide 9***, we now continue with the regional breakdown of our quality metrics.

- In Colombia:

- We observed a quarterly 14 bps reduction in each of our 30-day and 90-day PDL ratios, to 5.2% and 4.1%, reflecting continued loan administration efforts in a context of economic growth.

- Net Cost of Risk for Q1-2022 was 2.0% in line with historical operation levels.

- Charge-offs over 90-day PDLs were 0.61x in the quarter, representing 2.5% of our average Colombian loans.

- Coverage ratios did not vary significantly, as we maintained 1.3x coverage over our 30-day PDLs and around 1.7x over 90-day PDLs.

- In Panama, specifically on MFG's operations:

  - 30-day delinquency ratios for the quarter increased 5 bps to 3.8% as a result of loans coming-off from prolonged relief periods, on which we are focusing on restoring payment frequency. For its part, 90-day PDL ratio was 1.8%, improving 42 bps quarterly as a result of a strong loan recovery coupled with increased charge-off activity.

  - Cost of Risk was 2.0% in Q1-2022 in line with increased arrears' migration of most impacted borrowers, after forbearance expirations.

  - In consequence, as arrears continue to roll-over, charge-off activity increased after a stagnation period due to active payment holidays. In turn, charge-offs for the quarter were 1.06x our 90-day PDLs, representing 2.2% of our Panamanian average loans.

  - Coverage our 30-day PDLs was 0.4x while over 90-day PDLs is 0.9x. Allowances represent 1.7% of the Panamanian gross loans.

Continuing on ***slide 10*** with our quality ratios by segments:

- Commercial portfolio quality remained stable at 4.6% and 4.0% for 30-day and 90-day PDL ratios, respectively.

- On our consumer loans, 30-day PDLs ratio decreased 42 bps in the quarter. 90-day PDL ratio improved 96 bps to 2.8% as a result of increased charge-off activity in Panama.

- Mortgages' 30-day PDL increased 60 bps quarterly to 5.1%, explained by the Panamanian portfolio, while in Colombia quality at this delinquency type remained stable. 90-day PDLs for this portfolio continued at 2.9%.

Moving to the liability side of our balance sheet, on ***slide 11***, we present our consolidated funding structure.

- Deposits continue to be our main source of funds representing 74.2% or $77 trillion pesos of total funding, contracting 1.8% in annual terms.

- Completing the funding mix, Banks and others represent 11.8%, Long-term bonds 10.3%, and Interbank borrowings 3.7%. Moving forward, Long-term bonds will decrease their share on total funding as the tender offer for 50% of our 2027 senior notes concluded on April 21st, resulting in 21.35% of the notes settled, equivalent to $128 million dollars out of the outstanding $600 million dollars in principal.

- Savings accounts continued to lead our deposit' structure with 38.3%, while term deposits represented 37.6% and checking accounts increased their participation to 24%, reflecting liquidity preference from our customers.

- In Q1-2022, we continue to have our Net Loans fully matched with our Deposits, illustrating our preference for maintaining our ratio near 1x.

On ***slide 12***, we present our equity and solvency metrics as reported.

- Q1-2022 Total Equity contracted to $15.3 trillion pesos as a result of completing BHI's 75% spin-off, affecting retained earnings and OCI accounts. Total Equity now represents 12.6% of our consolidated assets.

- BHI's deconsolidation resulted in a $3.6 trillion reduction Tangible Capital to $14.1 trillion, improving our ratio from 7.8% in Q4-2021 to 11.7% in Q1-2022, as reported goodwill decreased in $6.5 trillion pesos, mainly associated to the spin-off.

- Total solvency for the quarter decreased 54 bps to 13.0% as a result of the following:

    - First, as mentioned in previous calls, BHI's spin-off led to a capital accretion, which coupled with higher reserves registered in the quarter, neutralized headwinds from higher unrealized losses from the investment portfolio through OCI as well as changes from Basel III transition. CET1 increased 16 bps in the quarter, reaching 10.4%, while AT1 reduced to 0%, leading to a final 111 bps decrease in Total Tier 1.

    - Second, as we anticipated, in Q1-2022 Tier 2 notes lost a portion of their capital credit: 10% for the '26s and 20% for the '23s, accruing capital in 2022 for 50% and 20% of the respective outstanding principal. Despite a lower contribution, Tier 2 ratio increased 54 bps in the quarter to 2.6%, as a result of lower RWAs from BHI's deconsolidation.

- We will further elaborate on the moving parts of our capital in the following slides.

- Mindful of the cashflow needs of our minority shareholders, a dividend payment was approved at an Extraordinary Shareholders' Meeting held on April 26th, which can be paid either in cash or in shares at a ratio of one new share per 13.258939 common shares currently owned. The rationale behind a payment in kind is to continue supporting our capital position. Dividend payment will take place on June 28th.

- We expect that more than 90% of our shareholders will accept a payment in common stock thus minimizing capital impact on our Q2-2022 solvency ratios.

Moving to ***slide 13***, I would like to walk you through the quarterly movements we had in our capital position.

- To provide more clarity, we divided the moving parts in two categories: business impact and BHI's spin-off. On business impact, we present all the variations we had in the quarter due to the normal course of operations, while in BHI's spin-off we separate solvency changes that come from this transaction.

- Starting on the left, capital movements associated to our business are:

    - First, organic growth represented by continued operations in net income for Q1-2022 as well as FX revaluation led to 102 bps increase on our CET1.
    - As explained earlier, our subordinated notes lost a portion of their capital credit in the quarter resulting in a 58 bps contraction in Tier 2 capital.
    - Unrealized losses from our investments through OCI as well as Basel III transition adjustments in these accounts impacted by 191 bps our CET1.
    - Also related to Basel III phase-in, our operational Risk Weighted Assets increased in the quarter, consuming 34 bps of our CET1.

- Moving to the right, I will summarize the positive effect from BHI's spin-off on our solvency, which, as we guided on our Q4-2021 earnings call, was 130 bps. Main changes are the following.

    - Due to BHI's deconsolidation, our goodwill drastically reduced resulting in a lower deduction from our capital, with a positive effect of 399 bps.
    - The spin-off itself led to a reduction of 649 bps, which comprises: lower equity due to excluding 75% of BHI's equity interest, updated fair value of our remaining 25% stake in BHI and deferred tax impacts.
    - As we maintain a 25% interest in BHI, we accordingly reflected on our capital position as a larger deduction of unconsolidated equity investments using 90 bps on our capital.

- On May 2020, BAC issued an AT1 instrument for $520 million dollars as part of the funding structure used to acquire Multi Financial Group. This instrument was the first one of its kind, having capital recognition in two different jurisdictions, Panama and Colombia, due to its double-trigger structure both at the consolidated level in Banco de Bogotá and on a stand-alone basis at BAC's level. BHI's deconsolidation also entails that this AT1 instrument is no longer part of our capital position, fully erasing our AT1 bucket or 116 bps of our Tier 1.
- Lastly, the aforementioned impacts were more than compensated by a 584 bps positive effect due to lower RWAs.

- With these movements, we reach a reported 13% Total Solvency for Q1-2022, of which 10.4% is CET1 or Tier 1 and 2.6% is Tier 2.

Now let's move to our P&L performance ratios, starting with net interest margin on ***slide 14.***

- Net Interest Income for Q1-2022 was $1.1 trillion pesos, increasing 6.5% quarterly when excluding FX on a comparable basis.

- As a result, Total NIM grew 38 bps in the quarter to 4.6% as interest income was benefited by:

  - Higher Yield on Loans at 7.8% Q1-2022, which includes the impact of a full quarter of variable rate loans' repricing, in line with Colombian benchmark rate increases, as well as our loan growth in higher-yielding retail products.

  - Cost of Funds of 2.9% for Q1-2022 reflects a front-loaded repricing, which resulted in a Lending NIM of 5.1% for the quarter.

  - Yield on fixed income increased to 4.3%, benefiting Investment NIM, which closed at 1.6%.

- Going forward, as our variable-rate loans continue to reprice and funding costs remain controlled, we expect for 2022 a NIM around 4.7%.

On ***slide 15***, we present our Fee Income ratios.

- Following BHI's deconsolidation, fee income decreased to levels above 20% as BHI had strong fees revenue from its leading regional credit card and merchant payment business.

- Gross fees for Q1-2022 totaled $375.2 billion pesos decreasing 4.8% quarterly as Q4-2021 figures reflected seasonality specific to the quarter. Annual growth was 9.1% as increased transactionality supported income from banking fees.

- Banking fees represented 81.9% of our consolidated fee income, while Fiduciary activities (from Fiduciaria Bogotá) and Other fees accounted for 10.0% and 8.1%, respectively.

- Regarding Other Operating Income, losses on derivatives and foreign exchange instruments were partially compensated by gains on investments from our securities portfolio through P&L.

- Other Income for the quarter was almost $1.38 trillion pesos of which $1.32 trillion is explained by BHI's spin-off, from OCI realizations and a higher fair value.

- Reported Equity Method Income for Q1-2022 does not include BHI's quarterly net income, as IFRS 10 requires that BHI's results be reflected as a discontinued operation on our P&L. BHI's contribution to our results are presented at the bottom half of the slide.

- Equity method income for Q1-2022 was $266.2 billion pesos. $226.2 billion come from Corficolombiana; $16.6 billion pesos from Porvenir, affected by market volatilities experienced in the quarter and, $14.4 trillion pesos come from dividend income from our associate companies and joint ventures.

- For 2022, we expect a fee income ratio north of 20%.

Let's continue with our efficiency ratios presented on ***slide 16***.

- Operational Expenses for Q1-2022 were $724.3 billion pesos, contracting 13.3% in the quarter as a result of our continued commitment to cost control.

- Explaining quarterly performance, we observed a significant reduction in administrative expenses which include: our ongoing optimization of our physical footprint; lower marketing expenses which were seasonally high in Q4-2021, and reduced expense on outsourced corporate services.

- Our Cost to Income ratio was 43.3% for Q1-2022, which is calculated excluding the one-off $1.32 trillion pesos income from BHI's spin-off.

- In terms of guidance, we expect our efficiency to be below 45% in 2022.

Finally, moving to profitability on ***slide 17***:

- Attributable Net Income for Q1-2022 came in at $2.3 trillion pesos, which includes the one-off income from BHI's transaction and was also supported by higher NII, controlled provisions, reduced operational expenses and robust fee revenues.

- Quarterly net income led to a 5.2% ROAA and a 45.1% ROAE.

- For 2022, we expect ROAA to be around 2.5% and ROAE to be closer to 21%.

To conclude the presentation, I would like to summarize our 2022 guidance updated with our Q1-2022 results and including our continued operations forecast for the remainder of the year.

  - Loan growth is expected to be 12%, picking up pace in the second half of the year.
  - Net Interest Margin target is around 4.7%.
  - Net Cost of Risk is expected to remain controlled at 1.8%.
  - Fee Income ratio should come in above 20%.
  - Undergoing efficiency efforts should be reflected in a Cost to Income ratio below 45%.
  - Regarding profitability, ROAA should be around 2.5% and ROAE close to 21%.

Now, we can proceed to Q&A.

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

If you have a question, please press zero (0) one (1) using your touchtone phone. If you wish to be removed from the question queue, please press zero (0) two (2). If you are using a speakerphone, you may need to pick up the handset first before pressing the numbers. At this time, we ask you to limit yourself to one question only.

We have a question from ***Daniel Mora***, from ***CrediCorp Capital***.

***Daniel Mora*:** Good morning, everyone and thank you for the presentation. I have a couple of questions, if I may. The first one is, considering the current capital position of Banco de Bogotá with a CET1 ratio around 10.4%, do you feel comfortable with the current level of capital? Or do you still maintain the option of a capital increase on the table? Or do you believe that you can improve the CET1 ratio with the normal operations of the company? What will be the short-term target of the CET1 or Tier 1 for the bank?

And my second question is: considering that the ROAE guidance for 2022 stands at 21%, what will be the stable level of ROAE for the upcoming quarters, considering that you already have the impact of the spin-off of BAC Holding International?

And my third question is regarding asset quality indicators. We observed some levels at Colombia and at the consolidated basis that are well above local peers in Colombia. If we see the 90-days NPL ratio of peers, both of them stand close to 3% compared to the level of

Banco de Bogotá around 3.7%. Do you still expect an improvement in these asset quality indicators? Or what do you see in this front? Thank you so much.

Germán Salazar**:** Good morning and thank you for the question. In connection with your first one, is connected with capital and I will have to tell you that we feel comfortable with the current level of capital, with the solvency ratio at 13%. That's something that we are in a permanent review or consideration. It is a function of what's going to be organic growth but coupled with the internal conditions of the economy, loan demand, and so on. So, in the meantime, what I could tell you is that that's the level we feel comfortable with, and sufficiently above regulatory levels. But needless to say, in the moment that some additional capital might be required, that's something that we would pursue at the right time.

To answer your second question in connection with the return on equity, the level that we foresee in the future is going to be close to 15%. As it was explained earlier, there were certain accounts that are considered a one-off for this year and that's why that level reached a 21% figure. But over time, we do believe that that's going to be close to 14% to 15%.

In connection with the loan quality, important to mention that Cost of Risk has been dropping close to 2%. And we do expect, as it was indicated in the guidance segment, that it will be perhaps a target of 1.8%. We do believe that we're making progress in PDLs for 30 days and 90 days. And consequently, that is going to be adjusted towards some of our competitors' levels, understanding that there could be mixed implications that might differ from time to time.

Operator: Thank you. Our next question comes from ***Julian Ausique***, from ***Davivienda Corredores***. Please go ahead.

Julian Ausique**:** Hi, everyone and thank you for having my questions. I would like to ask two questions. The first one is if you can give us a little bit more detail about the numbers, specifically what is your expectation in Colombia and what is your expectation in Panama?

And can you give us a little bit more color about the asset quality in Panama, where we saw deterioration during the first quarter of 2022? Thank you.

Germán Salazar**:** I'm sorry, Julian. Could you please repeat the first question?

Julian Ausique: Of course. If you can give us more detail about the loan growth, specifically in Colombia and in Panama. What is your expectation in this geography?

Javier Dorich: Okay. Well, about the first question, our guidance right now is consistent with growth around 13% in Colombia and 4% in Panama, specifically MFG.

As you know, the Panamanian market doesn't use to have double-digit growth figures. But in the case of Colombia, you do. Of course, our 13% number, may be affected upwards by the consumer and mortgage segments.

And in terms of your second question, the thing with Panama is that it's finalizing the active forbearance period. And right now, the payment culture is resuming in Panama, and we have seen positive developments in the last months. So, we do expect that this is going to normalize in upcoming quarters. We do not see some kind of problems in the future, since we are already seen things normalizing in Panama.

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

Nicolas Riva: Thanks very much for the chance to ask questions. I have a question on a comment that you just made in response to a prior question. The fact that you feel comfortable with the current level of capital. But soon enough, you may need some more capital. I'm looking at the breakout of your capital, CET1, 10.4%. To me, that looks fine and well above the minimum capital requirements, you have some buffer there. But now to me, the key change with the spin-off of Central America is, number one, you lost the AT1 bucket, because of the deconsolidation of Central America and that AT1 instrument you had issued out of Central America. And then if I look at the Tier 2s, the '23s and especially the 26s are phasing out every year. So, to me, it feels that if you need more capital, it's really especially in the AT1 and Tier 2 bucket. So, if you have comments on that statement.

And then number two, if you can clarify how much do you lose in basis points of capital every year with the phase out of the '26s? I calculate roughly like between 40, 45 bps, but if you can confirm that. Thanks very much.

Germán Salazar**:** Nicolas, thanks for your question. And yes, at the moment, we feel comfortable. But as you mentioned, in connection with our subs, we have February next year, a maturity of $500 million dollars. And we will have to go through a very detailed analysis as to what's going to be required afterwards based on the main elements, the economics, what produces the leverage for the institution and then determine as to whether that's going to be replaced by a similar instrument that is going to be used as part of the CET1 or what's the best combination cost/efficiency that we may find in the market. There's plenty of uncertainty in the international capital markets. So, we have to be very careful as to the determination as to the type of instrument and the timing of the transaction, but you can be sure that we are very dedicated to that particular subject to make sure that we comply with every bucket in the capital composition.

Javier Dorich**:** And in the case of your second question, the answer is yes. I think your number is close because the outstanding is $1.1 billion dollars, and it's losing 10% every year. That's $110 million dollars or roughly $440 billion pesos. And if you do that against our RWA in the future, yes, the answer is it can be between 40 to 45 bps.

Operator: Our next question comes from ***Sebastián Gallego***, from ***Ashmore***.

The question reads "Thanks for the presentation. Some questions. Do you expect an additional OCI effect on capital in upcoming quarters due to fixed income volatility?"

Next question, "Do you see any need for a capital increase after the spin-off?"

And lastly, "How is your current appetite for growth? And can you elaborate on midterm growth plans after the BHI spin-off?"

Javier Dorich: Thank you, Sebastián. Well, in terms of the first question, you know, the big hit not only for Banco de Bogotá, but for whole market was the first quarter due to an unexpected increase in inflation, a change in the interest rate expectations, and of course, that hasn't ended in the second quarter, but it's not that big anymore. So, we don't foresee big surprises for this subject in the second quarter.

Regarding your second question, we already said that we do feel comfortable with our current numbers. So, we don't think that we would need an extra capital after the spin-off in the near time.

And in terms of appetite for growth, the thing is that right now, the Colombian economy as well as the Panamanian, are in a very healthy pace and level. We do see strong growth both in terms of consumer and commercial loans. So, we do see that there is a space for us in order to capture some of that potential growth.

Operator: We have a question from ***Andrea Atuesta***, from ***Bancolombia***.

And her question is, "Good morning and thank you for the opportunity to ask. Could you specify the expected growth for each portfolio segment? And what will be the bank's strategy from now on, taking into account the expected increases in interest rates?"

Germán Salazar: Well, let me begin with the last portion of the question. Yes, we do see these additional movements from the Central Bank very close to 7% next month, who knows if it's going to be a little higher, but that's likely depending on inflation. We do believe still that interest rates remain at a level that is expansionary. And as a consequence of that, it is quite likely that loan demand is going to continue being robust.

In connection with that, we do believe that this double-digit growth, 12% that we expect towards the future in this year, is going to be accomplished. As a matter of fact, if we take growth that we've experienced in the previous six to eight weeks, we could extrapolate that growth, it will get to that 12% for the full year, if that continues to be the case.

Going back in time, for that period between 2015 and 2017, we had a similar case in Colombia, with inflation going up to 9% and the Central Bank adjusted monetary policy from 4.25% until 7.75%. So, there's certain resemblance of what is going on at the moment, compared to that period in time. And at that moment, loan growth was about 15% before the Central Bank began that adjustment process down to about 10%. So, having that as a backdrop, I could tell you that we believe that there's likelihood that it could be accomplished this year.

In connection with the levers that we have in the different portfolios, I could tell you that we're going to be working hardly in personal loans as well as credit cards and car loans, in consumer loans. And basically, we're going to be adjusting for risk appetite. The digital trend for us has been quite robust, as you can see from our presentation, and we're going to continue working on product attractiveness based likewise in the digital efforts that we've been making.

So, together with that, that escalation in different sales channels is something that we are pursuing daily. New data base analysis, campaigns, new leads, market communications and so on, continue to be very instrumental to us, it has been quite successful. So, we believe that that's going to be very important in the case of the consumer lending.

I could also mention that in the case of the corporate lending, which for us is a very important segment, we're going to continue working on digital. Digital is perhaps a little behind on reaching the corporate sector. We're going to catch up there and that should bring plenty of opportunities, together with leasing and factoring, which we believe that will be attractive to our customer base towards the future. So there, we believe that it's going to be basically our efforts, combining with the macroeconomic background that I also mentioned at the beginning.

Operator: Thank you. We have no further questions at this time. 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 the meeting. We are ready to answer any other questions you have after this presentation. So please call us if you want to and see you next quarter. Thank you very much again.

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