

Banco de Bogotá

Q4-2022 Results

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Banco de Bogotá

CORPORATE PARTICIPANTS

Alejandro Figueroa: Banco de Bogotá – CEO

Germán Salazar: Banco de Bogotá – Executive Vice-president

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

Operator:

Welcome to the 4Q 2022 consolidated results conference call. My name is Maria 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 slide 2.

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, Maria Adelaida.

Good morning, ladies and gentlemen and welcome to Banco de Bogotá's Q4 2022 earnings call. Thank you all for joining us today.

Last quarter, Banco de Bogotá accepted a tender offer to sell 20.89% of its remaining 25% participation in BAC Holding International Corp (BHI), the holding company of the Central American banking group BAC Credomatic.

As you may recall, in March 2022, Banco de Bogotá completed the spin-off of 75% of BHI in favor of its shareholders and retained a 25% stake in this holding company.

In December 2022, Banco de Bogotá accepted a tender offer for common shares of BHI, at virtually the same price per share used as basis for the March spin-off. The price was acceptable to the Bank considering higher discount market rates and because it represented a 50% premium to the then trading price of the stock. As a result, the Bank sold 20.89% of BHI, lowering its stake to 4.11%. This decision was driven by the same considerations that had led the bank to spin-off BHI in the first place.

This transaction increased Banco de Bogota's solvency ratio and improved its Net Stable Funding Ratio (CFEN in Spanish), allowing for loan growth with reduced pressure on cost of funds. The transaction was well-timed, considering the adoption process of CFEN in Colombia.

As previously disclosed, the Bank's Q1 2022 results included an extraordinary net income of \$1.32 trillion pesos because of the spin-off of 75% of BHI. The sale in Q4 2022 of an additional 20.89% of BHI, resulted in an extraordinary loss of \$983 billion pesos net. Both transactions resulted in a one-time gain of \$342 billion pesos during 2022.

Now, I will make a summary of the Bank's main results:

- Attributable net income in 2022 was \$2.8 trillion pesos, resulting in profitability ratios at 1.9% for ROAA and 15.9% for ROAE.
- Total NIM increased annually 24 basis points to 4.5%, explained by a 28-basis points growth in lending NIM, as loan portfolio yield moved up by 246 basis points against a cost of funding growth of 234 basis points.
- Gross fee income totaled \$1.7 trillion pesos in 2022, 16.5% higher than in 2021 as banking fees and credit card fees grew 18.6% and 20.9%, respectively. Fee income ratio stood at 24.8%, improving yearly by 178 basis points.
- Cost to assets was 2.5% in the year and cost to income was 48.5%, both within past levels.
- Regarding our balance sheet performance:
 - Gross loan portfolio amounted to \$96.1 trillion pesos, growing at a steady rate of 17.3% year-on-year. Mortgages experienced the highest expansion, at 31.9% year-on-year.
 - Deposits remain our principal source of funding, representing 74.4% of the mix, reaching \$88 trillion pesos. Deposits to net loans ratio was 0.97x, close to our target of 1x.
 - The quality of the loan portfolio remained stable, with a 3.5% ratio for 90-day past due loans, decreasing 36 basis points versus Q4 2021.
 - Annual net cost of risk for the year is at 1.5%, below our 1.8% guidance for 2022, having improved 54 basis points yearly in the consolidated portfolio.
 - Finally, capital adequacy ratios remain stable with Tier 1 capital and total solvency at 10.1% and 13.1%, respectively, remaining above regulatory minimums.

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

Germán Salazar:

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

Digital business has contributed to maintaining the Bank's growth rate, responding to our efforts to improve and connect digital channels with customer needs. As a result, we have achieved 5.4 million digital sales and 2.2 million digital products sold in 2022, which imply a 45% increase vs 2021. These results allowed the Bank to reach \$6.2 trillion pesos in digital loans and products, with an 84% year-on-year growth.

Let me begin with some detail on digital sales results in Q4 2022:

Digital sales saw steady growth reaching more than 595,000 products sold and representing 77% of total product sales. Also, our balance sheet increased by \$1.2 trillion pesos in digital products, a 26% growth over the previous quarter. We would like to highlight the most relevant products that allowed us to accomplish these results:

- Credit cards set a new all-time monthly record reached in December with over 55,000 products sold, a 12.7% increase from the previous quarter and a 47% year-on-year growth. This success was due to the effective implementation of QR codes in allied point-of-sale businesses, allowing customers to easily request a product using their mobile phones, and making their first purchase.
- Total consumer loans' disbursements in Q4 reached \$528 billion pesos, a 73% growth vs Q4 2021. For full year 2022, total digital consumer loans amounted to \$2.2 trillion pesos, a 114% growth year-on-year. This was possible due to a growth of 85% in consumer digital credit sales and an average ticket that increased by 16% year-on-year, due to a better user experience and the implementation of the smart pricing system in Q3.
- Digital time deposit sales increased 13% quarterly, with a total of over 15,000 products sold, and over a 240% year-on-year growth. This allowed us to achieve a milestone of \$533 billion pesos in digital time deposits' funding in 2022, with a 303% year-on-year growth. This was due to factors such as competitive rates, improvements in the conversion rate, and enabling digital time deposits sales through new channels, such as the new links tool and the implementation of a communication strategy to boost digital acquisition through email and text messages that allow time deposit renewal.
- Over 195,000 digital savings accounts were opened in Q4, with a 21% annual growth. Worth highlighting for this quarter, the web conversion rate which increased from 70% to 77%. Also, these results were achieved due to payroll-account sales, that represented 50% of digital account sales in Q4 with over 97,000 products sold, as well as the reinforcement in our sales force of the usage of digital account short links.
- Digital insurance had a 21% quarterly growth, proving success in our cross-selling strategies with credit cards, where discretionary insurance sales occur on six out of ten new credit cards and four out of ten digital consumer loans. In addition, tailor-made life insurance saw a 15x growth in sales, increasing to over 28,000 policies sold in 2022. This is a brand-new value offer for our customers, as they now have the choice to buy flexible life insurance products according to their needs. These product's performance had a year-on-year growth of 75%.

We also continue to expand our digital products portfolio, which we will continue to improve, based on the following initiatives:

- First, the digital vehicle loan strategy, which was already expanded in Q4 by implementing the approval flow and by strengthening our coverage in Colombia with the auto-show and specialized vehicle portals, including *CarroYa*. Furthermore, we have also improved our conversion rates through lead recovery with our sales force for new and used vehicles, allowing us to strengthen our Ecosystem Strategy.
- Second, regarding digital microcredits, our efforts persist in widening financial inclusion to a broader audience through a fully digital experience. During this quarter we performed improvements, enabling an alternate flow for customers who were not able to go through digital authentication, allowing a 38% share in microcredit sales, with a total of 2,107 sales, and a 22% quarterly growth.
- And third, we continued working on our assisted digital channels, where each personal advisor aids customers in digitalization through tablets. For 2022, 47% of digital sales were made by digitally assisted personnel in retail branches. During 2022, 54% of total sales in branches were made in tablets, generating a significant contribution in sales during 2022.

The following results highlight the performance of our digital channels, as well as our digital customer metrics:

- During Q4, we had over 2.3 million active customers on our digital channels, a 19% increase from the previous year. This growth was due to our focus on enhancing customer experience through web and mobile upgraded functionalities in payment options for products such as cardless cash withdrawals, and for utility bills' payment. This led to a 46% year-on-year increase in digital transactions, totaling 60.5 million, evidencing a shift towards more digital and mobile usage.
- During this quarter, our *Cel2Cel* functionality provided further solutions for Grupo Aval and *dale!*, allowing more efficiency in transfers between these accounts. In the first months after its launch in Q4, *Cel2Cel* reported over 19,000 transactions between Aval banks and *dale!*, thus reinforcing our digital ecosystem's position. In 2022, *Transfiya* processed a total of 4.47 million out-bound transactions and 524,000 in-bound transactions, a yearly growth of 11x and 1.4x vs. 2021, respectively. For Q4, *Transfiya* processed 1.95 million out-bound transactions and 232,000 in-bound transactions, a 35% and 48% quarterly growth, respectively.
- We also kept improving functionalities for users of our digital assistance center. Worth highlighting, among others, the possibility for clients to see the name and contact of their advisor. We also implemented functionalities such as the email One Time Password [OTP] to provide access to our digital channels to clients who are abroad and to *Transfiya*, allowing for fast, secure and 100% digital transactions through self-assistance. We had 10,289 customers inquiring on how to make transfers, increasing the average number of transactions per client from 2.37 to 5.27 during Q4.

Lastly, for our group's strategy, we have strengthened our position in real-time payment solutions, promoting Grupo Aval's digital wallet *dale!* as a complement to the group's payments ecosystem. With Banco de Bogotá's support, *dale!* has grown over 425% vs 2021, with a clientele of over 605,000 accounts in 2022.

Now, turning to *slide 5*, we would like to present our ESG progress for the year.

2022 was a year of various challenges regarding sustainability, mainly the expansion of our contribution towards a more socially responsible economy with lower carbon emissions. To meet this challenge, we took several actions:

In terms of policy:

- We strengthened our ESG strategy, redefining our sustainability commitments by prioritizing efforts to better align with government goals and the Paris Climate Agreement.
- We also strengthened our efforts on climate impact in the following aspects:
 - Development of green products and services.
 - Strengthening of climate-change' risk management, of the Environment and Social Risk Management System [ESRMS] and of carbon neutral management.
 - Also, our adherence to the Net Zero Policy, accompanying clients' efforts in transitioning towards a green economy.

In terms of commitment:

Our main objective is to further generate prosperity through a sustainable and inclusive manner. Our commitment is aligned with best ESG practices, as well as reporting and transparency excellence.

We have adhered to three new initiatives:

- First, Net Zero Banking Alliance, in which banks commit to carbon neutral portfolios by 2050.
- Second, Task Force on Climate-related Financial Disclosures, or TCFD, which commits us to use recommendations for the identification of climate change impact measurements.
- And third, Responsible Banking Principles, whereby we incorporate sustainable criteria throughout all the Bank's areas, while measuring contribution to sustainability. These principles further our efforts to implement communication mechanisms with clients and stakeholders, to develop sustainable practices, and to promote a responsible banking culture.

For the third consecutive year, we consolidated our position as one of the top 5% of the 710 banks internationally evaluated as the world's most sustainable banks.

In terms of achievements, we would like to highlight:

- Over 1.8% of our loan portfolio is represented by green products. We have products such as:
 - Credit line for sustainable development
 - Loans for sustainable construction
 - Sustainable financial leasing
 - Project Finance
 - Sustainable mortgages and housing leases
 - Sustainable used housing
 - Loans for hybrid and electric vehicles
 - Amazon debit cards

Our goal is to reach \$4 trillion pesos in green products by 2025.

Other achievements are:

- We managed to successfully measure our clients' carbon footprint, to further measure and disclose the Bank's progress with regards to clients' emissions.
- Our Environmental and Social Risk Management System analyzes all loans above 21 billion pesos to further evaluate their impact on the environment and their social footprint.
- We are the first bank in Colombia to obtain Carbon Neutral Certification by ICONTEC.
- We installed solar panels on 18 branches and two administrative buildings.
- We planted over 80,000 trees in an alliance with "Fundación Natura" and "Saving the Amazon".
- We benefited over 8,000 people with our sustainable mobility program, which diminished carbon dioxide emissions by 37 tons.
- Our electric energy consumption is 100% renewable, backed by renewable energy certificates.
- We benefited 356,000 customers through a financial education program, furthering applicable knowledge for responsible financial management.

Regarding social efforts:

- We disbursed \$216 billion pesos to support small businesses, reaching 756 municipalities in Colombia, a 26% yearly growth.
- We placed over 300,000 *Unicef* cards, which support education throughout Colombia.
- We have the silver stamp from *Equipares*, where we obtained the "*Friendly Bizz*" certification, due to our efforts in reducing gender salary gaps.
- Finally, we obtained the Diversity, Equality, and Inclusion Market Leader Designation from Euromoney.

Moving on to *slide 6*, let me summarize the local macroeconomic overview:

- In 2022, the Colombian economy completed its second consecutive year with very good dynamism. Growth was 7.5%, one of the highest in Latin America and in the OECD. Most sectors advanced, but there were some exceptions such as agriculture and mining. The production level began to stabilize in the second part of the year, evidencing the deceleration of the post-pandemic recovery. This behavior has led to a downward adjustment in economic growth projections for 2023; our Economic Research Team forecasts a GDP expansion of 1.5% for this year.
- Inflation constantly exceeded expectations in 2022, closing the year at 13.1% annually, the highest since 1999. Consumer prices were impacted by a significant rebound in food, with inflation closing 2022 above 27%. However, price pressures were more generalized than exclusively from food prices. More than 90% of the products and services of the CPI basket had inflation above 4.0% in 2022, a level that represents the ceiling of the central bank's target range. Core inflation also accelerated significantly, closing the year at 10.4%. Most consensus projections point to a moderation of inflation in 2023. However, the magnitude of the correction will depend closely on food prices. Our Economic Research Team expects inflation to close the year at 8.5%.
- The economy's dynamics and the acceleration of inflation led to new increases in the reference interest rate by the central bank during 2022. The monetary policy rate closed the year at 12.0%, which represented the most aggressive rate hike cycle so far this century, with a total increase in 2022 of +900 basis points, positioning Colombia as the second economy in the world, among the main ones, with the most increases during the year, only surpassed by Hungary. The real interest rate is already reaching levels not seen since the International Financial Crisis. Our Economic Research Team does not consider the hiking cycle to have ended in December. It is expected that in the first quarter the ceiling will be reached with a terminal rate of 13.25% and in the second semester the downward cycle will begin, with an expectation of an end-of-year rate close to 10.0%.
- Exchange rate markets experienced high volatility throughout 2022. The first semester had upward pressures, but not as strong as in the second semester. After this, with a scenario of global monetary policy tightening, the local political uncertainty positioned itself as the main driver in markets. The upward pressure led to a new all-time high for the dollar of over \$5,100 pesos per dollar in November. This contrasts with the minimum for the year in April, close to \$3,700 pesos per dollar. Volatility for the year was over \$1,400 pesos per dollar, the highest ever. In the final part of the year, exchange rate pressures moderated, and the currency closed at \$4,810.
- The rebound in aggregate demand that boosted imports, the greater outflow of dollars from investment income (profits and dividends from foreign companies established in Colombia), and the accounting effect that reduces the size of GDP in dollar terms due to the devaluation limited the correction of the current account deficit. The deficit continued to widen and closed 2022 above -6.0% of GDP. A broad correction of the current account is expected for 2023,

reacting to the slowdown in domestic demand. Our Economic Research Team forecasts a deficit of -4.2% of GDP for 2023.

- The change of government brought a new tax reform, which seeks to collect around \$20 trillion pesos, an amount that will gradually increase in the following years. The reform focused on high-income individuals and the energy and mining sectors. The Ministry of Finance announced that the resources will be used entirely for social spending. In the final part of the year, the Government presented the financial plan with positive announcements in the fiscal front: the deficit was adjusted downward to -5.5% of GDP for 2022, while for 2023 it was revised upwards to -3.8% of GDP, in both cases complying with the fiscal rule. Finally, in 2022 there were no changes for the sovereign rating and in the final part of 2022, Fitch Ratings reaffirmed the notes at BB+ with a stable outlook.

Moving on to *slide 7*, let me summarize Panama's macroeconomic overview.

- 2022 was the second year of strong recovery for the Panamanian economy, after the recession caused by the pandemic in 2020 struck GDP by -17.9%. With advances of 15.3% in 2021 and 9.0% in 2022, according to the most recent forecasts from the IMF, activity would have exceeded the levels in place before the COVID-19 shock.
- By sectors, the recovery was almost generalized, with good dynamics in most components of the economy, though with a recomposition in their contribution. In particular, the recovery of tourism allowed the hotel and restaurant industry to register a growth of more than 20% in the third quarter. Meanwhile, buoyant international trade gave way to an increase in traffic through the Panama Canal, with a growth of almost 7% year-to-date up to October, doubling what was observed the prior year of 3.3%. Thus, the transport, storage and communications sector grew 13% annually in the third quarter. In the third quarter the commerce sector grew 13%. Finally, construction and other services, grew at higher rates than the general economy, 18% and 15% annually in the third quarter, respectively.
- By 2023, as in the rest of the world, in Panama the growth moderation is expected to continue, as the benefits of the reopening of the economy after the pandemic are left behind. The IMF projects annual growth of 4% for GDP in 2023.
- Turning to prices, inflation followed the global trend, starting the year 2022 with a rebound, to reach a maximum of 5.2% annually, around the middle of the year. Since then, the trend has been downward, ending the year at 2.1%, below the 2021 level of 2.6%. For 2023, the IMF projects inflation of 3.1%, which will depend on the magnitude of the correction in food and energy prices.
- In terms of credit ratings, Panama remained above the investment grade threshold, with ratings of BBB by Standard & Poor's, Baa2 for Moody's which is BBB equivalent, and BBB-

for Fitch. The latter, with a lower rating than its peers, raised its outlook from negative to stable at the beginning of 2022. Meanwhile, the most recent pronouncement came from Moody's, which maintained its negative outlook. The rating agencies highlight Panama's strong growth and the stabilization of its public debt at around 60% of GDP.

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

Javier Dorich:

Thank you, Germán, and good morning, everyone. Beginning on *slide 8*, we present our consolidated asset structure.

- Consolidated assets totaled \$137.9 trillion pesos at the end of Q4 2022, presenting a yearly 17.9% increase, or 2.8% quarterly.
- In terms of composition, the net loan portfolio continues to be our main asset, representing 69.1% of consolidated assets, followed by other assets with 12.5%. Investment portfolios in fixed income and equity represent 10.7% and 7.7% of total assets respectively, increasing by 4.5% and 12.1% yearly. Equity investments mainly include our participation in Corficolombiana and Porvenir.
- The gross loan portfolio closed at \$96.1 trillion pesos in Q4 2022, increasing 4.2% in the quarter and 17.3% yearly. When excluding FX fluctuations, the gross loan portfolio grew 13.2% annually and 3.3% quarterly.
- Vs 2021, loan mix continues to reflect our strategy to rebalance composition towards higher retail segment participation, as evidenced by the evolution of the consumer and mortgage portfolios.

Mortgage loans represent 12%, growing 31.9% yearly or 23.1% when isolating FX depreciation, driven by a yearly increase of 32.0% in the Colombian portfolio, still reflecting positive market dynamics. In Panama, Multibank's mortgage portfolio increased 8.9% in dollar terms during the year and 31.6% in peso terms.

Consumer loans increased 17.3% in the year and 13.1% 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 1.8% in dollar terms in 2022.

The commercial loan book represents 65.1% of total loans, growing 15.1% yearly and 11.7% when excluding FX. Colombia increased 13.2% annually and Panama increased 26.3%, or 4.6% excluding FX.

- Loan growth outperformed previous guidance for 2022 of 15%. For 2023, a moderation on loan growth is expected to be between 10% and 12% due to lower GDP growth, higher average interest rates, and a less dynamic economic outlook, both locally and globally.

Moving on to *slide 9*, we present loan quality ratios.

- On the top left, 30-day PDL ratio decreased 38 basis points yearly and remained stable on quarterly terms at 4.6%. The Colombian portfolio improved 47 basis points yearly to a level of 4.8%, while the Panamanian level deteriorated 12 basis points annually to a level of 3.9%.
- On the bottom left, one can observe commercial and consumer 30-day PDL ratios improving by 31 and 45 basis points yearly, mainly due to the Colombian portfolio's performance throughout all categories on a yearly basis.
- On the top right, 90-day PDL ratios remain stable, with a 36-basis point improvement yearly, and a slight 9 basis point deterioration quarterly. The Colombian portfolio improved 58 basis points yearly and 12 basis points quarterly, while the Panamanian portfolio deteriorated 72 basis points yearly and 104 basis points quarterly due to deterioration in the commercial portfolio.
- On the bottom right, you will observe that for 90-day PDLs, the consumer portfolio improved 101 basis points in annual terms, while other portfolios, excluding microcredits, remained stable. Both Panamanian and Colombian consumer portfolios experienced improvements close to 1 percentage point year-on-year.
- Microcredits remain a small component of our loan portfolio, comprising 0.3% of gross loans. Their 30-day and 90-day PDL ratios continued improving throughout the year.

On *slide 10*, we present coverage ratios.

- On the top left, our coverage ratio for 30-day PDLs is at 1.18x, slightly lower than the previous quarter. Colombian portfolios reflect a higher coverage of 1.33x, while Panamanian 30-day coverage ratios remain stable at 0.43x. Panamanian coverage is relatively low due to the high collateral value on credit exposures.
- On the top right, we observe the consolidated coverage ratio for 90-day PDLs remaining stable at 1.57x.
- On the bottom, one can observe a decline in allowances over gross loans to a level of 5.5%. The Colombian figure declined yearly by 71 basis points year-on-year to 6.4% and the

Panamanian figure declined 11 basis points for the same period. This is due to a lower need for coverage, as delinquency diminished throughout the year.

On *slide 11*, we present our cost of risk and charge-off ratios.

- On the top left, cost of risk increased by 15 basis points quarterly and decreased 24 basis points yearly to 1.6%. Cost of risk diminished by 24 basis points in Colombia and 25 basis points in Panama to 1.6% and 1.1%, respectively. It is worth noting that our cost of risk is lower than our Q4 2021's guidance for 2022.
- For the consolidated portfolio, charge-offs over 90-day PDLs stand at 49%, a reduction of 16.5 percentage points year-on-year and 11 percentage points quarter-on-quarter. Colombia's charge-offs over 90-day PDLs stand at 52%, decreasing by 15.5% year-on-year and increasing 1.4% quarterly. For Panama, this ratio stands at 25%, having decreased by 14.4% year on year.
- Charge-offs over average loans decreased by 91 basis points in the year and 37 basis points quarterly to 1.7%. Colombia's figure remains stable at 1.9% and Panama's figure decreased 24 basis points yearly. These figures diminished overall due to a lower delinquency of loans in general.

Continuing with consolidated funding, on *slide 12* we present our liability structure.

- Total funding reached \$118.4 trillion pesos, increasing 16.4% and 3.4% in annual and quarterly terms, respectively. Excluding the FX effect, growth was 12.4% for 2022 and 2.5% in the quarter.
- Deposits continue to be our main source of funds, representing 74.4% of total funding, followed by banks and others with 15.2%, long-term bonds with 9.5%, and interbank borrowings with 0.9%.
- Deposits totaled \$88 trillion pesos, growing 14.5% annually and quarterly by 5.3%. Excluding FX, deposits grew 11% yearly and 4.5% quarterly.
- In terms of deposit composition, time deposits continued to lead with 44.3% of the mix, as interest rates have become more attractive. Saving accounts represented 36.7% while checking accounts decreased their participation to 18.5%.
- Deposits to net loans ratio was 0.97x in Q4 2022, close to our target of being fully matched.

Turning to *slide 13*, our equity and solvency levels are presented.

- Total equity for Q4 2022 was \$15.8 trillion pesos, decreasing 3.3% quarterly, mainly explained by the accounting of a \$983 billion pesos loss due to BHI's tender offer.
- Consequently, our tangible common equity decreased to \$14.4 trillion pesos, representing a 4% quarterly reduction, as explained by the previously mentioned tender offer. Tangible capital ratio in Q4 was 10.5% and total equity represented 11.5% of total assets.
- In Q4, total solvency ratio was 13.1%, with a Tier 1 ratio of 10.1%, remaining at the same levels as the previous quarter. Our Tier 1 ratio remains 3.6 percentage points above the regulatory minimum and Total Solvency remains 2.8 percentage points above the regulatory minimum.

Continuing with our P&L metrics, on *slide 14* we present NIM performance:

- Total net interest income was \$1.25 trillion pesos in Q4, and \$4.66 trillion pesos for 2022. Q4 2022 results had a 23.7% year-on-year increase, or a 5.1% quarter-on-quarter increase.
- Yield on loans increased 116 basis points in the quarter and 418 basis points year-on-year to 11.5% for Q4 2022. Commercial loans experienced the highest increase, 535 basis points year on year and 134 basis points quarter on quarter, as most of the commercial lending portfolio has variable rates.
- Yield on investments increased 341 basis points year-on-year and 138 basis points quarterly to a 6.4% level. For 2022 investment yield was 4.5%. These increments are mainly driven by higher interests on fixed income investments.
- Now, regarding funding costs, they increased as well, driven by the macroeconomic hawkish environment, reaching 6.6% for Q4 2022. This represents a 409-basis point year-on-year increase and a 144-basis point quarter-on-quarter increase. For 2022, funding cost was 4.6%, 234 basis points higher than in 2021. It is worth highlighting the nature of the bank's balance sheet, as NIM has been stable in past periods, due to correlated movements in loan yields and cost of funds. Net interest margin stood at 4.5% for Q4 and for the year 2022 and was favored by the positive trend in lending NIM throughout 2022.

Moving to *slide 15*, we present the fee structure and other income.

- Total fees stood at \$1.7 trillion pesos for 2022, a 16.5% increase vs. 2021. For Q4, total fees amounted to \$461 billion pesos, a 16.9% year-on-year increase and a 5.7% quarterly increase.
- The highest increase comes from banking fees, which in 2022 stood at \$1.4 trillion pesos, a 19.4% increase vs 2021. Q4 banking fees grew 19% yearly and 5.7% quarterly, driven by a positive performance in credit card fees along 2022, with a 22.7% annual growth.

- Fee income ratio for Q4 2022 was 32% and 24.8% for the full year. This represents a 178 basis points annual increase.
- Other operating income in 2022 was \$775.9 billion pesos, from the following:
 - A \$1.2 trillion peso gain on derivative instruments for trading which was offset by a net loss on foreign exchange adjustments 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 \$38 billion pesos.
 - Net other income totaled \$413.2 billion pesos mainly resulting from the extraordinary income from BHI's spin-off and tender offer. The spin-off represented an extraordinary income of \$1.3 trillion pesos while the tender offer represented a \$983 billion peso loss.
 - Finally, equity method in 2022 increased \$132 billion from the positive performance from Corficolombiana and Porvenir.

On *slide 16*, we present our efficiency ratios.

- Operational expense totaled \$933 billion pesos for Q4, increasing 12.6% quarterly. For 2022 operational expense was \$3.3 trillion pesos, increasing 11.8% from general administrative costs, driven by inflation. Meanwhile, total income increased 9.9%.
- Cost-to-assets ratio slightly increased 24 basis points over the quarter and stands at 2.7%. For the year 2022, cost-to-assets ratio was 2.5%, below the historical average.
- For 2022, cost-to-income ratio was 48.5% when excluding extraordinary income and remains within past figures.
- We expect cost-to-income ratio to be around 48% in 2023, in line with our historical average.

Finally, on *slide 17*, we present our profitability ratios.

- Attributable net income for 2022 was \$2.8 trillion pesos; Q4' net income was negative due to the sale of 20.89% of BHI in December. As we disclosed in December 2022's Extraordinary Shareholders' Meeting, BHI's tender offer negatively impacted net income in \$983 billion pesos.
- Net income from continued operations was \$391 billion pesos for the quarter and \$1.7 trillion pesos for the year.
- For 2022 ROAA stood at 1.9% and ROAE at 15.9%. When excluding BHI's spin-off in March and the tender offer in December, ROAA stands at 1.6% and ROAE at 13.9%. Q4's figures excluding BHI's tender offer stand at a 1.2% ROAA and 10.5% ROAE.

- Lastly, I want to stress that continued operations, excluding BHI's figures, show steady consistent figures with a net attributable income annual growth of 23.7%.

Before moving on to the Q&A session, I'd like to summarize our general guidance for 2023:

- Loan growth is expected to be between 10% and 12%.
- Net interest margin target is expected between 4.5% and 4.6%.
- Net cost of risk is expected to be between 1.5% and 1.6%.
- Fee income ratio should come in at 24%.
- Cost-to-income ratio around 48%.
- And regarding profitability, ROAA should be around 1.4% and ROAE should be between 12% and 13%.

And now we are open to your questions.

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

First, we'll read and answer written questions, and then we'll go with the audio questions via On Stage tool. If you have a question, please press the green button request located into the On Stage box or from your phone please press 941.

Okay. "Hello. I have two questions. The first one is about the expenses. Do you have any guidance for this year?"

Germán Salazar: In connection with expenses, what I could say is that definitely we are living this inflationary environment that we believe is going to take some time. Expectations are that this year is going to end somewhere around 8% to 9%, and hopefully next year it will be about 4% to 5%, hopefully within the central bank's range.

So, having said that, we are living this abnormal period on which we are doing every effort to make sure that we contain as much as possible the general expenses of the bank. It means that this traditional austere tradition that the Bank has is going to be further reinforced on one hand. And secondly, we are working heavily on finding different efficiencies that we have internally. And in addition to that, we are embarked on a very strict project whereby an agility methodology is being implemented. So, the combination of them is going to facilitate the increase based on inflation and hopefully next year onwards that situation should normalize. It's just a matter of a cycle that we are basically running on, but we feel comfortable we will come ahead.

Operator: Mayara Riddelbaugh from Wells Fargo. "Can you please provide an estimate of the impact of the recent credit card interest rate cut in your net interest revenues and overall profitability? Thank you."

Germán Salazar: The expectation that we have based on the fact that this new campaign is going to be for new purchases of certain things or for some credit card bins is that it is going to be around 0.5% of the expected bottom line for this year.

Operator: **Natalia Capacho** from **Bancolombia**. “Good morning. I have three questions. Can you confirm through which mechanism the 4.11% BHI’s sale will be made, will it be done through the BVC? What do you expect from portfolio growth by segment? How do you expect deposits to behave this year in which interest rates continue to be high but a slowdown in the portfolio is expected? The bank’s strategy to achieve the proposed goals in a very challenging economy environment in 2023. Thank you.”

Germán Salazar: In connection with the first one, Natalia, I could tell you that given that the amount of the transaction is going to be lower than 5%, there's no need to go through the stock exchange and we could do it directly.

In connection with other two questions, Javier is going to provide the answer.

Javier Dorich: Hi there. So, regarding the second question, we expect consumer and mortgage growth to be closer to 12%. And in the case of the commercial portfolio, close to 10%.

On the third and final question regarding deposits, we believe this year that growth can be close to 10%, especially in term deposits, more than saving accounts.

Operator: **Jaskaran Singh** from **Goldman Sachs**. “Are securities portfolios mark to market adjusted through OCI equity? What is the size of unrealized loss on held to maturity assets relative to tangible equity? What’s the average duration of the held to maturity book and available for sale book? Thank you.”

Germán Salazar: The amount, the unrealized losses that we have in our portfolio, which is in the available for sale category, is about \$770 billion pesos, which is about 5% of our total equity. The duration of the portfolio is about three years, with a concentration in maturities from 2025 onwards, mainly to ‘27. So, we do believe that with the pass of time next year or so, this is going to be a much lower amount but still nowadays it doesn't really constitute a threat to our solvency ratios. As a matter of fact, the amount that you see in our equity already includes the valuation of this portfolio.

Operator: **Maria José Quiñones, Seminario SAB**. “Can you please repeat the guidance? Thank you.”

Javier Dorich: Of course, Maria-Jose. So, loan growth is expected to be between 10% and 12%. Net interest margin - NIM is expected between 4.5% and 4.6%. Net cost of risk is expected to be between 1.5% and 1.6%. Fee income ratio at 24%, cost to income ratio around 48%, ROAA around 1.4%, and ROAE should be between 12% and 13%.

Operator: **Camila Arismendi** from **Bancolombia**. “Hello. Thanks for taking my questions. I have two questions. The first one is about the expenses. Do you have any guidance for this year? And the other one, could you give me some details about the loss generated by the tender offer of the 20.89% of BHI, because you executed a spin-off of a 75% equity stake in BHI in March 2022 and it generated a positive income. So, I would like to understand better. Thank you.”

Germán Salazar: In connection with expenses, as I was indicating, we're working heavily towards limiting the impact of this inflationary environment. We do believe that it's going to be above a few percentage points above last year's inflation.

Javier Dorich: Yeah. And regarding the second question, explaining the loss for the sale of 20.89% of BHI, there was an impairment and that was already explained in the December shareholders’

assembly. As Dr. Figueroa mentioned, the price was acceptable because market conditions had changed. So, that's why we thought that it was a fair price or even an attractive price for us and we accepted the offer. And yes, the answer about the spin-off in March, we had an extraordinary income of about \$1.3 trillion and when you combine it with the \$983 billion loss in December, you get a combined P&L of \$341.7 billion gain for the whole year.

Operator: **Fiorella Lastretto Granda** from **AFP Integra**. “Thank you for the call. My question is: How are you going to manage the increase in delinquency ratio from the consumer segment? Thank you.”

Germán Salazar: Thank you for the question. I would like to begin by saying that we had a very good 2022 year in terms of loan quality in all categories, I would say. In commercial loans, undoubtedly, and then you go one by one of the consumer categories in general, and you will see that the trend and the results are very positive. Altogether, we have 90-day past due loans of 3.5% and that continues to be the case and in some cases with certain improvement by the end of last year and even the beginning of this one.

However, in personal loans, we are beginning to see certain deterioration, small though, but are bringing us to evaluate with very thorough detail to make sure that we have an early alert, so we begin quickly closing those segments in which we believe that we have to become tighter, and that's exactly what we are doing at this moment. In the previous weeks, we went through all the regular analysis, and we began particularly in the personal loans category, and perhaps we have to do it in some credit cards, but it's going to be marginal, at least at the moment. We are very attentive as to how the recent developments are presenting.

Operator: Thank you. If you have a question from your phone, please press 941.

Daniel Mora from **Credicorp Capital**. “What is the long-term target guidance of ROAE and what would be the improvement when compared to the current guidance of 12% and 13%? Thank you.”

Javier Dorich: Thank you, Daniel. So, our long-term target guidance of ROAE is between 14% and 15%. And when you ask, for example, what should we improve? We think, for example, there is room to improve in net interest margin when we get the mix that we're hoping to get in the next years, and there's always room for improvement also in efficiency ratios, and also in the fee income ratio, where we see digitalization is a great tool to get there.

Operator: Okay. **Julian Ausique** from **Davivienda Corredores**.

Julian Ausique: Hi, everyone, and thank you for having my question. I would like to understand a little bit the expectation about the cost of risk, because we've already seen during the fourth quarter of the year an increase in the cost of risk for Colombia. But on the other hand, we saw a decrease in the cost of risk of Panama.

Also, I would like to know if the bank has to release the information about the private agreement for selling the BHI participation that is remaining, if we will know the price of the transaction, and the condition of the transaction. Thank you.

Javier Dorich: Yeah, of course, Julian. First, regarding your second question, there is available public information in our website about the transaction. There was a shareholder's assembly at the beginning of the week. The price is known. It's the same as in the sale or the tender offer that

is \$293 pesos. And it doesn't have to go through the stock exchange because the transaction is below 5% of the total equity.

And regarding your first question, our expectation for cost of risk, as I mentioned, is between 1.5% and 1.6%, and the breakdown of that is a slightly higher number for Colombia, maybe 1.7% or 1.8%, but a lower than 1% figure for Panama. And, you know, a couple of years ago, especially in 2020, we constituted some provisions that we haven't used yet. So that's why we will be able to give that performance of a net cost of risk between 1.5% and 1.6% this year.

Operator: What is the long-term target guidance of ROAE and what would be the improvement when compared to the current guidance of 12% and 13%? Thank you."

Javier Dorich: Yeah, we already answered that. I think there's another question in the queue.

Operator: "Can you please repeat what would be the impact of the benefit provided to credit cards or margins, fees, cost of credit? Would you implement this benefit to other products or just credit cards? **Daniel Mora** from **Credicorp Capital** again. Thank you."

Germán Salazar: The amount is going to be 0.5% of total expected net income for this year. At this moment, it's going to be offered to holders of Banco de Bogotá's credit cards for certain things and for new purchases. That's what we can comment at this moment in time. Thank you for your question.

Operator: We have no further questions at this time. Now, I will return to Mr. Alejandro Figueroa for final remarks.

Alejandro Figueroa: Thank you very much to all of you, ladies and gentlemen, for attending the meeting. You are also invited to the next quarter conference call. Have a good time all of you.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference. Thank you for your participation. You may now disconnect.