Banco Davivienda S.A. / PFDAVVNDA
First Quarter Results 2021 / 1Q21

Bogotá, Colombia. May 20th, 2021. – Banco Davivienda S.A. (BVC: PFDAVVNDA) announces its 2021 First Quarter consolidated results. Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in Colombian Pesos (COP).

HIGHLIGHTS

- Net profits for the quarter totaled $101.3 billion, increasing over the quarter and decreasing 54.9% over the previous year, mainly due to higher net provision expenses which totaled $1.14 trillion.
- As of March 2021, loans with current reliefs accounted for 8.2% of our loan portfolio in Colombia and 10.1% in Central America.
- The 12-month Cost of Risk closed at 4.11%, higher than the figure recorded last quarter and last year, reflecting higher provision expenses associated with the COVID-19 crisis.
- The Total Capital Adequacy Ratio, under the new standard applicable in Colombia (Basel III), reached 16.68%, while Tier I ratio was 11.81%. The implementation of this standard resulted in a 451 bps increase in the Total Capital Adequacy Ratio and a 370 bps increase in the CET1 ratio with pro-forma figures as of December 2020.
- In April 2021, we became the first issuer in Colombia of a perpetual AT1 bond worth US$500 million with a 3.5x bid to cover, strengthening our capital position and improving its quality.
- The 12-month Net Interest Margin stood at 6.08%, decreasing 20 bps over the year, mainly as a result of lower interest rates and lower investment income[1].
- DaviPlata, our native digital Bank, reached 12.2 million customers. In addition, two new features for users were launched in April: Marketplace and Social Seller Profile. These will contribute to economic recovery by supporting e-entrepreneurs and companies across Colombia.
- As of March 2021, Davivienda operated in 6 countries, had over 18 million customers, more than 17 thousand employees, 673 branches and 2,719 ATMs.
- Risk Ratings: Fitch BBB-/ S&P BB+[2]/ Moody's Baa3.

[1]Investment income does not include our hedging strategy results which are accounted for in Changes and Derivatives.
[2] Risk rating updated on May 20th, 2021 following the sovereign downgrade on Colombia's rating on May 19th, 2021.

ECONOMIC ENVIRONMENT COLOMBIA

In 2021, the global economy started to rebound anticipating a year filled with more optimism. The development and mass production of vaccines against Covid-19, the sophistication of biosafety protocols adopted by businesses, and better-designed quarantines have allowed for less economic impact, despite the fact that the virus continues spreading.

Globally, inflation expectations increased in the United States, along with interest rate hikes on Treasury bonds. According to preliminary data for the major economies, the US economy grew by 0.4% in the first quarter of the year, the Euro Zone contracted by -1.8%, whereas China's economy grew by 18.3%.

Oil prices rebounded in the first quarter of the year from the prices recorded in the last quarter of 2020. As a matter of fact, Brent crude oil averaged USD 63.9 compared to the average USD 44.3 recorded in the previous quarter, which is explained both by higher demand for crude oil and by lower supply from OPEC countries.

The Colombian economy grew 1.1% year over year. This figure was -3.6% in 4Q20 and 0.6% in 1Q20. Economic sectors such as manufacturing, public health and administration, and agribusiness contributed positively to the final result.

Annual inflation closed the first quarter of 2021 at 1.51%, a new historic low for inflation in Colombia. This decline is mainly owed to food inflation, which decreased from a 4.81% annual variation in December to 3.92% at the end of March. Non-food inflation, on the other hand, remained stable.

Regarding fiscal matters, the deficit of the Central National Government (CNG) reached 7.8% of GDP during the first quarter of the year. This was achieved as a result of lower spending associated with the sanitary emergency and higher-than-expected tax revenues. The authorities announced a new target for the CNG deficit of 8.6% of GDP for 2021. This goal foresees an increase in spending aimed at economic reactivation, stimulating investment, and other items related to the health crisis (such as vaccines). Gross tax revenues totaled $40.9 trillion, decreasing by 3.0% compared to the same period of 2020.

Although the COP/USD exchange rate averaged $3,552.8 in the first quarter of the year, lower than in the previous quarter ($3,683.3), its trend was generally upward, going from $3,432 at the beginning of the year to $3,736.9 on March 31. The main factors driving the upward trend of the exchange rate are the lower inflow of portfolio flows to emerging countries, such as Colombia, due to increased U.S. Treasury yields and uncertainty about the country's fiscal position.

ECONOMIC ENVIRONMENT CENTRAL AMERICA

The economic activity in the region continued recovering in the last quarter of 2020, following the significant impact from mobility restriction measures imposed to contain the spread of Covid-19 in the second quarter of 2020. Overall, the annual balance was negative, with GDP falling by 4.1% in Costa Rica, 7.9% in El Salvador, 9.0% in Honduras, and 18.0% in Panama.

The economy continued to recover throughout the region in the first two months of 2021, but at a slow pace, as mobility restrictions were re-established in January in the majority of countries. In El Salvador, these restrictions were lifted in August 2020 and no similar measures have been implemented since then to contain the spread of the disease in this country.

Economic activity indicators for January and February showed an average annual variation of -4.73% in Costa Rica, -1.89% in El Salvador, -4.69% in Honduras, and -12.18% in Panama.

Annual growth of inflation in the first quarter averaged 0.62% in Costa Rica, 1.05% in El Salvador, 4.0% in Honduras, and -0.57% in Panama. In Costa Rica, inflation in the first quarter remained below the Central Bank’s target range (2% to 4%). In Honduras, inflation remained in the mid-range of the Central Bank's target (3% to 5%).

Low and stable inflation in Costa Rica and Honduras enabled monetary policy rates to remain at record lows. In Costa Rica's case, interest rates were cut in 2020 leading the reference rate to 0.75%, a figure that remained unchanged in the first quarter of the year. In Honduras, the monetary policy rate remained at 3% during the first three months of the year.

Panama was downgraded by Moody's to Baa2 and by Fitch to BBB- in the first quarter of the year. The risk rating agencies stated that the downgrades are due to the rapid deterioration of the fiscal outlook, along with the contraction recorded in 2020.

On the other hand, El Salvador's rating outlook was adjusted from stable to negative and removed from the category of possible short-term downgrade by Moody's.

MAIN CONSOLIDATED FIGURES:

Statement of Financial Condition				% Chg.	
(COP billion)					
Assets	**Mar. 20**	**Dec. 20**	**Mar. 21**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	12,661	11,956	10,054	-15.9	-20.6
Investments	14,070	16,115	16,378	1.6	16.4
Gross Loan Portfolio	109,422	106,675	108,172	1.4	-1.1
Loan Loss Reserves	-4,617	-6,395	-6,007	-6.1	30.1
Property, Plant and Equipment	1,807	1,677	1,682	0.3	-6.9
Other Assets	6,283	6,385	5,734	-10.2	-8.7
Total Assets	**139,625**	**136,413**	**136,014**	**-0.3**	**-2.6**
Liabilities					
Repos and Interbank Liabilities	469	1,936	2,455	26.8	100.0
Demand Deposits	49,416	53,500	55,182	3.1	11.7
Term Deposits	37,383	33,739	33,706	-0.1	-9.8
Bonds	13,377	12,535	13,320	6.3	-0.4
Credits	19,098	14,419	12,645	-12.3	-33.8
Other Liabilities	6,976	7,564	5,724	-24.3	-18.0
Total Liabilities	**126,720**	**123,693**	**123,032**	**-0.5**	**-2.9**
Equity					
Non-controlling Interest	146	117	135	16.0	-7.1
Equity	12,760	12,603	12,847	1.9	0.7
Total Equity	12,905	12,720	12,982	2.1	0.6
Total Liabilities and Equity	**139,625**	**136,413**	**136,014**	**-0.3**	**-2.6**

Income Statement	Quarterly Figures			% Chg.	
(COP billion)	**1Q20**	**4Q20**	**1Q21**	**Q/Q**	**Y/Y**
Interest Income	2,815	2,765	2,437	-11.9	-13.4
Loans	2,695	2,536	2,447	-3.5	-9.2
Investments	90	213	-22	-100.0	-100.0
Other Income	31	16	13	-23.1	-58.8
Financial Expenses	1,063	815	730	-10.5	-31.3
Gross Financial Margin	1,752	1,950	1,707	-12.5	-2.6
Net Provision Expenses	885	1,183	1,136	-4.0	28.3
Net Interest Margin	867	767	571	-25.5	-34.1
Operating Income	314	366	367	0.4	17.1
Operating Expenses	981	1,092	1,009	-7.6	2.9
Exchange and Derivatives	132	-53	212	100.0	60.3
Other Income and Expenses, net	-17	-24	-8	65.8	51.6
Income Before Taxes	316	-36	134	100.0	-57.7
Income Tax	91	-50	32	100.0	-64.6
Net Profit	**225**	**14**	**101**	**100.0**	**-54.9**

MAIN RATIOS

12 Months	1Q20	4Q20	1Q21	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.28%	6.29%	6.08%	-21	-20
Cost of Risk	2.50%	3.94%	4.11%	18	161
Cost-to-Income	46.5%	47.1%	46.9%	-19	34
ROAE	10.7%	3.2%	2.2%	-97	-854
ROAA	1.08%	0.30%	0.20%	-9	-87

Annualized Quarter	1Q20	4Q20	1Q21	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.11%	6.31%	5.58%	-73	-53
Cost of Risk	3.24%	4.44%	4.20%	-24	96
Cost-to-Income	45.1%	48.8%	44.5%	-430	65
ROAE	7.0%	0.4%	3.2%	272	-388
ROAA	0.69%	0.04%	0.30%	26	-39

COVID-19 RESPONSE

In line with the comprehensive strategy to support our clients implemented since March 2020, a percentage of our portfolio remains under relief measures across the different countries where we operate.

In Colombia, where we continue to implement the Debtors Support Program (PAD), the percentage of the portfolio benefiting from reliefs is 8.2%. This figure represents a 1 pp increase from the previous quarter, when 7% of the portfolio was under some type of relief. In Colombia, out of the 8.2% of the relieved portfolio, 73% belong to the consumer segment, 21% to the commercial segment, and 6% to the mortgage segment. Regarding payment behavior, out of this 8.2%, 89% are up to date, 8% are between 30 and 90 days past due and the remaining 3% are more than 90 days past due.

In Central America, 10.1% of the portfolio benefits from some type of relief, marking a 2 pps decrease from the previous quarter. The largest share of the portfolio benefiting from reliefs stems from the commercial segment (68%), followed by the consumer segment (21%) and finally the mortgage segment (12%). 94% of the relieved portfolio is up to date on payments, while 5% is between 30 and 90 days past due, and an additional 1% is more than 90 days past due.

DIGITAL TRANSFORMATION

Our digital native Bank, Daviplata, reached 12.2 million customers at the end of the first quarter of 2021. We are pleased to announce that we rolled out two new features on the platform to serve our customers and to support the economic recovery of the country.

First, Social Seller Profile, which was designed for e-entrepreneurs seeking to promote their business operation and manage their finances directly from their mobile phone. This feature allows customers to list their products in catalogs, share them on social media, and receive payments online, free of charge. Secondly, the Marketplace, a virtual store that connects around 8.9 million Colombians using the App with partner businesses, who may now rely on a new channel to boost their sales. These two new features complement the DaviPlata ecosystem, where an increasing array of products and services are becoming available to our customers.

As for the Bank's digital transformation process, 85% of consolidated customers are considered digital as of 1Q21. In the Colombian operation, this figure was 88%, whereas in other countries, such as Costa Rica and Panama, it was 90% and 77%, respectively.

In Colombia, the outstanding amount of digital loan products[3] approximately doubled over the previous year, reaching $4.1 trillion. On the other hand, digital deposits[4] closed with a $2.2 trillion balance, increasing by 64.4% over the year. Finally, digital investment products[5] reached an outstanding amount of $0.6 trillion, which is almost three times higher than the figure recorded in 1Q20.

Regarding sales, 52% of product placements have been made through digital channels in the first quarter of the year. This figure is 13 pps higher than the figure recorded last year. In terms of transactions, 52% of monetary transactions were conducted through digital channels, compared to 38% last year. Accordingly, and in light of the Covid-19 pandemic, transactions through traditional channels dropped from 18% in 1Q20 to 15% in 1Q21.

STATEMENT OF FINANCIAL CONDITION

Assets

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Assets	**Mar. 20**	**Dec. 20**	**Mar. 21**	**Q/Q**	**Y/Y**	**Mar. 21**	**Q/Q**	**Y/Y**	**Mar. 21**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	12,661	11,956	10,054	-15.9	-20.6	4,527	-32.3	-17.5	1,503	-2.2	-15.1
Investments	14,070	16,115	16,378	1.6	16.4	12,028	0.9	16.1	1,497	-4.0	20.7
Gross Loans Portfolio	109,422	106,675	108,172	1.4	-1.1	85,747	-0.3	1.1	6,096	1.1	0.5
Loan Loss Reserves	-4,617	-6,395	-6,007	-6.1	30.1	-5,185	-8.3	30.6	-224	3.8	39.8
Property, Plant and Equipment	1,807	1,677	1,682	0.3	-6.9	1,190	-2.2	-5.0	134	-0.3	-2.2
Other Assets	6,283	6,385	5,734	-10.2	-8.7	4,381	-14.3	-10.2	238	2.4	4.1
Total Assets	139,625	136,413	136,014	-0.3	-2.6	102,688	-2.4	-0.1	9,244	-0.4	-0.4

Q/Q Performance:

Assets totaled $136.0 trillion COP, decreasing 0.3% in the quarter. Excluding the effect of the 7.2% depreciation of the Colombian peso over the quarter, assets decreased 1.8%.

Cash and interbank funds totaled $10.0 trillion, decreasing by 15.9% from the previous quarter. This behavior is mainly attributable to a decrease in interbank operations in Colombia due to lower

[3]Digital Loans include: Mobile Credit, Mobile Balance Transfer, Mobile Credit Card, Mobile Payroll Loans, Advanced Payroll, Mobile Payroll Balance Transfer, Nanocredit.
[4]Digital Deposits include: Mobile Savings Account, Mobile Payroll Account, Term Deposits, and DaviPlata.
[5]Digital Investments includes: Dafuturo, Superior, and DaviPlata.

counterparty operations. The investment portfolio reached a $16.4 trillion balance, growing 1.6% over the quarter.

Gross loans amounted to $108.2 trillion, growing 1.4% over the previous quarter, mainly due to a $1.2 trillion increase in the mortgage portfolio. Loan loss reserves decreased by 6.1% compared to the previous quarter, closing at $6.0 trillion. Therefore, loan loss reserves as a percentage of gross loans fell by 40 bps over the quarter to 5.6%. Write-offs totaled $1.7 trillion in the quarter, mainly stemming from the consumer portfolio.

Finally, other assets contracted 10.2%, due to the acceptances and derivatives account which reflects the trading portfolio movements.

Y/Y Performance:

Total assets decreased 2.6% over the year. Excluding the effect of the 9.3% appreciation of the Colombian peso during the year, assets decreased 0.2%.

Cash and interbank funds decreased 20.6%, mainly due to reduced cash in Colombia and Central America, in addition to the exchange rate effect in the international operation. The investment portfolio expanded by 16.4% because of investments in government securities in Colombia and El Salvador. Besides this, the mandatory investments known as “Títulos de Solidaridad” in Colombia with proceeds from the reduction of the legal reserve requirement during the second quarter of 2020 also explain the change year over year.

Gross loans decreased 1.1% explained by the commercial portfolio. This segment contracts compared to the first quarter of 2020, as in this period significant funds were disbursed in the corporate segment. At the consolidated level, provisions increased 30.1%.

Finally, other assets decreased by 8.7% as a result of the lower balance of acceptances and derivatives due to changes in the volume of instruments in Colombia and fluctuations in interest rates.

Gross Loans

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Gross Loans	**Mar. 20**	**Dec. 20**	**Mar. 21**	**Q/Q**	**Y/Y**	**Mar. 21**	**Q/Q**	**Y/Y**	**Mar. 21**	**Q/Q**	**Y/Y**
Commercial	53,411	49,740	50,576	1.7	-5.3	39,019	-0.1	-2.5	3,142	1.1	-5.0
Consumer	31,167	31,033	30,525	-1.6	-2.1	24,674	-3.7	-2.3	1,591	0.9	8.9
Mortgage	24,845	25,902	27,071	4.5	9.0	22,054	3.7	12.6	1,364	1.1	5.0
Total	109,422	106,675	108,172	1.4	-1.1	85,747	-0.3	1.1	6,096	1.1	0.5

Q/Q Performance:

Gross loans closed at $108.2 trillion, growing by 1.4% in relation to the previous quarter. Excluding the 7.2% depreciation of the Colombian peso during the quarter, gross loans remained stable.

The consolidated commercial portfolio expanded by 1.7%, mainly due to higher dynamism in portfolio disbursements in the business and corporate segments.

The consumer portfolio experienced a 1.6% balance reduction, driven by lower disbursements as well to write-offs amounting to $1.6 trillion in this portfolio. This result is explained by the impairment of loans after the suspension of relief measures and after a year of historically low levels of write-offs. Conversely, certain credit lines, such as unsecured personal loans and vehicle loans, performed positively, growing by 1.4% and 0.8%, respectively.

The consolidated mortgage portfolio increased by 4.5% driven by the residential housing and leasing for housing segments.

In international subsidiaries, gross loans totaled US$6.1 billion, growing by 1.1% over the quarter, mainly due to higher balances in the commercial portfolios in Costa Rica and El Salvador, followed by the mortgage and consumer portfolios.

Y/Y Performance:

Consolidated gross loans decreased by 1.1% over the past year due to a reduction in the commercial portfolio impacted by a base effect related to high growth dynamics recorded during the beginning of 2020. Excluding the effect of the 9.3% appreciation of the Colombian peso over the year, gross loans grew by 1.0%.

The commercial portfolio recorded a 5.3% decrease compared to the first quarter of 2020, in which significant disbursements were made to corporate clients in the energy, telecommunications and mass consumption sectors.

The consumer portfolio contracted by 2.1%, because of lower disbursement dynamics and higher volumes of write-offs in the first quarter of the year, as previously mentioned.

The mortgage portfolio grew by 9.0%, driven by the increased growth in the leasing for housing segment, especially in Colombia where it grew 11.4%, in line with the sector's performance during the recent months. Likewise, growth was also fueled by the residential and social housing segments, which grew by 20.3% and 10.6%, respectively, in Colombia.

In international subsidiaries, gross loans denominated in USD remained relatively flat. In retail banking, the consumer and mortgage portfolios grew by 8.9% and 5.0%, respectively. These results offset the 5.0% decrease in the commercial portfolio, driven by the contraction in Panama.

Asset Quality and Coverage

	Consolidated			Colombia			International		
PDL	**1Q20**	**4Q20**	**1Q21**	**1Q20**	**4Q20**	**1Q21**	**1Q20**	**4Q20**	**1Q21**
Commercial	3.81%	3.26%	3.69%	4.67%	3.88%	4.39%	1.23%	0.98%	1.31%
Consumer	2.07%	6.04%	3.63%	1.96%	6.57%	3.44%	2.55%	3.54%	4.43%
Mortgage	4.41%	4.53%	4.91%	4.70%	4.72%	5.18%	3.33%	3.64%	3.68%
Total (90)[6]	3.45%	4.38%	3.98%	3.87%	4.89%	4.32%	2.00%	2.24%	2.65%
Mortgage (120)	3.50%	2.77%	4.06%	3.64%	2.66%	4.25%	2.98%	3.31%	3.25%
Total (120)[7]	3.25%	3.95%	3.76%	3.63%	4.38%	4.08%	1.92%	2.17%	2.56%

Portfolio	Stage 1	Stage 2	Stage 3	Total
Commercial	42,623	4,676	3,277	50,576
Consumer	27,698	1,742	1,085	30,525
Mortgage	24,834	1,467	769	27,071
Total	**95,155**	**7,886**	**5,131**	**108,172**

Q/Q Performance:

The 90-days PDL ratio closed at 3.98%, decreasing 40 bps over the quarter, mainly due to the dynamics in the consumer and mortgage portfolios.

The commercial PDL ratio increased over the quarter primarily as a result of a deterioration in specific sectors such as transportation, aviation, and construction.

In the consumer portfolio, an improvement in the PDL ratio is mostly explained by the volume of write-offs made over the quarter, considering that these had been delayed as a result of relief measures granted over the course of 2020.

The 90-days PDL ratio for the mortgage portfolio increased following the expiration of reliefs in October 2020. On the other hand, the 120-days PDL ratio also started to capture the end of reliefs, thus rising over the quarter.

In Central America, 90-days PDL ratios increased over the quarter due to the consumer segment, where delinquencies in unsecured products, such as credit cards and personal loans, increased.

In 1Q21, write-offs totaled $1.7 trillion, growing 79.8% over the quarter, mostly in the consumer segment.

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

Write-offs (COP billion)	Quarterly Figures 1Q20	4Q20	1Q21	% Chg. Q/Q	Y/Y
Total write-offs	589	957	1,720	79.8	191.8

Y/Y Performance:

The consolidated 90-days PDL ratio increased over the year mainly due to the impact of the economic downturn and the expiration of relief measures.

The PDL ratio for the commercial portfolio decreased throughout the year due to a better performance associated with portfolio growth in customers with a sound risk profile, negotiations carried out within the framework of the Debtors Support Program (PAD), and some write-offs made at the end of 2020.

The deterioration of the PDL ratio in the consumer portfolio is largely explained by the slowdown in portfolio growth since March 2020, less write-offs in 2020, and the impact of the current economic situation.

As for the mortgage portfolio, PDL ratios have increased as relief measures have been expiring.

Coverage

Coverage	Coverage[8] 1Q20	4Q20	1Q21
Commercial	118.5%	169.9%	154.1%
Consumer	274.4%	168.3%	237.3%
Mortgage	39.5%	41.5%	38.1%
Total	122.3%	137.0%	139.7%

Q/Q Performance:

The Coverage ratio closed 1Q21 at 139.7%, increasing 2.7 pps over the previous quarter, explained by the rising stock of loan loss reserves and the lower amount of non-performing loans due to write-offs in the consumer portfolio.

Y/Y Performance:

The Coverage ratio increased by 17.4 pps, mainly due to increased efforts to adequately cover the portfolio by increasing Loans Loss Reserves in 2020.

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

Funding Sources

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Funding Sources	**Mar. 20**	**Dec. 20**	**Mar. 21**	**Q/Q**	**Y/Y**	**Mar. 21**	**Q/Q**	**Y/Y**	**Mar. 21**	**Q/Q**	**Y/Y**
Demand deposits	49,416	53,500	55,182	3.1	11.7	43,027	2.4	14.7	3,304	-1.2	12.5
Term deposits	37,383	33,739	33,706	-0.1	-9.8	23,427	-3.8	-4.9	2,794	2.1	-11.1
Bonds	13,377	12,535	13,320	6.3	-0.4	11,718	5.7	0.8	435	3.3	0.9
Credits	19,098	14,419	12,645	-12.3	-33.8	8,241	-16.7	-38.9	1,197	-9.2	-13.6
Total	119,274	114,193	114,853	0.6	-3.7	86,414	-1.1	-1.0	7,731	-1.1	-2.1

Q/Q Performance:

Funding sources totaled $114.9 trillion, growing 0.6% over the previous quarter, mainly driven by bonds and demand deposits. Excluding the effect of the 7.2% depreciation of the Colombian peso during the quarter, funding sources decreased by 1.0%.

Demand deposits reached a $55.2 trillion balance, increasing 3.1% over the quarter, as low-cost deposits from companies in Colombia increased. In Central America, even though demand deposits grew boosted by savings accounts, checking accounts decreased. Consolidated term deposits amounted to $33.7 trillion, remaining relatively stable in the quarter with a -0.1% variation.

Bonds closed Q121 with a $13.3 trillion balance, recording a 6.3% variation over the quarter. This is mainly the result of the issuance of senior bonds in Colombia worth $700 billion. In the international operation, bonds increased due to issuances in Costa Rica in order to diversify funding sources.

Credits with entities, with a balance approaching $12.6 trillion, decreased by 12.3% over the quarter. The operation in Colombia is largely responsible for this result as payments made during the quarter lowered the balance of financial obligations with foreign entities. In international subsidiaries, the balance of credits with entities decreased by 9.2%.

Gross loans to funding sources ratio closed at 94.2%, increasing 77 bps in relation to the previous quarter, reflecting the higher growth of gross loans relative to funding sources.

Y/Y Performance:

Funding sources decreased 3.7%, mainly as a result of the lower balance of credits with entities and term deposits. Excluding the effect of the 9.3% appreciation of the Colombian peso during the year, funding sources decreased by 1.3%.

The increase in deposits stemmed mainly from demand deposits, which grew 14.7% in Colombia and 12.5% in Central America. On the other hand, term deposits decreased 4.9% and 11.1%, respectively, as better funding alternatives have been available in light of lower interest rates.

Bonds remained relatively flat for the year, decreasing 0.4% due to the exchange rate conversion effect in Central America, which offset the 0.8% increase in Colombia.

Credits with entities decreased by 33.8% over the year, following the payment of financial obligations to foreign entities, which reduced the balance in Colombia by 38.9%. In Central America, credits with entities decreased 13.6% as a result of loans disbursed by foreign banks in the first quarter of 2020, specifically to the operation in Costa Rica, also with the purpose of strengthening short-term funding.

As gross loans contracted less than funding sources during the year, the gross loans to funding sources ratio increased 244 bps compared to the first quarter of 2020.

Equity and Regulatory Capital

Total Regulatory Capital and Risk Weighted Assets	Consolidated				
	Previous regulation		New regulation (Basel III)		
(COP billion)	1Q20	4Q20	4Q20 Pro-forma	1Q21	Q/Q
Equity	12,905	12,720	12,720	12,982	2.1
Common Equity Tier I (CET1)	9,972	9,557	11,243	11,502	2.3
Tier II Capital	3,948	4,677	4,574	4,747	3.8
Total Regulatory Capital	13,920	14,234	15,813	16,245	2.7
Risk Weighted Assets[9]	123,344	115,660	94,040	97,372	3.5
CET1 Ratio	8.08%	8.26%	11.96%	11.81%	-15 pbs
Total Capital Adequacy Ratio	11.29%	12.31%	16.82%	16.68%	-14 pbs
Leverage Ratio	NA	NA	7.68%	7.61%	-7 pbs

Basel III implementation:

The implementation of Basel III resulted in a 370 bps increase in the Tier I ratio and a 451 bps increase in the Total Capital Adequacy Ratio, when comparing 4Q20 results under the old and the new standard. Furthermore, risk-weighted assets decreased by $21.6 trillion, or an equivalent 18.7%, from the previous measurement.

Q/Q Performance:

Consolidated equity totaled $13.0 trillion as of March 2021, growing 2.1% over the previous quarter, mainly because of the net profit result and the increase in the exchange rate effect from the subsidiaries.

As of 1Q21, the Total Capital Adequacy Ratio under Basel III stood at 16.68%, 14 bps lower than the pro-forma 4Q20 figure. Meanwhile, the CET1 ratio decreased by 15 bps, from 11.96% at the end of 2020 to 11.81% in the first quarter of 2021. This was mainly the result of the increase in the loan portfolio, higher derivatives credit exposure and market VaR.

[9] Risk-weighted assets include credit, market risk and operational risk.

Considering that the minimum fully-loaded total capital adequacy requirement under Basel III is 11.5%, the total capital adequacy ratio was 518 bps above this minimum.

The density of Risk Weighted Assets[10] closed at 72%, decreasing 13 pps compared to the Old Standard-4Q20 (85%) due to the Basel III implementation, which enables a better risk assessment of balance and off-balance sheet's assets.

Income Statement	**Quarterly Figures**			**% Chg.**	
(COP billion)	**1Q20**	**4Q20**	**1Q21**	**Q/Q**	**Y/Y**
Interest Income	2,815	2,765	2,437	-11.9	-13.4
Loan Income	2,695	2,536	2,447	-3.5	-9.2
Commercial	991	907	864	-4.7	-12.8
Consumer	1,066	982	898	-8.6	-15.8
Mortgage	638	647	685	5.8	7.3
Investment Income	90	213	-22	-100.0	-100.0
Other Income	31	16	13	-23.1	-58.8
Financial Expenses	1,063	815	730	-10.5	-31.3
Demand Deposits	232	161	142	-11.7	-38.8
Term Deposits	429	312	273	-12.6	-36.5
Credits	148	117	102	-13.2	-31.3
Bonds	217	191	185	-3.2	-14.8
Other Expenses	36	34	29	-16.2	-21.0
Gross Financial Margin	1,752	1,950	1,707	-12.5	-2.6
Net Provision Expenses	885	1,183	1,136	-4.0	28.3
Net Interest Margin	867	767	571	-25.5	-34.1
Operating Income	314	366	367	0.4	17.1
Operating Expenses	981	1,092	1,009	-7.6	2.9
Personnel Expenses	413	398	408	2.6	-1.2
Operation Expenses	388	496	406	-18.2	4.6
Other Expenses	180	198	195	-1.6	8.7
Exchange and Derivatives	132	-53	212	100.0	60.3
Other Income and Expenses, net	-17	-24	-8	65.8	51.6
Income before Taxes	316	-36	134	100.0	-57.7
Income Tax	91	-50	32	100.0	-64.6
Net Profit	**225**	**14**	**101**	**100.0**	**-54.9**

[10] Risk-Weighted Assets' Density: (RWAs by Credit, Market and Operational Risk) / Total Assets.

Net Profit

Quarterly figures

Q/Q Performance:

Net profits reached $101.3 billion in 1Q21, increasing by $87.4 billion over the quarter as a result of lower financial and operating expenses, along with higher foreign exchange and derivatives income. As a result, the annualized quarterly return on average equity (ROAE) increased 272 bps from 0.4% to 3.2%.

Net profits in Colombia totaled $67.9 billion, increasing $98.7 billion compared to the previous quarter. The gross financial margin decreased by 15.8%, mainly explained by the reduction in investment income[11] due to the volatility in interest rates, which led to a portfolio devaluation. However, lower financial and operating expenses, as well as higher foreign exchange and derivatives income, contributed to an increase in total profits.

Profits obtained from the Central American operation totaled nearly US$9.4 million, decreasing 23.5% over the quarter due to a 20.1% increase in provision expenses, a 2.2% increase in operating expenses, and a decrease in the net income from foreign exchange and derivatives.

Y/Y Performance:

Consolidated profits fell 54.9% year-on-year, mainly due to lower financial income and higher provision expenses. This offset the 17.1% growth in operating income and the increase in net foreign exchange and derivatives income.

Net profits fell 49.2% in the Colombian operation. This is mainly explained by provision expenses, which increased 24.2%, and, to a lesser extent, by operating expenses, which grew 4.1%. However, operating income rose 26.5% and net foreign exchange and derivatives income also recorded positive growth throughout the year.

In international subsidiaries, net profits in USD decreased 63.4%. Despite the 4.2% increase in the gross financial margin, higher provision expenses led to a 17.7% decrease in the net financial margin. On the other hand, operating income fell 7.1% due to lower income from commissions and fees.

Gross Financial Margin

Gross Financial Margin	Quarterly Figures			% Chg.	
(COP billion)	1Q20	4Q20	1Q21	Q/Q	Y/Y
Loan Income	2,695	2,536	2,447	-3.5	-9.2
Investments and Interbank Income	120	229	-10	-100.0	-100.0
Financial Income	2,815	2,765	2,437	-11.9	-13.4
Financial Expenses	1,063	815	730	-10.5	-31.3
Gross Financial Margin	1,752	1,950	1,707	-12.5	-2.6

[11] Investment income does not include our hedging strategy results which are accounted for in Changes and Derivatives.

Quarterly figures

Q/Q Performance:

The gross financial margin reached $1.7 trillion at the end of the first quarter of the year, decreasing 12.5%, mainly explained by the reduction in financial income as a consequence of the interest rates reduction cycle.

In Colombia, the gross financial margin diminished by 15.8% in relation to the previous quarter. Loan income decreased 3.9%, mainly due to lower income in the consumer portfolio, followed by the commercial portfolio. Investment income contracted as a result of interest rate fluctuations, which caused the portfolio to devalue. On the other hand, financial expenses decreased 12.0%, impacted by lower interest rates and growth in low-cost deposits.

In international subsidiaries, the gross financial margin denominated in USD increased 5.8% due to a 2.2% increase in financial income, mainly from investments, combined with a 3.6% reduction in financial expenses.

The annualized quarterly NIM closed at 5.58%, decreasing 73 bps versus 4Q20, reflecting a decrease in the gross financial margin in the same period.

NIM				Bps. Chg	
Annualized Quarter	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total NIM	6.11%	6.31%	5.58%	-73	-53

Y/Y Performance:

The gross financial margin decreased 2.6% during the first quarter of the year when compared to the previous year. This variation is mainly explained by the reduction in loan and investment income, despite lower financial expenses.

In Colombia, loan income decreased by 10.4% due to lower interest rates and financial expenses reduced 35.0%, in line with the former result. Investment income decreased due to volatility in the Colombian securities market, as a higher level of risk is perceived, which translates into higher rates. Consequently, the gross financial margin decreased 4.3%.

In the international operation, the gross financial margin increased by 4.2% in USD over the year. This resulted mainly from a 19.4% decrease in financial expenses. At the same time, loan income decreased by 4.0% and investment income by 2.2%.

The annualized quarterly NIM decreased 53 bps year-over-year due to a lower gross financial margin against higher earning assets during the same period.

The 12-month NIM closed at 6.08%, 20 bps lower than the figure recorded in 1Q20. On the other hand, it is worth noting that the monetary policy interest rate has been cut by 250 bps over the past year.

NIM				Bps. Chg	
12 Months	1Q20	4Q20	1Q21	Q/Q	Y/Y
Total NIM	6.28%	6.29%	6.08%	-21	-20

Provision Expenses

Provision Expenses (COP billion)	1Q20	4Q20	1Q21	Q/Q	Y/Y
	Quarterly Figures			% Chg.	
Provision for credit losses	1,023	1,473	1,405	-4.6	37.4
Loan recoveries	137	289	269	-6.9	95.9
Net loan sales	0	0	0	NA	NA
Net Provision Expenses	**885**	**1,183**	**1,136**	**-4.0**	**28.3**

Quarterly figures

Q/Q Performance:

Gross provision expenses amounted to nearly $1.4 trillion in 1Q21, decreasing 4.6% from the previous quarter. This result is mainly associated with the increase in stage 1 due to the following reasons: i) new disbursements, ii) risk ratings update of customers with a good performance, and iii) write-offs made during the quarter.

Recoveries decreased by 6.93% when compared to 4Q20, a period in which negotiations in Colombia, in addition to the economic activity rebound, helped resume the collection process.

Consequently, expenses for the impairment of financial assets (net of recoveries) in 1Q21 totaled $1.1 trillion.

The annualized quarterly Cost of Risk closed at 4.20%, decreasing 24 bps relative to the fourth quarter of 2020.

Cost of Risk Annualized Quarter	1Q20	4Q20	1Q21	Bps. Chg Q/Q	Y/Y
CoR	3.24%	4.44%	4.20%	-24	96

Y/Y Performance:

Over the past year, gross provision expenses increased by $382.1 billion. In Colombia and in international subsidiaries, provisions increased mainly in the consumer and commercial segments.

Loan recoveries increased by $131.8 billion following negotiations dynamics in Colombia and Central America.

As a result, consolidated impairment expenses on financial assets (net of recoveries) recorded an annual growth of $250 billion.

The annualized Cost of Risk for the quarter increased 96 bps compared to the figure recorded at the end of 2020.

The 12-month Cost of Risk[12] closed at 4.11%, 161 bps higher than the figure recorded in the previous year, because of increased provisioning expenses in recognition of the current economic situation.

Cost of Risk 12 months	1Q20	4Q20	1Q21	Bps. Chg Q/Q	Bps. Chg Y/Y
CoR	2.50%	3.94%	4.11%	18	161

Operating Income

Quarterly figures

Q/Q Performance:

Net operating income totaled $367.4 billion in the first quarter of the year, which is already above pre-pandemic levels. Compared to the previous quarter, operating income remained relatively flat (increasing 0.4%).

In Colombia, operating income recorded a 0.2% variation. Higher income from dividends and services offset the 4.1% decrease in fees income, associated with fewer transactions with credit and debit cards.

In Central America, net operating income increased 4.0% due to higher insurance and services income, counteracting a 1.4% decrease in fee and commission income.

Y/Y Performance:

Operating income grew 17.1% in relation to the previous year, driven by higher net fees and commission income. This result was driven by the higher transaction volume recorded in the past few months and the strategy to reactivate charges, after the exoneration granted in March 2020 due to the COVID-19 outbreak.

In Colombia, operating income increased 26.5%, mainly driven by a 32.6% growth in net fees and commission income. In international subsidiaries, operating income decreased 7.1% as a result of lower fees and commission income.

Operating Expenses

Operating Expenses (COP billion)	Quarterly Figures 1Q20	4Q20	1Q21	% Chg. Q/Q	Y/Y
Personnel Expenses	413	398	408	2.6	-1.2
Operating Expenses and Others	567	694	601	-13.5	5.9
Total Expenses	**981**	**1,092**	**1,009**	**-7.6**	**2.9**

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

Quarterly figures

Q/Q Performance:

In 1Q21, operating expenses totaled $1.0 trillion, decreasing 7.6% from the previous quarter due to expense control initiatives in Colombia.

Consolidated personnel expenses increased 2.6%, mainly attributable to an inflation adjustment at the beginning of a new year and to the increase in the minimum wage in Colombia and the subsidiaries. Operating and other expenses decreased 13.5%, mainly due to the implementation of an expense control strategy throughout the quarter. According to this, in Colombia operational expenses decreased by 9%.

As a result of lower operating expenses, the cost-to-income ratio for the quarter was 44.5%, 430 bps lower than in 4Q20.

Cost-to-Income				**Bps. Chg**	
Annualized Quarter	**1Q20**	**4Q20**	**1Q21**	**Q/Q**	**Y/Y**
Cost-to-Income	45.1%	48.8%	44.5%	-430	65

Y/Y Performance:

Operating expenses in 1Q21 increased 2.9% when compared to the first quarter of the previous year. This is explained by the 5.9% increase in operating and other expenses, which offset the 1.2% decrease in personnel expenses.

In Colombia, this increase stemmed from fees incurred in connection with the digital transformation process. Meanwhile, in the international subsidiaries, operating expenses decreased to a greater extent due to lower personnel expenses.

As a result of higher operating expenses, the annualized quarterly cost-to-income ratio increased 65 bps compared to 1Q20.

The 12-month cost-to-income ratio closed the first quarter of the year at 46.9%, increasing 34 bps year-over-year, reflecting higher expenses over the past 12 months.

Cost-to-Income				**Bps. Chg**	
12 months	**1Q20**	**4Q20**	**1Q21**	**Q/Q**	**Y/Y**
Cost-to-Income	46.5%	47.1%	46.9%	-19	34

Taxes

Quarterly figures

Income Tax				**% Chg**	
Quarter	**1Q20**	**4Q20**	**1Q21**	**Q/Q**	**Y/Y**
Tax	91	-50	32	100.0	-64.6

Q/Q Performance:

The $32.3 billion income tax increased compared to the previous quarter, given the higher profits recorded before taxes.

Y/Y Performance:

The income tax decreased 64.6% year over year given the reduction of $182 billion in profits before taxes.

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