Banco Davivienda S.A. / PFDAVVNDA

First Quarter Results 2020 / 1Q20

Bogotá, Colombia. May 21th, 2020. – Banco Davivienda S.A. (BVC: PFDAVVNDA) announces its 2020 First Quarter consolidated results. Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in Colombian Pesos (COP).

HIGHLIGHTS

- Amid the complex environment caused by the COVID-19 pandemic, net profit for 1Q20 was $224.6 billion, decreasing 41.6% relative to 4Q19 and 42.9% compared to 1Q19. 12-months ROAE closed at 10.7%.
- Gross loans reached $109.4 trillion, growing 12.3% over the quarter and 23.3% over the year. The Colombian Peso depreciated 23.7% relative to 4Q19 and 27.7% compared to 1Q19, which contributed to the portfolio's growth by 6% and 7%, respectively.
- 90-days consolidated PDL ratio closed at 3.45%, decreasing 1 bp over the quarter and 42 bps over the year.
- The net financial margin was $886.9 billion, decreasing 23.4% relative to 4Q19 and 22.4% compared to 1Q19. 12 months Net Interest Margin (NIM) closed at 6.28%, 24 bps lower than the previous quarter and 28 bps lower than a year earlier, due to the higher growth of productive assets relative to the gross financial margin, which decreased as a result of lower investment income.
- Even though the 12-months Cost of Risk remained relatively stable at 2.50% due to provision expenses done over the last years, the annualized-quarter indicator increased 89 bps against the previous quarter and 62 bps over the year, as a result of higher provisions expenses anticipating future impacts related to the COVID-19 crisis.
- The 12-months Cost-to-Income ratio closed at 46.5%, growing 32 bps relative to 4Q19 and 3 bps relative to 1Q19, due to the 13.0% annual increase in operating expenses.
- Total Capital Adequacy Ratio stood at 11.29%, decreasing 33 bps relative to 4Q19 and 83 bps relative to 1Q19. Tier I ratio closed at 8.08%.
- In April, we acquired a senior debt with the IFC for 100 million USD to promote entrepreneurship initiatives by women, social housing ownership, and sustainable projects in Colombia.
- Risk ratings: Moody's BBB-\S&P Global BBB-\ Fitch Ratings Baa3.
- As of March 2020, Davivienda was present in 6 countries, had more than 12 million customers, 17,230 employees, 672 branches, and 2,690 ATMs.

ECONOMIC ENVIRONMENT COLOMBIA

The first quarter of this year was influenced by the rapid expansion of COVID-19, following its outbreak in China in late 2019. Lockdowns and social distancing measures have led to a worldwide fall of economic activity that stretches across all sectors, but has significantly impacted consumer services such as restaurants, recreation and personal services. Preliminary data suggest that economic activity dropped by -6.8% during Q1 in China, -4.8% in the United States and -3.8% in the Eurozone, leading to a new global recession.

Emerging economies have been particularly hit due to the following factors: 1. Their healthcare services are less prepared to respond to the emergency, 2. Many of these countries, mainly in Latin America, rely on export commodities, which have been subject to lower demand from China and 3. According to the Institute of International Finance, capital outflows from emerging economies amounted to US$ 54 billion over the first three months of 2020, as opposed to US$ 40.3 billion capital inflows during the same period in 2019.

The average Brent oil price decreased to USD 49.8 per barrel in the first quarter of the year, lower than the average price recorded in the previous quarter (USD 63.08), reflecting worldwide uncertainty on economic growth due to COVID-19 spread and the agreement breach between Saudi Arabia and Russia to sustain prices.

Domestic economic activity grew 1.1% in 1Q20, compared to the 3.5% growth recorded in 4Q19 and 2.9% in 1Q19. Agribusiness (6.8%) and public administration, education and health (3.4%) contributed to the overall increase, meanwhile construction, artistic activities, mines and the manufacturing industry registered contractions of 9.2%, 3.2%, 3.0% and 0.6%, respectively.

Regarding monetary policy, the Central Bank of Colombia had to implement measures to guarantee liquidity in both dollars and pesos. To do so, it implemented the NFD scheme (Non-Deliverable Forwards) as well as swaps in USD. Furthermore, it increased its public debt securities portfolio and authorized the purchase of securities from financial entities up to 10 trillion COP. Additionally, the Bank cut the interest rate by 50 bps at the end of the quarter and continued this course of action, reducing additional 50 bps in May reaching 3.25%.

The National Government declared a state of economic emergency to address the needs arising from COVID-19. In this sense, the Government issued extraordinary decrees to fund cash transfers to the most vulnerable populations, capitalize the National Guarantee Fund and allocate resources to the healthcare sector. These measures included compulsory "Solidarity Securities" for the financial sector, which would amount to COP 11 trillion.

Faced with a potential deterioration in the country’s fiscal position and considering the fall in oil prices, S&P changed its outlook for Colombia from stable to negative and Fitch downgraded its rating from BBB to BBB- with a negative outlook. Nevertheless, the investment grade was maintained in both cases.

Finally, the exchange rate averaged $3,535.78 during the first quarter of the year, 3.86% higher than the average exchange rate recorded in the previous quarter. On March 20, the exchange rate reached a new record high ($4,153.91). The devaluation was caused by oil prices and the outflow of capital from emerging countries as mentioned above.

ECONOMIC ENVIRONMENT CENTRAL AMERICA

Likewise to Colombia, the Central American economy was impacted by the COVID-19 evolution. However, because the first cases were reported in mid-March, available figures for the first two months of the year do not reflect the impact of the crisis yet.

The Monthly Index of Economic Activity (IMAE) for Costa Rica grew on average over January-February 2.67% annually, exhibiting less dynamism compared to the 4Q19, but more than in 2019 overall.

The Economic Activity Volume Index in El Salvador grew on average over January-February 1.37% annually, slowing down compared to the last quarter of 2019. In contrast, the IMAE for Honduras grew on average over January-February 3.13% annually, exceeding the growth recorded in the last quarter of 2019.

The Gross Domestic Product in 2019 declined in all countries due to lower prices of commodities, unfavorable weather conditions (in the first half of the year) and a less dynamic construction sector in Costa Rica and in Panama, where the commercial sector also deteriorated. In 2019, GDP grew by 2.08% in Costa Rica, 2.39% in El Salvador, 2.65% in Honduras and 3.01% in Panama.

On the other hand, Costa Rica recorded an average annual inflation of 1.76% in 1Q20, below the target range set by the Central Bank of Costa Rica (3% +/- 1 percentage point). In the case of El Salvador, it recorded an average annual inflation of -0.33%, while Honduras' annual inflation was 4.06%, within the medium range target set by the Central Bank of Honduras (4% +/- 1 percentage point). Finally, Panama recorded an average inflation of 0.19% over January and February.

The monetary policy rate (MPR) of Costa Rica closed the first quarter of 2020 at 1.25%, after two cuts of 0.5 pps at the end of January and 1 pp as a response to the need for stimulus in the COVID-19 crisis. In Honduras, the MPR closed the first quarter at 4.50%, after the Central Bank cut by 0.75 pps in mid-March to address this crisis.

In general, currencies in the region were not affected by adverse external shocks. The availability of foreign currency in the domestic market and the low amount of short-term capital investments kept exchange rates relatively stable. As an example of this, the Colon closed the first quarter with a depreciation of 1.01% and the Lempira with a depreciation of 0.48%.

Finally, Moody's downgraded Costa Rica's risk rating during the first quarter of 2020 from B1 to B2 with a stable outlook, according to the new rating. The risk rating reduction stemmed from persistently high fiscal deficits over the past years which exert pressure in indebtedness.

Moody's also changed the outlook on El Salvador's rating from stable to positive due to a "significant reduction in the liquidity risks faced by the government, following successful negotiations between the executive and legislative branches". The other countries' risk ratings had not changed by the end of the first quarter of 2020.

MAIN CONSOLIDATED FIGURES:

Statement of Financial Condition (COP billion)				% Chg.	
Assets	**Mar. 19**	**Dec. 19**	**Mar. 20**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	9,899	10,468	12,661	20.9	27.9
Investments	10,617	12,196	14,070	15.4	32.5
Gross Loan Portfolio	88,748	97,400	109,422	12.3	23.3
Loan Loss Reserves	-3,934	-4,144	-4,617	11.4	17.4
Property, Plant and Equipment	1,872	1,734	1,807	4.2	-3.5
Other Assets	4,566	4,569	6,283	37.5	37.6
Total Assets	111,767	122,222	139,625	14.2	24.9
Liabilities					
Repos and Interbank Liabilities	1,087	1,760	469	-73.3	-56.8
Demand Deposits	37,804	40,786	49,416	21.2	30.7
Term Deposits	32,444	34,805	37,383	7.4	15.2
Bonds	11,342	12,399	13,377	7.9	17.9
Credits with entities	11,730	13,565	19,098	40.8	62.8
Other Liabilities	5,961	6,257	6,976	11.5	17.0
Total Liabilities	100,369	109,571	126,720	15.7	26.3
Equity					
Non-controlling Interest	94	113	146	28.5	55.4
Equity	11,304	12,538	12,760	1.8	12.9
Total Equity	11,397	12,651	12,905	2.0	13.2
Total Liabilities and Equity	**111,767**	**122,222**	**139,625**	**14.2**	**24.9**

Income Statement	**Quarterly Figures**			**% Chg.**	
(COP billion)	**1Q19**	**4Q19**	**1Q20**	**Q/Q**	**Y/Y**
Interest Income	2,647	2,751	2,815	2.3	6.3
Loans	2,382	2,548	2,695	5.8	13.1
Investments	239	167	90	-46.3	-62.5
Other Income	26	36	31	-15.0	15.5
Financial Expenses	949	1,046	1,063	1.6	11.9
Gross Financial Margin	1,698	1,704	1,752	2.8	3.2
Net Provision Expenses	580	572	885	54.8	52.7
Net Interest Margin	1,118	1,132	867	-23.4	-22.4
Operating Income	310	351	314	-10.5	1.2
Operating Expenses	868	1,037	981	-5.5	13.0
Exchange and Derivatives	1	35	132	100.0	100.0
Other Income and Expenses, net	-16	-14	-17	-18.6	-5.9
Income Before Taxes	545	466	316	-32.3	-42.1
Income Tax	152	82	91	11.4	-40.1
Net Profit	393	385	225	-41.6	-42.9

MAIN RATIOS

12 Months	1Q19	4Q19	1Q20	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.56%	6.52%	6.28%	-24	-28
Cost of Risk	2.47%	2.50%	2.50%	0	4
Cost-to-Income	46.5%	46.2%	46.5%	31	1
ROAE	12.2%	12.4%	10.7%	-168	-148
ROAA	1.27%	1.27%	1.08%	-20	-19

Annualized Quarter	1Q19	4Q19	1Q20	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.92%	6.31%	6.11%	-21	-82
Cost of Risk	2.61%	2.35%	3.24%	89	62
Cost-to-Income	43.8%	50.0%	45.1%	-484	138
ROAE	13.8%	12.3%	7.0%	-526	-676
ROAA	1.41%	1.26%	0.69%	-58	-73

COVID-19 RESPONSE

As a bank, we have focused our efforts to respond to the health emergency and economic crisis caused by COVID-19 on two fronts: our employees and customers.

In the first place, we adopted measures to ensure the safety and health of our employees by activating protocols to prevent transmission, including remote working and general disinfection in branches, offices, and ATMs. Additionally, to maintain business continuity, we promoted the use of digital channels and strengthened internal control and cybersecurity systems.

Regarding our customers, we have adopted and designed collective and individual measures to support those of them who are experiencing difficulties in paying their loan installments during the emergency period decreed by the government (initially 120 days). In retail banking, we applied automatic deferrals in which the installments[1] that customers can not pay are delayed until the end of the agreed term, without changing interest rates or loan conditions. For corporate banking, we are creating customized and tailored solutions together with our commercial team to meet each client's specific needs and circumstances.

Finally, it is important to highlight that in the context of COVID-19 and given the macroeconomic uncertainty associated with this pandemic, we are constantly monitoring our loan portfolio performance to anticipate the implementation of credit risk policies. Although we estimate that a part of the impacts of this crisis will be reflected in our 2020 results, the magnitude will depend on the extent of global lockdown and social distancing measures.

[1] For mortgage loans up to 6 loan installments may be delayed. For unsecured personal loans and vehicle loans up to 4. For credit cards and revolving express credit customers, the loan is deferred up to 3 months at a 0% interest rate.

DIGITAL TRANSFORMATION

The bank's ongoing progress in digital transformation resulted in 76% of the customers at a consolidated level being digital customers as of March 2020. In Colombia the corresponding figure was 80% and in Central America 40%. The number of digital customers in millions increased 31% annually in the local operation and 23% in the international subsidiaries.

Digital loans and deposits increased in Colombia by 212%, reaching an outstanding amount of $2.1 and $1.1 trillion, respectively. As of 1Q20, digital loan products comprised 8.8% of the consumer portfolio, 5.1 pps higher than the figure recorded in March 2019.

In 1Q20 sales through digital channels accounted for 39% of total sales, compared to one year earlier when 27% of sales were digital and to two years ago when all purchases were made through physical channels. Digital channels have also gained ground in terms of transactionality increasing by 28% annually, while the number of branches continued its downward trend standing at 661 branches as of March.

Our virtual wallet, DaviPlata, reached 8.9 million customers as of May 15th, rising 35% relative to March and adding 2.3 million customers during this period. Through DaviPlata, we have been able to participate actively in the distribution of subsidies granted by the government to 3.5 million Colombians during the COVID-19 crisis.

STATEMENT OF FINANCIAL CONDITION

Assets

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Assets	**Mar. 19**	**Dec. 19**	**Mar. 20**	**Q/Q**	**Y/Y**	**Mar. 20**	**Q/Q**	**Y/Y**	**Mar. 20**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	9,899	10,468	12,661	20.9	27.9	5,484	14.1	10.7	1,770	2.5	13.7
Investments	10,617	12,196	14,070	15.4	32.5	10,358	9.7	23.4	1,240	-0.4	10.9
Gross Loans Portfolio	88,748	97,400	109,422	12.3	23.3	84,827	9.0	20.1	6,066	1.6	6.2
Loan Loss Reserves	-3,934	-4,144	-4,617	11.4	17.4	-3,969	9.0	15.1	-160	4.0	4.7
Property, Plant and Equipment	1,872	1,734	1,807	4.2	-3.5	1,252	-1.5	-11.5	137	-3.0	-5.0
Other Assets	4,566	4,569	6,283	37.5	37.6	4,878	43.6	41.0	229	8.1	15.3
Total Assets	111,767	122,222	139,625	14.2	24.9	102,831	10.4	20.4	9,282	1.5	8.2

Q/Q Performance:

Assets reached $139.6 trillion, growing 14.2% over the quarter. Assets grew 7.2%, excluding the impact of COP depreciation during the quarter (23.7%).

Cash and interbank funds closed at $12.7 trillion, growing 20.9% over the quarter, mainly due to increased cash in Colombia, following the excess of available liquidity. The investment portfolio grew

15.4%, reaching $14.1 trillion due to a higher position in debt instruments in Colombia, particularly private debt, and to the foreign exchange impact of the operation in Central America. The investment portfolio's growth was intended to support and mitigate liquidity risks of the bank's operation.

Gross loans reached $109.4 trillion, growing 12.3%, led by the commercial portfolio (17.7%). Finally, loan loss reserves closed at $4.6 trillion, 11.4% higher than the previous quarter, reflecting potential future deterioration due to credit payment extensions and the materialization of the adverse scenario in our forward-looking estimations.

Y/Y Performance:

Total assets grew 24.9% year over year. Assets increased 16.5%, excluding the impact of COP depreciation during the year (27.7%).

Cash and interbank funds increased 27.9%, reflecting the increase of cash in Colombia (in line with the quarterly result) and the exchange rate impact. The investment portfolio grew 32.5%, mainly driven by the higher investment positions acquired during 1Q20 in debt securities in Colombia.

Gross loans grew 23.3% over the year, led by the commercial and consumer portfolios, which grew 19.4% and 37.9%, respectively. Additionally, gross loans in Colombia experienced a mild dynamism in terms of disbursements in 1Q19, which also contributes to explaining the 23.3% year over year portfolio growth. Finally, consolidated loan loss reserves grew 17.4% in anticipation of future deteriorations in Colombia and the subsidiaries.

Gross Loans

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Gross Loans	**Mar. 19**	**Dec. 19**	**Mar. 20**	**Q/Q**	**Y/Y**	**Mar. 20**	**Q/Q**	**Y/Y**	**Mar. 20**	**Q/Q**	**Y/Y**
Commercial	44,719	45,367	53,411	17.7	19.4	40,002	15.0	15.3	3,307	2.4	4.8
Consumer	22,606	28,791	31,167	8.3	37.9	25,244	5.1	37.9	1,461	0.4	7.9
Mortgage	21,423	23,241	24,845	6.9	16.0	19,581	2.9	11.2	1,298	1.0	8.0
Total	88,748	97,400	109,422	12.3	23.3	84,827	9.0	20.1	6,066	1.6	6.2

Q/Q Performance:

As of March 2020, gross loans reached $109.4 trillion, growing 12.3% over the quarter, mainly due to the commercial portfolio dynamism in Colombia as well as in Central America. Gross loans grew 6.3%, excluding the impact of COP depreciation during the quarter (23.7%).

The consolidated commercial portfolio grew 17.7%, primarily explained by specific disbursements made to corporate customers in Colombia. These disbursements account for 590 bps of the portfolio's quarterly growth and 280 bps of the gross loans growth.

The consumer portfolio grew 8.3%, however 4.0 pps of this figure are explained by the exchange rate effect. In Colombia, unsecured personal loans stood out, increasing at a 17.9% rate, offsetting the lower growth of other products that had been gaining momentum in previous quarters, such as credit cards and payroll loans.

The consolidated mortgage portfolio grew 6.9%. Leasing and residential housing grew 4.1% and 5.6%, respectively, exhibiting the highest dynamism in Colombia.

In Central America, gross loans reached 6.1 billion USD, growing 1.6% over the quarter. The commercial portfolio led this growth with a 2.4% increase resulting from disbursements in the corporate segment. The most significant among them were made in Panama, Honduras, and El Salvador. The consumer and mortgage portfolios grew 0.4% and 1.0%, respectively.

Y/Y Performance:

Over the year, consolidated gross loans rose 23.3%, driven by the commercial and consumer portfolios. Gross loans grew 16.2%, excluding the impact of COP depreciation during the year (27.7%). Additionally, as mentioned earlier, the yearly growth of gross loans is also explained by the disbursements, which were less dynamic during 1Q19 and then accelerated in the following quarters of 2019.

The consolidated commercial portfolio grew 19.4%, reflecting the disbursements made during the quarter, which accounted for 6.0 pps of the commercial portfolio's annual growth. In Colombia, the corporate segment stood out as it grew at a 25.0% rate.

The consumer portfolio increased 37.9%, leveraged in analytics-based strategies implemented since 2Q19. In the local operation, unsecured personal loans led the segment in terms of growth, followed by credit cards and vehicle loans.

The mortgage portfolio grew 16.0%, given the portfolio's behavior in Colombia, where leasing, social housing, and residential housing exhibited upward trends, increasing 15.3%, 7.4%, and 6.0%, respectively.

In international subsidiaries, gross loans in USD grew 6.2%, explained by the commercial portfolio (4.8%), particularly by the corporate segment in Panama and El Salvador. The consumer portfolio grew 7.9%, driven by increased credit card and payroll products in subsidiaries. Finally, the mortgage portfolio grew 8.0%, led by the results of this segment in Costa Rica and, to a lesser extent, in El Salvador.

Asset Quality and Coverage

	Consolidated			Colombia			International		
PDL	1Q19	4Q19	1Q20	1Q19	4Q19	1Q20	1Q19	4Q19	1Q20
Commercial	4.76%	4.04%	3.81%	5.66%	5.03%	4.67%	1.64%	0.79%	1.23%
Consumer	2.31%	2.04%	2.07%	2.24%	1.86%	1.96%	2.63%	2.90%	2.55%
Mortgage	3.68%	4.07%	4.41%	3.79%	4.23%	4.70%	3.19%	3.36%	3.33%
Total (90)[2]	3.87%	3.46%	3.45%	4.30%	3.86%	3.87%	2.20%	1.86%	2.00%
Mortgage (120)	2.99%	3.20%	3.50%	3.07%	3.25%	3.64%	2.66%	2.97%	2.98%
Total (120)[3]	3.71%	3.25%	3.25%	4.12%	3.62%	3.63%	2.09%	1.77%	1.92%

Q/Q Performance:

As of March 2020, 90 days Consolidated PDL ratio closed at 3.45%, remaining stable relative to the previous quarter, due to the proportional growth of the total portfolio and the 90 days past-due loans.

The commercial portfolio PDL ratio stood at 3.81% in 1Q20, decreasing 23 bps relative to the previous quarter, mainly because of the portfolio's growth in the Colombian operation. Unlike Colombia, the PDL ratio for the commercial portfolio in Central America deteriorated by 44 bps due to certain cases in Costa Rica and Panama.

The consumer portfolio PDL ratio closed at 2.07%, increasing 4 bps over the quarter, reflecting the portfolio's behavior in Colombia. Among these loans, the most impacted were unsecured personal loans and credit cards. Meanwhile, the consumer PDL ratio in international subsidiaries improved by 35 bps due to the growth dynamic of the portfolio and the better performance of some products in El Salvador.

90 and 120 days PDL ratios for mortgage loans closed at 4.41% and 3.50%, respectively, increasing 34 and 30 bps quarter over quarter. The deterioration stemmed from Colombia, where these ratios increased 47 and 39 bps as a result of the coronavirus crisis, reversing the stabilization trend that was recorded from 4Q19 up until February 2020. In Central America, the indicators remained relatively stable (90 days PDL ratio improved by 3 bps, whereas 120 days PDL ratio deteriorated by 2 bps), because of the higher portfolio growth relative to past-due loans.

In 1Q20, write-offs reached $589 billion, down 45% over the quarter, reflecting the higher write-offs made in Colombia in the business banking segment during 4Q19.

Write-offs	Quarterly Figures			% Chg.	
(COP billion)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total write-offs	453	1,072	589	-45.0	30.0

[2] Total (90): Portfolio > 90 days / Gross loan portfolio.

[3] Total (120) includes: (Mortgage>120 days + Commercial> 90 days + Consumer> 90 days) / Gross loan portfolio.

Y/Y Performance:

90 days consolidated PDL ratio decreased 42 pbs year over year as a result of the commercial and consumer portfolios performance.

The commercial portfolio PDL ratio improved 95 bps, mainly reflecting the operation in Colombia, where this ratio decreased 98 bps because of the portfolio behavior, write-offs made in December 2019, and restructuring agreements done with certain customers. In the international subsidiaries, the portfolio's growth and its improved performance resulted in a 42 pbs reduction of the commercial PDL ratio.

The consumer portfolio PDL ratio diminished 24 bps over the year. In Colombia, this ratio improved by 28 bps, mainly due to accelerated portfolio growth. However, lockdown measures adopted in March affected unsecured personal loans and credit cards performance, causing an increase in the outstanding amount of past-due loans. Similarly, the ratio in Central America decreased 7 bps mainly as a result of portfolio growth.

The 90 and 120 days PDL ratios for consolidated mortgage loans increased 73 and 51 bps, respectively, relative to 1Q19. In Colombia, 90 and 120 days PDL ratios deteriorated by 91 and 57 bps, mainly due to the increase in past-due loans, in line with the quarterly results. In turn, the $830 billion mortgage portfolio securitizations done over the past year accounted for 14 bps of the ratio increase. On the other hand, in the international operation, the ratios deteriorated 14 and 33 bps respectively, due to the mortgage portfolio behavior in Panama and the macroeconomic conditions in Costa Rica, which inclined towards stabilization only by the end of 2019.

Write-offs increased 30.0% over the year, reflecting higher write-offs in the consumer segment in Colombia, followed by write-offs in the commercial portfolio.

Coverage

	Coverage[4]			Total Reserves Coverage[5]		
Coverage	**1Q19**	**4Q19**	**1Q20**	**1Q19**	**4Q19**	**1Q20**
Commercial	101.4%	117.0%	118.5%	113.1%	140.6%	142.3%
Consumer	281.8%	280.6%	274.4%	297.2%	319.7%	305.8%
Mortgage	38.5%	37.3%	39.5%	72.8%	67.8%	62.4%
Total	114.4%	123.1%	122.3%	131.9%	151.4%	147.0%

Q/Q Performance:

The coverage ratio closed at 122.3%, decreasing 8 pbs relative to the previous quarter, and the total reserves coverage stood at 147.0%, decreasing 430 bps relative to 4Q19. In both instances, the decrease of the coverage ratio reflects the increased outstanding amount of 90 days past due loans, despite increased asset allowances and equity reserves.

[4] Coverage: Asset Allowances / Portfolio> 90 days.

[5] Total Reserves Coverage: (Assets Allowances + Equity Reserves) / Portfolio> 90 days.

Y/Y Performance:

Coverage and Total Reserves Coverage ratios increased by 79 and 152 bps, respectively, due to increased asset allowances and equity reserves.

Funding Sources

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Funding Sources	**Mar. 19**	**Dec. 19**	**Mar. 20**	**Q/Q**	**Y/Y**	**Mar. 20**	**Q/Q**	**Y/Y**	**Mar. 20**	**Q/Q**	**Y/Y**
Demand deposits	37,804	40,786	49,416	21.2	30.7	37,511	19.4	28.9	2,936	2.6	7.2
Term deposits	32,444	34,805	37,383	7.4	15.2	24,643	0.5	3.3	3,142	0.2	16.1
Bonds	11,342	12,399	13,377	7.9	17.9	11,628	6.7	15.6	431	-5.9	6.3
Credits with entities	11,730	13,565	19,098	40.8	62.8	13,479	42.2	87.9	1,386	11.1	-3.5
Total	93,321	101,555	119,274	17.4	27.8	87,261	14.3	24.3	7,896	2.5	8.3

Q/Q Performance:

As of March 2020, funding sources reached $119.3 trillion, growing 17.4% relative to the previous quarter, mainly due to the 21.2% increase in demand deposits and 40.8% in credits with entities. Funding sources grew 9.2%, excluding the impact of COP depreciation over the quarter (23.7%).

Demand deposits and term deposits closed at $49.4 and $37.4 trillion, respectively, reflecting the reallocation of customers' resources from investment funds to traditionally more liquid instruments such as deposits, as a result of the uncertainty in capital markets derived from the COVID-19 pandemic. This behavior occurred in Colombia as well as in the international subsidiaries, where the exchange rate impact also contributed to the deposits growth.

Bonds reached $13.4 trillion in 1Q20, growing 7.9% over the quarter. In Colombia, ordinary bonds amounting to $700 billion were issued in February, therefore bonds increased 6.7% in the local operation. On the other hand, in Central America, bonds decreased 5.9% due to maturities in Costa Rica of 54.1 million USD, partially offset by a new issuance in this country in March for 31 million USD.

Credits with entities increased 40.8% and reached $19.1 trillion. This growth was mainly explained by the Colombian operation, where obligations primarily with foreign entities followed by multilateral agencies increased, as part of the strategy to diversify funding sources. In Central America, credits with entities increased 11.1% following the disbursements made by foreign financial institutions primarily in Costa Rica.
Loans to funding ratio stood at 91.7%, down 4.2 pps relative to 4Q19, due to the higher growth of funding sources compared to gross loans.

Y/Y Performance:

Funding sources grew 27.8% over the year as a result of increased demand deposits and credits with entities. Funding sources increased by 18.6%, excluding the impact of COP depreciation over the year (27.7%).

Deposits increased in Colombia, mainly driven by demand deposits, which grew 28.9%, while term deposits grew 3.3%. In Central America, term deposits grew 16.1%, primarily explained by the exchange rate impact.

Consolidated bonds increased 17.9% primarily due to the 15.6% growth of bonds in Colombia, whose issuances were approximately $2.0 trillion during the last year.

Credits with entities grew 62.8%, in line with the strategy to diversify funding sources at competitive rates. This result reflects mainly the Colombian operation where credits increased by 87.9% due to financial obligations acquired over the quarter, as mentioned above. In Central America, credits decreased 3.5% due to loan settlements and the reduction of short-term and long-term financial obligations.

Due to higher growth of funding sources over the year compared to the annual growth of gross loans, the loans to funding ratio decreased 3.4 pps during the year.

Equity and Regulatory Capital

Total Regulatory Capital and Risk Weighted Assets	**Consolidated**				
(COP Billion)	**1Q19**	**4Q19**	**1Q20**	**Q/Q**	**Y/Y**
Equity	11,397	12,651	12,905	2.0	13.2
Common Equity Tier I Capital	8,667	8,734	9,972	14.2	15.1
Tier II Capital	3,374	3,956	3,948	-0.2	17.0
Total Regulatory Capital	12,042	12,691	13,920	9.7	15.6
Risk Weighted Assets	95,367	103,972	117,293	12.8	23.0
Capital Adequacy Ratio	12.12%	11.61%	11.29%	-33 bps	-83 bps
Tier I	8.72%	7.99%	8.08%	9 bps	-64 bps
Tier II	3.40%	3.62%	3.20%	-42 bps	-19 bps

Q/Q Performance:

Consolidated equity rose to $12.9 trillion as of March 2020, increasing 2.0% relative to the previous quarter, due to the 22.4% increase in reserves mainly explained by the $819 billion capitalization approved by the General Meeting of Shareholders in March to Tier I.

The total capital adequacy ratio reached 11.29%, 33 bps lower than in 4Q19, mainly due to the risk-weighted assets growth. The total capital adequacy ratio stood 229 bps above the minimum required by Colombian regulation (9%). Tier I ratio increased 9 bps up to 8.08% due to the capitalization previously mentioned, offset by the higher risk- weighted assets.

As of March 2020, the density[6] of risk-weighted assets stood at 84.0%, declining 1.1 pps relative to 4Q19 (85.1%) due to higher liquid assets.

Y/Y Performance:

[6] Risk-Weighted Assets' Density: RWAs by Credit Risk / Total Assets.

Consolidated equity grew 13.2% year over year, as a result of higher reserves given the capitalization approved by the General Meeting of Shareholders.

The total capital adequacy ratio decreased 83 bps, mainly due to the 23.0% increase of risk-weighted assets during the year. Tier I ratio declined 64 bps relative to 1Q19.

Risk-weighted assets density decreased 1.3 pps relative to 1Q19 (85.3%).

INCOME STATEMENT

Income Statement	Quarterly Figures			% Chg.	
(COP billion)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Interest Income	2,647	2,751	2,815	2.3	6.3
Loan Income	2,382	2,548	2,695	5.8	13.1
Commercial	956	953	991	4.0	3.7
Consumer	831	1,008	1,066	5.8	28.3
Mortgage	596	587	638	8.7	7.1
Investment Income	239	167	90	-46.3	-62.5
Other Income	26	36	31	-15.0	15.5
Financial Expenses	949	1,046	1,063	1.6	11.9
Demand Deposits	188	227	232	2.2	23.5
Term Deposits	387	435	429	-1.4	10.7
Credits with Entities	140	138	148	6.8	5.2
Bonds	185	214	217	1.4	17.2
Other Expenses	48	31	36	16.2	-24.4
Gross Financial Margin	1,698	1,704	1,752	2.8	3.2
Net Provision Expenses	582	572	885	54.8	52.2
Net Interest Margin	1,116	1,132	867	-23.4	-22.3
Operating Income	309	348	311	-10.6	0.8
Operating Expenses	868	1,037	981	-5.5	13.0
Personnel Expenses	379	417	413	-0.8	9.2
Operation Expenses	323	443	388	-12.5	19.9
Other Expenses	166	178	180	1.0	8.2
Exchange and Derivatives	1	35	132	100.0	100.0
Other Income and Expenses, net	-13	-12	-14	-20.0	-10.6
Income before Taxes	545	466	316	-32.3	-42.1
Income Tax	152	82	91	11.4	-40.1
Net Profit	**393**	**385**	**225**	**-41.6**	**-42.9**

Net Profit

Quarterly figures

Q/Q Performance:

Net income for 1Q20 reached $224.6 billion, decreasing 41.6% relative to 4Q19, due to lower operating income and higher provision expenses. Consequently, the annualized quarter return on average equity (ROAE) decreased 5.26 pps from 12.3% to 7.0%.

Net income in Colombia was $133.6 billion, decreasing 58.8% relative to the previous quarter. Even though the gross financial margin increased 1.9%, driven by an increase in loan income (especially in the consumer portfolio), it was impacted by higher provision expenses, which rose 56.7% over the quarter. Additionally, operating income reduced 16.5% due to lower net commission income, while operating expenses decreased 8.1%, mainly those associated with fees and sales commissions.

Net income in Central America was 25.7 million USD as of March 2020, increasing 45.1% over the quarter. The gross financial margin grew 2.5%, driven by investment income (8.4%) and, to a lesser extent, by portfolio income (0.7%). Provision expenses increased 34.8% and the net financial margin decreased 5.9%. Notwithstanding, the bank recorded a higher exchange and derivatives income due to the Colon's quarterly devaluation effect on the CRC/USD hedging strategy, which aims to preserve the capital adequacy ratio in Costa Rica. The higher income stemming from exchange and derivatives compensated the previous effects resulting in higher net profits than a year earlier. Excluding the CRC/USD hedging strategy, profits grow 11.0% relative to the previous quarter.

Y/Y Performance:

Consolidated profits decreased 42.9% over the year as a result of higher provision and operating expenses, which had an adverse effect on the gross financial margin that increased during the period. As a result, the annualized-quarter ROAE decreased 6.76 pps relative to 1Q19.

Loan income derived from the Colombian operation increased (12.4%) while investment income decreased (-91.9%), following the widespread devaluation of securities, particularly of public debt instruments. Financial expenses increased 10.4%, mainly due to higher expenses in deposits and bonds, resulting in a 0.2% decrease in the gross financial margin. Provision expenses increased because of the provision efforts made over the quarter. Likewise, operating expenses rose due to administrative expenses in different items, while operating income increased due to higher income derived from services. Consequently, net profits reduced 61.0% over the year.

In international subsidiaries, net profits in USD increased 60.3%, due to the gross financial margin growth and the increase in exchange and derivatives' net income from the CRC/USD hedging strategy, which offset higher provision and operating expenses. Excluding the CRC/USD hedging strategy, profits grow 22.0% relative to the previous year.

Gross Financial Margin

Gross Financial Margin	**Quarterly Figures**			**% Chg.**	
(COP billion)	**1Q19**	**4Q19**	**1Q20**	**Q/Q**	**Y/Y**
Loan Income	2,382	2,548	2,695	5.8	13.1
Investments and Interbanks Income	265	203	120	-40.8	-54.7
Financial Income	2,647	2,751	2,815	2.3	6.3
Financial Expenses	949	1,046	1,063	1.6	11.9
Gross Financial Margin	1,698	1,704	1,752	2.8	3.2

Quarterly figures

Q/Q Performance:

The consolidated gross financial margin reached $1.8 trillion in 1Q20, growing 2.8% over the quarter, as a result of higher loan income (5.8%) and financial expenses increasing at a 1.6% rate.

In Colombia, loan income increased 6.0%, mainly driven by the consumer and mortgage portfolios, in line with the increased outstanding amount of loans in both segments. However, Investment income decreased by 85.3%, following the devaluation of public debt instruments recorded in financial markets over the quarter, both at fixed and inflation-linked unit rates.

Financial expenses grew in Colombia 0.4% due to increased expenses in credits and bonds, as a consequence of increased outstanding amounts of these liabilities, which offset the lower expenses in demand and term deposits due to lower funding costs of these instruments.

Consequently, the gross financial margin in Colombia increased 1.9% relative to 4Q19.

In international subsidiaries, the gross financial margin increased 2.5% in USD, following a 2.0% increase in interest income, which compensated a 1.2% increase in financial expenses. Loan income grew 0.7%, led by the commercial and mortgage portfolios. Investment income rose 8.4% as a result of the debt instruments dynamics over the quarter, and the exchange rate impact. Financial expenses grew 1.2%, given higher expenses in demand deposits, consistent with their increased outstanding amount in the balance sheet.

The annualized-quarter NIM closed at 6.11%, diminishing 21 bps relative to 4Q19, because of the accelerated growth of productive assets relative to the gross financial margin behavior over the same period.

NIM				**Bps. Chg**	
Annualized Quarter	**1Q19**	**4Q19**	**1Q20**	**Q/Q**	**Y/Y**
Total NIM	6.92%	6.31%	6.11%	-21	-82

Y/Y Performance:

As of 1Q20, loan income increased 13.1%, while financial expenses grew 11.9%. As a result, the gross financial margin increased 3.2% over the year.

In Colombia, loan income increased 12.4% and investment income decreased 91.9% due to the devaluation of public debt and mortgage-backed securities. Financial expenses grew 10.4%, mainly because of demand deposits (19.5%), which recorded slightly higher funding cost rates, and bonds (16.6%) due to the issuances. As a result of the latter, the gross financial margin decreased -0.2%.

In the international operation, the gross financial margin increased by 6.6% in USD over the year. Loan income grew 3.1% led by the consumer segment (8.2%) and the mortgage segment (4.0%), thereby driving the financial margin growth. Investment income also contributed to the margin growth as it went up by 21.8% leveraged on debt instruments appreciation. On the other hand, financial expenses grew 3.8% as a result of higher interest expenses in time deposits (15.4%), consistent with the increased outstanding amount recorded over the quarter.

The annualized-quarter NIM decreased 82 bps relative to the previous year as a result of the higher productive assets growth over the last year, compared to the increase in gross financial margin during the same period.

NIM				Bps. Chg	
12 Months	1Q19	4Q19	1Q20	Q/Q	Y/Y
Total NIM	6.56%	6.52%	6.28%	-24	-28

12-months NIM closed at 6.28% in 1Q20, decreasing 28 bps relative to the figure recorded in 1Q19. The growth of productive assets over the past 12 months exceeded the gross financial margin growth, which decreased due to lower investment income.

Provision Expenses

Provision Expenses	Quarterly Figures			% Chg.	
(COP billion)	1Q19	4Q19	1Q20	Q/Q	Y/Y
Provision for credit losses	688	757	1,023	35.1	48.7
Loan recoveries	108	182	137	-24.4	27.3
Net loan sales	0	3	0	-100.0	0.0
Net Provision Expenses	**580**	**572**	**885**	**54.8**	**52.7**

Quarterly figures

Q/Q Performance:

Gross consolidated provision expenses went up to $1.0 trillion in 1Q20, growing 35.1% relative to the previous quarter. This increase resulted from both the need to cover for already-materialized risk situations across segments and some parameter adjustments for all loan stages, recognizing higher risk levels within customers who requested relief measures. Besides this, provision expenses increased driven by individual analysis for significant clients and adjustments to forward-looking parameters materializing adverse macroeconomic scenarios.

Loan recoveries decreased by 24.4%, mainly in Colombia (-49.8%), but also in international subsidiaries (-9.0%). In the local operation, loan recoveries decreased in comparison to 4Q19, a quarter that recorded a higher level of recoveries mainly from the consumer segment.

Consequently, provision expenses (net of recoveries) in 1Q20 closed at $885 billion, 54.8% more than the previous quarter.

Annualized Cost of Risk closed at 3.24%, rising 89 bps relative to 4Q19 due to higher provision expenses during the quarter.

Cost of Risk				Bps. Chg	
Annualized Quarter	1Q19	4Q19	1Q20	Q/Q	Y/Y
CoR	2.61%	2.35%	3.24%	89	62

Y/Y Performance:

Over the last year, consolidated gross provision expenses grew 48.7%. In Colombia, the 47.7% increase was mainly derived from the consumer portfolio, followed by the mortgage portfolio. In international subsidiaries, the 35.6% growth resulted from higher provision expenses in the commercial segment in Honduras and Panama subsidiaries.

Consolidated loan recoveries increased 27.3% due to the operation in Central America, where this figure increased by 91.3%. The loan recoveries increase from subsidiaries offset the lower loan recoveries from Colombia, which went down -35.7% after the lockdown ordered in March.

Consequently, provision expenses (net of recoveries) in 1Q20 grew 52.7% year over year.

The annualized-quarter cost of risk increased 62 bps relative to 1Q19.

Cost of Risk				**Bps. Chg**	
12 months	**1Q19**	**4Q19**	**1Q20**	**Q/Q**	**Y/Y**
CoR	2.47%	2.50%	2.50%	0	4

12-month Cost of Risk[7] closed at 2.50%, increasing 4 bps relative to the figure recorded a year earlier, reflecting increased provision expenses.

Operating Income

Quarterly figures

Q/Q Performance:

Net operating income reached nearly $313.9 billion in 1Q20, decreasing 10.5% quarter over quarter, reflecting mainly lower net commission income (-18.0%).

In Colombia, net commission income reduced 21.4% due to lower commissions derived from affiliated establishments to debit and credit cards. Service income decreased 7.6% as a result of the reduction and/or elimination of charges for deposits and withdrawals, such as charges for exceeding the withdrawal amounts.

In Central America, net income derived from commissions decreased by 9.9%. This result reflects the situation in El Salvador and is related to purchase commissions and credit card charges. Income derived from services went down 21.7% as a result of a decrease in other income, mainly in Costa Rica, from items such as leasing administration and insurance. However, net operating income derived from insurance operations increased 29.4%, driving net operating income to increase by 5.1%.

Y/Y Performance:

Net operating income recorded a 1.2% increase, explained by the 12.0% growth in service income, which offset the 3.8% decrease in net income derived from commissions.

[7] 12-months Cost of Risk = Accumulated Provision Expenses (12 months) / Gross Loans (Quarter Balance).

In Colombia, net commission income decreased by 9.2%, primarily as a result of increased commission expenses associated with the higher transactionality of credit cards. Unlike net commission income, service income went up 12.0%, mainly because of an increase in business web portals.

In international subsidiaries, net commission income grew 3.2% due to the exchange rate effect and, to a lesser extent, due to an increase in income related to credit card membership in Costa Rica and El Salvador. Service income reduced 4.6% mainly explained by the leasing administration services in Costa Rica. Finally, net income derived from insurance operations increased by 17.5%, offsetting the lower service income.

Operating Expenses

Operating Expenses (COP billion)	**Quarterly Figures** 1Q19	4Q19	1Q20	**% Chg.** Q/Q	Y/Y
Personnel Expenses	379	417	413	-0.8	9.2
Operating Expenses and Others[8]	489	621	567	-8.6	16.0
Total Expenses	868	1,037	981	-5.5	13.0

Quarterly figures

Q/Q Performance:

In 1Q20, operating expenses were $981 billion, decreasing by 5.5% relative to the previous quarter, mainly due to lower operating expenses in Colombia.

Operating expenses reduced 12.5%, mainly in the local operation where they decreased 18.1% due to lower expenses related to professional fees paid for software development, followed by advertisement and lastly adaptations. Personnel expenses reduced 0.8%, following lower sales commissions and incentives in Colombia, as well as in the international operation.

As a consequence of lower operating expenses, the annualized-quarter cost-to-income ratio for the quarter closed at 45.1%, 484 bps lower than the figure recorded in 4Q19.

Cost-to-Income Annualized Quarter	1Q19	4Q19	1Q20	**Bps. Chg** Q/Q	Y/Y
Cost-to-Income	43.8%	50.0%	45.1%	-484	138

Y/Y Performance:

As of March 2020, consolidated operating expenses grew 13.0%, driven by higher operating expenses.

Operating expenses grew 19.9% primarily in Colombia, where the expenses of administration and monitoring of digital channels and call centers increased, along with other expenses related to the digital transformation process, advertising, and strategic partnerships established over the past year. The

[8] Other expenses include amortization and depreciation, intangible amortization, taxes and deposits insurance.

increase in personnel expenses stemmed from the inflation adjustment at the beginning of the year and the minimum wage increase in both Colombia and the subsidiaries.

Therefore, the higher consolidated operating expenses over the year resulted in a 138 bps increase of the annualized-quarter cost-to-income ratio relative to the figure recorded in 1Q19.

Cost-to-Income				**Bps. Chg**	
12 months	**1Q19**	**4Q19**	**1Q20**	**Q/Q**	**Y/Y**
Cost-to-Income	46.5%	46.2%	46.5%	31	1

The 12-months cost-to-income ratio closed 1Q20 at 46.5%, remaining stable compared to a year earlier due to the proportional growth of income and expenses over the past 12 months.

Taxes

Quarterly figures

Tax Rate				**Pps. Chg**	
Quarter	**1Q19**	**4Q19**	**1Q20**	**Q/Q**	**Y/Y**
Effective Tax Rate	27.9%	17.5%	28.9%	11.3	1.0

Q/Q Performance:

The income tax amounting to $91.1 billion in 1Q20, grew 11.4% over the quarter due to the income tax surcharge reinstatement for financial institutions in 4Q19, which in turn explains the effective tax rate increase as of 1Q20.

Y/Y Performance:

The income tax decreased 40.1% relative to the previous year as a result of fewer profits and a lower nominal income tax rate, which reduced from 37% in 2019 to 36% in 2020.

These financial statements have been prepared in accordance with International Financial Reporting Standards and are presented in nominal terms. The resulting statement for the closed quarter on March 31st, 2020 shall not be necessarily indicative of results expected for any other period.

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