Banco de Bogotá

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CORPORATE PARTICIPANTS

César Prado: Banco de Bogotá – CEO

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Javier Dorich Doig: Banco de Bogotá – Head of IR and Corporate Development.

Operator:

Good morning.

Welcome to Banco de Bogotá's Q4-2023 consolidated results conference call. My name is Diana, and I will be your operator for today´s conference call.

At this time, all participants are in a listen-only mode. Afterwards, management will be available for a question-and-answer session. Please note that this conference is being recorded.

We also advise you to read our disclaimer available on slide number 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. César Prado, CEO of Banco de Bogotá, will be the host and speaker today. Mr. Prado, the floor is yours.

César Prado:

Thank you, Diana. Good morning everyone, and welcome to Banco de Bogotá's fourth quarter 2023 earnings call. Thank you all for joining us today.

This was yet again another difficult quarter, at the end of a challenging year for the banking system in Colombia, amidst deteriorating macroeconomic conditions. 2023 was marked by high inflation, which has been trending downwards since March, although decreasing slower than expected. Central bank rates have remained high, although their much-anticipated reduction began in December, with a further decrease in January. However, rates remain well above our estimates.

For the banking system in general, there were two elements which impacted profits in 2023. On the one hand, margins contracted as the cost of funds was more sensitive than the loan yield to interest rate increases. On the other hand, the macroeconomic environment caused loan deterioration, which mostly impacted consumer loans. These two effects impacted most institutions to different degrees.

Net income for Banco de Bogotá for 2023 stood at $954 billion pesos, representing a return on equity of 6.1% and a return on assets of 0.7%. Even though this profitability stands below our targets, it was obtained during a challenging year, where Banco de Bogotá stood amongst the most profitable banks, having the second highest net income in Colombia.

The loan portfolio suffered greater than expected quality deterioration throughout the year. Indeed, as inflation and higher interest rates impacted households, our consumer portfolio quality showed an annual increase of 113 basis points in 90-day PDLs, from 2.7 to 3.8%, with a net cost of risk of 10.3%.

Fortunately, we saw some signs of recovery in this segment in the fourth quarter of 2023, with the 90-day PDL ratio improving quarterly by 14 basis points, while stage 3 consumer loans, as a percentage of total consumer portfolio, also decreased by 14 basis points.

Annual peso revaluation, at 20.5%, impacted loan growth figures. Loans grew 3% year on year in 2023, reaching $99 trillion pesos. Without the effect of FX movements, growth was 7.1%.

As previously announced, Banco Popular began consolidating Corficolombiana after a shareholders' agreement was signed in November 2023. Consequently, as prescribed in applicable regulation, Banco de Bogotá no longer has to deduct its investment in Corficolombiana from its CET 1 capital. Therefore, this quarter, you will observe an important increase in capital adequacy, which we will explain further during the presentation.

And now let me switch to a different topic. Currently, we are in the process of concluding our strategic plan for the next 3 to 5 years, and we expect to start implementation in the second quarter; we will inform you of further advancements in due time.

Regarding governance, there were two changes in the senior management team in the fourth quarter. Marcela Villegas was appointed as CRO and Sergio Sandoval as CFO. These organizational changes will strengthen our risk management approach as well as the finance function as a whole.

Finally, this quarter, there was a one-off tax event, as a consequence of the sale of the remaining shares of BAC Holding International, in March 2023. This event impacted results by $114 billion pesos in the last quarter, causing an abnormally high effective tax rate for the year.

Now, let me summarize the Bank's consolidated fourth quarter results:

- Profitability was low this quarter, with an attributable net income of $37.7 billion pesos, which resulted in annualized profitability ratios of 1.0% for return on average equity and 0.1% for return on average assets.

- Quarterly net interest margin decreased 13 basis points, to 4.3%, due to both higher cost of funds and lower investment yields. For the full year, NIM remained stable at 4.5%.

- Fee income ratio decreased by 1.5 percentage points in the quarter to 27.6%, as income increased at a higher pace than fees. However, for the entire year, fee income ratio improved by 2.3 percentage points to 27.1%.

- Efficiency, measured as cost to income, increased to 56% this quarter, as this variable is usually higher than average in the fourth quarter. For the year, cost to income stood at 50.9%. Cost to assets ratio stands at 2.9% for the quarter, and 2.7% for the entire 2023.

- As I mentioned before, consolidated gross loans amounted to $99 trillion pesos, with the Colombian portfolio increasing 8.8% year on year and representing 86% of the total gross loan portfolio.

- Deposits totaled $91.1 trillion pesos this quarter, a 0.2% quarterly decrease, affected by the peso revaluation. When excluding FX movements, deposits show a 0.7% quarterly growth. The ratio of deposits to net loans remains at a similar level of 0.98x.

- Deposits increased their share of funding, reaching 78.1%, as total funding decreased 2.1% this quarter, mainly due to FX effects.

- Loan quality showed slight deterioration this quarter, having 30-day PDLS increase by 8 basis points and 90-day PDLs by 17 basis points, to 5.7% and 4.2% respectively.

- Net cost of risk improved this quarter to 2.6%, while the entire year's cost of risk stands at 2.3%, in line with our past guidance.

Now I will turn the presentation over to Germán Salazar, Banco de Bogotá's Executive Vice President.

<u>Germán Salazar:</u>

Thank you, César, and good morning all. Let's move to ***slide 4***, where we present highlights regarding our digital strategy.

In the fourth quarter of 2023, we had significant achievements on multiple fronts. We strengthened our digital offering by the corporate business, we extended the advantages of digitization to new product releases and improvements, and we advanced on agile methodologies for traditional products, ensuring a holistic and innovative approach across the entire product range.

In our corporate business, we maintained a continuous growth in digital disbursements, while also successfully launching new, highly efficient products:

- During the quarter, our digital business loans grew 46%, for a total of $193 billion pesos, which means that 55% of the loans of less than $500 million pesos for SMEs open with digital promissory notes.

- We increased paperless authorization adoption in our approval flow. 92% of these approvals resulted in immediate disbursements.

- We launched specialized digital loans to pay employee social benefits and working capital loans, making the first disbursement of $242 million in the pilot phase.

Regarding consumer products, throughout the quarter, we introduced new and improved digital experiences of which I want to highlight the following:

- Our digital savings account reported for the fourth quarter, 138 thousand new accounts, representing a balance of $135 billion pesos in deposits and a quarterly growth of 9%, partly as a result of a campaign for documenting payroll accounts. We also launched a campaign for the new *"Mi Trabajo"* savings account, which is a payroll account product without a payroll agreement. This initiative achieved the acquisition of over 2 thousand accounts.

- In the fourth quarter, we successfully sold more than 15 thousand digital time deposits. Despite the decrease in rates, we obtained a balance of $777 billion pesos with a 45% year-on-year growth. Furthermore, improvements on digital time deposit renewal, resulted in 6.8 thousand time deposits that would not have been renewed otherwise. This was achieved due to effectively communicating reinvestment options, streamlining processes, and enhancing overall user experience.

- We reached over 1 thousand digital checking accounts. The adoption of this product has improved the commercial team’s productivity from a traditional 30-minute flow to a 7-minute digital flow. It's noteworthy that, our digital approach has led to annual increase of 71% of sales, with a digital share of 67%.

- We sold over 81 thousand digital credit cards for a balance of $1.3 billion pesos, which represents a quarterly increase of 3%, mainly due to a strategic shift towards inclusiveness, by targeting diverse market segments. We successfully launched our fee-free credit card *"Cero Rollo"*, and we introduced a new credit card called "ON" for technology discounts, as part of our strategy to capture additional market segments.

- During the quarter, our digital mortgage product demonstrated remarkable performance with more than twelve hundred disbursements. Despite the challenges of 2023, this product represented 14% of the total Bank's mortgage balance at the end of the quarter. Also, as we introduced our end-to-end 100% digital product, we achieved our first digital disbursement, strengthening our digital capabilities and extending our offerings in collaboration with allies.

Thanks to the adoption of agile methodologies, our recent initiatives have yielded remarkable results across a range of products and services, from the incorporation of new financial services to the improvement of user experience. To that end, we undertook the following initiatives:

- We launched the first pilots for "CupoAgil", a new digital overdraft credit line for corporate clients. We achieved a total of 107 disbursements for $125 billion pesos. With this product, we seek to reduce commercial times, providing customers a more efficient experience and greater traceability of information.

- During this quarter, the "*Finagro Integrador*" product, targeted to SME agricultural producers, resulted in 17 hundred disbursements for a total, of $137 billion pesos.

- Regarding factoring and confirming, we reached $249 billion pesos in disbursements, an annual growth of 85%. We created a more efficient digital documentation process for factoring transactions, which led to efficiency in remote access, and better monitoring and auditing of the information.

Digital channels registered a total of 2.5 million users as of December 2023, which is a 67.5% rate of digital adoption. Notable highlights for the fourth quarter include the ongoing enhancement of our customer experience through QR code transactions, person-to-person operations through Transfiya and Cel2Cel and the newly available self-manageable "help" button, among other initiatives.

As a result, our monetary transactions reached a total of 23.4 million transactions in Q4, a growth of 17% year-over year. We would like to highlight that 79% of all transactions in this quarter were performed through digital channels, representing a growth of 4% from the previous quarter.

Now, moving on to ***slide 5***, we present our sustainability highlights:

At the end of 2023, we received two recognitions which reflect our commitment to the sustainability strategy:

- First, Banco de Bogotá was included for the fourth consecutive year, in the S&P Global Sustainability Yearbook, thanks to our score in the Dow Jones Sustainability World Index. This means that we remain as well as the most sustainable banks in the world, placing us in the 96 percentile of 722 assessed banks.

- Second, we obtained a B rating in our first review by the Carbon Disclosure Project, placing us well above the industry in carbon emission reduction, portfolio impact and risk management processes.

In the strategic front, regarding climate action, the Bank achieved the following:

- The Bank placed $2.6 trillion pesos in green loans, having increased this product's placement by 8.7x in the last three years.

- We conducted 402 analyses through the Environmental and Social Risk Management System, for a total value of $31 trillion pesos.

- Also, we strengthened the sustainable construction value proposition by partnering with SUMAC and IFC to promote EDGE ADVANCE-certified projects.

- We maintained Icontec's Carbon Neutral certification and continued to move forward in the use of renewable energy in 40 facilities, reducing the carbon footprint by 44% in Scope 1 emissions and 22% in Scope 2 emissions.

- The Bank was recognized by Latin Trade - One Day for the Amazon, for its support of reforestation through the Amazonía debit card, an initiative that has reforested 1,500 hectares of tropical rainforest and has benefited 600 families and 160 indigenous communities.

- As part of the Bank's commitment to preserve biodiversity in Colombia, and to improve the quality of life of those in need, we have joined the Amazon Finance Network initiative, created by IDB Invest and the IFC.

Regarding the social dimension:

- The Bank financed $10.8 trillion pesos in social loans, through 182 thousand credits. Of these, 51 thousand were credits to vulnerable populations and 113 thousand were loans for small and medium sized enterprises. Of the SME credits, 35% were granted to women.

- The Bank has financed $3.1 trillion pesos in social housing, under the Government subsidy program *Mi Casa Ya*, for priority and social housing.

- Over 3.3 million people have benefited since 2012, under the Bank's financial education program, reaching over 354 thousand people in 259 towns throughout Colombia.

- The Bank has funded $4.1 billion pesos in social and environmental actions which have aided the development and wellbeing of populations, through women's entrepreneurial programs, financial education, employability, and rain forest restoration such as "*Mujeres Cambiando la Moda*", "*Mujeres Rofé*", and the digital talent program Juan María Robledo, among others.

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

- Colombia's economy registered an economic slowdown in 2023. Activity moderated its growth to 0.6%, below the potential growth that our Economic Research Team estimates close to 3.0%. The weakness of the sectors that are traditionally the driving force of the Colombian economy explained the lower dynamics. These declines in commerce (-2.8%), manufacturing (-3.5%) and construction (-4.2%), were partially offset by the positive performance of services. The higher rates by Banco de la República, the lower levels of confidence of both households and companies and high inflation, had an impact on the decisions to consume durable goods and investment, which limited the dynamics of the sectors already mentioned.

- For 2024, GDP growth projection is 1% considering the lagged effect of monetary policy, the need to adjust past spending excesses and the uncertainty of fiscal policy, mainly.

- Meanwhile, inflation surprised downwards in the first stretch of 2023 and ended at 9.3%, below expectations. After being one of the components that explained the upward trend in prices in 2021 and 2022, food prices drove total inflation downward by going from an annual growth in prices of 27.8% at the end of 2022 to 5% in 2023. This improvement was explained by the lower price of supplies, the appreciation of the Colombian peso and the improvement of weather conditions in the second semester. The other segment that also contributed to the result was final goods, which went from an annual variation of 15% to 7.1% between 2022 and 2023, where the lower cost of imported goods due to the improvement in the exchange rate, added to the low demand from households.

- On the contrary, regulated prices put upward pressure on inflation during the year, due to the rise in gasoline prices and indexation. Despite the return of inflation to single-digit levels, it is still far from Banco de la República's goal of 3% +– 1 percentage point. For 2024, our Economic Research Team anticipates inflation below 6%, affected by the effect of the El Niño phenomenon on food prices and energy rates, the possible increase in the price of diesel fuel, an increase in the healthy tax on food, but above all, the inertia of prices due to indexation to past inflation and the minimum wage.

- The economic slowdown and the beginning of the inflation moderation trend led Banco de la República to begin the phase of interest rate cuts at its last meeting of the last year. After reaching a maximum of 13.25% in April and remaining at this level for most of the year, in December the central bank cut its rate by 25 basis points to end the year at 13%. For 2024, the macroeconomic balance will continue to support a cycle of cuts that would last until 2025. Our Economic Research team expects the reference rate to end the year close to 8.25%.

- Turning to the exchange rate, 2023 was a year of appreciation of the Colombian peso against the dollar, to such an extent that the local currency was the best performer among the main emerging economies. Specifically, the exchange rate went from $4,810 at the end of 2022 to $3,822 on the last day of 2023, a revaluation of 21%. The dynamic was explained by the weakening of the dollar globally, the significant correction of the country's external imbalance and the lower perception of country risk, where the 5-year CDS tightened from 274 basis points to 176 basis points between 2022 and 2023.

- In particular, in the fourth quarter of 2023 the current account deficit was 2.3% of GDP, having increased from the third quarter by 0.6% of GDP, due to a higher trade deficit, partially offset by lower expenses in factor income and a higher income from transfers. For the year 2023, the current account deficit was 2.7% of GDP, an improvement against 2022's 6.2% figure, due to a lower balance of trade deficit and lower net expenses from factor income.

- Finally, the National General Budget for 2024 was approved for $503 trillion, 19% more than that of 2023, a relevant increase. With this, a primary deficit of 0.9% of GDP and a fiscal deficit of 5.3% of GDP are expected for the Central National Government in

2024, according to the Medium-Term Fiscal Framework. Although compliance with the Fiscal Rule is planned in 2024, there are challenges on the revenue side, which, as the Ministry of Finance itself has indicated, could be faced with spending adjustments.

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

- As observed in most economies in the world, in 2023 Panama's economy experienced a process of slowdown, after the large growth rates observed in 2021 and 2022 of 15.8% and 10.8%, respectively. So far in 2023 until September, GDP showed a real growth of 8.9% and in the absence of the publication of the fourth quarter data, entities such as the International Monetary Fund (IMF) estimate that the economy grew around 6% in the year.

- Until the third quarter of the year, construction, transportation, mining and commerce explained the positive performance of the Panamanian economy. Construction activity took an important role in economic growth by experiencing a year-to-date advance of 24.5% as a result of greater investment flows due to public projects such as the Metro in Panama City, modifications to the Panama Canal and construction of gas and energy plants. Regarding commerce, dynamics were sustained by the resilience of private consumption, which, despite its slowdown, continued to grow at double-digit rates. In relation to transportation, the greatest contribution came from the air transportation segment, which was favored by the annual increase of more than 80% in tourism, which compensated for the lower maritime transportation activity due to ship draft limitations, as lower rainfall has affected Lake Gatun's depth. However, despite the lower movement of containers, the increase in freight rates favored the increase in toll revenues.

- In the last quarter of the year, Panama went through a complex social unrest situation, after the renewal of a copper exploitation contract. Ultimately, Panama's Supreme Court declared the extension of the contract unconstitutional and ordered the closure of the copper mine, which will generate a gradual impact on the country's productive activity.

- Taking the above into account, Moody's Investor Service lowered the country's credit rating from Baa2 to Baa3, at the limit of investment grade. In turn, the other two rating agencies, S&P and Fitch, went from a stable to negative outlook in their country risk rating of BBB and BBB-, respectively.

- Turning to prices, in Panama there was a rapid disinflationary process that was justified by the freezing of fuel and food prices by the government. In particular, after reaching its maximum of 5.2% in June 2022, in line with the global trend and influenced by local policies, the country's inflation showed a significant reduction in 2023, with a brief deflation in the middle of the year, from which it headed an upward trend until consolidating close to 2% in the last months of the year. This rebound occurred once some subsidies of the price of public services, fuel and certain foods were left behind. Inflation was 1.9% for 2023, having increased the most in housing, and public services, and having diminished the most in clothing and furniture and communications. The IMF projects inflation at the end 2024 at 2.2%. We will closely monitor the upcoming elections, on May 5th, where the president, vice-president and several legislative bodies will be elected.

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

Javier Dorich:

Thank you Germán and good morning, everyone. Starting on ***slide 8***, we present our Balance Sheet evolution during Q4-2023.

- Consolidated assets totaled $137.5 trillion pesos at the end of Q4-2023, presenting an annual increase of 3.6% and 0% quarterly when excluding FX fluctuations.

- The net loan portfolio continues to be the main asset, representing 68.1%. Other assets follow with 12.7%, while fixed income and equity investments portfolios represent 11.3% and 7.9%, respectively.

- The gross loan portfolio closed at $99.0 trillion pesos in Q4-2023, decreasing 1% in the quarter and increasing 3% yearly. Quarterly decrease is mostly explained by the 5.7% peso appreciation. Excluding FX, loans grew 7.1% year on year and decreased 0.2% this quarter; quarterly reduction comes mainly from the Panamanian portfolio.

- Regarding loan mix, the commercial portfolio represents 64.1% of consolidated loans, while consumer and mortgage segments represent 23.3% and 12.3%, respectively. Mortgages gained share in the loan mix this quarter, as real estate is beginning to become attractive, as a cycle of rate cuts is anticipated.

- Commercial loans amounted to $63.4 trillion pesos, decreasing 1.1% in the quarter and increasing 5% annually when excluding FX. General purpose loans decreased the most in absolute terms during the quarter, both in Colombia and in Panama.

- Consumer loans increased 0.2% quarterly, without FX, reaching $23.1 trillion pesos. Growth was led by credit cards and vehicle loans, which increased by 2.9% and 2.4% respectively when excluding FX.

- Mortgages increased 2.5% this quarter to $12.2 trillion pesos, or 4.2% when excluding FX. In Colombia, this segment increased 6.1%, as government subsidies have positively impacted this segment in the past two quarters. In Panama, mortgages diminished by 1% in dollar terms.

- Finally, microcredits increased by only $5 billion pesos to $275 billion pesos, a growth of 1.9% in the quarter, and remain a small component of the total loan portfolio.

We expect loan growth to be between 7% and 8% for 2024.

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

- Starting with delinquency ratios, 30-day PDL ratio increased from 5.6% to 5.7% this quarter, mostly from an 11 basis points increase in the Colombian portfolio. Panamá's 30-day PDLs continued to decrease, for a total of 24 basis points in the quarter and 38 basis points during the year, to 3.5%.

- On the bottom left, the 30-day PDLs improved in the consumer segment, by 33 basis points this quarter to 7.2%. Conversely, commercial and mortgage loans deteriorated by 20 and 16 basis points respectively to 4.9% and 6.4%.

- As for the 90-day PDL ratio, it reached 4.2%, an increase of 17 and 68-basis points quarterly and year on year. The increase came from the Colombian portfolio, with a 20 basis points increment to a ratio of 4.5%, while the Panamanian portfolio continued to improve. Panama's 90-day PDLs ratio was 2.5%, the lowest level since Q3-2022.

- Breaking down 90-day PDLs, the consumer segment had an improvement of 14 basis points this quarter, led by personal loans, credit cards and financial leases. This slight improvement in the most deteriorated segment is a sign that tighter credit policy is starting to pay off. Commercial 90-day PDLs increased 26 basis points this quarter and 46 basis points in the year, where all products except financial leases saw some deterioration. Mortgages deteriorated as well, reaching a 3.7% 90-day PDL ratio and deteriorating 34 basis points.

Colombia's central bank, began decreasing rates later than expected. This may have contributed to this quarter's slight deterioration in delinquency. We maintain our positive outlook for 2024, where lower inflation and rates will most likely lead towards better portfolio quality.

In ***slide 10***, we present the total gross loan mix by stages, which may be more aligned with allowances and provision loss, thus better explaining coverage ratios and cost of risk.

- On the top, one can observe that stage 1 loans, which in Q4-2023 represented 87.9% of the portfolio, have maintained a similar level throughout previous quarters. Stage 1 decreased in the loan mix by 42 basis points this quarter, migrating by 36 basis points to stage 2 loans and by only 6 basis points to stage 3 loans.

- Stage 3 loans, which imply high credit risk, have maintained a level between 7.7% and 7.2% in the last two years, and remain at 7.2% at the end of 2023, 20 basis points lower than a year ago.

- In the bottom graph, we present coverage by stage, or the percentage of each stage's gross loans that is provisioned. This ratio seems more stable than coverage of gross loans or PDLs, as allowances are calculated based on stages under IFRS 9. It is worth noting the stability of coverage by stages throughout the past quarters.

On ***slide 11***, we present coverage ratios.

- On the top left, our coverage ratio for 30-day PDLs remained at 1x this quarter; the Colombian 30-day PDL coverage was 1.05x and the Panamanian figure was 0.46x, both being relatively stable. Panama's lower coverage is due to lower expected losses, given higher levels of collaterals, in this geography.

- On the top right, we observe consolidated coverage for 90-day PDLs diminishing 4 pp to 1.35x. For Colombia, this ratio decreased to 1.42x, while in Panama, this ratio increased to 0.65x. As I mentioned before, coverage ratio for PDLs has come down, as loan quality deterioration has been faster in PDLs than in loan stages.

- Allowances over gross loans increased 9 basis points this quarter to a level of 5.7%, increasing in all segments.

On ***slide 12***, we present our net cost of risk and charge-off ratios.

- Net cost of risk was within the expected range. Fourth quarter's annualized net cost of risk was 2.6%, 27 basis points lower than the previous quarter. Colombia's figure improved 32 basis points to 2.9% and Panama's figure improved 15 basis points to 0.8%. On a yearly basis, 2023's net cost of risk was 2.3%, as projected in our last guidance.

- Commercial net cost of risk diminished 66 basis points this quarter, to 0.2%. Most of the improvement has been in financial leases, credit cards and general-purpose loans.

- Consumer cost of risk increased 74 basis points to 10.3%. Personal loans and credit cards increased their cost of risk, while payroll loans, overdrafts and financial leases saw improvements.

- Mortgage cost of risk improved by 36 basis points this quarter, reaching a 0.6%, having most of its improvement in the Colombian portfolio.

- Finally, microcredits experienced an increase of 47 basis points, reaching a cost of risk of 11.9%, the highest since Q2-2021. Nevertheless, the microcredit portfolio represents only 0.3% of the total gross portfolio, and its deterioration plays a small role in overall results.

- For 2024, we expect net cost of risk to be around 2.1%.

- For the consolidated portfolio, the ratio of charge-offs over 90-day PDLs stands at 68%. In Colombia, it is 71%, having increased by 15 percentage points quarterly, and in Panama, it is 39%, decreasing by 29 percentage points this quarter.

- Charge-offs over average loans increased 54 basis points quarterly, to 2.8% this quarter. The Colombian figure increased 79 basis points and the Panamanian figure decreased by 93 basis points.

Moving on to ***slide 13*** we present our liability structure.

- Total funding reached $116.7 trillion pesos, decreasing 1.4% year on year and 2.1% this quarter. Excluding the peso revaluation effect, funding increased 2.6% this year and decreased 1.3% this quarter. The largest decrease was in banks and others, as only funding from deposits increased when excluding FX movements.

- Deposits are the main source of funding, representing 78.1%, followed by banks and others with 10.6%, long-term bonds with 7.7%, and interbank borrowings with 3.6%.

- Deposits totaled $91.1 trillion pesos, decreasing 0.2% in the quarter and increasing 3.5% annually. Isolating the FX effect, growth was 7.1% in the year and 0.7% in the quarter, respectively.

- In terms of deposit mix, time deposits remain the largest source, although decreasing their participation to 50.5%, while saving accounts increased their share to 33.3%.

Checking accounts represent 15.9% of deposits. Time deposit markets seem more stable, and deposit mix seems to be tilting towards a more typical composition.

- On the bottom right, we show the evolution of the Liquidity Coverage Ratio, or *IRL* in Spanish, which closed the quarter at 130.5%, while the Net Stable Funding Ratio, or *CFEN* in Spanish, was 108.6%, close to the previous quarter's figure.

- Deposits to net loans ratio remained close to the 1x target, at 0.98x in Q4-2023.

Let's continue with ***slide 14***, where we present our equity and capital adequacy levels.

- Total equity was $15.8 trillion pesos in Q4-2023, increasing 1.3% quarterly and decreasing 0.3% annually, explained by dividends and an appreciated peso.

- Tangible common equity increased by 1.1% quarterly, to $14.3 trillion. The tangible common equity ratio increased from 10.3% to 10.5%. Likewise, leverage, measured as equity / assets, increased from 11.2% to 11.5% this quarter.

- Common equity tier 1 capital largely increased in the quarter as Banco Popular is now consolidating Corficolombiana. Even though there was no actual change in Corficolombiana's shareholding structure, a shareholders' agreement was reached between Grupo Aval, Banco de Bogotá, Banco de Occidente and Banco Popular, whereby they agreed for Banco Popular to directly consolidate Corficolombiana.

- We previously had to deduct our investment in Corficolombiana from the CET1 capital, as it was consolidated directly by Grupo Aval, which is not considered an entity supervised by the Colombian Financial Superintendence. Now, we no longer need to deduct Corficolombiana, as its consolidating entity is indeed a supervised financial institution, and that Banco de Bogotá's equity stake is not considered in the minority interest of Banco Popular's consolidated capital. This effect positively impacted CET 1 capital approximately in $3 trillion pesos. There were also other contributions to a larger CET 1 capital, such as a higher OCI and lesser deductions from corporate taxes.

- Common equity tier 1 ratio and basic solvency ratios stand at 12.9% this quarter.

- Tier II capital decreased by 4.9% quarterly, or $131 billion pesos, mainly explained by the peso revaluation.

- Total capital adequacy was therefore 15.4%, explained by a strong increase in the CET 1 ratio, slightly compensated by the revaluation effect on the Tier 2 ratio.

- Tier 1 ratio and Total Solvency ratios are 5.4 and 4.5 percentage points, above regulatory minimums.

Now let's move to our P&L performance ratios, starting with net interest margin on ***slide 15***.

- Net Interest Income for Q4-2023 was $1.2 trillion pesos, showing a quarterly decrease of 3.5%, explained by the cost of funds increasing more than interest income.

- Loan yield stood at 13.8%, increasing 8 and 235 basis points quarterly and annually, respectively. Mortgage yields increased by 30 basis points this quarter and commercial yields increased by 11 basis points, while consumer yields decreased 13 basis points and microcredits decreased by 4 basis points.

- Investment yields were 13 basis points lower this quarter, mainly, due to higher investments available for sale, for $183 billion, and $159 billion higher held to maturity investments. Investment yields for 2023 were 8.2%.

- Cost of funds increased by 26 basis points this quarter, showing signs of deceleration. Savings accounts decreased their cost of funds by 30 basis points, and time deposits remained close to the previous quarter's levels.

- Consequently, loan NIM decreased to 5.3%, as the cost of funds increased more than loan yields. 5.3% is also the lending NIM for 2022 and for 2023.

- Investment NIM remained negative this quarter. Investment yield was 7.2% and the cost of funds was 9.2%, rendering a -1.3% investment NIM. For 2023, investment NIM is 0.3%.

- Finally, total NIM, explained by all these factors was 4.3%, experiencing a 13-basis point quarterly reduction. For 2023, NIM was 4.5%, the same figure as in 2022 and in line with our guidance.

- We expect NIM to increase slightly this year, as Banco de la República has already begun its downward rate cycle, which is expected to last well into 2025. We expect to take advantage of becoming slightly liability sensitive, and our NIM is expected to increase as macroeconomic policy rates decrease.

- We expect NIM for 2024 around 4.6%.

On ***slide 16***, we present fee income structure and details on other income.

- Gross fee income in Q4-2023 increased by 2.4% in quarterly terms, to $504 billion pesos. Banking services and credit & debit card fees amount to 84% of total gross fees, while 9% is explained by fiduciary activities, from Fidubogotá. Card fees and banking services fees increased quarterly by 5.1% and 3.1%, respectively, in line with year-end seasonality.

- Fee income ratio was 27.6% for the quarter, while for the entire 2023, it stood at 27.1%, 2.3 percentage points above 2022's ratio.

- Other operating income stood at $204.5 billion pesos this quarter, coming from:

    - First, $131.5 billion pesos from other income, a slightly below average figure.

    - Second, equity method & dividend income, which came in at $150.2 billion pesos, a 383% quarter on quarter increase and a 170% year on year increase. This quarter´s figure is mostly explained by Porvenir' s positive results, in a context of favorable market conditions. Corficolombiana increased its contribution as well, yet it remains lower than the historical average for the past three years.

    - Income from net investment activities was $45.3 billion, a 78% quarterly increase.

    - Finally, the derivatives and FX position had a net expense of $122.4 billion, in line with past figures.

- Fee income ratio should be in the 27% area in 2024.

Slide 17 presents efficiency ratios, measured by cost to income and cost to assets.

- Total income for the quarter was $1.8 trillion pesos, 2.2% higher than in Q3-2023. For 2023, total income was $7.3 trillion, 11.2% higher than in 2022 when excluding extraordinary income, mostly explained by higher interest income.

- Operating expenses reached $1.0 trillion this quarter, increasing 8% year on year and 13% quarter on quarter. This is not rare as one can usually observe some seasonality in fourth quarter expenses. For 2023, operating expenses amounted to $3.7 trillion, a 14.2% yearly increase, led by general administrative expenses which increased by 26.1%.

- Consequently, cost to income stood at 56% for the quarter, 28 basis points below Q4-2022's figure. For 2023, cost to income stood at 50.9%, within past ranges.

- Total average assets increased by $676 billion, or 0.5% this quarter. Therefore, cost to assets ratio increased by 32 basis points this quarter, to a level of 2.9%. Cost to assets reached 2.7% for the entire year, within past figures.

- We expect cost-to-income ratio to be around 49% in 2024.

Finally, on ***slide 18***, our profitability ratios are shown.

- In March 2023, the remainder of BAC Holding International's shares in Banco de Bogotá's books were sold at book value, for $520 billion pesos. This triggered a one-off tax event, which amounted to $114 billion pesos. The expense was accrued in the last quarter, as the expectation that it could be exempted during the year, did not materialize.

- A high cost of risk, a slightly lower NIM, and the mentioned one-off tax event are the main drivers behind the result of $37.7 billion pesos quarterly net income attributable to shareholders. Excluding the aforementioned $114 billion in additional tax expense, net income would have been over $150 billion, similar to third quarter's results. For the entire year, net income attributable to shareholders was $954.1 billion.

- Annualized profitability metrics were 0.1% for ROAA and 1% for ROAE in Q4-2023. For the entire 2023, ROAA stood at 0.7% and ROAE stood at 6.1%. These ratios result from a combination of factors that we have mentioned along the call, and we will work towards improvement as surrounding circumstances also improve.

Before moving on to the Q&A session, I'd like to summarize our general guidance for 2024:

- Loan growth is expected to be between 7% and 8%,
- Net interest margin is expected around 4.6%,
- Net cost of risk is expected to be around 2.1%,
- Fee income ratio should come in around 27%,
- Cost-to-income ratio around 49%,
- And return on average equity should be around 8%.

And now we are open to your questions....

Operator:

We will now begin the Q&A session. We can take your written questions through our Q&A chat box, live questions, or through our phone line. Please, note the following instructions:

For our Q&A chat box, please type your question in the Q&A chat box and we'll proceed to read it. After answering the questions in the Q&A chat box, we will proceed with live questions.

If you wish to ask your question live, please raise your request and we'll open your mic and call your name accordingly.

If you are connected by phone, please press the star (*) button and number five (5) to access the Q&A feature. If you are using a speakerphone, you may need to pick up your handset before pressing the numbers.

Once again, for our Q&A chat box, please type your question in the Q&A chat box and we'll proceed to read it.

If you wish to ask your question live, please raise your request and we'll open your mic and call your name accordingly.

If you are connected by phone, please press the star (*) button and number five (5) to access the Q&A feature. If you are using a speakerphone, you may need to pick up your handset first before pressing the numbers.

We will begin with the written questions through our Q&A chat box.

The first question is from ***Julián Ausique***, from ***Corredores Davivienda***. The question is, "Could you sum up the 2024 expectations?"

Javier Dorich: Hi, Julián. Thank you for your question. Regarding that, I will repeat the guidance. Loan growth is expected to be between 7% and 8%. Net interest margin (NIM) is expected around 4.6%. Net cost of risk is expected to be around 2.1%. Fee income ratio should come in around 27%, cost to income ratio around 49%, and the return on average equity (ROAE) should be around 8%. Thank you, Julián.

Operator: We have another question from ***Julián Ausique***, from ***Corredores Davivienda***. "I would like to know how the market share has evolved, especially in the consumer and mortgage segments."

Germán Salazar: Thank you for the question, Julian. I could tell you that we had a close to 80 basis points gain in market share in the consumer loans, reaching that percentage to close to 10% - 9.9%. And in the case of mortgage loans, that was a 75 basis points gain in market share, bringing that percentage up to 8.5%.

Operator: ***Nikolai Dimitrov***, from ***Morgan Stanley Investment Management*** asks, "Can you explain in more detail why Corficolombiana's shareholder mix didn't change, but all of a sudden it won't be deducted from Banco de Bogota's capital? Is this adjustment unique to Colombia?"

César Prado: Well, thank you, Nikolai, for your question. Even though Colombia follows Basel standards very closely, indeed there is a peculiarity in our prudential regulation which allows that treatment. In our view, the previous situation was not reasonable because it was equivalent to accept that Corficolombiana, which, as you know, is a leading merchant bank in our country, didn't have any value whatsoever for any of the financial institutions within the conglomerate with stakes in that company. From that perspective, the shareholders agreement seeks to optimize capital within the group.

Operator: We have another question from ***Daniel Mora***, from ***Credicorp***. The question is, "Can you explain what would be the drivers to reach a loan growth between 7% and 8%? If possible, can you give the guidance by segment? Any strategy to change the loan mix?"

Javier Dorich: Thank you, Daniel, for your question. First of all, the logic behind the loan growth between 7% and 8%, and it is worth mentioning that nominal GDP is expected to grow around 7% this year, given a GDP growth of 1% and an inflation between 5.5% and 6%. So, in that sense, our forecast is consistent with nominal GDP and a low growth in real terms. And in terms of breakdown, it is the following: between 8% and 9% for commercial loans and between 6% and 7% for retail loans. Thank you, Daniel.

Operator: There seem to be no further questions. Now we will proceed with the live questions through the web. Please remember to open your microphone.

It seems like we have no questions at this time, and we'll proceed now with the final remarks from Mr. César Prado. Mr. Prado, please go ahead. Oh, it seems we have a new question here.

César Prado: Go ahead, please.

Operator: We have a new question at this moment. "Could you please talk about the strategic plan for the next three to five years? What could be new to the story? Should we expect M&A? Could you discuss the competitive landscape in the digital space? How to catch up with the market leader, and potential digital new players?"

Germán Salazar: Thank you for the question, Sebastian. What we could tell you, based on what was included in the presentation, is that we are going through a deep process of evaluating our strategy towards the following years, as you mentioned in your question, between three to five years, and we do expect to have in future calls a more detailed response while we have fully decided which are going to be the main elements.

What is important to mention, and it also goes through your digital part is that a great deal of our vision continues to be supported in technology and digital propositions. We feel quite encouraged by having 67% of digital adoption, having about 2.5 million customers using digital tools and means. It comes from 2 million customers a year ago. We also believe that the fact of having 2.3 million transactions in Q4, growth close to 20% compared to the previous year, and almost 80% of all the transactions performed through digital channels, with a conversion of about 70%, basically, number one, restates the success that the bank is having in this particular effort that began with the Digital Lab about seven years ago, with two products only, credit cards and savings accounts. And now we have the full array of bank financial products already in digital rails, digital means, so there is going to be an area where continued investment is going to be focused, and we do believe we have enough competitive strength to really compete with new entrants in this market.

At this moment, we cannot really predict or inform of any M&A activity. And again, hopefully in next calls we could get further detail about the strategy and what it means for different propositions in the different commercial areas, including the technology field.

Operator: We received another question from ***Carolina Tashiguano***. She says, "We know that there are at least two banking operations for sale in Colombia. Is the bank interested in growing inorganically?"

César Prado: Thank you, Carolina, for your question. Even though we have an important share in the local market, especially if you take into account the numbers of the whole conglomerate, what I can say is that we are always open to analyze opportunities that may arise.

Operator: There seem to be no further questions. Now we will proceed with the live questions through the web. Please remember to open your microphone.

It seems like we have no further questions at this time, and we'll proceed now with the final remarks from Mr. César Prado. Mr. Prado, please go ahead.

César Prado: Thank you. Diana. As we have mentioned during the call, this quarter's results combine a slight contraction in NIM with a high prospective cost of risk and a one-off tax expense that negatively impacted profitability. We will continue to improve upon a tight control on risk and expenses.

Thank you for attending today's meeting and I hope you will join us for our next conference call.

Operator: Ladies and gentlemen, this concludes today’s conference call. Thank you for participating. You may now disconnect. Have a nice day.