Banco Davivienda S.A. / PFDAVVNDA

Fourth Quarter Results 2019 / 4Q19

Bogotá, Colombia. March 2nd, 2020. – Banco Davivienda S.A. (BVC: PFDAVVNDA) announces its 2019 Fourth Quarter consolidated results. Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in Colombian Pesos (COP).

HIGHLIGHTS

- Net profit for the quarter reached $385 billion, increasing 11.7% compared to 3Q19 and 2.7% relative to 4Q18. Accumulated profit as of December 2019 reached $1.48 trillion, rising 6.1% over the year. 12-months ROAE closed at 12.4%, 28 bps lower than the previous quarter, and 48 bps lower when compared to the closing figure of 2018.

- Gross loans totaled $97.4 trillion, growing 0.4% over the quarter and 10.9% over the year. Annual growth recorded by segment was: 29.1% consumer, 10.9% mortgage, and 1.8% commercial.

- As of December 2019, 90-days consolidated PDL ratio stood at 3.46%, decreasing 35 bps relative to the previous quarter and 47 bps relative to the previous year.

- The net financial margin reached $1.1 trillion in the last quarter of 2019, growing 11.4% compared to 3Q19 and 12.0% year over year. Accumulated net financial margin totaled $4.3 trillion, rising 9.9% in 2019. 12-months Net Interest Margin (NIM) closed at 6.52%, 3 bps lower than in the previous quarter but 2 bps higher than in 4Q18.

- 12-months Cost of Risk stood at 2.50%, increasing 5 bps relative to 3Q19 and 14 bps relative to 4Q18.

- 12-months Cost-to-Income ratio closed 2019 at 46.2%, rising 46 bps over the quarter and falling 25 bps over the year.

- Total Capital Adequacy Ratio stood at 11.61% at the end of 2019, rising 46 bps over the quarter, partially due to a Tier II subordinated loan granted by the IFC to Davivienda in December. Tier I ratio closed at 7.99%.

- As of December 2019, Davivienda was present in 6 countries, had over 11.9 million customers, 17,167 employees, 681 branches and 2,681 ATMs.

ECONOMIC ENVIRONMENT COLOMBIA

The global economy grew 2.4% in 2019, the lowest growth recorded since the 2009 world financial crisis and lower than the 3.0% growth in 2018. The year was marked by the weaker performance of developed economies, as well as of the Latin American region, which grew 0.8% after growing 1.7% in 2018.

Some of the reasons behind slow economic growth are the trade conflict between the United States and China, as well as the discretionary and unpredictable policies of the U.S. administration, which contributed to a significant drop in global investment. Furthermore, the slowdown of the U.S. economy, following the phasing out of the stimulus measures contemplated in the 2017 Trump tax reform, further contributed to investment decline. Finally, uncertainty over Brexit affected the UK economy throughout the year.

Related to global demand slowdown, the average oil price in 2019 was lower than a year earlier. The average WTI price reduced 12.6%, from USD 65.2 per barrel in 2018 to USD 56.9 in 2019.

Despite a challenging international environment, the Colombian economy accelerated growing 3.2% in 2019 versus 2.6% in 2018, mainly due to household consumption, which increased by 4.7% in 2019 after rising 3.6% in 2018, and investment recovery, from a 3.0% growth rate in 2018 to 4.8% in 2019. After the Dominican Republic and Panama, Colombia recorded the highest economic growth in the region.

Inflation closed at 3.8% in 2019, near the upper limit of the target range (4.0%) and above the previous year's closing value (3.18%) due to the increase in food inflation as a result of a rebound effect, after a declining stage of these goods' prices throughout 2017 and 2018. In second place, the exchange rate depreciation in the second half of the year impacted the price not only of imported food but also of other types of goods.

The exchange rate against the U.S. dollar reached a historic peak in November as a result of lower income from traditional exports -in line with lower oil prices and less dynamic coal exports-, portfolio capital outflow and public safety concerns arising from the November 21 strike. However, positive expectations regarding the trade war between the United States and China allowed the appreciation of emerging currencies, including the Colombian peso, which ended the year at COP 3,277.1 per US dollar.

In Colombia, the monetary policy rate remained stable at 4.25% throughout the year, contrary to what happened in most countries around the world where interest rates were reduced to stimulate aggregate demand. This stability and the lack of alignment with world monetary policy was explained by the acceleration of the Colombian economy (compared to the moderate growth in other countries), as well as the year-end increase in inflation.

ECONOMIC ENVIRONMENT CENTRAL AMERICA

In Central America, average growth during the first three quarters of 2019 slowed down compared to the same period in 2018, with Costa Rica and Honduras recording the most significant corrections and Panama growing at the lowest rate since the 2009 crisis.

The agricultural sector was the least dynamic impacted by persistently low international prices of raw materials and adverse weather conditions, especially in the first half of the year. Likewise, the construction sector in Costa Rica and the trade sector in Panama faced specific challenges.

On the other hand, a copper mine began operations in Panama during the third quarter of the year, increasing the mining sector's dynamism and dampening Panama's GDP slowdown. In the rest of the countries of the region, third-quarter GDP results showed an acceleration compared to the second quarter, although without managing to turn around the year' s performance.

The region experienced a deflationary trend due to the economic slowdown, higher unemployment, less influence of international fuel prices, and less exchange rate pressures.

In 2019, inflation in Costa Rica was 1.52%, below the Central Bank's target range (2%-4%), whereas inflation in Honduras was 4.08%, within the Central Bank's range (3%-5%). In contrast, inflation in El Salvador at the end of the year was -0.01%, while in Panama it was -0.06%.

Amid the economic slowdown and low, stable inflation, the Central Bank of Costa Rica (BCCR) continued its expansionary monetary policy: the monetary policy rate (MPR) stood at 2.75% at the end of 2019, compared to 5.25% at the end of 2018. As of January 2020, the BCCR had reduced the MPR to 2.25%.

The Central Bank of Honduras (BCH) raised the MPR in January 2019 from 5.50% to 5.75% and then reduced it in December from 5.75% to 5.50%. By early February 2020, the BCH had further reduced the MPR to 5.25%.

Finally, Costa Rica's risk rating was downgraded from B1 to B2 according to Moody's, following the release of preliminary figures for the 2019 fiscal deficit as a share of GDP (6.96%). On the other hand, Fitch assigned Panama's sovereign rating a negative outlook due to the loosening of the Fiscal Responsibility Law at the end of 2019 and the negative performance of the fiscal figures during the year. In spite of the above, Panama received rating improvements from Standard & Poor's and Moody's in the first half of the year due to national income diversification.

MAIN CONSOLIDATED FIGURES:

Statement of Financial Condition

(COP billion)				% Chg.	
Assets	**Dec. 18**	**Sep. 19**	**Dec. 19**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	9,937	9,643	10,468	8.6	5.3
Investments	11,477	12,430	12,196	-1.9	6.3
Gross Loan Portfolio	87,822	96,988	97,400	0.4	10.9
Loan Loss Reserves	-3,710	-4,572	-4,144	-9.4	11.7
Property, Plant and Equipment	801	1,798	1,734	-3.6	100.0
Other Assets	4,397	4,741	4,569	-3.6	3.9
Total Assets	110,724	121,028	122,222	1.0	10.4
Liabilities					
Repos and Interbank Liabilities	3,787	2,234	1,760	-21.2	-53.5
Demand Deposits	36,086	38,715	40,786	5.4	13.0
Term Deposits	31,118	35,998	34,805	-3.3	11.8
Bonds	10,686	12,754	12,399	-2.8	16.0
Credits	12,495	12,993	13,565	4.4	8.6
Other Liabilities	5,142	5,950	6,257	5.2	21.7
Total Liabilities	99,314	108,644	109,571	0.9	10.3
Equity					
Non-controlling Interest	90	103	113	10.2	26.3
Equity	11,320	12,281	12,538	2.1	10.8
Total Equity	11,410	12,383	12,651	2.2	10.9
Total Liabilities and Equity	**110,724**	**121,028**	**122,222**	**1.0**	**10.4**

Income Statement	**Quarterly Figures**			**% Chg.**		**Accumulated Figures**		**% Chg.**
(COP billion)	**4Q18**	**3Q19**	**4Q19**	**Q/Q**	**Y/Y**	**Dec. 18**	**Dec. 19**	**Y/Y**
Interest Income	2,435	2,717	2,751	1.2	13.0	9,510	10,725	12.8
Loans	2,270	2,494	2,548	2.2	12.2	8,862	9,795	10.5
Investments	143	195	167	-14.4	17.1	547	812	48.3
Other Income	22	28	36	28.6	60.9	101	119	17.8
Financial Expenses	911	1,040	1,046	0.6	14.9	3,558	4,031	13.3
Gross Financial Margin	1,524	1,676	1,704	1.7	11.8	5,951	6,694	12.5
Net Provision Expenses	513	661	572	-13.4	11.5	2,075	2,434	17.3
Net Interest Margin	1,011	1,016	1,132	11.4	12.0	3,877	4,259	9.9
Operating Income	315	330	348	5.4	10.6	1,254	1,331	6.1
Operating Expenses	919	933	1,037	11.2	12.9	3,414	3,730	9.3
Exchange and Derivatives	56	46	35	-22.9	-37.0	145	67	-54.1
Other Income and Expenses, net	4	5	-12	-100.0	-100.0	14	0	-100.0
Income Before Taxes	467	464	466	0.5	-0.1	1,876	1,927	2.7
Income Tax	92	120	82	-31.9	-11.4	478	443	-7.2
Net Profit	**374**	**344**	**385**	**11.7**	**2.7**	**1,399**	**1,484**	**6.1**

MAIN RATIOS

12 Months	4Q18	3Q19	4Q19	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.49%	6.55%	6.52%	-3	2
Cost of Risk	2.36%	2.45%	2.50%	5	14
Cost-to-Income	46.5%	45.8%	46.2%	46	-25
ROAE	12.9%	12.7%	12.4%	-28	-48
ROAA	1.35%	1.31%	1.27%	-3	-8

Annualized Quarter	4Q18	3Q19	4Q19	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.39%	6.41%	6.31%	-10	-8
Cost of Risk	2.34%	2.72%	2.35%	-37	1
Cost-to-Income	48.4%	45.3%	50.0%	463	157
ROAE	13.4%	11.4%	12.3%	93	-112
ROAA	1.39%	1.16%	1.26%	10	-13

STATEMENT OF FINANCIAL CONDITION

Assets

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Assets	Dec. 18	Sep. 19	Dec. 19	Q/Q	Y/Y	Dec. 19	Q/Q	Y/Y	Dec. 19	Q/Q	Y/Y
Cash and Interbank Funds	9,937	9,643	10,468	8.6	5.3	4,808	10.4	-5.3	1,727	13.6	15.5
Investments	11,477	12,430	12,196	-1.9	6.3	9,444	-5.9	1.5	1,245	16.2	14.8
Gross Loans Portfolio	87,822	96,988	97,400	0.4	10.9	77,837	1.3	11.9	5,969	3.0	6.3
Loan Loss Reserves	-3,710	-4,572	-4,144	-9.4	11.7	-3,640	-9.3	12.3	-154	-4.8	6.9
Property, Plant and Equipment	801	1,798	1,734	-3.6	100.0	1,272	-2.7	100.0	141	-0.4	20.6
Other Assets	4,397	4,741	4,569	-3.6	3.9	3,398	-3.5	3.0	212	-0.8	10.9
Total Assets	110,724	121,028	122,222	1.0	10.4	92,268[1]	1.2	10.4	9,140	6.5	9.4

Q/Q Performance:

As of December 2019, total assets reached $122.2 trillion, increasing 1.0% over the quarter. Assets grew 2.4%, excluding the impact of COP appreciation during the quarter (5.8%).

Cash and interbank funds totaled $10.5 trillion, rising 8.6% over the quarter, mainly due to an increase in cash at central banks. The investment portfolio closed with a balance of $12.2 trillion, decreasing 1.9% because of a lower exposure in the trading portfolio.

[1] Consolidation accounts for 851 billion COP.

Gross loans rose to $97.4 trillion, increasing 0.4% due to the expansion of consumer and mortgage loan portfolios, which offset the commercial portfolio reduction.

Finally, as of December 2019, loan-loss reserves stood at $4.1 trillion, 9.4% lower than in 3Q19. The reduction was mainly due to the corporate banking write-offs done in Colombia during the quarter.

Y/Y Performance:

Total assets grew by 10.4% over the past year. Consolidated assets grew 10.2%, excluding the impact of COP devaluation during the year (0.8%).

Cash and interbank funds increased by 5.3%, mainly driven by an increase in interbank funds in Central America. The investment portfolio grew 6.3%, largely concentrated in the international operation, due to the increased outstanding amount in deposits.

Gross loans annual growth rate of 10.9% is explained by the greater dynamism of the consumer portfolio, which increased by 29.1%, followed by the mortgage segment, which grew 10.9%.

Consolidated loan-loss reserves increased by 11.7% compared to year-end 2018, in line with loan portfolio growth and the additional reserves required for some specific cases from the corporate segment in Colombia during the year.

Finally, the increase in property, plant, and equipment is due to the rights-of-use recognition following IFRS[2] 16 implementation, effective on January 1st, 2019[3].

Gross Loans

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Gross Loans	**Dec. 18**	**Sep. 19**	**Dec. 19**	**Q/Q**	**Y/Y**	**Dec. 19**	**Q/Q**	**Y/Y**	**Dec. 19**	**Q/Q**	**Y/Y**
Commercial	44,553	47,584	45,367	-4.7	1.8	34,784	-5.3	0.8	3,229	3.4	4.5
Consumer	22,306	26,638	28,791	8.1	29.1	24,023	10.6	33.6	1,455	2.8	9.3
Mortgage	20,963	22,766	23,241	2.1	10.9	19,030	3.5	11.4	1,285	2.1	7.8
Total	87,822	96,988	97,400	0.4	10.9	77,837	1.3	11.9	5,969	3.0	6.3

Q/Q Performance:

As of December 2019, gross loans reached $97.4 trillion, increasing 0.4% compared to the previous quarter. The growth in consumer and mortgage loan portfolios offset the commercial portfolio reduction. Gross loans grew 1.6%, excluding the impact of COP appreciation during the quarter (5.8%).

[2] International Financial Reporting Standards.

[3] For more information regarding IFRS 16 implementation, please refer to Davivienda Financial Results Report 1Q19.

The commercial portfolio decreased by 4.7% due to Colombia's operation given prepayments of some customers mainly from the corporate segment, as well as write-offs in some specific cases.

The consolidated consumer portfolio grew 8.1%, driven mainly by the implementation of commercial strategies, aligned with the bank's risk appetite, through traditional and digital channels. In Colombia, unsecured personal loans increased by 33.2% while credit cards grew 6.4%, contributing to the segment's performance.

The mortgage portfolio expanded 2.1% relative to 3Q19, explained by the 2.8% growth of the leasing for housing segment and, to a lesser extent, by the 4.2% growth of social housing in Colombia. In the last quarter of the year, mortgage loans by 200 billion pesos were securitized.

The gross loan portfolio in international subsidiaries reached USD 6.0 billion, increasing 3.0% in comparison with the previous quarter. The commercial portfolio exhibited the highest growth (3.4%), mainly due to the corporate segment in El Salvador, followed by the consumer portfolio, which grew 2.8%, and lastly, the mortgage portfolio, which increased by 2.1% over the quarter.

Y/Y Performance:

Consolidated gross loans grew 10.9%, driven mainly by consumer growth. Consolidated gross loans increased by 10.7%, excluding the impact of COP devaluation during the year (0.8%).

The commercial portfolio recorded a 1.8% consolidated growth explained by the operation in Colombia, where the segment of small and medium enterprises (SMEs) increased by 14.2% and, on the other hand, corporate and construction segments decreased by 2.5% and 5.2%, respectively, due to customers' prepayments and write-offs.

The total consumer portfolio grew 29.1% in 2019, relative to the previous year. In Colombia, this portfolio grew 33.6%, driven mainly by unsecured personal loans and credit cards, which increased by 116.1% and 21.0%, respectively. The consumer portfolio's performance is explained by the implementation of digital initiatives, such as the Mobile Credit Card product launched in May 2019, along with analytics-based strategies. As a result, in 2019, we increased our market share by 190 bps, from 13.2% at year-end 2018 to 15.1% in November 2019.

The consolidated mortgage portfolio grew 10,9% due to leasing for housing and social housing segments in Colombia, which increased their outstanding amount by 14.0% and 10.1%, respectively. On the other hand, throughout the year, mortgage loans by 830 billion pesos were securitized.

In the international operation, the gross loan portfolio increased 6.3%, driven by a 4.5% growth in the commercial portfolio in El Salvador. The consumer portfolio increased by 9.3%, led by credit cards and payroll loans. Finally, the mortgage portfolio registered an annual growth of 7.8%, mainly reflecting the dynamics of El Salvador.

Asset Quality and Coverage

	Consolidated			Colombia			International		
PDL	4Q18	3Q19	4Q19	4Q18	3Q19	4Q19	4Q18	3Q19	4Q19
Commercial	4.62%	4.57%	4.04%	5.48%	5.50%	5.03%	1.66%	1.42%	0.79%
Consumer	2.55%	2.24%	2.04%	2.50%	2.07%	1.86%	2.76%	2.99%	2.90%
Mortgage	3.92%	4.05%	4.07%	4.15%	4.25%	4.23%	2.88%	3.23%	3.36%
Total (90)[4]	3.93%	3.81%	3.46%	4.38%	4.23%	3.86%	2.18%	2.20%	1.86%
Mortgage (120)	3.03%	3.17%	3.20%	3.18%	3.26%	3.25%	2.38%	2.81%	2.97%
Total (120)[5]	3.72%	3.60%	3.25%	4.15%	4.00%	3.62%	2.07%	2.11%	1.77%

Q/Q Performance:

90 days Consolidated PDL ratio closed at 3.46% as of December 2019, decreasing 35 bps compared to the previous quarter, primarily due to the write-offs made in the commercial portfolio.

The commercial portfolio PDL ratio closed 2019 at 4.04%, 53 bps lower than in September 2019 (4.57%). This reduction stemmed from write-offs done in the last quarter in Colombia, where the ratio decreased by 47 bps from 5.50% to 5.03%. In the international operation, the ratio improved by 63 bps, from 1.42% in September 2019 to 0.79% at year-end 2019, due to the dynamics in Costa Rica and Panama.

90 days PDL ratio for the consumer portfolio closed at 2.04%, decreasing 20 bps over the quarter due to the portfolio's growth. In Central America, the ratio improved by 9 bps because of payroll loan portfolio growth and performance in Costa Rica, as well as improved behavior of unsecured personal loans and credit cards in El Salvador.

Finally, 90 and 120 days PDL ratios for mortgage loans closed at 4.07% and 3.20% respectively, increasing 2 and 3 bps over the quarter. In Colombia, the ratios improved by 2 and 1 bp showing a recent trend towards stabilization. In the international subsidiaries, 90 and 120 days PDL ratios increased by 13 bps and 16 bps respectively, due to the ongoing macroeconomic impact on this segment.

Write-offs for the loan-book totaled $1.0 trillion in 4Q19, increasing 123.3% as a result of the higher write-offs done in Colombia during the quarter, as mentioned earlier.

Write-offs	Quarterly Figures			% Chg.	
(COP billion)	4Q18	3Q19	4Q19	Q/Q	Y/Y
Total write-offs	509	480	1,072	123.3	110.5

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

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

Y/Y Performance:

90 days consolidated PDL ratio decreased by 47 bps over the year due to the performance of the commercial and consumer portfolios.

The commercial portfolio PDL ratio decreased by 58 bps as a result of the write-offs done in the last quarter, as well as restructuring agreements made throughout the year. In Central America, the PDL ratio for this portfolio also improved due to the behavior in Costa Rica and Panama.

The consumer PDL ratio decreased 51 bps, explained by the portfolio growth in Colombia. In Central America, the PDL ratio increased by 15 bps, mainly due to the deterioration of payroll and unsecured personal loans in El Salvador during the first quarter of the year.

90 and 120 days PDL ratios for mortgage loans increased by 15 and 17 bps, respectively, relative to 4Q18, mainly due to the deterioration in the international operation. In Colombia, 90 and 120 days PDL ratios increased by 8 and 7 bps given that securitizations conducted over the past year (COP 830 billion) accounted for around 12 and 15 bps of the ratios' variation. On the other hand, the macroeconomic situation has continued to affect the mortgage segment in the international subsidiaries, where 90 and 120 days PDL ratios increased by 48 and 59 bps over the past year.

Write-offs increased by 110.5% compared to 4Q18, reflecting larger write-offs in the corporate segment. Accumulated write-offs as of December 2019 reached $2.5 trillion, increasing 28.0% compared to the previous year.

Write-offs	Accumulated Figures		% Chg.
(COP billion)	Dec. 18	Dec. 19	Y/Y
Write-offs	1,931	2,472	28.0

Coverage

	Coverage[6]			Total Reserves Coverage[7]		
Coverage	4Q18	3Q19	4Q19	4Q18	3Q19	4Q19
Commercial	94.8%	119.9%	117.0%	107.7%	130.5%	140.6%
Consumer	254.4%	268.3%	280.6%	270.2%	296.8%	319.7%
Mortgage	37.7%	39.2%	37.3%	67.0%	67.7%	67.8%
Total	107.6%	123.8%	123.1%	124.9%	141.7%	151.4%

Q/Q Performance:

The coverage ratio closed at 123.1%, decreasing 70 bps compared to 3Q19. Total consolidated coverage closed 2019 at 151.4%, 9.7 pps higher than the previous quarter as a result of the lower balance of 90 days past due loans, despite lower asset allowances and equity reserves.

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

Y/Y Performance:

Coverage and Total Reserves Coverage ratios increased by 15.5 and 26.5 pps, 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	**Dec. 18**	**Sep. 19**	**Dec. 19**	**Q/Q**	**Y/Y**	**Dec. 19**	**Q/Q**	**Y/Y**	**Dec. 19**	**Q/Q**	**Y/Y**
Demand deposits	36,086	38,715	40,786	5.4	13.0	31,407	4.0	13.3	2,862	16.7	11.3
Term deposits	31,118	35,998	34,805	-3.3	11.8	24,532	-4.9	9.6	3,135	6.7	16.7
Bonds	10,686	12,754	12,399	-2.8	16.0	10,896	-2.4	13.7	458	0.1	35.2
Credits	12,495	12,993	13,565	4.4	8.6	9,479	12.5	24.3	1,247	-5.1	-16.8
Total	90,385	100,460	101,555	1.1	12.4	76,314	1.0	13.4	7,702	7.5	8.5

Q/Q Performance:

Funding sources totaled $101.6 trillion at the end of 2019, growing 1.1% over the quarter, mainly due to a 5.4% increase in demand deposits and 4.4% in credits. Funding sources grew 2.5%, excluding the impact of COP appreciation over the quarter (5.8%).

As of December 2019, demand and term deposits reached a balance of $40.8 and $34.8 trillion, respectively. In Colombia, demand deposits grew 4.0%, while term deposits decreased by 4.9%. In the foreign subsidiaries, demand deposits increased by 16.7%, explained mainly by larger deposits from the corporate and business segments in El Salvador and Costa Rica.

Bonds closed 2019 with a $12.4 trillion balance, decreasing 2.8% relative to 3Q19, mainly because of the maturity of senior bonds in October worth approximately $109 billion and the appreciation of the UVR (inflation-linked unit) and the exchange rate in Colombia.

Credits with entities, which increased by 4.4 % over the quarter, reached a balance of $13.6 trillion as of December 2019. In Colombia, credits increased by 12.5% due to the disbursement by the IFC of a Tier II subordinated loan amounting to USD 335 million, while in Central America credits with entities decreased 5.1% due to settled obligations with foreign banks.

Loans to funding ratio stood at 95.9%, 6 bps below the figure recorded in September because of the higher growth recorded in funding sources compared to gross loans growth.

Y/Y Performance:

Funding sources grew 12.4% due to the higher outstanding amount in demand and term deposits. Funding sources increased by 12.1%, excluding the impact of COP devaluation over the year (0.8%).

Deposits increased mainly in Colombia, driven by demand deposits, which increased by 13.3% annually, followed by term deposits with a 9.6% growth. In Central America, term deposits grew 16.7%, above demand deposits, which increased by 11.3%.

Consolidated bonds increased by 16.0% mainly because of issuances amounting to nearly $1.8 trillion done in Colombia during the year.

Credits with entities reached $13.6 trillion at the end of 2019, growing 8.6% compared to December 2018, reflecting increased credits with foreign financial entities such as multilaterals.

Loans to funding ratio increased by 102 bps against 4Q18, given the gross loans expansion during the year.

Equity and Regulatory Capital

Total Regulatory Capital and Risk-Weighted Assets	**Consolidated**				
(COP Billion)	**4Q18**	**3Q19**	**4Q19**	**Q/Q**	**Y/Y**
Equity	11,410	12,383	12,651	2.2	10.9
Common Equity Tier I Capital	7,887	8,824	8,734	-1.0	10.7
Tier II Capital	3,908	3,259	3,956	21.4	1.2
Total Regulatory Capital	11,795	12,083	12,691	5.0	7.6
Risk Weighted Assets	94,724	103,098	103,972	0.8	9.8
Capital Adequacy Ratio	11.93%	11.15%	11.61%	46 bps	-32 bps
Tier I	7.98%	8.15%	7.99%	-15 bps	1 bps
Tier II	3.95%	3.01%	3.62%	61 bps	-33 bps

Q/Q Performance:

At the end of 2019, consolidated equity reached $12.7 trillion, growing 2.2% relative to the previous quarter due to the resulting profits.

The total capital adequacy ratio stood at 11.61%, 46 bps higher than the figure reported in 3Q19, as a result of the increase in Tier II due to the hybrid loan granted by the IFC in December amounting to USD 335 million. The total capital adequacy ratio is 261 bps above the threshold defined as the minimum required under Colombian regulation (9%). The Tier I ratio decreased by 15 bps closing 2019 at 7.99%, given risk-weighted assets growth over the quarter.

As of December 2019, the density[8] of risk-weighted assets stood at 85.1%, down 10 bps from 3Q19 (85.2%).

Y/Y Performance:

Consolidated equity grew over the year 10.9% due to reserves growth (on the occasion of the $782 billion capitalization approved by the Shareholders Meeting).

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

The total capital adequacy ratio decreased by 32 bps over the past 12 months, explained by the 9.8% growth in risk-weighted assets during the year and lower weight of the outstanding subordinated debt. On the other hand, the Tier I ratio remained stable (increasing 1 bp), despite risk-weighted assets growth compared to year-end 2018.

The density of risk-weighted assets decreased by 40 bps compared to 4Q18 (85.5%).

INCOME STATEMENT

Income Statement	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	4Q18	3Q19	4Q19	Q/Q	Y/Y	Dec. 18	Dec. 19	Y/Y
Interest Income	2,435	2,717	2,751	1.2	13.0	9,510	10,725	12.8
Loan Income	2,270	2,494	2,548	2.2	12.2	8,862	9,795	10.5
Commercial	922	1,008	953	-5.4	3.4	3,565	3,813	7.0
Consumer	823	908	1,008	11.0	22.5	3,201	3,610	12.8
Mortgage	525	578	587	1.5	11.8	2,096	2,371	13.1
Investment Income	143	195	167	-14.4	17.1	547	812	48.3
Other Income	22	28	36	28.6	60.9	101	119	17.8
Financial Expenses	911	1,040	1,046	0.6	14.9	3,558	4,031	13.3
Demand Deposits	169	203	227	12.0	34.7	627	819	30.5
Term Deposits	403	444	435	-2.0	7.9	1,658	1,677	1.1
Credits	138	146	138	-5.1	0.6	480	571	18.9
Bonds	178	200	214	7.0	20.0	713	792	11.1
Other Expenses	23	47	31	-33.6	36.7	80	173	100.0
Gross Financial Margin	1,524	1,676	1,704	1.7	11.8	5,951	6,694	12.5
Net Provision Expenses	513	661	572	-13.4	11.5	2,075	2,434	17.3
Net Interest Margin	1,011	1,016	1,132	11.4	12.0	3,877	4,259	9.9
Operating Income	315	330	348	5.4	10.6	1,254	1,331	6.1
Operating Expenses	919	933	1,037	11.2	12.9	3,414	3,730	9.3
Personnel Expenses	350	374	417	11.5	19.1	1,440	1,544	7.3
Operation Expenses	428	387	443	14.5	3.4	1,472	1,504	2.2
Other Expenses	141	172	178	3.2	26.2	503	682	35.6
Exchange and Derivatives	56	46	35	-22.9	-37.0	145	67	-54.1
Other Income and Expenses, net	4	5	-12	-100.0	-100.0	14	0	-100.0
Income before Taxes	467	464	466	0.5	-0.1	1,876	1,927	2.7
Income Tax	92	120	82	-31.9	-11.4	478	443	-7.2
Net Profit	**374**	**344**	**385**	**11.7**	**2.7**	**1,399**	**1,484**	**6.1**

Net Profit

Quarterly figures

Q/Q Performance:

Quarter's net profit at the end of 2019 reached about $385 billion, increasing 11.7% compared to September 2019. Hence, the Annualized Quarter Return on Average Equity (ROAE) increased by 93 bps reaching 12.3%.

Net profit in Colombia was $324 billion, growing 18.1% mainly due to the net financial margin expansion, explained by higher loan income and lower provision expenses. Loan income increased 2.0% led by the consumer and mortgage portfolios whose income increased by 11.8% and 1.3%, respectively, while investment income decreased by 26.9%. On the other hand, net provision expenses decreased by 13.2% mainly because of lower provision efforts during the 4Q19 and increased portfolio recovery actions.

Net profit for the operation in Central America totaled USD 17.7 million as of December 2019, decreasing 15.4% over the quarter. This result was explained by the CRC/USD hedging strategy, aimed to preserve the capital adequacy ratio in Costa Rica, which generated higher net exchange expenses given the CRC revaluation over the quarter. Additionally, the net profit decreased due to the deterioration of some goods received in lieu of payment in Costa Rica.

Y/Y Performance:

Quarter's consolidated profit grew 2.7% over the year as a result of the 12.0% increase in the net financial margin, along with the 12.9% growth in operating expenses. Therefore, Annualized Quarter ROAE was 112 bps lower than in 4Q18.

In Colombia, loan income grew 12.2%, driven by the consumer segment, and investment income increased by 4.5%. Higher net provision expenses, which increased by 6.2% annually, resulted mainly from the additional expense in the consumer segment, in line with the portfolio's growth. Lastly, operating expenses increased by 13.6% concentrated in personnel expenses.

The net profit of the operation in the subsidiaries decreased by 39.0% in USD relative to the previous year due to higher net exchange expenses, given the CRC/USD hedging strategy explained above.

Accumulated figures

Y/Y Performance

Accumulated profits throughout 2019 reached $1.48 trillion, increasing 6.1% over the year. 12-months ROAE closed the year at 12.4%, decreasing 48 bps over the same period. In 2018 atypical profits were recorded due to lower provision expenses resulting from IFRS 9 implementation, and to extraordinary income received from real estate asset sales. Therefore, accumulated profits in 2019 grew less compared to the accumulated figure in 2018, explaining the ROAE reduction.

In Colombia's operation, accumulated profits grew 11.6%, mainly driven by higher financial income. Loan income increased by 8.6%, and growth recorded by segment was: consumer 11.5%, mortgage 12.1%, and commercial 3.3%. On the other hand, investment income recorded a 49.1% due to the appreciation of public debt instruments and the non-recurring income perceived in 1Q19 from valuation adjustments of securitization instruments. Higher provision expenses, which increased by 14.9% annually, resulted from further coverage required for specific cases in the commercial portfolio and additional expenses in the consumer segment, in line with the portfolio's growth.

In the international subsidiaries, accumulated profits decreased 23.7% in USD. However, this figure is impacted by the foreign exchange hedging strategy explained above and IFRS 9 provisioning standards. In the local operations, excluding these two effects, profits increased 14% compared to year-end 2018. The hedging strategy impacted in a negative way the net profit, but is reflected as a higher level of equity. The difference in provisioning standards between local and international rules explains the rest of the impact.

Gross Financial Margin

Gross Financial Margin	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	4Q18	3Q19	4Q19	Q/Q	Y/Y	Dec. 18	Dec. 19	Y/Y
Loan Income	2,270	2,494	2,548	2.2	12.2	8,862	9,795	10.5
Investments and Interbank Income	165	223	203	-9.0	23.0	648	931	43.6
Financial Income	2,435	2,717	2,751	1.2	13.0	9,510	10,725	12.8
Financial Expenses	911	1,040	1,046	0.6	14.9	3,558	4,031	13.3
Gross Financial Margin	1,524	1,676	1,704	1.7	11.8	5,951	6,694	12.5

Quarterly figures

Q/Q Performance:

As of December 2019, consolidated gross financial margin closed at $1.7 trillion, increasing 1.7% over the quarter, due to higher loan income (2.2%) and financial expenses rising at a 0.6% rate.

In Colombia, loan income rose 2.0% as a result of higher income from the consumer and mortgage portfolios, which grew 11.8% and 1.3%, respectively, in line with the increase in the outstanding amount. In contrast, investment income decreased by 26.9%, mainly due to depreciations in the public debt market.

Financial expenses recorded a 0.1% decrease in Colombia because of lower interest expenses on money market operations (-36.5%) due to a reduction in the trading portfolio. Likewise, financial expenses decreased because of lower term deposits expenses (-3.5%), as a result of the decline in their outstanding amount.

Therefore, the gross financial margin presented a quarterly growth of 0.9% in Colombia.

International subsidiaries recorded a 3.2% increase in the gross financial margin denominated in USD, explained by the rise in interest income (2.4%), which offset the increase in financial expenses (1.3%). Loan income grew 1.0%, driven by the consumer portfolio, followed by the mortgage, and finally, the commercial segment. As for investment income, the 14.5% increase was due to debt instruments' behavior over the last quarter. Financial expenses increased by 1.3%, mainly because of the outstanding amount increase in demand and term deposits.

Annualized Quarter NIM closed at 6.31%, decreasing 10 bps against 3Q19 (6.41%), as a result of the higher growth in performing assets compared to the gross financial margin growth in the same period.

NIM				Bps. Chg	
Annualized Quarter	4Q18	3Q19	4Q19	Q/Q	Y/Y
Total NIM	6.39%	6.41%	6.31%	-10	-8

Y/Y Performance:

The gross financial margin grew 11.8% compared to the previous year as a result of the 12.2% growth in loan income and 14.9% growth in financial expenses. Excluding IFRS 16 adoption, financial expenses grow 13.2% and the gross financial margin 12.9%.

In Colombia, the gross financial margin grew 11.2% over the year, mainly explained by the increase in the consumer portfolio income (22.9%). Additionally, investment income increased by 4.5% due to debt instruments appreciation. Financial expenses grew 14.1% concentrated in demand deposits (32.1%) and bonds (17.8%) due to their increased outstanding amount and higher interest rates, either because of mix changes in the funding composition or longer-term maturities. Moreover, financial expenses increased relative to 4Q18, a quarter in which they decreased due to a liabilities repricing effect.

The gross financial margin in the international operation increased by 6.7% in USD during the year. Loan income led the margin expansion with a 4.3% growth driven by the consumer segment (10.1%). Investment income also contributed, increasing 33.4% leveraged by debt instruments. On the other hand, financial expenses grew 9.2% as a result of higher interest expenses on savings accounts (32.8%) and term deposits (8.9%).

Annualized NIM for the quarter decreased by 8 bps relative to a year earlier due to the higher growth of performing assets over the past year, compared to the gross financial margin growth during the same period. IFRS 16 adoption impacted the quarter annualized NIM in around 6 bps.

Accumulated figures

Y/Y Performance

The gross financial margin closed at $6.7 trillion, increasing 12.5% from the previous year due to higher loan income (10.5%) and higher financial expenses (13.3%). Excluding IFRS 16 adoption, financial expenses grow 11.4%.

In Colombia, the accumulated gross financial margin reached $5.5 trillion, growing 11.1% as a result of higher income from the consumer and mortgage portfolios, which increased by 11.5% and 12.1%, respectively. Investment income grew 49.1% due to the appreciation in public and private debt markets, as well as non-recurring income received in 1Q19 from adjustments in the valuation of securitization instruments. On the other hand, financial expenses increased by 9.9% due to higher interest expenses associated with higher outstanding amount in demand deposits and credits, mix changes in the funding composition and IFRS 16 implementation.

In the international subsidiaries, the year-end gross financial margin totaled $363.7 million USD, increasing 7.6% compared to 2018. Commercial and consumer loan income increased by 7.2% and 11.7%, respectively. Higher investment income (31.9%) resulted from the appreciation of debt securities.

Financial expenses grew 14.6% relative to the previous year due to higher expenses of demand deposits (33.9%) and bonds (47.4%).

12-months NIM stood at 6.52% as of December 2019, remaining stable compared to the figure reported in December 2018 (an increase of 2 bps). IFRS 16 adoption impacted the 12-months NIM in around 7 bps.

NIM				Bps. Chg	
12 Months	4Q18	3Q19	4Q19	Q/Q	Y/Y
Total NIM	6.49%	6.55%	6.52%	-3	2

Provision Expenses

Provision Expenses	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	4Q18	3Q19	4Q19	Q/Q	Y/Y	Dec. 18	Dec. 19	Y/Y
Provision for credit losses	699	816	757	-7.3	8.2	2,551	3,027	18.7
Loan recoveries	186	154	182	18.4	-2.4	470	581	23.5
Net loan sales	0	2	3	51.2	100.0	6	12	100.0
Net Provision Expenses	**513**	**661**	**572**	**-13.4**	**11.5**	**2,075**	**2,434**	**17.3**

Quarterly figures

Q/Q Performance:

The gross provision expenses reached a consolidated balance of $757 billion for the quarter, decreasing by 7.3% compared to 3Q19. In Colombia, provision expenses decreased by 10.6%, mainly due to the provision expenses incurred in the preceding quarters to cover specific corporate cases in the infrastructure sector. In contrast, in Central America, provision expenses increased by 5.2% in USD due to the deterioration concentrated in the consumer segment.

As for recoveries, the quarterly increase in Colombia was 7.5%, mainly stemming from the commercial segment and in the international operation 27.2% in USD, derived from the consumer portfolio.

As a result, year-end provision expenses (net of recovery) at a consolidated level decreased to $572 billion, 13.4% less than as of September 2019.

Annualized Cost of Risk for the quarter was 2.35%, down 37 bps from 3Q19.

Cost of Risk				Bps. Chg	
Annualized Quarter	4Q18	3Q19	4Q19	Q/Q	Y/Y
CoR	2.34%	2.72%	2.35%	-37	1

Y/Y Performance:

Over the past year, consolidated gross provision expenses increased by 8.2%. In Colombia, the increase is explained by higher provisions for the consumer portfolio, in line with the segment's growth over the year. On the other hand, in Central America, provision expenses grew in USD as a result of the macroeconomic impact on the consumer and mortgage portfolios.

Consolidated recoveries as of December 2019 decreased by 2.4%, mainly due to the decrease of 21.0% in Colombia, which offset the increase by 10.2% in USD of recoveries in the subsidiaries.

As a result of the above, provision expenses (net of recoveries) for 4Q19 recorded an annual growth of 11.5%.

The annualized cost of risk for the quarter was stable relative to December 2018 (an increase of 1 bp).

Accumulated Figures

Y/Y Performance:

As of December 2019, provision expenses (net of recoveries) increased by 17.3%, totaling $2.4 trillion. Provision expenses increased primarily as a result of specific risk situations identified in the commercial portfolio throughout the year, as well as higher expenses in the consumer segment associated with its growth rate.

Cost of Risk				**Bps. Chg**	
12 months	**4Q18**	**3Q19**	**4Q19**	**Q/Q**	**Y/Y**
CoR	2.36%	2.45%	2.50%	5	14

12-month Cost of Risk[9] closed at 2.50%, increasing 14 bps compared to the figure reported in 2018 as a result of increased provision expenses in 2019.

Operating Income

Quarterly figures

Q/Q Performance:

Net operating income amounted to approximately $348 billion in 4Q19, increasing 5.4% compared to 3Q19 due to higher net commission income (10.2%).

In Colombia, net commission income increased by 10.3%. Higher commissions from insurance banking collections and bank guarantees offset higher expenses derived from credit card commissions for ATM use. On the other hand, service income rose 5.7%, mainly due to services fees.

In international subsidiaries, net commission income grew 7.9% in USD as a result of higher income, primarily in El Salvador and Costa Rica. Service income increased by 22.7% due to services provided for securities placements.

Y/Y Performance:

[9] 12-month Cost of Risk = Accumulated Provision Expenses (12 months) / Gross Loans (Quarter Balance).

Consolidated operating income grew 10.6%, explained by the 13.4% increase in net commission income.

In Colombia, net commission income increased by 16.9%, driven primarily by commissions received from investment banking consultancies, insurance banking collections, and from debit and credit cards. Service income rose 10.9%, driven mainly by the increase of active business web portals.

Accumulated Figures

Y/Y Performance:

Accumulated operating income increased by 6.1% in December 2019 relative to the previous year. This result was due to the 4.7% increase of net commission income in Colombia, from debit and credit cards, trust businesses, and insurance banking collections.

On the other hand, operating income from international operations decreased by 1.8% in USD, mainly due to net commission income, which also decreased (-2.0%).

Operating Expenses

Operating Expenses	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	4Q18	3Q19	4Q19	Q/Q	Y/Y	Dec. 18	Dec. 19	Y/Y
Personnel Expenses	350	374	417	11.5	19.1	1,440	1,544	7.3
Operating Expenses and Others[10]	569	559	621	11.0	9.1	1,974	2,186	10.7
Total Expenses	919	933	1,037	11.2	12.9	**3,414**	**3,730**	**9.3**

Quarterly figures

Q/Q Performance:

Consolidated operating expenses totaled $1.0 trillion as of December 2019, increasing 11.2% compared to September 2019. This result was due mainly to higher operating expenses and others, which increased by 11.0% during 4Q19.

Higher operating expenses are explained mainly by professional fees related to technology development services. On the other hand, personnel expenses increased due to sales commissions.

As a result of the above, and despite the increase in the gross financial margin, the annualized Cost -to-Income ratio for the quarter was 50.0%.

Cost-to-Income				Bps. Chg	
Annualized Quarter	4Q18	3Q19	4Q19	Q/Q	Y/Y
Cost-to-Income	48.4%	45.3%	50.0%	463	157

Y/Y Performance:

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

Consolidated operating expenses increased by 12.9% compared to year-end 2018, concentrated in higher personnel expenses due to commissions paid to employees. On the other hand, there were also higher depreciation expenses of property, plant, and equipment for rights-of-use related to IFRS 16 adoption.

As a result, the annualized Cost-to-Income ratio increased by 157 bps compared to the figure reported in December 2018.

Accumulated Figures

Y/Y Performance:

At the end of 2019, accumulated operating expenses totaled $3.7 trillion, growing 9.3% over the year, explained by higher personnel expenses due to commissions related to greater loan volume and employee bonuses. Besides, other expenses increased due to the reallocation of lease expenses in this category, after IFRS 16 implementation.

12-month Cost-to-Income ratio stood at 46.2%, 25 bps below the figure reported in December 2018, as a result of the higher gross financial margin recorded in 2019.

Cost-to-Income				**Bps. Chg**	
12 months	**4Q18**	**3Q19**	**4Q19**	**Q/Q**	**Y/Y**
Cost-to-Income	46.5%	45.8%	46.2%	46	-25

Taxes

Quarterly figures

Tax Rate				**Pps. Chg**	
Quarter	**4Q18**	**3Q19**	**4Q19**	**Q/Q**	**Y/Y**
Effective Tax Rate	19.8%	25.9%	17.5%	-8.4	-2.3

Q/Q Performance:

Income tax amounted to $82 billion in 4Q19, decreasing 31.9% compared to 3Q19, due to the elimination of the 4% income tax surcharge for financial institutions, according to the Constitutional Court ruling for the fiscal year 2019.

Y/Y Performance:

In 2019 income tax decreased by 11.4% compared to the previous year, mainly because of the elimination effect of the income tax surcharge for financial institutions.

Accumulated Figures

Y/Y Performance:

Accumulated income tax throughout 2019 was $443 billion, decreasing 7.2% compared to the accumulated amount in 2018, due to the reduction of the income tax in Colombia from 37% to 33%.

As a result of the above, the accumulated effective tax rate decreased by 2,5 pps.

Tax Rate Accumulated	**Dec. 18**	**Dec. 19**	**Pps. Chg Y/Y**
Effective Tax Rate	25.5%	23.0%	-2.5

The information hereby presented is exclusively for informative and illustrative purposes, and it is not, nor does it pretend to be, a source for legal or financial assessment of any kind.

Both the financial assessments and forecasts presented herein are based on information and calculations carried out internally by Davivienda, and can be subject to changes or adjustments. Any change of current circumstances can affect the validity of the information or conclusions contained in this report.

The examples mentioned should not be taken as a guarantee for future forecasts, and are not to be assumed or obligated, explicitly or implicitly in relation to previsions expected for the future.

Davivienda expressly discloses that it does not accept any responsibility in relation to actions or decisions taken or not taken based on the content of this information. Davivienda does not accept any type of responsibility for losses resulting from the execution of the proposals or recommendations presented in this document. Davivienda is not responsible for any content originated from third parties. Davivienda may have promulgated, and can thus promulgate in the future, information that is inconsistent with the one presented here.

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 December 31st, 2019 shall not be necessarily indicative of results expected for any other period. The Financial Statements presented herein are subject to approval by the General Shareholders Meeting.

Investor Relations and Capital Management
(+57 1) 2203495
ir@davivienda.com
www.davivienda.com
Bogotá - Colombia