2Q 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 second quarter 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 25, 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 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 28, 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's results were deconsolidated from Banco de Bogotá's financial statements starting on the results reported for the three months ended September 30, 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 June 30, 2021, that assumes the deconsolidation of Porvenir and BHI spin-off was completed on April 1, 2021. The supplemental unaudited pro forma financial information does not purport to be indicative of our results of operations 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 31, 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 second quarter 2022 earnings release.

The Colombian peso/dollar end-of-period annual and quarterly devaluation as of June 30, 2022 were 10.7% and 10.5%, respectively. In this report, calculations of growth, excluding the exchange rate movement of the Colombian peso, use the exchange rate as of June 30, 2022, (COP 4,151.21).

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.

In this document, 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 Q2-2022 earnings call. Thank you all for joining us today.

After BAC’s 75% spin-off, Q2-2022 marks the first full quarter in which income from our remaining 25% equity interest, is accounted via Equity Method. As BAC’s results are no longer consolidated, I would like to highlight the strong results obtained in the quarter, with an Attributable Net Income of $642 billion pesos, 2.0% return on average assets and 16.6% return on average equity.

These results were supported by:

- A Total Net Interest Margin of 4.4%, upheld by a Lending NIM that increased 26 basis points, taking in the positive repricing effects from higher market rates. Investment NIM was negative as a byproduct of market volatilities.
- Gross fee income increased 7.1% quarterly, leading to a 21.9% ratio, from continued transactionality growth as reflected specially on the credit card business.
- Commitment to cost control was reflected on our efficiency ratio which came in at 43.6% while Cost to Assets remains at 2.4%.
- Quarterly Balance Sheet growth of 3.6% and 7.9% in Gross Loans and Total Deposits, respectively when excluding FX, as a result of healthy loan demand and strong customer liquidity positions. Deposits to Net Loan ratio continues fully matched at 1.02x.
- Payment performance continues to improve as the 90 days Past Due Loans ratio contracted 22 basis points in the quarter, to 3.5%. While in a context of economic growth, we recognize headwinds from inflationary peaks presented in the past months which we will closely monitor to maintain asset quality.
- Lower provision expense pressures, positive charge-off recovery, and less qualitative-driven reserves after evidencing consistent payment behavior of loans previously under forbearances, led to a 1.3% Net Cost of Risk for Q2-2022.
- Now, regarding Capital Adequacy, Total Solvency came in at 12.8% and Tier 1 ratio at 10.0%, mainly impacted by Colombian peso devaluation in the period, increasing our USD-denominated deductions from foreign non-consolidated investments and goodwill as well as dollarized risk weighted assets.

To conclude, our updated guidance for 2022 is:

- We expect loan growth to be between 13% and 14%.
- Net Interest Margin target is 4.6%.
- Cost of Risk should be around 1.7%.
- Fee income ratio is expected 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, which includes extraordinary income from BAC’s spin-off.

Now I will hand over the presentation to our Executive Vice-president, Germán Salazar, who will provide an update on our digital strategy and on the macroeconomic environment.

<u>Germán Salazar</u>:

Thank you, Alejandro, and good morning. ***Slide 4***, presents details on our digital strategy performance during the quarter.

Starting with Digital Sales:

- In Q2-2022 we sold over 511,000 digital products, reaching more than 4.1 million products in digital sales since we started our lab in 2017. Share of digital sales over total products increased to 77.6%, from 75% in the previous quarter.
- During the quarter we launched a cross-selling strategy for clients who opened a new payroll savings account, offering them other products such as Advance Payroll Loans, digital credit cards or insurance products. This cross-selling experience allows for a stronger customer relationship by placing a comprehensive product portfolio at an early stage.
- Among our top performing products, digital credit cards reached a total of 117,600 new cards placed, an increase of more than 10,000 units when compared to 1Q-2022. Regarding deposit products, we observed a surge in Digital Time Deposits, growing 6% in the quarter, boosted by higher market interest rates.
- During the quarter, loans and liability products originated through digital channels reached $4.5 trillion pesos, reflecting a 230% annual growth as a result of improvements in the digital onboarding process.
- In terms of new digital products, in Q2-2022 we launched a Loan Consolidation Product, in addition to testing the pilot for Digital Vehicle Loans.

Strong quarterly digital sales have supported our adoption metrics:

- In the retail segment we continued growing our client base, which reached over 2.2 million active digital customers, evidencing positive reception of enhancements on our virtual and mobile banking platforms, also fostering transactionality growth. Digital adoption has increased, as more than 65% of customers have used either the website or the mobile app in Q2.
- As we continue to closely monitor client interaction with digital channels to identify value-generating opportunities, during the quarter we increased disbursement caps for Consumer and Payroll loans and we offered higher Credit Card balances, expanding into higher-income segments.
- The Lead Recovery strategy launched in Q1-2022, continues to support client engagement with great results as we recovered more than 6,700 Credit Cards and over $24.6 billion pesos in additional Personal loans' disbursements during the second quarter, leading to a quarterly growth of 11.7%.

As a consequence of higher adoption, we continue to focus on our Service Channel transformation, which has been strengthened by important innovations such as:

- Transfiya, which has become one of the most important transaction features with an impressive performance: while in the first quarter of 2022 we had 458,000 transactions, in Q2-2022 we reached over 758,000 transactions, a quarterly increase of 65%.
- Our physical footprint decreased 14% year-to-date, to 426 branches, 51 of them with renewed and digital facilities available.

Lastly, I am proud to share with you that we obtained for the second consecutive time an important recognition from Global Finance, who named us as one of the Best Financial Innovation Labs in Colombia, particularly this year due to our collaborative efforts with external allies.

Moving to ***slide 5***, we present our overview on the Colombian macro performance.

- The Colombian economy started the year stronger than expected; positive surprises in economic activity continued in the second quarter with an annual growth of 12.6%. The acceleration is mostly explained by the statistical effect caused by the national strike in May 2021. Growth rates will moderate in the second half, converging towards long-term growth, leaving behind statistical effect impacts. Full reopening after the pandemic has increased mobility levels, leading to greater dynamics in service sectors which, together with industry, have driven economic growth in 2022.
- Strong momentum of the economy during the first half of the year has led market analysts, rating agencies, the central bank, and the government to revise growth projections upwards. Our Economic Research team adjusted its forecast for economic growth to 6.8%.
- Employment continued to recover but lagged behind economic activity. In June, all jobs lost due to the pandemic were recovered at the national level, while in urban areas recovery pace is around 90%, illustrating greater recovery of the labor market in areas different from the country's main cities. National unemployment rate was 11.3% in June 2022.
- Inflation maintained a rising trend in the first semester, reaching a 20-year maximum. In July it was 10.2%, due to more generalized price pressures. Food inflation remains in double digits, above 24% annually, while core classification has risen to 6.3%. Our Economic Research team expects inflation to fluctuate close to the current level ending the year at 10.1%.
- Upward surprises in growth and inflation supported additional increases in the central bank's interest rate. In most recent meetings, the pace of rate adjustments accelerated to increases of 150bps. Intervention rate in July reached 9.0%. Our Economic Research team forecasts a year-end interest rate of 10.5%. Nonetheless, if upward pressures on prices and imbalance on inflation expectations continue, additional rate increases may occur.
- The Ministry of Finance presented the Medium-Term Fiscal Framework, with important changes to macroeconomic forecasts. Better economic growth dynamics,

favorable tax collection performance and higher oil prices led the Government to revise downwards the fiscal deficit projection for the coming years, with -5.6% of GDP for 2022. However, our Economic Research team foresees a greater correction to -5.3% of GDP due to tax collection performance beating expectations. A lower fiscal deficit is compatible with a Central National Government net debt decreasing below 60% of GDP. In addition, the Minister of Finance has indicated that in 2023 or 2024 the debt anchor of the Fiscal Rule around 55% of GDP will be reached.

- The widening of the current account deficit continued in the first quarter, with a -6.3% of GDP deficit, the highest since 2015. However, most recent information has pointed towards a significant rebound in exports due to higher commodity prices. Imports remain high, but a slower growth rate is expected in the near term due to a generalized global economic slowdown. Correction on the goods trade balance would be the main adjustment factor of the current account in 2022. Our Economic Research team projects a current account deficit of -4.6% of GDP in 2022, improving almost a full percentage point from the previous year.
- Gustavo Petro was elected president for the 2022-2026 period and José Antonio Ocampo, one of the most prominent economists in the country, was appointed Minister of Finance. In the first week of Government, a tax reform was presented to Congress aiming at increasing fiscal revenue in around $25 trillion pesos in 2023 or 1.7% of GDP. The bill proposes increased income tax contributions from high-income individuals, fewer tax exemptions for companies, and continuity of the 3% income tax surcharge on the financial sector, among other measures. The Government is currently preparing 2023's General Budget which will provide clarity on the allocation of additional resources obtained from the tax reform.
- In late June and throughout July, the foreign exchange market was characterized by high volatility within an upward trend as the exchange rate reached a new historical maximum of $4,670. External factors such as worldwide interest rate increases, more restrictive financial conditions and the risk of a global recession caused a strengthening of the US Dollar.

On ***slide 6***, we present the outlook for Panama's macro trends**.**

- The Panamanian economy grew 15.3% in 2021, partially recovering from the pandemic shock and approaching 2019's economic activity level. Growth in 2021 was favored by a greater dynamism of internal demand, in a context of fewer restrictions to contain COVID-19, and the rebound in external demand, given the economic recovery of trading partners. However, a limitation for this net oil importing country, has been the recent increase in this commodity's international price.
- Between December 2021 and April 2022 growth moderated; however, in May economic activity in Panama accelerated, registering an annual variation of 26.3%, partly explained by a base effect, but also by the good dynamism of sectors such as mining, commerce, construction and hospitality services. Recent performance placed year-to-date annual expansion at 14.1%, creating an upward bias in growth projections for the full year. Latest available data, shows that economic growth during

the first quarter was supported by commerce and construction sectors, presenting 22.4% and 21.7% annual increases.

- For 2022, International Monetary Fund' projections point to a slowdown of economic activity to 7.5%, explained by lower global growth dynamics as a consequence of supply chains' disruptions and tighter financial conditions. In any case, forecasts stand out among the Central American economies, where a 4.4% growth pace is expected for the region.
- Global shocks related to supply disruptions coupled with higher food and energy prices have affected inflation in Panama, as has been the case globally. Although Panama stopped having negative inflation levels on early 2021, and prices have increased since then, it remains the country in the region with the lowest inflationary levels, standing at 5.2% in June 2022.

Now, I will turn over the presentation to Javier Dorich, Head of Corporate Development, Financial Planning and Investor Relations, who will elaborate on our quarterly performance.

Javier Dorich Doig:

Thank you, Germán, and good morning. Starting on ***slide 7***, we present our consolidated assets' structure.

- Consolidated assets totaled $130.4 trillion pesos by Q2-2022, presenting a quarterly 6.9% increase, or 5.2% when excluding the 10.5% Colombian peso devaluation in the same period.
- Growth in the quarter is explained by Net Loans and Leases, which represent 63.6% of consolidated assets, as well as by increases in Other Assets, which account for 15.9% of the total, namely a higher cash position. Investment portfolios in fixed income and equity, represent 10.2% and 10.3% of total assets, respectively, increasing 1.1% and 3.9% in the quarter.
- Quarterly growth of the Gross Loan portfolio was 5.4%, and 3.6% when excluding FX fluctuations, reaching $87.5 trillion pesos. Loan mix continues to reflect our strategy to rebalance composition, with the commercial book explaining 66.3% of the loan portfolio, an annual reduction in participation of 1.6 percentage points.
- Conversely, retail lending has increased its participation, with mortgage loans representing 11.2% of Gross Loans while consumer loans remained stable at 22.3% in Q2-2022.

Zooming in by segments:

- Mortgage portfolio grew 8.6% quarterly, 5.1% if isolating by FX depreciation, led by the Colombian portfolio, where we have continued to observe positive market dynamics favoring home ownership. In Panama, MFG's mortgage portfolio increased 2.2% in dollar-terms during the quarter.

- Consumer loans increased 5.4% in Q2, 3.5% ex-FX, mainly in Colombia, as origination in unsecured products picked up, reflecting healthy loan demand and increased usage of credit cards while payroll and auto loans also presented positive lending performance. In Panama, growth in this segment was close to 1% in the quarter.
- Regarding the commercial portfolio, quarterly growth of 3.4% after FX movements, was even between Colombia and Panamá. MFG's book in this segment increased 3.3% in dollar-terms reflecting higher sectorial activity in Panama. In Colombia, growth was driven by liquidity products, capturing market opportunities in medium corporates and SMEs as well as increased financing for the construction sector, which represented 10.2% of our gross loan portfolio.
- All in all, quarterly performance was on track in order to reach our full-year guidance between 13% and 14% loan growth. Better than expected economic behavior supported lending dynamics, which have continued in July and August. We will monitor in the second semester headwinds from a probable generalized international recession, high local inflation or increased benchmark interest rates.

Moving to ***slide 8***, we present our consolidated Loan Portfolio Quality metrics.

- In Q2-2022 we continued to observe an improving trend on our PDL ratios, quarterly contracting 33 bps for loans over 30-days past due and 22 bps for the 90-days metric, to 4.6% and 3.5%, respectively. This performance is supported by favorable overall economic conditions leading to lower unemployment levels, as well as continued recovery strategies implemented within our risk management framework aimed at controlling PDL formation at early delinquency stages.
- As a consequence of improving PDL ratios, gross provision expense for the quarter contracted 26.4% to $354.3 billion pesos, leading to a 1.7% annualized Gross Cost of Risk. Factoring in charge-off recoveries, Net Cost of Risk reached 1.3% for Q2-2022. In addition to lower PDL ratios, during the quarter we reversed some provisions constituted by qualitative factors, primarily in Panamá, on loans with expired reliefs after consistent evidence of successful payment resumption.
- For 2022, we expect a Cost of Risk around 1.7% aligned with our historical operation levels and anticipating inflation driven pressures in the second half of the year.
- Regarding loan relief programs, by Q2-2022 0.4% of our consolidated loan portfolio was still under an active forbearance, reducing from 0.6% past quarter, all granted in Panama. Loans under structural reliefs represented 10.4% of gross loans, increasing 1.6 percentage points from a quarter ago, explained by continued implementation of second-wave renegotiations in the Panamanian portfolio following forbearances' expiration during the quarter.
- Annualized charge-offs for the quarter were 0.55x our average 90-day PDLs, leading to a 2.0% ratio over average loans. Lower quarterly ratios when compared to Q1-2022 are explained by a normalized charge-off activity as first quarter metrics included charge-offs related to loans coming-off from relief periods in Panama.

- Coverage metrics for Q2-2022 slightly increased to 1.27x coverage over 30-day PDLs and 1.67x coverage on 90-day PDLs, driven by lower PDLs overall. In terms of allowances over gross loans, we reached a 5.8% ratio, reflecting loan growth as previously explained.

Continuing on ***slide 9***, we present the regional breakdown of our quality metrics.

In Colombia:

- PDL ratios quarterly decreased 26 bps for the 30-days metric and 30 bps for the 90-days height, to 4.9% and 3.8%, respectively, reflecting adequate recovery strategies and improving payment performance from our borrowers.
- As a result, Net Cost of Risk reached 1.4% in Q2-2022 given lower provision expense pressures and high charge-off recoveries of nearly $79 billion pesos in the quarter.
- Charge-off ratios slightly declined in the quarter to 0.60x over 90-day' PDLs which represented 2.3% over average loans, reflecting normalized operations.
- Coverage metrics remained stable with allowances over 30-day' PDLs reaching 1.37x and 1.78x over 90-day' PDLs. As a percentage of gross loans, provision reserves reached 6.7% in Q2-2022, explained by loan growth.

Regarding MFG operations in Panama:

- Reinforced collection strategies led to a sharp 57 bps quarterly contraction on the 30-days PDL ratio, mainly driven by commercial loans. The 90-days PDL ratio increased 31 bps in the quarter led by the consumer portfolio as most impacted borrowers whose relief periods expired during Q1-2022.
- Net Cost of Risk decreased to 0.8% in the quarter because of the following factors:

  First, qualitative provisions were reversed for borrowers who, after ending a forbearance period, complied with timely payments between 6 and 12 consecutive months, evidencing a reduction on their probability of default.

  And second, due to charge-off recoveries mainly on guaranteed exposures on the commercial book.
- Charge-off performance for the quarter normalized to 0.12x over 90-day' PDLs, equivalent to 0.2% of average gross loan portfolio.
- In terms of coverage, lower 30-day past-due loans led to a coverage improvement to 0.6x, while increases in loans delinquent over 90-days led to a coverage metric of 0.8x. As a result, allowances to gross loans were 1.8% for Q2-2022.

To close the loan portfolio quality section, please refer to ***slide 10*** for a breakdown by segments.

- Starting with the commercial portfolio, 30-day PDLs improved 29 bps quarterly, to 4.3%; while, 90-day PDLs contracted 27 bps during the quarter reaching 3.8%, reflecting loan normalization.
- Regarding consumer loans, 30-day and 90-day PDL metrics decreased 41 and 9 bps in the quarter, respectively, to 5.2% and 2.7%, due to positive payment performance and reinforced collection and recovery strategies.
- Mortgage loans' quality at 30-days' height was 4.8% for Q2-2022, 22 bps lower than Q1 level. 90-day PDLs remained stable at 2.9%

Continuing with Consolidated Funding, on ***slide 11*** we present our Liabilities' structure.

- Total funding grew 7.4% in the quarter, 5.6% when isolating FX fluctuations, reaching $111.5 trillion pesos by Q2-2022.
- Driving quarterly growth, we observed deposits increasing 9.5% in the period, 7.9% excluding FX, as higher demand in time deposits was explained by surges on interest rates which favored institutional funding. This product now represents 42.3% of Total Deposits, while Savings Accounts had a 38% share and Checking Accounts decreased to 19.5%.
- Deposits represented 75.7% of Total Funding in Q2, followed by Banks and others with 12.4%, Long-Term Bonds with 10.1% and Interbank Borrowings with 1.9%.
- Please note that on our Long-Term Bonds we observe a mixed effect of lower balance in dollar denominated issuances, reflecting the $128 million dollars tendered on our senior '27s past April, offset by a higher value in pesos due to quarterly devaluation of our reporting currency.
- Deposits to Net Loans ratio increased to 1.02x in Q2-2022, following our conservative approach of maintaining a fully matched ratio.

Moving to Equity and Solvency metrics on ***slide 12***.

- Total Equity increased 2.6% quarterly, reaching $15.7 trillion pesos, explained by higher Net Income for the current period as second quarter earnings more than compensated negative impacts on OCI from volatility in our investment portfolio.
- Also significant, was the dividend payment performed on June 28th which had a net impact on equity. Shareholders of 95.9% of our common stock agreed to a dividend payment in shares, increasing our paid-in capital by $1.1 trillion pesos, which were reallocated from reserves. The owners of the remaining 4.1%, received a cash dividend payment, which amounted to $45 billion pesos.
- Tangible common equity increased 2.5% in the quarter in line with the aforementioned changes in Equity and more than compensating for the higher peso-value of our USD denominated goodwill due to currency devaluation. As a result, tangible capital ratio was 11.2% and Total Equity represents 12.1% of Total Assets, reflecting higher asset growth.

- Regarding capital adequacy, Total Solvency for the quarter was 12.8%, distributed in a CET1 of 10.0% and a Tier 2 of 2.8%. Movements in the quarter are mainly related to FX fluctuations as follows:
    - Peso devaluation in the quarter led to an increased deduction of dollar denominated non-consolidated investments (namely BHI's 25% equity interest), while higher goodwill subtraction increased capital usage.
    - On the other hand, devaluation increased Tier 2 as it currently consists of the '23 and '26 subordinated bonds, issued in USD.
    - Organic capital accretion through quarterly profits offset headwinds for the quarter, compensating in value terms. However, in terms of the solvency ratio, such increase was diluted by higher RWAs, mainly from our dollar denominated operations.

Following with P&L metrics, on ***slide 13*** we present NIM ratios.

- Net Interest Income for Q2-2022 increased 3.0% quarterly and 10.9% annually, when excluding FX movements, to $1.13 trillion pesos, reflecting loan growth in high-yield products as well as incorporating repricing from our variable-rate assets.
- Total NIM was 4.4%, contracting 19 bps in the quarter, impacted by Investment NIM at -1.4% as market volatility had a negative effect on fixed-income investments, mainly sovereign debt, which yielded 2.2% in the quarter.
- Lending NIM increased 26 bps quarterly to 5.4%, explained by a 9.0% Yield on Loans, moving in line with increases on benchmark interest rates. An increase of 111 bps on our Yield on Loans more than compensated increased funding costs of 81 bps in the quarter, which reached 3.7%, mainly driven by increases on time deposits as previously explained.
- As further increases in the Central Bank rate are expected to be limited, coupled with persistent market volatilities, our revised NIM expectation is 4.6% for 2022 driven by a stable Lending margin and a pressured Investment NIM.

Moving to ***slide 14***, we present details on Fees and Other Income.

- Gross Fee Income for the quarter increased 6.9% excluding FX, to $402 billion pesos, leading to a Fee Income Ratio of 21.9%. Growth in the quarter is explained by higher income from banking services and credit card fees as we continue to observe positive transactional dynamics.
- Total Banking Fees represented 82.6% of quarterly fee income, while Fiduciary Activities followed with 9.8% and Other Fees completed the mix with a 7.6% share.
- Regarding Other Operating Income:
    - In Q2-2022 we registered a net loss on derivatives and foreign exchange instruments as peso devaluation led to a $653 billion pesos loss on exchange

differentials which were mostly covered by a $615 billion pesos gain on derivative instruments for trading.

- Valuation of the trading portfolio was impacted by market volatilities and interest rate increases which led to a net loss of $28.2 billion pesos for Q2-22.
- Other Income decreased to $32.9 billion pesos. In Q1-22, this item included the total $1.3 trillion pesos extraordinary income from BHI's spin-off. In order to improve comparability, first quarter's Other Income now only includes $137.4 billion pesos from the spin-off as it relates to investment valuation of the 25% equity stake Banco de Bogotá maintains in BHI. The remaining $1.2 trillion pesos was reclassified as a discontinued operation as it relates to income from OCI realization following IFRS.
- Equity Method Income for the quarter was $376.1 billion pesos of which $225.5 billion pesos came from Corficolombiana and $150.2 billion pesos from our 25% equity interest on BAC Holding International. Porvenir registered a $2.8 billion loss in Q2-22, as its portfolios were affected by the aforementioned market volatilities.

- As we continue to expect favorable activity dynamics in line with forecasted economic growth, Fee income ratio target is north of 20%.

On ***slide 15***, we continue with our Efficiency ratios.

- Operational Expense totaled $772.7 billion pesos in Q2-2022, increasing 6.2% quarterly ex-FX, while total recurring income increased 5.6% for the same period, excluding one-off BHI's spin-off income in Q1-2022.
- As a result, Cost to Income ratio reached 43.6%, explained by a pick-up in advertisement expense as well as increased costs in data processing services related to higher transactional volume in the quarter.
- Cost to Assets ratio remained at 2.4% for the quarter, illustrating that expense incurred in the quarter is supported by balance sheet growth.
- For 2022, we continue to expect an Efficiency ratio below 45%.

To conclude, on ***slide 16***, we present our Profitability metrics.

- Q2-2022 Attributable Net Income was $642 billion pesos, supported by a 3.4% quarterly increase in Net Interest Income, a sharp 33.2% contraction in provisions, 8.6% higher net fees and a 6.7% increase in operational expense. All of the above, reflect a solid core banking business performance.
- In terms of profitability, quarterly earnings led to a 2.0% Return on Average Assets and a 16.6% Return on Average Equity, annual increases of 28 and 58 bps, respectively.
- For 2022, we expect to reach a ROAA of 2.5% and a ROAE of 21% including BHI's extraordinary income.

Before moving to Q&A, I would like to summarize our 2022 guidance updated with our second quarter results and our expectations for the second half of the year.

- Loan growth is expected to be between 13% and 14%.
- Net Interest Margin target is around 4.6%.
- Net Cost of Risk is expected to remain controlled at 1.7%.
- 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, let us begin the Question and Answer session.

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.

Once again, if you have a question, please press zero (0) one (1) on your touchtone phone.

We have a question from ***Nicolas Riva***, from ***Bank of America***. Please go ahead.

Nicolas Riva**:** Thanks very much. I have three questions. The first one on the pro forma financials that you report for 2021, I want to make sure I understand them. So, if I look into total assets or net income, there we see the contraction in total assets because of the spin-off of Central America. But I want to make sure, for each line in the balance sheet, for example, loan portfolio or deposits, you are excluding BHI so we can compare apples to apples, every single line in the balance sheet, except for total assets. And the same thing for the P&L. Net interest income on loan loss provisions are apples to apples, but in net income, we do see a difference, so I want to make sure I understand that. That's my first question.

Second question on the subordinated bonds, on the Tier 2s, if you can remind us the contribution to capital of the 2023 and 2026 bonds, and if you can comment on the refinancing plans for the 2023 bond maturing in February for $500 million dollars. That's my second question.

And then the third question, thanks very much for the guidance that you just provided for 2022 full year. We know that the first quarter was impacted because of this one-time item from the spin-off of Central America. If I look at the ROE for the second quarter, so it was 16%, and this was the first full quarter after the spin-off of Central America. Is that a reasonable sustainable long-term ROE for the bank? That 16%? Thank you very much.

Germán Salazar: Thank you, Nicolas, for your questions. The first one is going to be answered by Javier, and I'll get to the second one as far as the refinancing plans that we have.

Javier Dorich: Hi, Nicolas. For your first question, the answer is yes. In the construction of the financial statements, we exclude BHI line by line, and we only include a line both in assets and liabilities in the final lines of both, which set deconsolidated assets and deconsolidated liabilities in order to ease the comparison in the financial statements. And that happened also in the P&L, where we have a line of the discontinued operation. I'll turn it to Germán for the second question.

Germán Salazar: Nicolas, we do expect to substitute the bonds that are expiring on February 19, 2023. We will begin shortly the selection of banks that are going to be arrangers in this transaction so that we start on a timely manner the whole process and hopefully accomplished in about half a year time. So that is the expectation that we have for those bonds. Most likely those are going to be new style subs that will replace the ones maturing at that moment in time.

Javier Dorich: As to the contribution of the '23 and the '26, for each year, in terms of the '23, it's 20%, so that's roughly $100 million dollars. And in terms of the '26 is 50%, and that is of a $1.1 billion dollars issuance. So, that means $550 million dollars for our capital in Tier 2.

And finally, for question number three, in terms of our guidance, as you know, in the first quarter, we had an extraordinary income from BHI's spin-off and that gave us a higher-than-usual ROAE. In the second quarter that 16% is still a little bit higher than usual. So, what we gave was a 21% guidance for the whole year, and that is consistent with our second half between 14% and 15% in terms of ROAE.

Operator: Thank you. Our next question comes from ***Daniel Mora*** from ***CrediCorp Capital***.

Daniel Mora**:** Good morning everyone and thank you for the presentation. I also have three questions.

The first one is regarding NIMs. What are the NIMs that you consider going forward? I know that you mentioned the guidance of 4.6% for this year. But I guess, what could be the performance, for example, in 2023. We see the repricing of the commercial loan book having a positive impact reflected in the yield on loans. But I also observed that time deposits have increased materially, and it feels that it could strongly compensate the positive impact of the cost of funds. So, what could be the normal figures of NIM in the long term? And if you see that in 2023 this could be impacted by the decrease in interest rates?

My second question is regarding capital ratios. We observed that the CET1, the Tier 1, decreased again to 10% given the positive increase in loan book, in assets. But considering this strong pace of growth of the loan book, it feels that the Tier 1 can also decrease below 10%, at least in the coming quarters. Do you see that happening? And what could be the medium-term target of the Tier 1 for Banco de Bogotá?

And my third question is regarding provision expenses. Do you feel some pressures in the coming quarters and also in 2023 considering the economic deceleration, the high inflation and the high interest rates? In line with this question, what could be the normalized figure of cost of risk in the long term? Thank you so much.

Germán Salazar**:** Thank you Daniel for your questions. I'm going to address the first one that you formulated. The bank's assets or liabilities sensitivity, for this period in particular, is reflecting a neutral span. And let me tell you that it is a little difficult sometimes to arise to conclusions because what I could also say is that we have very much the same amount of loans and liabilities in different categories, which reprice either fixed or float in a very similar amount. So, you can get to the conclusion that we are very much neutral.

After we compare quarters, we very much ratify that conclusion, that changes in interest rates, which began in September last year. In other words, we have very much enough time to realize what's been the impact in our bottom line and neutrality has been what we could, at the moment, tell you.

The little difference we have is that liabilities reprice faster than what assets take to reprice. Meaning, that whenever interest rates are going to peak, we believe that's going to take place sometime at the second half this year or maybe by the end of the year. We require some time, maybe a couple of months to have some assets still further reprice upwards, and we might have a certain additional NIM because of that situation.

Having said that, the analysis or the consideration that we've had undertaken internally basically is in connection to, and that's also part of your question, what's going to happen afterwards? What's going to happen when the Central Bank begins the change of signs towards interest rates? And we believe that it could take place sometime in the first semester next year. It all depends on inflation mainly, but we're going to have in this cycle rates in relatively high levels for maybe a longer time.

Recently, we have seen a market anomaly because spreads have risen much more than we expected for the level of interest rates. And that's a result of what is happening internally and externally in the world because of inflation and other matters that have led to risk aversion in markets.

So, what we believe is that at some time the spreads that we are paying, and you had a good point with time deposits, that we are recognizing at this moment in time and also in certain institutional funding, in savings accounts, that we believe are higher than they should, should perhaps adjust, and as a consequence, we might have, because of velocity, a little advantage that will provide certain benefits to our NIM. But that would be maybe mid-next year or little further down the road, depending on the whole monetary policy activity from the Central Bank.

Javier Dorich: In terms of the second question, I would say the outlook for our capital ratios by year-end, we think that the capital accretion through profit will support our expected growth in risk weighted assets (RWA). So, having said that, we expect our capital ratios to stay relatively stable in coming quarters, and that means a figure around 10% in CET1 and Tier 1 also, and 13% for total solvency. We don't think we are going to get much lower than that.

In terms of your third question on provision expense, we feel comfortable with our loan portfolio, and we don't have any particular concern by now. Though we are aware there could be a deceleration in growth in the final part of this year and especially in 2023. And for cost of risk, we know the 1.3% figure for this quarter is quite low. And that's why our guidance is at 1.7%. And for 2023, it is too soon to tell, but preliminary, it is likely that we approach to historical averages, which are below 2%.

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

Julian Ausique*:* Hi everyone and thank you for having my questions. Some of my questions were answered already but I would like to know what has been the focus in the different types of loan growth? I mean, for example, in the consumer loan, which segments have experienced the most relevant growth and also about mortgage growth, I would like to know if the rates that the loans are given are indexed to inflation? Is a variable or a fixed rate that you are giving to these loans?

Germán Salazar: Thank you, Julián. What I could tell you about lending, and particularly, I believe that your question is connected with consumer lending. In good part, I would like to mention that our presentation in connection with our digital lab and our digital sales are a good reflection of what is going on internally at the bank.

In consumer, particularly in the second quarter, it exhibited a much better growth. And as to which are the main categories of consumer lending, I would say that is reflected in personal loans. And in this case, digital flows have helped a lot. They have been very instrumental to facilitate our understanding of patterns from various customers. And therefore, we've had the possibility of, perhaps in some ways, increase ticket caps where we feel that the repayment capacity has been adequate. And also, in the case of credit cards, it contributed as well, as mentioned earlier.

Additional productivity has been gaining, in addition to digital channels, our branch network by simple things as providing tablets with faster and convenient ways to the outlets. So that, combined, basically produce more personal loans on one hand. Credit cards are growing at a nice fashion, as well as payroll loans.

In connection with mortgages, that's a very positive trend that we can share with you who are going to be perhaps growing between 25% and 30% by the end of the year. But then again, we feel very comfortable with credit risk, but in addition, what we've seen is additional average tickets for the various loans that we are disbursing and also, again, making sure that understanding the patterns, which among other things, prepayment of loans has decreased somewhat, mainly because of additional interest rates. So that has contributed to an increased amount in overall exposure in this particular portfolio.

And to finalize, I believe that it is important to tell you that in case of individuals in this part of our loan portfolio, the active accounts grew 16% Y-o-Y in second quarter 2022 from 2.8

million to 3.2 million customers. That's quite an achievement, we believe. Multi-product clients, those having more than two products, grew 17% from 828,000 to 974,000 customers, a new customer increase at a rate of about 51%, also Y-o-Y. So those are the elements behind this growth in consumer lending, which we believe solid, safe and following basically what is happening also in the market. In real terms, we also exhibit good growth.

Operator: Thank you. Those are all the phone questions we received. We will now answer questions that we received by web.

We have a question from ***Sebastián Gallego,*** from ***Ashmore.*** He sent several questions. I'll read the first one. "In prior calls, the bank emphasized a growth mindset following the spin-off of BHI. However, the bank has the lowest pace of growth among banks of Aval and also against some of the top peers. Could you provide more color on why this is happening and the outlook ahead?"

Germán Salazar: Sebastián, thank you for your question. Having explained in detail what happened in the consumer segment, where we accomplished a very important growth; I would like to get into the commercial lending, specifically, the corporate lending to tell you that we, in general, feel comfortable with the loan quality.

We believe that credit risk metrics are improving, but particularly having about 66% of our portfolio in corporate loans, of which about 2/3 are represented by big corporations, it's been a policy of the bank, in the recent past, to make sure that every loan has its own attributes of profitability. And we found cases where either the terms, the maturity date, as well as the spreads over the base rates do not follow the criteria we established to make sure that each individual transaction is profitable. And yes, in some cases, we declined participating in some of those either syndicates or invitations to big corporations. That could explain somewhat why we are, in that particular segment, a little behind to what other institutions might be reflecting on their balance sheet. So that would complement what I already explained about the consumer lending, where the story perhaps is different in terms of growth and participation.

Operator: Sebastián Gallego has two other questions. It reads, "Can you tell us whether Tier 1 reported is equivalent to the full CET1 ratio under Basel III standards? What is the outlook for capital ratios by year-end?" And his last question reads, "Could you comment on income taxes in second quarter 2022 and why the bank had such a low tax rate? What is the outlook ahead?"

Javier Dorich: So, for your second question, indeed, our reported Tier 1 ratio is equivalent to the full CET1 ratio under Basel III standards since after the spin-off, we don't have any capital in the AT1 bucket. So that means our CET1 and Tier 1 ratios are the same.

As I mentioned earlier, in terms of the outlook for capital by year-end, we think our capital accretion through profits will support our expected growth in RWA, and that means we should stay around the same. So, it means 10% in CET1 and Tier 1, and around 13% for total solvency.

For your last question, it is true that if you divide income tax like earnings before taxes, you will get an effective tax of around 12%. But having said that, a more comprehensive measure is to exclude equity method for the calculation, since those profits already pay taxes. And with that adjustment, the tax effective rate for this period would have been 24%.

Looking forward, we expect our effective tax rate to be in between our Panamanian and Colombian tax rates, which are 25% and 38%, since Colombia has more weight in the combined operation, that means the combined tax rate for us should be closer to that 38% than to the 25%.

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 hope to see you again at the beginning of November for our third quarter results. Thank you very much.

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