Banco Davivienda S.A. / PFDAVVNDA

Second Quarter Results 2018 / 2Q18

Bogota, Colombia. August 17th, 2018 - Banco Davivienda S.A. (BVC: PFDAVVNDA), announces today its consolidated results for the second quarter of 2018. Financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) in Colombian Pesos (COP).

HIGHLIGHTS

- Accumulated net income reached $735 billion, increasing 13.1% compared to the previous year. Net income for the quarter closed at $281 billion, which represents a 38.2% decrease compared to the previous quarter and a 13.3% reduction against 2Q17. The 12-month ROAE closed at 12.9%.

- Gross loans reached $81.6 trillion, increasing 6.7% against 2Q17, led by the good performance of mortgage and commercial segments, which grew 15.1% and 4.4% respectively. Compared to 1Q18, gross loans grew by 4.2%, mainly due to the commercial and mortgage portfolios, which increased 4.7% and 4.9% respectively.

- The accumulated gross financial margin reached $3.0 trillion, showing an increase of 9.9% compared to the same period of the previous year. On the other hand, the gross financial margin for the quarter closed at $1.5 trillion, 2.5% less than in 1Q18 as a result of a lower income level in the consumer and mortgage portfolios; and 7.9% higher compared to 2Q17 given the lower funding cost observed in recent quarters. The 12-month Net Interest Margin (NIM) increased 5 bps, closing at 6.56%.

- Accumulated financial expenses closed at $1.8 trillion, presenting an 11.7% fall compared to those accumulated as of June 2017. Financial expenses for the quarter reached $872 billion, showing variations of -2.0% and -11.4% against 1Q18 and 2Q17.

- Accumulated operating expenses closed at $1.7 trillion, 8.2% more than those accrued to June 2017. On the other hand, operating expenses for the quarter reached $876 billion, which represents increases of 11.0% compared to 1Q18 and 9.6% compared to 2Q17, explained by the payment of a non-recurring personnel bonus of $30 billion. The 12-month Efficiency ratio closed at 46.6%, improving by 53 bps compared to the one registered in 2Q17.

- Total capital ratio at the end of June 2018 reached 12.68%. Tier I ratio closed at 8.52%.

- At the end of June 2018, Davivienda had a presence in 6 countries, 10.3 million customers, 17,353 employees, 746 branches and 2,601 ATMs.

ECONOMIC ENVIRONMENT - COLOMBIA

The world economy continued to register a slowdown in its growth during the second quarter of the year. While the US economy increased its growth from 2.22% at the end of the first quarter to 4.06% in the second, the eurozone went from growing 2.2%, which contrasts with the 2.4% obtained in the first quarter.

In the case of the United States, the activity's upturn was associated with improvements in household consumption. Expectations for further growth and the Fed president statements' regarding possible rate increases this year, resulted in pressures on vulnerable emerging countries' currencies as Argentina, Brazil, Turkey, and Indonesia.

Oil price accelerated its recovery during the second quarter, and the surge in its price was mainly associated to the fall in Venezuelan production and to the market's reaction to President Trump's exit from the agreement with Iran.

Good performance of oil prices was one of the factors that protected the Colombian economy from the speculative attacks observed in other currencies of the continent, and it continued to allow the Colombian Peso revaluation, although in a much more moderate way than in the first quarter of the year. Increases in oil prices also had an impact on country risk levels, which declined compared to those reached in the previous quarter.

One of the most relevant elements of the quarter was the improvement in household confidence in Colombia. In June, Davivienda's Confidence Index[1] reached its highest level since the indicator was launched (September 2016). This improvement can be attributed to factors such as the reduction of interest rates, moderate inflation and the end of the uncertainty associated with the elections.

The Colombian economy presented an important recovery during the second quarter of the year. According to the Administrative Department of National Statistics, the GDP increased its growth from 2.2% in the first quarter to 2.8% in the second.

This expansion was led by the professional, scientific and technical activities sector, which registered a 6.6% improvement, followed by the agriculture and farming sector with 5.9%. The lowest performance was observed in construction and mine exploitation with 7.6% and 2.7% drops.

On another hand, the manufacturing industry had a growth of 3.7%, which contrasts with the fall of 1.2% obtained in the first quarter. These results, which were adequately anticipated by the Davivienda's PMI[2] were due both to higher foreign trade and to the improvement of external demand.

Annual inflation reached 3.2% in June, from the 3.14% observed in March.

[1] Davivienda's Confidence Index is obtained from a survey applied to a monthly average of 5,000 customers, in which they are asked about their confidence on the country's economic environment. The Index results can be found on https://www.davivienda.com/wps/portal/estudios-economicos/

[2] Davivienda's PMI results can be found on the same web address of the Confidence Index.

ECONOMIC ENVIRONMENT - CENTRAL AMERICA

On the first quarter of 2018, economic activity slowed down in Costa Rica, Honduras, and Panama; while in El Salvador it showed an acceleration.

The annual growth of Costa Rica's GDP was 2.99%, and its slowdown was the result of less dynamism in the sectors of professional and administrative activities, financial and insurance activities, and construction.

For Honduras, the annual GDP increase in the first quarter was 3.08% and the main factor that contributed to its deceleration was the lower performance in coffee, African palm and banana crops.

On the other hand, Panama grew 4.24% annually, and the reduction in its growth was a result of lower activity in commerce, construction and transport industries. Specifically, lower performance was observed in the Colon Free Zone and in the Panama Canal.

Finally, the first quarter growth in El Salvador reached 3.38% annual, higher than the one registered during the fourth quarter of 2017. Sectors that helped most to the acceleration were manufacturing and trade.

Furthermore, the region's second-quarter average annual inflation was lower compared to the one presented during the first quarter. While Costa Rica, El Salvador and Honduras had decreases in its inflation rate, Panama's index increased as a result of fluctuations of internal fuel prices, transferred by the oil price volatility.

Monetary policy rates (MPR) of Costa Rica and Honduras remained stable in the second quarter of the year (at 5% and 5.50% respectively).

In the second quarter, accumulated revaluation for the Costa Rican colon was 0.48%, and the average price was 566.7 per dollar. Meanwhile, the Honduran lempira recorded a devaluation of 1.68%, and its average price during the quarter was 23.9 per dollar.

Finally, there were no changes in country risk ratings or their outlooks from Moody's, Standard & Poor's and Fitch during the second quarter of 2018.

MAIN CONSOLIDATED FIGURES:

Statement of Financial Condition
(COP billion)

Assets	Jun. 17	Mar. 18	Jun. 18	% Chg. Q/Q	% Chg. Y/Y
Cash and Interbank Funds	10,516	8,412	8,705	3.5	-17.2
Investments	9,947	10,440	10,220	-2.1	2.7
Gross Loans Portfolio	76,549	78,381	81,642	4.2	6.7
Loan Loss Reserves	-2,060	-3,176	-3,356	5.6	62.9
Property, Plant and Equipment	840	725	734	1.3	-12.5
Other Assets	3,791	4,084	3,952	-3.2	4.2
Total Assets	99,582	98,866	101,897	3.1	2.3
Liabilities					
Deposits	63,406	64,318	65,785	2.3	3.8
Bonds	11,003	9,844	10,009	1.7	-9.0
Credits with Entities	8,575	9,835	10,248	4.2	19.5
Other Liabilities	6,337	4,566	5,203	14.0	-17.9
Total Liabilities	89,320	88,562	91,245	3.0	2.2
Equity					
Non-controlling Interest	87	80	84	4.5	-3.6
Equity	10,175	10,223	10,568	3.4	3.9
Total Equity	10,262	10,303	10,652	3.4	3.8
Total Liabilities and Equity	**99,582**	**98,866**	**101,897**	**3.1**	**2.3**

Income Statement	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	2Q17	1Q18	2Q18	Q/Q	Y/Y	Jun. 17	Jun. 18	Y/Y
Interest Income	2,354	2,405	2,350	-2.3	-0.2	4,718	4,755	0.8
Loans	2,174	2,230	2,189	-1.9	0.7	4,354	4,419	1.5
Investments	160	148	137	-7.3	-14.2	328	286	-13.1
Other Income	19	27	23	-12.0	21.2	36	50	40.1
Financial Expenses	984	890	872	-2.0	-11.4	1,995	1,762	-11.7
Gross Financial Margin	1,370	1,515	1,477	-2.5	7.9	2,723	2,992	9.9
Provision Expenses	457	464	566	22.1	24.0	943	1,030	9.3
Net Interest Margin	913	1,051	911	-13.3	-0.2	1,780	1,962	10.2
Operating Income	300	317	336	5.8	12.1	588	653	11.0
Operating Expenses	799	789	876	11.0	9.6	1,539	1,665	8.2
Exchange and Derivatives	59	26	21	-19.0	-63.6	85	48	-43.4
Other Income and Expenses, net	-14	-26	4	-116.8	-132.3	-13	-22	68.3
Income Before Taxes	458	579	397	-31.5	-13.5	901	976	8.3
Income Tax	134	125	116	-7.2	-13.8	251	241	-4.2
Net Income	**324**	**454**	**281**	**-38.2**	**-13.3**	**650**	**735**	**13.1**

MAIN RATIOS

12 months	2Q17	1Q18	2Q18	Bps. Chg Q/Q	Bps. Chg Y/Y
Net Interest Margin	6.15%	6.51%	6.56%	5	41
Cost of Risk	1.87%	2.49%	2.53%	3	65
Efficiency	47.1%	46.2%	46.6%	31	-53
ROAE	15.7%	13.5%	12.9%	-53	-273
ROAA	1.63%	1.42%	1.37%	-5	-27

Annualized Quarter	2Q17	1Q18	2Q18	Bps. Chg Q/Q	Bps. Chg Y/Y
Net Interest Margin	6.43%	6.67%	6.64%	-2	21
Cost of Risk	2.39%	2.37%	2.77%	41	39
Efficiency	46.7%	43.3%	47.9%	455	119
ROAE	12.9%	17.2%	10.7%	-643	-217
ROAA	1.33%	1.82%	1.12%	-70	-21

STATEMENT OF FINANCIAL CONDITION

Assets

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Assets	Jun. 17	Mar. 18	Jun. 18	Q/Q	Y/Y	Jun. 18	Q/Q	Y/Y	Jun. 18	Q/Q	Y/Y
Cash and Interbank Funds	10,516	8,412	8,705	3.5	-17.2	4,541	8.1	-23.4	1,421	-6.2	-5.6
Investments	9,947	10,440	10,220	-2.1	2.7	8,319	-6.4	2.7	1,109	6.3	5.7
Gross Loans Portfolio	76,549	78,381	81,642	4.2	6.7	65,700	3.6	8.5	5,440	1.0	3.6
Loan Loss Reserves	-2,060	-3,176	-3,356	5.6	62.9	-2,925	5.8	65.8	-147	-0.9	51.4
Property, Plant and Equipment	840	725	734	1.3	-12.5	458	-0.1	-16.4	94	-1.8	-1.4
Other Assets	3,791	4,084	3,952	-3.2	4.2	2,924	-5.4	3.4	188	1.4	17.9
Total Assets	99,582	98,866	101,897	3.1	2.3	79,017	2.3	3.7	8,104	0.3	1.8

Q/Q Performance:

As of June 30th of 2018, assets totaled $101.9 trillion, which represented an increase of 3.1% compared to the previous quarter.

Cash and interbank funds reached $8.7 trillion, while the investment portfolio closed at $10.2 trillion. Gross loans totaled $81.6 trillion and grew 4.2%. Finally, loan loss reserves reached $3.4 trillion, increasing 5.6% compared to the previous quarter.

Y/Y Performance:

Assets presented an increase of 2.3% compared to June 2017. If we exclude the COP annual revaluation, assets grew 3.3%.

The decrease in cash and interbank funds against 2017 was mainly in the Colombian operation, where deposits in foreign banks and in the Colombian Central Bank decreased. The investment portfolio grew 2.7% and gross loans presented an annual increase of 6.7%. Finally, the increase in loan loss reserves was a result of the implementation of IFRS 9, since January 1st, 2018.

Gross Loans

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Gross Loans	**Jun. 17**	**Mar. 18**	**Jun. 18**	**Q/Q**	**Y/Y**	**Jun. 18**	**Q/Q**	**Y/Y**	**Jun. 18**	**Q/Q**	**Y/Y**
Commercial	39,701	39,610	41,454	4.7	4.4	32,657	4.3	6.8	3,001	0.6	0.2
Consumer	20,170	20,461	20,988	2.6	4.1	17,233	1.6	4.2	1,281	1.9	7.8
Mortgage	16,677	18,309	19,200	4.9	15.1	15,809	4.5	17.9	1,157	1.0	8.2
Total	76,549	78,381	81,642	4.2	6.7	65,700	3.6	8.5	5,440	1.0	3.6

Q/Q Performance:

Gross loans reached $81.6 trillion, increasing 4.2% compared to 1Q18. The highest quarterly growth on nominal terms was recorded in the commercial portfolio, driven by the behavior in the corporate and SMEs segments in Colombia, which grew 6.0% and 1.6% respectively.

In Colombia, mortgage loans grew as a result of the performance on leasing and residential housing segments (with increases of 4.2% and 8.8%). On the other hand, the consumer portfolio increased mainly in payroll and unsecured personal loans (5.1% and 2.0% respectively).

In the international subsidiaries, gross loans totaled USD $5.4 billion, which represented a rise of 1.0% compared to the previous quarter, growth mainly led by the consumer portfolio.

Y/Y Performance:

The annual increase of 6.7% in gross loans was mainly due to the good behavior on mortgage and commercial segments. If the effect of the COP annual revaluation was excluded, consolidated gross loans would have grown 7.5%.

The mortgage portfolio shows an annual growth of 15.1%, as a result of the increase in both leasing (mainly low-risk loans with government coverage) and residential housing segments in Colombia, which reported expansions of 20.6% and 25.7% respectively.

The commercial portfolio showed a moderate annual growth of 4.4%. Corporate and SMEs segments performed positively in Colombia, with increases of 5.3% and 8.7%.

Payroll and fixed-rate unsecured personal loans stand out in Colombia's consumer portfolio (with growths of 8.8% and 5.3% respectively).

It is important to highlight that last May we launched our first 100% digital loan, which allows our customers to obtain through an unsecured personal line up to $10 million (+/- USD 3,500) in less than 5 minutes. The embrace and evolution of this digital loan allowed us to reach disbursements of $25 billion at the end of June, and $169 billion on July 31st.

In Central America, gross loans grew mainly due to the consumer portfolio (especially in Costa Rica and Honduras) and to the mortgage portfolio (mainly in Costa Rica and Panama).

Asset Quality and Coverage

Asset Quality

NPL	Consolidated			Colombia			International		
	2Q17	1Q18	2Q18	2Q17	1Q18	2Q18	2Q17	1Q18	2Q18
Commercial	2.60%	3.34%	4.51%	2.92%	3.83%	5.27%	1.51%	1.52%	1.65%
Consumer	2.68%	2.76%	2.60%	2.71%	2.75%	2.54%	2.54%	2.83%	2.87%
Mortgage	2.94%	3.59%	3.81%	3.17%	3.81%	4.11%	2.01%	2.56%	2.44%
Subtotal (90)[3]	2.70%	3.25%	3.85%	2.92%	3.53%	4.28%	1.84%	2.05%	2.11%
Mortgage (120)	2.19%	2.70%	2.92%	2.31%	2.81%	3.11%	1.66%	2.18%	2.05%
Total (120)[4]	2.53%	3.04%	3.64%	2.73%	3.30%	4.04%	1.77%	1.96%	2.03%

Q/Q Performance:

Consolidated NPL closed at 3.85%, presenting a deterioration of 60 bps compared to the one reported in the previous quarter. The portfolio that most affected the ratio was the commercial portfolio, which deterioration is explained by some specific clients of the infrastructure and transportation sectors who exceeded 90 days of delinquency.

On the other hand, the consumer NPL showed a reduction of 16 bps compared to March 2018 as a result of the growth and good behavior of the credit card segment, and the implementation of new origination policies and collection strategies.

The 120 days NPL ratio for the mortgage portfolio, which reflects in a more adequate way customers´ payment behavior, closed at 2.92% in the 2Q18 presenting a 22 bps increase compared to the previous quarter. This is explained by higher than expected deterioration in vintages issued in the second half of 2016 and the first half of 2017. The 90 days mortgage NPL closed at 3.81% and increased by 22 basis points compared to the one reported last quarter.

The quarter's write-offs reached $509 billion. Those corresponding to the consumer portfolio accounted for 90.7% of the total write-offs, while those of the commercial and mortgage segments represented 9.0% and 0.2%, respectively. 2Q18 write-offs account for 0.6% of gross loans.

Y/Y Performance:

Consolidated NPL showed an increase of 116 bps compared to the one reported in 2Q17, as a result of sluggish macroeconomic dynamics in Colombia.

Commercial NPL deteriorated 191 bps compared to the second quarter of 2017, mainly by further deteriorations of the economy, and by diverse situations with customers of the corporate segment in Colombia.

On the other hand, the consumer NPL had a decrease of 8 basis points compared to the one reported in the same quarter of the previous year. This is the result of the strategies applied to contain the deterioration of this ratio, as we explained before.

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

Finally, the 120 days mortgage NPL increased 73 bps compared to 2Q17, as a result of the vintages' deterioration previously explained and loans disbursed to self-employed customers.

Coverage

Gross Loans	Coverage[5] 2Q17	Coverage[5] 1Q18	Coverage[5] 2Q18	Total Reserves Coverage[6] 2Q17	Total Reserves Coverage[6] 1Q18	Total Reserves Coverage[6] 2Q18
Commercial	98.1%	117.2%	92.2%	142.5%	129.6%	107.1%
Consumer	178.8%	247.4%	253.2%	254.8%	281.9%	280.2%
Mortgage	16.6%	34.2%	34.3%	77.8%	70.1%	65.9%
Total	99.8%	124.7%	106.7%	156.6%	148.1%	127.6%

Q/Q Performance:

Total Reserves Coverage ratio closed the quarter at 127.6%, lower than in 1Q18 mainly explained by the increase in commercial past due loans. On the other hand, the Coverage ratio closed at 106.7%, decreasing against the one reported on the first quarter of the year.

Y/Y Performance:

Total Reserves Coverage ratio decreased against 2Q17, as an effect of increases in commercial and mortgage non-performing loans. However, the Coverage ratio increased compared to the one reported on 2Q17 due to higher loan loss provisions, given the IFRS 9 implementation, in which the expected loss model is used.

Funding Sources

Funding Sources	Consolidated (COP Billion) Jun. 17	Consolidated Mar. 18	Consolidated Jun. 18	Consolidated % Chg. Q/Q	Consolidated % Chg. Y/Y	Colombia (COP Billion) Jun. 18	Colombia % Chg. Q/Q	Colombia % Chg. Y/Y	International (USD Million) Jun. 18	International % Chg. Q/Q	International % Chg. Y/Y
Demand deposits	33,953	33,526	33,031	(1.5)	(2.7)	25,764	(2.6)	(1.9)	2,480	(2.5)	(1.8)
Term deposits	29,452	30,792	32,754	6.4	11.2	24,824	5.3	17.6	2,706	4.2	(1.0)
Bonds	11,003	9,844	10,009	1.7	(9.0)	9,171	1.3	(9.7)	286	0.0	3.6
Credits with entities	8,575	9,835	10,248	4.2	19.5	6,146	4.4	26.5	1,399	(1.4)	14.9
Total	82,984	83,997	86,042	2.4	3.7	65,906	1.4	5.6	6,871	0.4	1.8

Q/Q Performance:

As of June 2018, funding sources totaled $86 trillion, increasing from the previous quarter due to the growth of term deposits in Colombia, which rose especially in the business segment.

Demand deposits closed at $33 trillion, decreasing mainly in Colombia by lower deposits in checking and savings accounts. On another hand, bonds closed at $10 trillion, increasing due to the Colombian Peso devaluation during the quarter.

[5] Coverage: Asset Allowances / Portfolio> 90 days

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

Additionally, credits with entities increased 4.2% and reached $ 10.2 trillion, mainly due to obligations acquired with foreign institutions, as a result of diversification strategies and funding cost reduction that the Bank has been implementing.

Gross loans to funding sources ratio closed at 94.9%, increasing 157 bps against the previous quarter.

Y/Y Performance:

Funding sources grew 3.7% compared to 2017, mostly by higher term deposits and credits with entities. When excluding the Colombian Peso revaluation of the year, funding sources increase 4.7%.

In Colombia, decreases in demand deposits against 2017 are explained by a reduction in accounts of wholesale customers in Colombia, given the adjustment of interest rates consistent with the monetary policy decisions taken by the Central Bank.

The latter also resulted in a 17.6% term deposits' increase in Colombia, as the Bank continues to address its funding needs to sustain growth.

On the other hand, the drop in bonds is explained by the maturity of the dollar-issued senior bonds in January of this year. Finally, credits with entities increased resulting from greater obligations with foreign institutions, as a consequence of the diversification strategy explained above.

Gross loans to funding sources ratio increased by 264 bps compared to 2017.

Equity and Regulatory Capital

Total Regulatory Capital and Risk Weighted Assets (COP Billion)	**Consolidated**		
	2Q17	**1Q18**	**2Q18**
Tier I Capital	6,896	7,914	7,855
Tier II Capital	4,173	3,639	3,838
Total Regulatory Capital	11,070	11,553	11,693
Risk Weighted Assets	85,059	84,855	88,518
Total Capital Ratio	12.56%	13.08%	12.68%
Tier I	7.83%	8.96%	8.52%
Tier II	4.74%	4.12%	4.16%

Q/Q Performance:

Consolidated equity reached $10.7 trillion, increasing by 3.4% when compared to the previous quarter due to higher net profits.

Total capital ratio closed at 12.68% as of of June, 40 bps lower than the one reported in 1Q18. Davivienda's total capital ratio is 368 bps above the minimum required under Colombia's regulation (9%).

Risk weighted assets totaled $88.5 trillion, 4.3% higher than those reported in the previous quarter. Additionally, its density[7] reached 86.9%, 104 bps over the one of 1Q18, which closed at 85.8%.

[7] Risk-Weighted Assets' Density: RWA / Total Assets

Y/Y Performance:

Consolidated equity showed an annual increase of 3.8%, as an effect of higher reserves and net profits, as the General Shareholders' Assembly approved to capitalize the bank in $1 trillion, last March 2018.

2Q18 risk weighted assets were 4.1% higher than the ones of 2Q17, and its density increased 145 bps compared to 2Q17 (85.4%).

INCOME STATEMENT

Income Statement (COP billion)	Quarterly Figures			% Chg.		Accum. Figures		% Chg.
	2Q17	**1Q18**	**2Q18**	**Q/Q**	**Y/Y**	**Jun. 17**	**Jun. 18**	**Y/Y**
Interest Income	2,354	2,405	2,350	-2.3	-0.2	4,718	4,755	0.8
Loans	2,174	2,230	2,189	-1.9	0.7	4,354	4,419	1.5
Commercial	902	881	882	0.1	-2.2	1,842	1,763	-4.3
Consumer	768	796	780	-2.1	1.5	1,512	1,575	4.2
Mortgage	504	553	527	-4.7	4.5	1,000	1,080	8.0
Investments	160	148	137	-7.3	-14.2	328	286	-13.1
Other Income	19	27	23	-12.0	21.2	36	50	40.1
Financial Expenses	984	890	872	-2.0	-11.4	1,995	1,762	-11.7
Demand Deposits	241	158	147	-6.9	-39.1	531	305	-42.6
Term Deposits	435	415	420	1.3	-3.2	855	835	-2.3
Credits with Entities	93	102	115	13.3	24.0	187	217	15.9
Bonds	181	194	170	-12.1	-6.0	361	364	0.9
Other Expenses	34	21	19	-11.2	-44.5	60	40	-33.0
Gross Financial Margin	1,370	1,515	1,477	-2.5	7.9	2,723	2,992	9.9
Provision Expenses, net of recoveries	457	464	566	22.1	24.0	943	1,030	9.3
Net Interest Margin	913	1,051	911	-13.3	-0.2	1,780	1,962	10.2
Operating Income	300	317	336	5.8	12.1	588	653	11.0
Operating Expenses	799	789	876	11.0	9.6	1,539	1,665	8.2
Personnel Expenses	358	347	397	14.4	11.2	680	745	9.6
Operation Expenses	334	323	359	10.9	7.5	646	682	5.5
Other Expenses	108	118	120	1.2	11.2	213	238	12.0
Exchange and Derivatives	59	26	21	-19.0	-63.6	85	48	-43.4
Other Income and Expenses, net	-14	-26	4	-116.8	-132.3	-13	-22	68.3
Income before Taxes	458	579	397	-31.5	-13.5	901	976	8.3
Income Tax	134	125	116	-7.2	-13.8	251	241	-4.2
Net Income	**324**	**454**	**281**	**-38.2**	**-13.3**	**650**	**735**	**13.1**

Net Income

Quarterly figures

Q/Q Performance:

Net income for the quarter reached $281 billion, decreasing 38.2% against 1Q18, due to the following reasons: on one hand, net income for the 1Q18 was atypical due to lower provision expenses that resulted from the IFRS 9 adoption. On the other hand, 2Q18 net income was affected by increases in provision expenses, lower financial income and higher operating expenses.

The increase in provision expenses is explained by the migration to the expected loss model. By applying this framework, we increased the allowances stock by $768 billion, affecting the Other Comprehensive Income in the Equity on January 1st, 2018. As a result of the latter, provision expenses in the first quarter were unusually low.

Secondly, reduction in financial income is related to the loans' repricing, consistent with the decrease on the Central Bank's reference rate in Colombia; and to the IFRS 9 implementation, as loans classified on Stage 3 do not accumulate interests in the provisioned portion.

Finally, the operating expenses' increase was due to the payment of a non-recurring personnel bonus, advertising, hardware maintenance and fees related to technological tools.

As a result, annualized quarter ROAE closed at 10.7% by the end of 2Q18.

Y/Y Performance:

Consolidated profit for 2Q18 fell 13.3% compared to the same period of 2017, given the increase in provision expenses explained before, and the growth in operating expenses, specifically in personnel, maintenance and leasing expenses.

Accumulated figures

Y/Y Performance

Accumulated net income for the first semester of 2018 reached $735 billion, which indicates an annual increase of 13.1%. This is explained by the growth of loan income, related to higher mortgage and consumer loans, the decrease in financial expenses and higher operating income. When the effect of the Colombian Peso revaluation is excluded, net profit increases 13.6%.

In Colombia, accumulated net income closed at $615 billion, showing an expansion of 16.7% compared to the previous year. Meanwhile, the accumulated net profit of the international operation reached USD $42.3 million, remaining stable when compared to the accumulated as of June 2017.

The ROAE of the last 12 months closed at 12.9%, 273 bps less than the one reported in June 2017.

Gross Financial Margin

Gross Financial Margin (COP billion)	Quarterly Figures 2Q17	1Q18	2Q18	% Chg. Q/Q	Y/Y	Accum. Figures Jun. 17	Jun. 18	% Chg. Y/Y
Loan Income	2,174	2,230	2,189	-1.9	0.7	4,354	4,419	1.5
Investments and Interbank Income	180	175	161	-8.0	-10.4	364	336	-7.8
Financial Income	2,354	2,405	2,350	-2.3	-0.2	4,718	4,755	0.8
Financial Expenses	984	890	872	-2.0	-11.4	1,995	1,762	-11.7
Gross Financial Margin	1,370	1,515	1,477	-2.5	7.9	2,723	2,992	9.9

Quarterly figures

Q/Q Performance:

The consolidated gross financial margin of 2Q18 totaled $1.5 trillion, which meant a reduction compared to the previous quarter, primarily due to lower loan, investments, and interbank funds income. Portfolios that showed the greatest interest income reductions were mortgage and consumer.

Investments income presented a reduction compared to 1Q18 and 2Q17 as a result of the increase in valuation rates and to reduction of the reference rate in Colombia.

Quarter's gross financial margin of the Colombian operation decreased 2.8%, closing at $1.2 trillion, explained by the loan's repricing consistent with the expansionary policy of the Colombian Central Bank. Meanwhile, the gross financial margin remained stable against 1Q18 in Central America, with a balance of USD $82.2 million.

NIM Annualized Quarter	2Q17	1Q18	2Q18	Bps Chg. Q/Q	A/A
Total NIM	6.43%	6.67%	6.64%	-2	21

Therefore, the NIM for the quarter closed at 6.64%, remaining on a similar level as the one reported in 1Q18.

Y/Y Performance:

The consolidated gross financial margin for the quarter showed an increase compared to 2Q17, mainly due to the reduction in financial expenses. In Colombia, the gross financial margin increased 7.8% as interest expenses fell, given lower balances and costs in savings deposits, which had rates adjustments consistent with changes in the Central Bank's reference rate.

On the other hand, the gross financial margin increased 11.5% on the USD international operation as a consequence of the growth in loan income. The segment with the highest income expansion was the commercial segment, followed by the mortgage portfolio.

Accumulated figures

Y/Y Performance:

The accumulated gross financial margin reached $3.0 trillion as of June 2018, increasing 9.9% against the accumulated at June 2017, as a result of lower interest expenses. When excluding the effect of the annual COP revaluation, the gross financial margin increases by 10.3%.

The accrued gross financial margin from the Colombian operation closed at $2.5 trillion and increased 11.0% as a consequence of lower interest expenses on savings deposits and term deposits, due to the lower balance of these accounts and the interest rate adjustment.

Furthermore, Central America's gross financial margin reached USD $164.5 million, increasing 6.9% as a result of higher income on the commercial and mortgage portfolios.

NIM				**Bps Chg.**	
12 Months	**2Q17**	**1Q18**	**2Q18**	**Q/Q**	**Y/Y**
Total NIM	6.15%	6.51%	6.56%	5	41

Given the above, 12 month NIM closed at 6.56%, increasing 41 bps against the one reported in the same period of the previous year.

Provision Expenses

Provision Expenses	**Quarterly Figures**			**% Chg.**		**Accum. Figures**		**% Chg.**
(COP billion)	**2Q17**	**1Q18**	**2Q18**	**Q/Q**	**Y/Y**	**Jun. 17**	**Jun. 18**	**Y/Y**
Provision for Credit Losses	540	539	694	28.9	28.7	1,093	1,233	12.8
Loan Recoveries	79	71	128	80.4	61.4	145	199	37.5
Net Loan Sales	4	4	0	-100.1	-100.1	6	4	-36.8
Provision expenses, net of recoveries	**457**	**464**	**566**	**22.1**	**24.0**	**943**	**1,030**	**9.3**

Quarterly figures

Q/Q Performance:

Provision expenses of the quarter closed at $566 billion, presenting an increase compared to the one of 1Q18, mainly explained by the Colombian operation where it had an increase of 27.5%. This growth is explained by the following effects:

On one hand, there was an unusually low provision expense during the first quarter of the year, mainly due to provision estimates made under the expected loss model consistent with the IFRS 9 adoption, directly affecting the equity and not the financial statement. On the other hand, in 2Q18 there were further deteriorations on particular clients from the commercial portfolio, and higher provision expenses on consumer and mortgage loans, as a consequence of the new estimates' standards.

Meanwhile, provision expenses on the USD international operation decreased 15.5%, as loan collections increased.

Cost of Risk (Annualized quarter)	2Q17	1Q18	2Q18	Bps Chg. Q/Q	Y/Y
Cost of Risk	2.39%	2.37%	2.77%	41	39

The Cost of Risk for the quarter was 2.77%, 41 bps above the one reported in 1Q18. This behavior is attributable to the expected loss model adoption and to the lagged effect of the lower economic cycle in Colombia, where the Bank has increased the coverage on some specific cases of the commercial and consumer portfolio.

Y/Y Performance:

Consolidated provision expenses for 2Q18 increased compared to the same quarter of the previous year given deteriorations on the consumer and mortgage segments in Colombia. In Central America the increase is explained, on one hand, by particular cases in Costa Rica's commercial portfolio; and the adoption of the IFRS 9 method in Honduras.

Accumulated figures

Y/Y Performance:

Accrued provision expenses reached $1.03 trillion in June 2018, increasing against the accumulated as of June 2017. In Colombia, the growth in provision expenses is a result of the migration to the IFRS 9 methodological framework and the loans portfolios natural growth. In the USD international operation, the growth occurred mainly as a consequence of Costa Rica's commercial portfolio deterioration.

Cost of Risk (12 months)	2Q17	1Q18	2Q18	Bps Chg. Q/Q	Y/Y
Cost of Risk	1.87%	2.49%	2.53%	3	65

Due to the latter, the 12-month Cost of Risk closed at 2.53%, 65 bps more than the one of June 2017

Operating Income

Quarterly figures

Q/Q Performance:

Operating income for the quarter reached $336 billion, showing an increase compared to 1Q18, due to a 9.3% growth in commissions and fees income in Colombia. This increase is a result of higher commissions from establishments affiliated to credit and debit cards, and fees from the issuance of bank guarantees related to infrastructure projects, among others.

Y/Y Performance:

Operating income for 2Q18 grew 12.1% compared to 2Q17, as a consequence of increases in commissions and fees income both in Colombia and in the USD international operation (increases of 11.3% and 15.8% respectively). In Colombia, the increase is explained by commissions for management fees, fiduciary business, and establishments affiliated to credit cards. In Central America, income from commissions of banking services in El Salvador and Honduras stand out.

Accumulated figures

Y/Y Performance:

Accumulated operating income reached $653 billion, driven by the growth in commissions and net fees, which increased 9.5% in Colombia and 12.1% in the USD international operation.

Operating Expenses

Operating Expenses (COP billion)	Quarterly Figures			% Chg.		Accum. Figures		% Chg.
	2Q17	1Q18	2Q18	Q/Q	Y/Y	Jun. 17	Jun. 18	Y/Y
Personnel Expenses	358	347	397	14.4	11.2	680	745	9.6
Operational Expenses	334	323	359	10.9	7.5	646	682	5.5
Other Expenses	108	118	120	1.2	11.2	213	238	12.0
Total Expenses	**799**	**789**	**876**	**11.0**	**9.6**	**1,539**	**1,665**	**8.2**

Quarterly figures

Q/Q Performance:

Consolidated operating expenses reached $876 billion in the second quarter of 2018, increasing 11.0% compared to the first quarter, as a result of non-recurring personnel expenses in Colombia and higher administrative expenses for advertising. When excluding the non-recurring expenses of personnel bonuses, operating expenses increase 7.2%.

Efficiency (Annualized Quarter)	2Q17	1Q18	2Q18	Bps Chg. Q/Q	Y/Y
Efficiency	46.7%	43.3%	47.9%	455	119

As an outcome, the Efficiency for the quarter was 47.9%, 455 bps higher than the one of 1Q18.

Y/Y Performance:

Consolidated operating expenses for 2Q18 increased 9.6% compared to the same period of the previous year. If the effect of the mentioned non-recurring personnel expenses in Colombia is excluded, the growth in operating expenses for 2Q18 compared to 2Q17 would have been 5.9%.

Accumulated figures

Y/Y Performance:

Accrued operating expenses to June 2018 closed at $1.7 trillion, increasing against the same period of the previous year, due to higher personnel expenses previously explained, and to operating expenses from the rental of real estate assets sold in recent years.

Efficiency (12 months)	2Q17	1Q18	2Q18	Bps Chg. Q/Q	Y/Y
Efficiency	47.1%	46.2%	46.6%	31	-53

The 12-month Efficiency ratio closed at 46.6%, decreasing by 53 bps compared to 2Q17.

Taxes

Quarterly figures

Q/Q Performance:

Income tax reached $116 billion in 2Q18, decreasing compared to the previous quarter as a result of a lower income before tax.

Effective Tax Rate				**Bps Chg.**	
Quarter	**2Q17**	**1Q18**	**2Q18**	**Q/Q**	**Y/Y**
Effective Tax Rate	29%	22%	29%	8	0

The increase observed in the effective tax rates between the 1Q18 and 2Q18, is explained by the implementation of IFRS 9.

Y/Y Performance:

2Q18 taxes declined 13.8% compared to 2Q17, due to the quarter's net income reduction.

Accumulated figures

Y/Y Performance:

Accrued income tax as of June 2018 reached $241 billion, which represents a 4.2% decrease compared to the amount accumulated as of June 2017.

Effective Tax Rate			**Bps Chg.**	
Accumulated	**2Q17**	**2Q18**	**Q/Q**	**Y/Y**
Effective Tax Rate	28%	25%	3	-3

The effective tax rate for the first semester of 2018 was 25%, mainly due to the reduction from 40% to 37% on the Colombian nominal tax rate.

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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 June 30th, 2018 shall not be necessarily indicative of results expected for any other period.

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