Banco de Bogotá

3Q-2022 Results

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CORPORATE PARTICIPANTS

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Operator:

Welcome to the 3Q 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.

We now ask that you take the time to read the disclaimer included on page 2.

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,

Good morning ladies and gentlemen and welcome to Banco de Bogotá's Q3-2022 earnings call. Thank you all for joining us today.

I will make a summary of our main results:

- Attributable Net Income for the quarter was $435 billion pesos, resulting in profitability ratios at 1.3% for ROAA and 10.9% for ROAE.

- Total NIM increased 14 basis points, to 4.5%, benefited by a recovery on investment NIM which grew 146 basis points this quarter. Lending NIM partially off-set this growth as higher average loan yields were counterbalanced by increasing funding costs.

- Gross Fee Income totaled $436 billion pesos in the quarter, 8.4% higher than in Q2, as Banking Fees grew mainly via banking services and credit cards. Fee Income ratio stood at 25.1%, improving quarterly by 321 basis points.

- Cost-to-Assets was 2.5%, in line with previous quarters.

- Regarding our Balance Sheet performance:

  - I would like to start by referring to the steady loan growth of 14% Y-o-Y and 5.4% quarterly, supported by our Consumer and Mortgage portfolios.
  - Gross Loan Portfolio amounted to $92 trillion pesos.
  - Deposits reached $83.6 trillion pesos, remaining our main funding source, with a 73% share. Deposits to Net Loans ratio was close to 1.0x.
  - Quality ratios evidence consistent payment performance from our customers, at 3.4% for the 90 days PDL, decreasing 6 basis points. Annualized Net Cost of Risk at 1.4%, is below our 1.6% guidance for 2022.
  - Lastly, Capital Adequacy ratios quarterly increased 26 bps, reaching 10% for Total Tier 1 and 13.1% for Total Solvency.

Our guidance for 2022 is as follows:

- Loan growth is expected to be near 15%.
- Net Interest Margin target is expected around 4.5%.
- Net Cost of Risk is expected to be in the 1.6% area.
- Fee Income ratio should come in at around 21%.
- Cost to income ratio close to 46%.
- Regarding profitability, ROAA and ROAE should be in the 2.5% and 21% area.

Guidance for 2023 will be provided later during the call.

Now, I will turn the presentation over to Germán Salazar, Executive Vice-President of the Bank.

<u>Germán Salazar:</u>

Thank you, Alejandro, and good morning everyone. On ***slide 4,*** we present our digital strategy results for the quarter.

I would like to highlight record sales achieved in several of our digital products resulting from our point-of-sale business strategy. We are currently widening our selling capabilities, with an online tool that allows branches and call center advisors to sell digital products directly to customers' mobile or laptop, thus improving conversion and providing a real time product-acquisition experience.

- Starting with Digital Time Deposits, we saw an outstanding quarterly growth of 110% in sales reaching a historical $367 billion pesos in balance, which represents an 848% YoY growth.

- Credit Cards and Consumer loan' sales also experienced a significant quarterly increase of 12% and 9%, respectively.

- Digital Insurance had a 25% overall growth vs Q2, proving success in our cross-selling strategies with Credit Cards. Nowadays 56% of insurance sales come from credit cards and 22% from Consumer loans. Annually, digital insurance products grew 73%.

- During the quarter, 215,000 new digital Saving Accounts were opened, representing a 12% quarterly increase, mainly in Payroll accounts (51% of new accounts). We also improved conversion rates to 70%

- Digital Payroll loans grew 36% compared to the previous quarter. We are currently at the 'testing stage' of our Loan portfolio purchase solution for Payroll Saving Accounts' customers, as well as a brand-new smart-pricing system for Digital Payrolls.

Consequently, Digital Sales in Q3 reflected a strong pace with over 587,000 products sold digitally, achieving 4.7 million all-time digital products sold and $4.9 trillion pesos. Digital sales reached an 81% share of the Bank's overall product sales, representing a 15% quarterly sales growth.

Furthermore, we kept strengthening our digital portfolio with new product optimizations launched this quarter and will start their massification processes in the short term. For example:

- Used Vehicle Loans have been integrated to the *'Carro Ya'* ecosystem for a better customer experience.
- Regarding Digital Microcredit, we have improved experience, achieving a 30% share in Microcredit sales.
- We also completed our first digital pilot for SME segment, achieving the first disbursements using a digital signature.

Regarding Digital Channels and Digital Customers, let me highlight the following:

- Over 2 million active customers have our digital channels, representing a year-to-date growth of over 14%. Regarding Digital Adoption, we achieved a 67.4% level, due to the increase of customers' use of web and mobile channels for product payments, cardless withdrawals and utility payments.

- Digital transactions grew to 15.4 million representing a quarterly increase of 4%, and an annual growth of 45%, illustrating transactional migration towards digital channels.

- We would like to highlight the development of some of our in-house mobile app features launched this quarter: The Personal Finance Management tool, PIN management for debit cards and the upgrade of our PSE interbank payment experience.

- The interbank transfer platform 'Transfiya', reached 1.6 million transactions during Q3, achieving a quarterly growth of 111%. During this quarter, over 449,000 users have transferred funds and over 63,000 users have received cash via 'Transfiya'.

- We are also working closely with Grupo Aval, to offer better experiences in 'Aval Pay Center', the multi-entity payment platform, as well as the launch of a real-time *cel-to-cel* transfer solution for Grupo Aval customers.

These achievements and our digital talent efforts, allowed Banco de Bogotá's Digital Lab to be recognized as a '*case-of-success*' on digital transformation:

- First, we participated in Grupo Prisa's AI Forum, the first of its kind in Colombia.

- Also, Forbes Colombia recognized Banco de Bogotá as one of the top leading Digital Transformation institutions in the country.

- And last but not least, we were recognized as one of Colombia's leading companies in the implementation of Facial Recognition in the Amazon Web Services' first Latin American forum.

Now, turning to ***slide 5***, I would like to start by describing current global macroeconomic overview.

- The second half of the year has been challenging for the world economy and international markets. The change in the tone of monetary policy from the most important central banks, towards a more aggressive stance, especially in the case of the Federal Reserve, impacted the economic outlook, generated losses in risk assets and strengthened the dollar.

- The Federal Reserve recently confirmed that its cycle of interest rate adjustments could moderate in pace, after four adjustments of +75bp, but would extend longer over time. With this, the scenario of interest rates above 5.0% at the beginning of 2023 is now more likely.

- Given the above, rates in the Treasury market continued to rise in the short term and fall in the long term, leading to the activation of the recession signal preferred by the central bank. Depending on the source, the probability of a recession in the United States is now higher than 60%. The International Monetary Fund projects a growth of 1.0% for the North American economy in 2023.

- In Europe, the situation is analogous, with an increase in the probability of recession in the United Kingdom and the Eurozone. For 2023, the International Monetary Fund projects growth of 0.5% and 0.3%, respectively.

- On the inflation side, the global result for October was close to 8.0% annually, with proportional impulses from the advanced and emerging economies. However, the moderation in the price of most commodities, particularly food, the substantial improvement in supply chain disruptions, and the lower growth dynamics, should favor a modest correction in global inflation in the coming months. Indeed, several economies are beginning to show slight declines in their annual inflation metrics.

- On balance, 2023 would be a year in which global growth would continue to slow, inflation would improve marginally, but interest rates could still remain high, seeking to finally control price adjustments.

Moving on to ***slide 6***, let me summarize our local macroeconomic overview.

- Economic growth has moderated in the second semester, as expected, but results continue to surprise positively, reaffirming the good moment of economic activity. GDP grew 7.0% annually in the third quarter, with service activities and industry remaining the most dynamic, while mining, agriculture and construction continue with a weak performance. The traction of the economy has led to repeated adjustments in projections by analysts, the central bank, rating agencies, the government and even the International Monetary Fund.

- Our Economic Research team adjusted its growth projection upwards to 8.3% and maintains the upward bias, recognizing the strong momentum that continues in most sectors. However, the statistical base effect and the recomposition of growth, point to a slowdown in the economy in 2023, after two very good years of post-pandemic recovery. Our Economic Research team expects growth of 1.5% next year.

- Employment has also seen some good news in recent months, closing the jobs' gap caused by the pandemic. In September, the total number of employees consolidated above the pre-pandemic level, while the unemployed were the lowest since the end of 2019. However, the recovery continues to be asymmetric between activity and the labor market, with a lagged effect on the latter. At the end of September, unemployment fell to 10.7%.

- Inflation has also maintained its upward trend in the third quarter. In October, headline inflation was 12.2%, reaching levels not seen since 1999. Food prices continue to be under significant pressure, with inflation above 26% per year. However, the pressures are increasingly generalized, since almost 90% of the consumer basket of the CPI has inflation above 4.0%, which is the upper limit of the central bank's target range. Core inflation is also under pressure, with the non-food metric at 9.2% at the beginning of the fourth quarter.

- The good performance of the economy and inflationary pressures have given way to new increases in the central bank's interest rate. But the magnitude of the increases has moderated. In September and October, the central bank decided to increase +100bp in each meeting, taking the rate to 11.0%. Our Economic Research team projects a year-end rate of

12.0%. New increases, or larger ones, are not ruled out if inflationary pressures remain in the near future and the de-anchoring of expectations persists.

- The current account deficit stabilized in the second quarter, standing at 6.1% of GDP in the accumulated 12 months, a level not seen since 2015. Although the current account deficit will remain high in 2022, our Economic Research team expects it to moderate and close the year at 5.1% of GDP, which would be a correction of almost 0.5pp compared to last year. On the trade balance, exports have benefited from high commodity prices, but momentum is contained by oil and coal production levels that have not fully recovered. In imports, the strong dynamics of the economy and high prices have led to record highs.

- Volatility and devaluation took hold in the exchange rate in the third quarter and the beginning of the fourth. The monetary policy adjustment of central banks around the world, including the Federal Reserve, the risk of recession in the main economies, and the escalation of the geopolitical conflict in Europe have led to a strengthening of the dollar globally. In this context, the exchange rate has been trading between $4,500 and $5,100 during most of the quarter, above the end of September.

- The new Government's tax reform was presented in Congress, that underwent several adjustments. The expected revenue from the reform was adjusted downwards, from $25 trillion to an amount closer to $20 trillion pesos. The changes include a surcharge for the oil and coal sector, a surcharge for the hydroelectric sector and an adjustment of the surcharge for the financial sector. In addition, adjustments were made to the wealth tax while pension taxes were excluded.

- On the other hand, tax collection has surprised positively in the year and the good performance of tax revenues has given way to a budget addition for 2023 that focuses on investment and the early completion of public debt auctions in 2022. Our Economic Research team considers that the good news in the economy and tax collection will lead to a lower fiscal deficit in 2022, of 5.3% of GDP.

Now, I will hand over the presentation over to our Head of Corporate Development, FP&A and IR, Mr. Javier Dorich, who will provide details on our financial results for the quarter.

Javier Dorich:

Thank you Germán and good morning all. Beginning on ***Slide 7***, we present our consolidated assets' structure.

- Q3-2022 Consolidated assets totaled $134.1 trillion pesos, presenting a quarterly 2.8% increase, or 1.1% when excluding the 10.6% Colombian peso devaluation in the same period.

- Asset structure is led by the Net Loan portfolio with 65.2% of consolidated assets, followed by Other Assets, with 13.7%. Investment portfolios in fixed income and equity, represent 10.7% and 10.5% of total assets, respectively, increasing 7.4% and 4.6% in the quarter. Equity investments mainly include our participation in BHI, Corficolombiana and Porvenir.

- The Gross Loan Portfolio closed at $92.2 trillion pesos in Q3-2022 increasing 5.4% in the quarter and 3.5% when excluding FX fluctuations. Loan mix continues to reflect our strategy to rebalance composition towards higher retail segment' participation, with the commercial book explaining 65.5% of the loan portfolio, with an annual reduction in participation of 1.7%. Conversely, consumer and mortgage segments' participation increased to 22.6% and 11.7%, respectively.

- Mortgage portfolio grew 10.2% in the quarter, or 6.4% if isolating by FX depreciation, led by a quarterly increase of 8.8% in the Colombian portfolio, still reflecting positive market dynamics in Q3. In Panama, MFG's mortgage portfolio increased 2.0% in dollar-terms during the quarter.

- Consumer loans increased 6.8% in the quarter and 4.8% excluding FX. This is the result of our strategy to rebalance composition, reflecting a greater use of credit cards, personal and auto loans. In Panama, growth in this segment was 0.2% in the quarter.

- Commercial portfolio increased 4.2% in the quarter and 2.5% excluding FX. Colombia increased 3.4% quarterly, as we continue to support our enterprise banking customers on their working capital needs.

Loan quarterly performance is on track in order to reach our full-year guidance closer to 15%. For 2023, a moderation on loan growth is expected to around 12.5% due to lower GDP growth, higher average interest rates, and a less dynamic economic outlook both locally and globally.

Moving on to ***Slide 8***, we present Loan Quality ratios.

- Starting with delinquency ratios, 30 days' PDL quarterly performance reflects stability at 4.6%. 90 days PDL ratio, at 3.4%, shows a 6 bps improvement due to Multibank's portfolio where this ratio decreased 22 bps; whilst Colombian ratios remained stable.

- On the top right, annualized Net Cost of Risk at 1.4% presents a 12 bps provision expense increase mainly from Multibank due to the adjustment in provisions especially in the Commercial portfolio, looking to normalize provision expense to the post-relief reality.

  It is worth highlighting that in Q2, Multibank's Net Cost of Risk was particularly low at 0.8%, because in June, when the government's loan relief program ended, some precautionary reserves were reversed.

- Regarding the charge-offs ratio, there is a quarterly increase to 0.6x explained by higher charge-offs in Multibank still reflecting post-pandemic effects given that reliefs ended in June 2022.

- Finally, Coverage ratios continue to show stability.

- Our annual guidance for Cost of Risk is 1.6%. For 2023 we expect this ratio to come below 1.5%.

On ***slide 9***, we present loan portfolio quality ratios broken down between Colombia and Panama.

In Colombia:

- Delinquency ratios have shown stability on both 30 and 90 days PDLs, standing at 4.9% and 3.8%, respectively. This confirms continuance in payment performance behavior as well as the effectiveness of recovery strategies.

- Annualized Net Cost of Risk ratio decreased 8 bps, to 1.3%, mainly as a result of higher recoveries during the quarter.

- The ratio of annualized charge-offs to 90 days PDLs decreased to 0.51x, continuing to exhibit portfolio normalization supported by a 15% charge-off contraction. Charge offs represent 1.9% of average loans.

- Coverage ratios over 30 and 90 days PDLs have remained relatively stable for the quarter.

In Panama:

- The 90 days PDL ratio decreased 22 bps driven by the Consumer portfolio where a higher level of charge offs was performed this quarter, as we have previously mentioned.

- Net Cost of Risk grew 102 bps given that provision expense in the Commercial and Consumer segments increased as they experienced higher rolls. Regarding the Mortgage portfolio provisions decreased by 150bps explained by an adjustment to comply with Colombian accounting.

- As we have mentioned, charge-offs in Multibank are still adjusting after the end of reliefs for commercial and consumer portfolios.

- Coverage ratios in our Panamanian portfolio remain relatively stable. It is important to mention that Coverage ratios in Panama are relatively low due to the high collateral value on credit exposures.

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 15 bps quarterly, to 4.4%, continuing its positive trend. 90-day PDLs remained stable at 3.8% as this portfolio has normalized.

- Regarding consumer loans, 30-day and 90-day PDL metrics decreased 12 and 15 bps in the quarter, respectively, to 5.1% and 2.5%, continuing to show positive payment performance.

- Mortgage loans' quality at 30-days' height was 4.6% for Q3-2022, 22 bps lower than Q2 level. 90-days PDLs also decreased 14 bps to 2.8%

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

- Total funding reached $114.5 trillion pesos, increasing 9.1% and 2.7% in annual and quarterly terms. Excluding the FX effect, growth was 0.9% in the quarter.

- Deposits continue to be our main source of funds representing 73.0% of Total Funding, followed by Banks and others with 14.0%, Long-Term Bonds with 10.8% and Interbank Borrowings with 2.3%.

- Deposits totaled $83.6 trillion pesos, growing 6.7% annually and slightly decreasing quarterly, by 1.0%. We have evidenced normalization in deposits in the latest months.

- In terms of Deposit' composition, Time Deposits continued to lead with 45.1% of the mix, while saving accounts represented 35.3% and checking accounts decreased their participation to 19.0%.

- Deposits to Net Loans ratio was 0.96x in Q3-2022, following our target of being close to 1x ratio.

Turning to ***Slide 12***, our equity and solvency levels are presented.

- Total Equity for Q3-2022 was $16.3 trillion pesos, increasing 3.8% quarterly, mainly explained by a Net Income that offset market volatility impacts on the OCI account.

- Consequently, our Tangible Common Equity increased to $14.9 trillion pesos, representing a 3.8% quarterly growth, explained by the aforementioned increase in Attributable Equity. Tangible Capital ratio in Q3 was 11.3% and Total Equity represents 12.2% of Total Assets.

- In Q3, Total Solvency Ratio was 13.1% with a Tier 1 ratio of 10.1%. I will proceed to explain the main movements:

    - Starting with CET1, during the quarter we observed a $584 billion pesos increase mainly due to:

First, a lower Capital Investments' deduction of $487 billion pesos primarily related to:

- Porvenir's stabilization reserve. According to regulation, from September 2022 on, the base of deduction decreases, positively impacting Tier 1 and Total Solvency ratios by 83 bps.

- This was partially offset, in 30 bps, by a higher deduction of BHI's Consolidated Capital due to the increase resulting from the $439 peso devaluation in this quarter.

Second, Quarterly Net income of $435 billion pesos.

- Regarding Tier 2, our dollar-denominated subordinated bonds contributed 3 bps for each $100 pesos in devaluation.

Continuing with our P&L metrics, on ***Slide 13*** we present NIM performance.

- Net Interest Income stood at $1.2 trillion pesos, increasing 8.2% quarterly or 6.9% when excluding FX. Core income benefited from higher lending interest rates mainly due to the repricing of our variable-rate assets.

- In Q3-22, total NIM came in at 4.5%, 14 bps higher than previous quarter, supported by a 146 bps growth in Investment NIM, to 0.1%. Colombia contributed 217 bps mainly due to higher positions in sovereign debt securities among others.

- Lending NIM was 5.3%, decreasing quarterly by 10 bps due to a reduction of 32 bps in Colombia given higher interest expense for Time Deposits and for Saving Accounts. Conversely, Multibank's NIM contributed 97 bps via the Commercial loan book.

- Our NIM expectation is around 4.5% for 2022. For 2023, NIM should be close to 4.4%.

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

- Gross Fee Income for Q3-2022 was $436 billion pesos increasing 8.4% quarterly and 7.5% excluding FX, resulting in an improved fee income ratio of 25.1%.

- Total Banking fees represented 82.9% of our consolidated fee income, while Fiduciary activities and Other fees accounted for 9.4% and 7.7%, respectively. We have continued to observe positive results in banking services and credit card fees while insurance fees have also grown, in line with an enhanced consumer portfolio.

- Moving to our other operating income, it reached $134.6 billion pesos in the quarter:

- In Q3-2022 a $660 billion peso gain on derivative instruments for trading partially offset a net loss on derivatives and foreign exchange instruments caused by the devaluation of the Colombian peso.

- 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 in the quarter.

- Other Income increased to $53.4 billion pesos.

- Equity Method & Dividend Income for the quarter was $190.3 billion pesos, reflecting a decline mainly from BHI, as a result of the Costa Rican 'Colón' appreciation and increased impairment losses, following the end of reliefs in Panamá, which negatively impacted USD denominated results. Depreciation of the average COP exchange rate over the quarter partially offset this performance.

  Additionally, equity method in Q2 included Corficolombiana's extraordinary income from Covioriente.

- Fee income ratio target is north of 21% in 2022, and 23% in 2023.

On ***slide 15***, we present our Efficiency ratios.

- Cost to Assets ratio slightly increased 6 basis points over the quarter and remained flat in comparison to a year earlier at 2.5%.

- Cost to Income ratio reached 49.4%, explained by Marketing and IT expense in line with our Digital and Sustainability strategies, as well as higher Taxes.

- Operational Expense totaled $828.5 billion pesos, increasing 5.4% quarterly when excluding FX. Meanwhile, Total Income decreased 6.4% for the same period, mainly due to equity method.

- We expect Cost-to-Income ratio to be around 46% in 2022. In 2023, close to 49%, close to Q322 and in line with our historical average.

Finally, on ***Slide 16*** we present our profitability ratios.

- Attributable Net income for the quarter was $435 billion pesos, built up from quarterly growth, in Net Interest Income and Net fee income, of 6.9% and 6.3%, respectively. These were counterbalanced by higher total expenses and taxes which grew 5.4% and 14.5%, respectively.

- Our ROAA and ROAE for the quarter were 1.3% and 10.9%, respectively.

Before moving on to the Q&A session, I'd like to summarize our general guidance for 2022 first:

- Loan growth is expected to be near 15%.
- Net Interest Margin target is expected around 4.5%.
- Net Cost of Risk is expected in the 1.6% area.
- Fee Income ratio should come in at 21%.
- Cost to income ratio around 46%.
- ROAA and ROAE should be in the 2.5% and 21% area

Our 2023 guidance is:

- Loan growth is expected to be around 12.5%.
- Net Interest Margin target is expected around 4.4%.
- Net Cost of Risk is expected to be below 1.5%.
- Fee Income ratio should come in at 23%.
- Cost to income ratio around 49%.
- Regarding profitability, ROAA and ROAE should be in the 1.5% and 13%.

And now, we are open to your questions.

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

If you have a question, please press zero (0) and then one (1) on your touchtone phone. If you wish to be removed from the 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, Germán and Javier, for the chance to ask questions. I have two questions: The first one, if you can comment on the refinancing plans for the Tier 2 bond maturity in February for $500 million dollars. That's the first question.

And then the second question, if you can comment if you have any targets for your capital ratios now that Basel III has been implemented in Colombia, right now you are at 10.1% Tier 1, 13.1% Total Capital. I believe the fully phased-in minimum requirement for total capital is going to be 11.5% by 2025. So, if you can comment where you would like to be in terms of capital ratios. Thanks.

Germán Salazar: Thank you for the question. In connection with the first one, I'd like to share with you that we are well advanced in the process of obtaining this facility from multilateral companies and we are very certain that sometime by the end of January, maybe beginning of February, we'll have at least half of the maturity that we have of $500 million dollars. This facility is going to be also subordinated notes that will replace the remaining portion that serves as a credit for solvency and maybe we'll get additional resources for that eligible capital contribution. The remaining of the amount is going to be also part of another portion that is being negotiated with another multilateral agency. That one is a little bit more behind, but we do hope that it will come up sometime in maybe May, maybe June, but we are making good progress in all facilities, meaning that it is likely that we might use the liquidity in dollars or liquidity in pesos to meet the total amount of the bond facility which is expiring in February.

Javier Dorich: Hi, Nicolas. About the second question, we don't have a specific target. However, if you look at history, we have been about 95% of the time, at least 200 basis points above the minimum. So having said that, and standing in 2024, we should maintain a Tier 1 ratio of at least 10.5% and a Total Solvency above 13%.

Operator: We have received a question via the web. It comes from ***Julian Ausique***, from ***Davivienda Corredores***.

He submitted three questions that read: "Good morning and thanks for having my question. I would like to know the impact of the tax reform, if it is possible, with the amount and the real tax rate".

The second question reads "Has Banco de Bogotá taken any decision about the tender offer for BHI?"

And his third question reads "Could you sum up all the expectation for 2022 and 2023?"

Javier Dorich: Hi, Julián. So, about the tax reform, as you know, there has been an increase in the surcharge from next year, it will be 5% instead of 3%, as is this year. So, the tax rate for banks will go from 38% to 40%. In terms of the tax rate for us, excluding equity income, we estimate that it should be slightly over 30% for next year, which as you know is a combination between Colombia and Panama's rate.

Germán Salazar: In connection with the second question about the decision on the tender, I would comment that there's a stockholders meeting, which is scheduled for this coming Thursday, the day after tomorrow. And, that meeting is going to have talk about the conflict of interest that may exist in connection with some of the government bodies allowed to make the decision. So, until that meeting decides how to manage the conflict of interest, we could not comment any further on the subject.

Javier Dorich: And about your third question, I'm going to repeat the guidance. Starting with 2022, we expect Loan Growth of 15%, NIM of 4.5%, Cost of Risk 1.6%, Fee Income ratio 21%, Cost to Income 46%, return on assets 2.5%, return on equity 21%.

And for next year, Loan Growth 12.5%, NIM of 4.4%, Cost of Risk below 1.5%, Fee Income ratio 23%, Cost to Income 49%, ROAA of 1.5% and ROAE of 13%.

Operator: We received a question from ***Maria-Jose Quiñones***, from ***Seminario SAB***. Her question was regarding the guidance of 2022 and 2023, but I'll read her second question that says, "Could you give a little bit more detail for the increase in operating expenses?"

Javier Dorich: Thank you, Maria-Jose, for your question. As we mentioned, it has to do with marketing and IT, also taxes. We have been experiencing an increase in inflation, not only in Colombia, but also around the world.

There's also another explanation that the Cost to Income Ratio in the first half of the year was around 43% since some of our expenses were delayed for the second part of the year. So, if you, for example, see the guidance, it hasn't changed that much. Last quarter, we foresaw a Cost to

Income Ratio of around 45% and now we have taken it to 46%, but it is in line with what we were expecting.

Operator: We have a question from ***Andrea Atuesta***, from ***Bancolombia***. Her question reads: "Good morning. Thank you for the presentation. I have two questions. First one, the bank will continue distributing dividends in shares? Or was it a specific issue due to the BHI spin-off?"

The second question reads "On the other side, for next year, would you be expecting to receive dividends from the participation in BHI?"

Javier Dorich: I will answer the first question. Thank you, Andrea. So, you know that the dividend payout is a matter of the shareholders' assembly. As management, we can recommend and we haven't decided yet what to do about dividends. We can only say that we always look for a combination between dividend payment and stability for our shareholders, but also support for our capital adequacy ratios. So, we don't know yet what's going to be the proposal.

Germán Salazar: I will add that we also aim at maintaining a prudent cushion against the regulatory minimum level and basically allowing organic growth for profit generation. And I would say that no, we are not affecting dividends in the case of the BHI transaction.

Operator: We have a question from ***Daniel Mora*** from Credicorp Capital, that reads: "How do you expect to reach the 13% area ROAE in 2023, considering the guidance of NIM below 4.4%, CoR below 1.5% and the rest of the guidance? It seems that the performance will be similar to third quarter 2022. But in this quarter, we reached ROAE close to 11%. Where do you see the improvement?"

Javier Dorich: Thank you, Daniel, for your question. Well, first, we foresee a risk adjustment NIM. So, that means NIM minus Cost of Risk slightly better than you have seen in the third quarter. And second, maybe we will see an improvement in equity income as well, which, as you saw in the presentation, we didn't have that much strong quarter in 3Q. So maybe those are the most important levels for next year.

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

Nicolas Riva: Thanks, Germán and Javier. I just have a follow-up on my prior question. If you can remind us, then the current contribution to capital of the 2023 bond. And again, based on what you said, I understand there's no need to come to the bond market, you're going to be raising this with multilateral banks. And the other thing would be what's the targeted size of these two facilities you would get? Thanks.

Javier Dorich: Okay. So first, nowadays, the '23 are contributing at a 20% rate. So, it means $100 million dollars and '26s are contributing at a 50% rate. So that means $550 million dollars. That means on the first quarter of 2023, we will lose $210 million dollars in capital, $100 million dollars in '23s, and $110 million dollars in the '26s.

Germán Salazar: And the amount is going to be a little over $500 million dollars.

Operator: Thank you very much. We received a web question as well from ***Julio Del*** from ***Magne***, and his question reads: "In terms of the tax reform and the greater tax of shareholders, are you evaluating an eventual buyback program instead of a dividend distribution?"

Javier Dorich: Thank you Julio. No, we're not considering any buyback. As far as we know, they aren't even allowed here in Colombia for banks.

Operator: Thank you. We also received a question from ***Santiago Bejarano***, from ***IFC***. And his question reads: "Hi everyone, thanks for the presentation. Can you elaborate on the Colombian peso devaluation's impact on capital adequacy and the effect of Porvenir? How is the bank handling the effects of the Colombian peso devaluation? Thanks."

Javier Dorich: Hi, Santiago. About the peso devaluation, we have a negative sensitivity in terms of devaluation. That means that when the dollar gains value against the peso, we have a negative impact on our capital, especially on our CET1. It is below or around 5 basis points for every $100 pesos. But, that is counterbalanced by our position in Tier 2, which is U.S. dollar-denominated. So, we are kind of hedged in that manner.

And in terms of how are we handling the effect, one is the thing I just said, having those bonds in U.S. dollars. And the other thing is that we have a long position as well in order to neutralize the deduction of BHI in capital investments and also the deduction of MFH's goodwill. So, that means we are kind of immunized against exchange rate movements.

Operator: We have a question from ***Mariel Abreu*** from ***T. Rowe Price.*** Question reads: "Good morning. Can you comment on asset quality risk in Panama, specifically corporate and the construction sector? What sectors are you more closely monitoring?"

Javier Dorich: Yes, thank you for your question. As you saw in slide ten, Panama has been doing really well. For example, the 90-days PDLs have decreased from 2.2% to 1.9%. It is true that the Cost of Risk has increased in the quarter, but that was some kind of normalization since in the second quarter was atypically low. We don't have any particular concerns in terms of economic sectors. But as you have mentioned, construction was one of the sectors that we were following more closely since there was a contraction in 2020, but also a recovery in 2021 and as well as 2022 is going. So right now, we think credit quality in Panama, and you can see that in our indicators, and Multibank's indicators, is doing very well.

Operator: We have a follow-up question from ***Maria-Jose Quiñones***, from ***Seminario SAB***. Her question is: "Can you please elaborate on the lower income from the equity method in the income statement?"

Javier Dorich: Yes, of course. Thank you very much, Maria-Jose. So, two things to mention. First of all, BHI's net income in the third quarter was affected by the Costa Rican Colón appreciation since the results are in U.S. dollars, also some increase in provision as well. And second, we had an extraordinary income from Corficolombiana in the second quarter regarding Covioriente and that wasn't repeated in the third quarter. So, that led to a reduction in the equity income from them.

Operator: Thank you. We have a question from ***Nick Dimitrov***, from ***Morgan Stanley Investment Management***. The question reads: "Can you quantify the next long USD position you just mentioned as a way to mitigate the impact of COP devaluation?"

Javier Dorich: Hi there. Right now, it is about $400 million dollars.

Operator: We also have two questions from ***Andrea Atuesta***, from ***Bancolombia***. She says: "Thank you for taking again my question. It is not clear for me if you are not expecting BHI to distribute dividends to its shareholders. And can you please repeat ROAA guidance for 2022?"

Germán Salazar: I'd just like to confirm that no dividends are going to be received, so that the guidance that we indicated is basically excluding that amount.

Javier Dorich: I thought you said you wanted to repeat the guidance for return so for next year, return on assets of 1.5% and return on equity of 13%.

Operator: Thank you very much. And at this moment, we have not received other audio questions or web questions. 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, and we expect to see you in our next conference call. Thank you very much again.

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