Banco Davivienda S.A. / PFDAVVNDA

First Quarter Results 2019 / 1Q19

Bogotá, Colombia. May 23th, 2019 - Banco Davivienda S.A. (BVC: PFDAVVNDA), announces its consolidated results for the First Quarter of 2019. Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in Colombian Pesos (COP).

HIGHLIGHTS

- Net profit for the quarter closed at $393 billion, increasing 5.0% quarter on quarter, and decreasing 13.4% over the year. 12-months ROAE closed at 12.2%.
- Gross loans reached $88.7 trillion, which represents a 1.1% increase over 4Q18 and a 13.2% growth compared to 1Q18, driven by the behavior of the commercial and mortgage portfolios, which had an annual growth of 12.9% and 17.0% respectively.
- 90-days Consolidated PDL closed at 3.87%, decreasing 6 bps quarter on quarter and increasing 62 bps over the year. Better behaviors can be observed on the consumer and mortgage segments during the first quarter of 2019.
- Net financial margin for the quarter reached $1.1 trillion, rising 10.4% quarter on quarter and 6.2% year on year, as a result of higher loan and investment income. 12-months Net Interest Margin (NIM) increased 7 bps over the quarter and 5 bps over the year, closing at 6.56%.
- 12-months Cost of Risk closed at 2.47%, increasing 11 bps over 4Q18, and decreasing 2 bps over 1Q18.
- 12-months Efficiency ratio closed at 46.5%, remaining stable compared to the fourth quarter of 2018 and increasing 30 bps against the first quarter of 2018.
- Total Capital Adequacy Ratio closed at 12.12% at the end of March 2019, while Tier I ratio closed at 8.72%.
- As of March 2019, Davivienda was present in six countries, had 10.8 million customers, 17,167 employees, 713 branches, and 2,639 ATMs.

ECONOMIC ENVIRONMENT - COLOMBIA

According to preliminary estimates, the world economy grew slightly more during the first quarter of this year than it did over the last quarter of 2018. The US economy grew by 3.2%, compared to 2.2% three months earlier, while the Euro zone economy maintained a stable growth of 1.2% in the last two quarters. The Chinese economy grew 6.43%, a slightly higher figure than the 6.35% growth achieved over the last quarter of 2018. Despite the optimism generated by these figures, data such as container throughput, freight rates, or the Manufacturing PMI are indicative of a continued slowdown of the world economy during the first months of the year.

According to data reported by DANE (National Administrative Department of Statistics of Colombia), the economy grew 2.8% in the first quarter of 2019, which is above the figure of the same quarter of 2018. This higher economic growth is partially explained by higher average oil prices, low interest rates and low inflation, which allowed private consumption to recover.

Financial services, mining and commerce were the activities with better behavior, with increases of 5.5%, 5.3% and 4.0% over the first quarter of 2018 respectively. The construction sector was the only one registering a decrease over the quarter (-5.6%).

As for oil prices, the average WTI price stood at USD 54.89 during the first quarter of this year. When analyzing the evolution of prices for this year, a rising trend can be observed, explained by the worsening of the civil war in Libya and the fall in Venezuela's production as a result of the sanctions imposed by the United States.

Regarding monetary policy, it is important to highlight that the intervention interest rate set by the Colombian Central Bank (Banco de la República) has remained stable since late April 2018. This has been possible as economic growth is located below potential growth and inflation has remained at levels near the midpoint of the target range.

At the end of the first quarter of 2019, annual inflation was 3.22%,close to the 3.18% figure reported at the end of 2018. On this matter, it is worth noting that inflation has remained under control despite concerns on different subjects, such as an increase in the minimum wage well above inflation, the uncertainty caused by the presence of El Niño climate phenomenon and the rebound of the exchange rate at the end of last year.

The average exchange rate against the U.S. dollar reached $3.137, returning to an upward trend, ending the quarter at $3.191. The increase in the exchange rate occurred in spite of the increase in the oil price and it is as attributed to the perception of a greater deterioration in Europe and Japan's economic growth, compared to the performance of the United States economy.

Regarding tax policy, the Government revealed that the Consultancy Committee on the Fiscal Rule raised the deficit target allowed for 2019 from 2.4% of the GDP to 2.7%. On the other hand, gross tax revenue totaled $38 trillion on the first three months of 2019, growing 8.5% over the same period in 2018. This revenue amounts to 24.4% of the $157 trillion target set by the DIAN (National Tax and Customs Authority) for 2019.

ECONOMIC ENVIRONMENT - CENTRAL AMERICA

As a whole, the Central American region slowed down in 2018. El Salvador was the only country with a higher growth, reporting 2.53% growth against 2.31% in 2017. Costa Rica grew 2.66% (3.40% in 2017), Honduras 3.75% (4.79% in 2017), and Panama 3.68% (5.32% in 2017).

Consumer confidence was affected in Costa Rica by uncertainty over the approval of the tax reform and public sector strikes. In Panama, strikes in the construction sector during the second quarter impacted the year balance.

Economic activity in Costa Rica, El Salvador, and Honduras, measured using the Monthly Economic Activity Index and Volume Index of Economic Activity for the first two months of 2019, slowed down compared to the annual growth registered in the last quarter of 2018.

Annual inflation in Costa Rica was 1.42% in March of 2019, standing below the target range set by the Central Bank (3% +/- 1%). Annual inflation in Honduras was 4.14% for the same period, closing within the target range (4% +/- 1%). Annual inflation in El Salvador and Panama for the period were 0.68% and -0.19%, respectively. In general, behavior of prices within the region is the result of a less dynamic economic growth and an interannual decrease of oil prices.

In terms of monetary policy, the reference rate in Costa Rica was cut in the first quarter by 25 basis points, while in Honduras it was raised 25 basis points. The currencies of the region presented contrasting behaviors during the first quarter of the year. The Honduran lempira depreciated 0.38%, while the Costa Rican colon had a 1.70% appreciation. The average prices for the first quarter were 24.55 per dollar in Honduras and 607.63 in Costa Rica.

The fiscal balance for the region in 2018 had mixed results. In Costa Rica, the Central Government deficit fell from 6.1% in 2017 to 6.0%. In Panama, the deficit was also reduced from 3.1% to 2.8%. However, the deficit of the non-financial public sector as a percentage of the GDP climbed to 2.7% from 2.5% in El Salvador.

Finally, Moody's upgraded Panama's risk rating from "Baa2" to "Baa1" in the first quarter of this year. According to the rating agency the upgrade is the result of positive economic forecasts and improvements in fiscal transparency. On the other hand, Fitch downgraded Costa Rica's risk rating to "B+" from "BB" due to financing stresses posing risks to macroeconomic stability. Risk ratings and forecasts remained unchanged for El Salvador and Honduras.

MAIN CONSOLIDATED FIGURES:

Financial Condition

(COP billion)				% Chg.	
Assets	**Mar. 18**	**Dec. 18**	**Mar. 19**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	8,412	9,937	9,899	-0.4	17.7
Investments	10,440	11,477	10,617	-7.5	1.7
Gross Loans Portfolio	78,381	87,822	88,748	1.1	13.2
Loan Loss Reserves	-3,176	-3,710	-3,934	6.0	23.8
Property, Plant and Equipment	725	801	1,872	133.6	158.1
Other Assets	4,084	4,397	4,566	3.8	11.8
Total Assets	98,866	110,724	111,767	0.9	13.0
Liabilities					
Demand Deposits	32,728	36,086	37,804	4.8	15.5
Term Deposits	30,792	31,118	32,444	4.3	5.4
Bonds	9,844	10,686	11,342	6.1	15.2
Credits	9,835	12,495	11,730	-6.1	19.3
Other Liabilities	5,363	8,929	7,048	-21.1	31.4
Total Liabilities	88,562	99,314	100,369	1.1	13.3
Equity					
Non-controlling Interest	80	90	94	4.5	17.2
Equity	10,223	11,320	11,304	-0.1	10.6
Total Equity	10,303	11,410	11,397	-0.1	10.6
Total Liabilities and Equity	**98,866**	**110,724**	**111,767**	**0.9**	**13.0**

Income Statement				% Chg.	
(COP billion)	**1Q18**	**4Q18**	**1Q19**	**Q/Q**	**Y/Y**
Interest Income	2,405	2,435	2,647	8.7	10.1
Loans	2,230	2,270	2,382	4.9	6.8
Investments	148	143	239	67.4	61.1
Other Income	27	22	26	18.4	-0.7
Financial Expenses	890	911	949	4.2	6.7
Gross Financial Margin	1,515	1,524	1,698	11.4	12.1
Provision Expenses, net of recoveries	464	513	582	13.4	25.4
Net Interest Margin	1,051	1,011	1,116	10.4	6.2
Operating Income	317	326	320	-2.0	0.8
Operating Expenses	789	919	868	-5.6	10.0
Exchange and Derivatives	26	56	1	-98.3	-96.3
Other Income and Expenses, net	-26	-7	-24	227.1	-10.7
Income Before Taxes	579	467	545	16.8	-5.9
Income Tax	125	92	152	64.8	21.7
Net Profit	**454**	**374**	**393**	**5.0**	**-13.4**

MAIN RATIOS

12 Months	1Q18	4Q18	1Q19	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.51%	6.49%	6.56%	7	5
Cost of Risk	2.49%	2.36%	2.47%	11	-2
Efficiency	46.2%	46.5%	46.5%	0	30
ROAE	13.6%	12.9%	12.2%	-70	-140
ROAA	1.43%	1.35%	1.27%	-8	-16

Annualized Quarter	1Q18	4Q18	1Q19	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.67%	6.39%	6.92%	53	25
Cost of Risk	2.37%	2.34%	2.62%	28	25
Efficiency	43.3%	48.4%	43.7%	-470	40
ROAE	17.2%	13.4%	13.8%	40	-340
ROAA	1.82%	1.39%	1.41%	2	-41

MAIN ACCOUNTING CHANGES:

IFRS 16 became effective on January 1st 2019, modifying the accounting rules for assets in lease.

The initial impact was an increase of $1.16 trillion both in the assets and liabilities, which generated an increase in Risk-Weighted Assets and, therefore, a 14 bps decrease in the Capital Adequacy Ratio as of March, 2019.

Impact on the Profit and Loss Statement as of March 2019 was a higher expense on assets' depreciation ($36 billion) and a higher financial cost due to liabilities' amortization ($18 billion), compensated by lower lease expenses ($46 billion).

STATEMENT OF FINANCIAL CONDITION

Assets

Assets	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
	Mar. 18	Dec. 18	Mar. 19	Q/Q	Y/Y	Mar. 19	Q/Q	Y/Y	Mar. 19	Q/Q	Y/Y
Cash and Interbank Funds	8,412	9,937	9,899	-0.4	17.7	4,956	-2.4	18.0	1,557	4.1	2.8
Investments	10,440	11,477	10,617	-7.5	1.7	8,394	-9.8	-5.6	1,118	3.1	7.2
Gross Loans Portfolio	78,381	87,822	88,748	1.1	13.2	70,612	1.5	11.4	5,712	1.8	6.0
Loan Loss Reserves	-3,176	-3,710	-3,934	6.0	23.8	-3,449	6.4	24.8	-153	6.2	2.9
Property, Plant and Equipment	725	801	1,872	133.6	158.1	1,415	235.7	208.5	144	23.1	50.1
Other Assets	4,084	4,397	4,566	3.8	11.8	3,458	4.8	11.9	198	3.9	7.1
Total Assets	98,866	110,724	111,767	0.9	13.0	85,387	1.1	10.5	8,577	2.6	6.2

Banco Davivienda S.A.

Q/Q Performance:

As of March 31st of 2019, assets totaled $111.8 trillion, increasing 0.9% quarter on quarter. When excluding the effect of the Colombian Peso (COP) revaluation during the quarter, consolidated assets increase 1.5% over 4Q18.

Cash and interbank funds totaled $9.9 trillion, remaining relatively stable in comparison with the fourth quarter of 2018, and the investment portfolio closed at $10.6 trillion, decreasing $7.5% as a result of a lower position in debt securities due to the expected devaluation of government-issued debt securities (TES).

Gross loans reached $88.7 trillion, rising 1.1% against December of 2018. Loan loss reserves closed at $3.9 trillion, increasing 6.0% over the quarter.

Property, plant and equipment presented a 133.6% growth due to the recognition of a right-of-use asset for $1.1 trillion, as a result of IFRS 16 adoption starting on January 1st, 2019.

Y/Y Performance:

Assets increased by 13.0% over the year. When excluding the annual COP devaluation, consolidated assets increase 9.8% against 1Q18.

Cash and interbank funds rose 17.7% as a result of higher levels in cash centers and banks abroad, and money market operations. The investment portfolio grew 1.7%.

Gross loans increased 13.2%, mainly driven by the commercial and mortgage portfolios, which had the highest growth.

The growth in loan-loss reserves is related to the different portfolios, with focus in the energy, transportation and infrastructure sectors, where coverage levels were progressively increased.

Finally, the increase in Property, plant and equipment is the result of IFRS 16 implementation, as mentioned earlier.

Gross Loans

Gross Loans	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
	Mar. 18	Dec. 18	Mar. 19	Q/Q	Y/Y	Mar. 19	Q/Q	Y/Y	Mar. 19	Q/Q	Y/Y
Commercial	39,610	44,553	44,719	0.4	12.9	34,700	0.5	10.8	3,156	2.1	5.8
Consumer	20,461	22,306	22,606	1.3	10.5	18,308	1.8	7.9	1,354	1.7	7.7
Mortgage	18,309	20,963	21,423	2.2	17.0	17,605	3.0	16.4	1,203	0.9	5.0
Total	78,381	87,822	88,748	1.1	13.2	70,612	1.5	11.4	5,712	1.8	6.0

Q/Q Performance:

Gross loans reached $88.7 trillion, increasing 1.1% when compared to 4Q18. The growth was mainly driven by the performance of the mortgage portfolio. When excluding the impact of the COP revaluation during the quarter, gross loans increase 1.5% over 4Q18.

The corporate and construction segments were the most dynamic in the commercial portfolio, which grew 0.4% over the quarter.

Consumer loans grew 1.3% against December of 2018, mainly driven by unsecured personal and payroll segments in Colombia, supported by digital initiatives such as the Unsecured Personal Mobile Loan and the Mobile Payroll Loan.

The consolidated mortgage portfolio grew 2.2% over the quarter. In Colombia, leasing and residential housing behavior stand out in main and intermediate cities.

International subsidiaries' gross loans totaled USD$5.7 billion, increasing 1.8% over the quarter, mainly due to the growth in commercial and consumer books. The dynamic of the commercial portfolio results from the corporate segment, particularly in the manufacturing sector. The consumer portfolio grew mainly in El Salvador and Honduras, driven by payroll loans.

Y/Y Performance:

13.2% annual growth of gross loans is mainly explained by the performance of the commercial and mortgage portfolios. When excluding the effect of the COP devaluation during the year, consolidated gross loans grow 10.5% over 1Q18.

Commercial portfolio increased 12.9% over the year as a result of demand in corporate and construction segments in Colombia, which grew 13.7% and 8.6% respectively.

Consumer book increased 10.5%. Unsecured personal and payroll portfolios stand out (growing 19.6% and 7.0% respectively). The Unsecured Personal Mobile Loan (launched on May, 2018) and the Payroll Mobile Loan (launched on January, 2019) reached balances of $826 billion and $43 billion respectively at the end of March, 2019.

Finally, the mortgage portfolio grew 17.0% annually, driven by the leasing and residential housing segments in Colombia. Part of this growth is explained by a lower level of portfolio securitizations in comparison with previous years.

In international subsidiaries, gross loans grew 6.0%, mainly as a result of the commercial and consumer books. Manufacturing and Sugar sectors excel within the corporate segment. The payroll segment stands out within the consumer portfolio.

Asset Quality and Coverage

Asset Quality

	Consolidated			Colombia			International		
PDL	**1Q18**	**4Q18**	**1Q19**	**1Q18**	**4Q18**	**1Q19**	**1Q18**	**4Q18**	**1Q19**
Commercial	3.34%	4.62%	4.76%	3.83%	5.48%	5.66%	1.52%	1.66%	1.64%
Consumer	2.76%	2.55%	2.31%	2.75%	2.50%	2.24%	2.83%	2.76%	2.63%
Mortgage	3.59%	3.92%	3.68%	3.81%	4.15%	3.79%	2.56%	2.88%	3.19%
Total (90)[1]	3.25%	3.93%	3.87%	3.53%	4.38%	4.30%	2.05%	2.18%	2.20%
Mortgage (120)	2.70%	3.03%	2.99%	2.81%	3.18%	3.07%	2.18%	2.38%	2.66%
Total (120)[2]	3.04%	3.72%	3.71%	3.30%	4.15%	4.12%	1.96%	2.07%	2.09%

Q/Q Performance:

90 days Consolidated PDL closed at 3.87%, improving 6 bps over the previous quarter.

Commercial portfolio PDL increased 14 bps mainly due to the behavior in Colombia, where the ratio is impacted by deteriorations in diverse sectors in the economy and additional interests accrued in specific customers in the energy and transportation sectors. Commercial portfolio PDL remained stable in Central America.

Consumer portfolio PDL dropped 24 bps quarter on quarter. In Colombia, a better performance of vintages and a reactivation of the portfolio's growth can be observed. Better behaviors have also been noticed in Central America, as a result of collection efforts mainly in Costa Rica and Honduras.

Compared to the previous quarter, 90 and 120 days PDL for mortgage loans decreased 24 and 4 bps respectively. In Colombia, the ratios improved as a result of profile adjustments in recent placements,

[1] Portfolio > 90 days / Gross loans portfolio.
[2] Total (120) includes: (Mortgage>120 days + Commercial>90 days + Consumer>90 days) / Gross loans portfolio.

which contributed to stabilize risk levels. In Central America the quality of the portfolio has been impacted mainly by customers' payment behavior in Costa Rica, which is affected by the macroeconomic situation.

Write-offs for the total loan book totaled $453 billion in 1Q19, decreasing 10.9% as a result of lower commercial and consumer write-offs over the quarter.

Write-offs (COP billion)	Quarterly Figures 1Q18	4Q18	1Q19	% Chg. Q/Q	Y/Y
Write-offs	389	509	453	-10.9	16.4

Y/Y Performance:

90 days Consolidated PDL increased 62 bps over the figure reported in the first quarter of 2018, mainly as a result of deteriorations in the commercial and mortgage portfolios.

Commercial PDL rose 142 bps year on year, as customer deteriorations in the energy and transport sectors are still having an impact, as previously explained. However, it is possible to observe a slowdown in deterioration over the year.

Consumer PDL dropped 45 basis points when compared to the figure reported in the first quarter of 2018, as a result of better behavior in loans disbursed, mainly in unsecured personal and vehicle loans. The 20 bps decrease in Central America's consumer PDL is mainly explained by adjustments in placements' risk profiles and the positive outcome of loan-recovery strategies in Honduras and Costa Rica.

The 120 days PDL for mortgage loans increased 29 bps year on year. However, the 90 days PDL for mortgage loans is starting to stabilize over the same period of the previous year, mainly as a result of the performance in Colombia, as mentioned before. In Central America the ratio is still lagging as a result of macroeconomic effects.

Write-offs had a 16.4% annual variation, mainly due to the consumer and mortgage segments. It is important to note that the loan book grew 13.2% over the year. Write-offs account for 0.5% of total gross loans.

Coverage

	Coverage[3]			Total Reserves Coverage[4]		
Coverage	1Q18	4Q18	1Q19	1Q18	4Q18	1Q19
Commercial	117.2%	94.8%	101.4%	129.6%	107.7%	113.1%
Consumer	247.4%	254.4%	281.8%	281.9%	270.2%	297.2%
Mortgage	34.2%	37.7%	38.5%	70.1%	67.0%	72.8%
Total	124.7%	107.6%	114.4%	148.1%	124.9%	131.9%

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

Q/Q Performance:

Total Consolidated Reserves Coverage closed the quarter at 131.9%, higher than the fourth quarter of 2018, mainly resulting from an increase in asset allowances and equity reserves. The coverage ratio closed at 114.4%, increasing over the quarter.

Y/Y Performance:

Despite increases in asset allowances and equity reserves over the previous year, Total Reserves Coverage and Coverage ratios decreased as a result of higher 90 days past-due loans in the commercial and mortgage books.

Funding Sources

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Funding Sources	**Mar. 18**	**Dec. 18**	**Mar. 19**	**Q/Q**	**Y/Y**	**Mar. 19**	**Q/Q**	**Y/Y**	**Mar. 19**	**Q/Q**	**Y/Y**
Demand deposits	32,728	36,086	37,804	4.8	15.5	29,108	5.0	13.1	2,739	6.5	8.8
Term deposits	30,792	31,118	32,444	4.3	5.4	23,850	6.5	1.2	2,707	0.8	4.3
Bonds	9,844	10,686	11,342	6.1	15.2	10,055	4.9	11.1	406	19.6	42.0
Credits	9,835	12,495	11,730	-6.1	19.3	7,172	-5.9	21.8	1,436	-4.2	1.2
Total	83,199	90,385	93,321	3.2	12.2	70,185	4.3	9.3	7,288	2.7	6.9

Q/Q Performance:

Funding sources totaled $93.3 trillion as of March of 2019, growing 3.2% over the quarter due to higher demand and term deposits. When excluding the effect of the COP revaluation over the quarter, funding sources increase 3.8% against 4Q18.

Demand deposits increased 4.8%, closing at $37.8 trillion due to higher savings deposits in Colombia, in response to the low-cost funding strategy. In Central America, deposits in checking accounts grew mainly in Costa Rica and Panama.

Term deposits closed at $32.4 trillion, increasing 4.3% over the quarter. This is due to the seasonal nature of deposits, which mature at year-end and are renewed during the first quarter.

Bonds closed at $11.3 trillion, increasing 4.9% in Colombia as a result of the $500 billion COP issuance of senior bonds in February; and 19.6% in Central America due to bond issuances in El Salvador ($30 million USD in January) and Costa Rica (around $34 million USD in February and March).

Credits with entities decreased 6.1% as a result of payments and partial cancellations of credits with national and foreign entities.

The loans to funding ratio closed at 95.1%, decreasing by 206 bps quarter on quarter.

Y/Y Performance:

Funding sources increased 12.2% compared with the previous year, mainly due to growth in deposits and credits with entities. If the effect of the COP devaluation during the year is excluded, funding sources increase 8.9% over 1Q18.

In Colombia, there was a 13.1% increase in demand deposits and a slight 1.2% increase in term deposits. In Central America demand deposits grew 8.8%, mainly in checking accounts in Costa Rica and Panama. Term deposits increased 4.3% mainly in Panama and Honduras.

Bonds growth is the result of previously mentioned issuances.

During the last year, credits with entities increased by 19.3%, as a result of greater liabilities with foreign financial entities, multilateral and national entities, and foreign financial institutions.

Loans to funding ratio increased 89 bps compared to the previous year.

Equity and Regulatory Capital

Total Regulatory Capital and Risk Weighted Assets	**Consolidated**				
(COP Billion)	**1Q18**	**4Q18**	**1Q19**	**Q/Q**	**Y/Y**
Equity	10,303	11,410	11,397	-0.1	10.6
Common Equity Tier I Capital	7,914	7,887	8,667	9.9	9.5
Tier II Capital	3,639	3,908	3,374	-13.7	-7.3
Total Regulatory Capital	11,553	11,795	12,042	2.1	4.2
Risk Weighted Assets	84,855	94,724	95,367	0.7	12.4
Capital Adequacy Ratio	13.08%	11.93%	12.12%	19 pbs	-96 pbs
Tier I	8.96%	7.98%	8.72%	74 pbs	-24 pbs
Tier II	4.12%	3.95%	3.40%	-55 pbs	-72 pbs

Q/Q Performance:

Consolidated equity closed at $11.4 trillion, remaining relatively stable versus the previous quarter.

Total capital adequacy ratio reached 12.12% at the end of March 2019, 19 bps more than the figure reported in 4Q18. Tier I ratio closed at 8.72%, increasing 74 bps compared to the previous quarter, as a result of the Bank's $782 billion capitalization approved by the General Shareholders' Meeting in March 2019. Additionally, the compromise to increase legal reserves at the end of 2019 by 35% of net profits was also approved. Total capital adequacy ratio is 312 bps above the minimum required by the Colombian regulation (9%).

Risk-weighted assets reached $95.4 trillion, 0.7% higher than the figure reported in the previous quarter. Its density[5] reached 85.3%, 20 bps less than 4Q18, which closed at 85.5%.

[5] Risk Weighted Assets' Density: RWAs by Credit Risk / Total Assets

Y/Y Performance:

Consolidated equity grew 10.6% over the year as a result of higher reserves, given the $782 billion capitalization approved by the General Shareholders' Meeting, as mentioned earlier.

Total capital adequacy ratio decreased by 96 bps compared to March 2018, as a consequence of the 12.4% increase in Risk-weighted assets and lower weight of Tier II instruments. Tier I ratio decreased 24 bps over the year.

Risk-weighted assets density decreased 50 bps compared to 1Q18 (85.8%).

INCOME STATEMENT

Income Statement	**Quarterly Figures**			**% Chg.**	
(COP billion)	**1Q18**	**4Q18**	**1Q19**	**Q/Q**	**Y/Y**
Interest Income	2,405	2,435	2,647	8.7	10.1
Loans	2,230	2,270	2,382	4.9	6.8
Commercial	881	922	956	3.6	8.4
Consumer	796	823	831	1.0	4.4
Mortgage	553	525	596	13.5	7.7
Investments	148	143	239	67.4	61.1
Other Income	27	22	26	18.4	-0.7
Financial Expenses	890	911	949	4.2	6.7
Demand Deposits	158	169	188	11.4	19.3
Term Deposits	415	403	387	-3.9	-6.6
Credits	102	138	140	2.1	37.9
Bonds	194	178	185	3.8	-4.4
Other Expenses	21	23	48	110.2	125.2
Gross Financial Margin	1,515	1,524	1,698	11.4	12.1
Provision Expenses, net of recoveries	464	513	582	13.4	25.4
Net Interest Margin	1,051	1,011	1,116	10.4	6.2
Operating Income	317	326	320	-2.0	0.8
Operating Expenses	789	919	868	-5.6	10.0
Personnel Expenses	347	350	379	8.3	9.0
Operation Expenses	323	428	323	-24.5	0.0
Other Expenses	118	141	166	17.7	40.1
Exchange and Derivatives	26	56	1	-98.3	-96.3
Other Income and Expenses, net	-26	-7	-24	227.1	-10.7
Income before Taxes	579	467	545	16.8	-5.9
Income Tax	125	92	152	64.8	21.7
Net Profit	**454**	**374**	**393**	**5.0**	**-13.4**

Net Income

Quarterly figures

Q/Q Performance:

Net income for the quarter reached $393 billion, a 5.0% increase over 4Q18, mainly as a result of higher loans and investment income and lower operating expenses.

On one hand, higher loan income was led by mortgage and commercial segments, which grew 13.5% and 3.6% respectively. Investment income increase was related to changes in valuations of some securitization instruments and appreciations in liquidity reserves.

Decrease in operating expenses over the quarter is mainly explained by IFRS 16 implementation and seasonal effects such as higher spending during the 4Q18.

As a result, the Annualized Quarter Return on Average Equity was 13.8% at the end of the 1Q19, 38 bps higher than the figure reported in 4Q18 (13.4%).

Y/Y Performance:

Consolidated profits for the first quarter of 2019 decreased 13.4% compared to the same period of the previous year.

Although the gross financial margin increased 12.1% over the year, it was impacted by higher provision and operating expenses.

The growth in provision expenses is explained by two effects: On one hand, 1Q18's provision expenses were lower-than-expected due to IFRS 9 adoption, when reserves in equity's Other Comprehensive Income were reallocated to assets' loan-loss reserves. In addition, 1Q19 consolidated provision expenses increased in response to risk situations that arose during the year.

Operating expenses grew mainly as a result of higher personnel, administrative, depreciation and tax expenses.

As a consequence, the return on average equity for the last 12 months was 12.2% at the end of 1Q19, 140 bps lower than the figure reported in the 1Q18.

Gross Financial Margin

Gross Financial Margin (COP billion)	Quarterly Figures 1Q18	4Q18	1Q19	% Chg. Q/Q	Y/Y
Loan Income	2,230	2,270	2,382	4.9	6.8
Investments and Interbank Income	175	165	265	60.7	51.7
Financial Income	2,405	2,435	2,647	8.7	10.1
Financial Expenses	890	911	949	4.2	6.7
Gross Financial Margin	1,515	1,524	1,698	11.4	12.1

Quarterly figures

Q/Q Performance:

Consolidated gross financial margin for 1Q19 closed at $1.7 trillion, an increase of 11.4% quarter on quarter, mainly due to higher loan and investment income.

Colombia's gross financial margin increased 13.5% quarter on quarter.

Mortgage and commercial portfolios had the highest income growth. This increase was related to the UVR (inflation-linked unit). Investment income growth resulted from appreciations in liquidity reserves and from valuation adjustments on some securitization instruments, which generated a non-recurring income for $43 billion.

Financial expenses increased 3.8% over the quarter in Colombia. This is explained by a growth in savings accounts and bonds expenses, related to their increase in balance. Additionally, an expense close to $16 billion was recorded as interest on lease liabilities in Colombia, as a result of the IFRS 16 adoption as of January 1st, 2019.

The USD gross financial margin of the Central America operation increased 2.6%, driven mainly by higher loan and investment income. The growth in loan income was driven by the commercial and mortgage portfolios. Investment income increased mainly in Costa Rica and Panama. On the other hand, financial expenses increased in savings accounts and bonds.

As a result, the annualized-quarter NIM closed at 6.92%, increasing 53 bps over 4Q18.

NIM Annualized Quarter	1Q18	4Q18	1Q19	Bps. Chg Q/Q	A/A
Total NIM	6.67%	6.39%	6.92%	53	25

Y/Y Performance:

The consolidated gross financial margin for the quarter increased 12.1% year on year, as a result of the growth in loans and investment income.

In Colombia, the gross financial margin increased 10.6%. In terms of income, the commercial and mortgage portfolios showed the greatest increase (4.8% and 5.7% respectively). Financial expenses had a slight increase of 1.3%, as result of the current stable monetary policy.

Gross financial margin from the international operation in USD increased 9.1% as a result of higher loan portfolio and investment income. The commercial portfolio showed the highest income growth, followed by the consumer book. Investment income increased mainly in Costa Rica and El Salvador as a result of higher yields. The increase in financial expenses in Central America was due to higher spending on savings accounts and credits with entities, mainly in Costa Rica and Panama.

As a result, the 12-months NIM closed at 6.56%, increasing 5 bps against the figure reported in March of 2018.

NIM				**Bps. Chg**	
12 Months	**1Q18**	**4Q18**	**1Q19**	**Q/Q**	**Y/Y**
Total NIM	6.51%	6.49%	6.56%	7	5

Provision Expenses

	Quarterly Figures			**% Chg.**	
(COP billion)	**1Q18**	**4Q18**	**1Q19**	**Q/Q**	**Y/Y**
Provision for credit losses	539	699	690	-1.4	28.0
Loan recoveries	71	186	108	-42.0	52.2
Net loan sales	4	0	0	-100.0	-100.0
Provision expenses, net of recoveries	**464**	**513**	**582**	**13.4**	**25.4**

Quarterly figures

Q/Q Performance:

Gross consolidated provision expenses decreased 1.4% over the quarter, slightly lower in Colombia (-2.3%), while 3.1% higher in the international operation in US dollars.

In both Colombia and Central America, recoveries for the quarter were lower than the unusually-high ones for the 4Q18.

As a result, quarter's provision expenses (net of recoveries) closed at $582 billion, increasing 13.4% over the quarter. Annualized Cost of Risk closed at 2.62%, 28 bps above the figure reported in 4Q18.

Cost of Risk				**Bps. Chg**	
Annualized Quarter	**1Q18**	**4Q18**	**1Q19**	**Q/Q**	**Y/Y**
CoR	2.37%	2.34%	2.62%	28	25

Y/Y Performance:

1Q19's provision expenses (net of recoveries) grew 25.4% year over year.

Gross provision expenses in Colombia and Central America grew 27.1% and 20.4% respectively, in response to the different risk situations identified during the year, and to the unusually-low provision expense effect during the 1Q18, related to IFRS 9 adoption. Consolidated loan recoveries increased by 52.2% compared to the previous year.

12-months cost of risk[6] closed at 2.47%, 2 bps lower than the figure reported in March of 2018, positively impacted by the growth of the loan portfolio.

Cost of Risk				Bps. Chg	
12 months	1Q18	4Q18	1Q19	Q/Q	Y/Y
CoR	2.49%	2.36%	2.47%	11	-2

Operating Income

Quarterly figures

Q/Q Performance:

Operating income for the quarter reached close to $320 billion, decreasing over the quarter, due to lower income from fees, transactional and business services and lower results of associated entities.

Consolidated net commissions and fee income decreased 3.3%. In Colombia, consolidated fee income slightly grew 1.2%, as a result of lower network fees and commissions on cash purchases. In Central America, fee income decreased 10.5%. This is explained by the non-recurring income generated in December 2018, by bonds' placement in Costa Rica.

Y/Y Performance:

Consolidated operating income for 1Q19 remained stable compared to the same quarter of the previous year (growth of 0.8%).

Consolidated fee income grew as a result of higher income on handling-fees, insurance fees and issued collaterals. However, net fee income was affected by higher fee expenses, both in Colombia and Central America as explained below.

In Colombia, fee expenses increased due to network expansion and diverse expenses associated to Debit and Credit Card franchise use. On the international operation, increase on fee expenses was related to credit card commissions, mainly in Honduras and Costa Rica.

[6] 12-months Cost of Risk: Accumulated provision expenses (12 months) / Gross Loans (Quarter balance).

Operating Expenses

Operating Expenses (COP billion)	Quarterly Figures 1Q18	4Q18	1Q19	% Chg. Q/Q	Y/Y
Personnel Expenses	347	350	379	8.3	9.0
Operational Expenses	323	428	323	-24.5	0.0
Other Expenses	118	141	166	17.7	40.1
Total Expenses	**789**	**919**	**868**	**-5.6**	**10.0**

Quarterly figures

Q/Q Performance:

Consolidated operating expenses for the quarter closed at $868 billion, 5.6% lower than the previous one, mainly due to IFRS 16 adoption and expense seasonality. In this case, advertising, fees, facility adjustments and tax expenses decreased over the ones of year-end. The decrease in tax expenses was mainly due to lower Tax on Financial Transactions and a decrease in VAT on capital goods in Colombia.

In addition, lower expense (around 46 billion) on leases and higher expense in depreciation of the right-of-use asset (around 36 billion) were recognized as a result of IFRS 16 implementation.

Accordingly, the quarter’s Efficiency ratio was 43.7%, 470 bps lower than the figure reported in the fourth quarter of 2018.

Efficiency Annualized Quarter	1Q18	4Q18	1Q19	Bps. Chg Q/Q	Y/Y
Efficiency	43.3%	48.4%	43.7%	-470	40

Y/Y Performance:

Consolidated operating expenses for the 1Q19 increased 10.0% when compared to the same period in the previous year, mainly as a result of higher personnel, administrative, depreciation and tax expenses, offset by lower lease expenses due to IFRS 16 adoption.

Personnel and administrative expenses grew mainly due to inflation adjustments and minimum wage increase.

The growth in depreciation expenses is explained by IFRS 16 application, which requires the recognition of a right-of-use asset, and thereby its depreciation expense.

Tax expenses’ increase is mainly due to higher VAT and Industry and Commerce Tax.

The 12-months efficiency ratio closed at 46.5%, remaining stable over the figure reported in 1Q18. The non-recurring payment of the personnel bonus (May 2018) impacted the 12-months efficiency ratio in 40 bps. This means that, if we exclude this payment, the ratio would have closed at 46.1%.

Efficiency 12 months	1Q18	4Q18	1Q19	Bps. Chg Q/Q	Y/Y
Efficiency	46.2%	46.5%	46.5%	0	30

Taxes

Quarterly figures

Tax Rate Quarter	Mar. 18	Dec. 18	Mar. 19	PP Var. (%) Q/Q	Y/Y
Effective Tax Rate	21.6%	19.8%	27.9%	8.1	6.3

Q/Q Performance:

1Q19 Income tax closed at $152 billion, increasing 64.8% over 4Q18. This is explained by a base effect, due to lower income tax in 4Q18 for $36 billion, which reduced the effective tax rate of that period in around 770 bps. The latter is the result of a reduction from 33% to 30% in the long-term income tax, affecting the deferred tax estimation in accordance with the Financing Law of 2018.

Y/Y Performance:

Income tax for 1Q19 increased 21.7% over 1Q18. This results from a base effect, due to lower income tax in 1Q18 for $34 billion, which reduced the effective tax rate of that period in around 590 bps. The latter is a result of IFRS 9 adoption in the first quarter of 2018.

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These financial statements have been prepared in conformity to accounting principles generally accepted in Colombia and are presented in nominal terms. The result statement for the closed quarter on March 31st, 2019 shall not be necessarily indicative of results expected for any other period.

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