Banco Davivienda S.A. / PFDAVVNDA
Second Quarter Results 2021 / 2Q21

Bogotá, Colombia. August 12th, 2021. – Banco Davivienda S.A. (BVC: PFDAVVNDA) announces its 2021 Second Quarter consolidated results. Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in Colombian Pesos (COP).

HIGHLIGHTS

- Net profits for the quarter totaled $432.3 billion, increasing over the quarter and the year, primarily due to a reduction in net provision expenses, higher loan interest and investment income, coupled with stability in operating income. As a result, accumulated profits reached $533.5 billion.

- The 12-month Cost of Risk closed at 3.76%, decreasing 35 bps relative to the figure reported last quarter, due to an improved outlook on macroeconomic variables in Colombia and Central America.

- The 12-month Net Interest Margin stood at 6.08%, decreasing 21 bps over the year, mainly due to of lower interest rates and lower investment income[1]. On the other hand, the annualized quarterly NIM reached 6.41%, 83 bps higher than 1Q21.

- The Total Capital Adequacy Ratio reached 18.64%, 196 bps higher than the figure recorded in the previous, reflecting the issuance of a perpetual bond (AT1) and higher profits. The Common Equity Tier 1 ratio closed at 12.04%.

- On August 9th, the Financial Superintendence of Colombia authorized the incorporation of RappiPay Financing Company along with Rappi, in order to develop a digital-native bank in Colombia for the purpose of creating and offering agile and innovative solutions.

- During May and July, S&P and Fitch downgraded Davivienda's ratings to BB+ from BBB- after respective Sovereign Downgrade. Both confirmed outlook stable.
  Current Risk ratings: Fitch BB+/ S&P BB+/ Moody's Baa3. All of them with a stable perspective.

- DaviPlata, our digital-native bank, reached 12.7 million customers. Additionally, the balance of electronic deposits grew 1.7 times compared to the second quarter of 2020 reaching 563 billion.

- As of June 2021, Davivienda operated in 6 countries, had over 18 million customers, more than 17 thousand employees, 652 branches and 2,686 ATMs.

Banco Davivienda S.A.

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

ECONOMIC ENVIRONMENT COLOMBIA

During the second quarter of the year, most economies around the world grew significantly. For instance, the US economy experienced a 12.2% annual growth rate in the second quarter of the year, which starkly contrasts to the 9.1% drop recorded in the second quarter of 2020. In China, the GDP grew by 7.9% over the same period. Meanwhile, the eurozone recorded a 13.7% increase in GDP growth.

Oil prices continued on a recovery path throughout the second quarter of the year, although at a more moderate pace. Brent crude oil prices averaged USD 68.9, compared to USD 61.03 in the previous quarter. This trend is still driven by higher demand for crude oil and by OPEC countries' efforts to limit supply.

In Colombia, the Economic Activity Index recorded a 21.09% increase in domestic economic activity during the April-May period of this year, compared to the same period last year, when it dropped 18.22%. Therefore, it is reasonable to conclude that the economy had regained lost ground.

Inflation closed the second quarter with an annual rate of 3.63%, a sharp jump from the historic low figure recorded at the end of the previous quarter. National protests, especially road blockades and damages to the poultry production chain had a significant impact, as did an increase in input prices worldwide, which have been exerting considerable cost pressures.

On May 19, Standard and Poor's announced its decision to cut Colombia's long-term foreign currency rating from BBB- to BB+ and assigned it a stable outlook, while the long-term local currency rating was downgraded from BBB to BBB-. On July 9, Fitch Ratings took the same rating action downgrading Colombia's Long-Term Foreign-Currency and Local Currency to 'BB+' from 'BBB-'. The Outlook was revised to Stable from Negative.

Colombia's Government ratified its fiscal deficit target for 2021 at 8.6% of GDP. This decision contemplates using resources from the Emergency Mitigation Fund that were not spent in 2020 and resources for the partial financing of social programs to assist the vulnerable population and to advance measures aimed at stimulating economic recovery in 2021. For 2022, the Government deficit target was set at 7.0% of GDP, which is 1.7% lower than the 2021 target. Finally, figures released by the Tax and Customs Administration (DIAN) indicate that gross tax collections amounted to $43.7 trillion in the second quarter of the year, increasing by 22.9% compared to the same period of the previous year, resulting in a total year-to-date collection figure of $85 trillion.

The COP - USD exchange rate continued to increase during the second quarter of the year, in line with the rising trend experienced since the beginning of the year. The average exchange rate for the second quarter was $3,690.9, higher than the $3,552.8 average recorded in the first quarter. This trend is even more notable given that the exchange rate recorded on the last day of June was $3,756.6. It is a noteworthy fact that this exchange rate performance occurred despite higher oil prices.

ECONOMIC ENVIRONMENT CENTRAL AMERICA

Economic recovery continued in the first quarter of 2021 in the Central American region, including growth in El Salvador and Honduras and moderate contractions in Costa Rica and Panama.

In El Salvador, in the first quarter of 2021, the GDP grew by 3.04% year-on-year, mainly driven by real estate activity, manufacturing industry and commerce. Honduras recorded a 1.26% annual growth in the first quarter, mainly driven by manufacturing, communications, and electricity and water distribution.

Conversely, Costa Rica experienced a 2.18% annual contraction, mainly due to the negative performance of the transportation and financial and insurance sectors, which remain affected by the pandemic as a result of lower use of transportation services, a drop in the movement of goods, as well as stagnation in loan applications.

The economy in Panama recorded an 8.55% annual contraction in the first quarter, mainly due to the ongoing decline in the construction, tourism, and real estate and business sectors. These sectors have recovered at a slower pace than other GDP components, with negative year-on-year results.

The region’s annual inflation increased during the second quarter of the year, mainly due to higher oil prices and by-products. In June, the annual inflation was 1.91% for Costa Rica, 2.59% for El Salvador, 4.67% for Honduras, and 1.58% for Panama. However, in Costa Rica and Honduras, inflation remained within each central bank's target range (Costa Rica 2% to 4% and Honduras 3% to 5%).

Regarding the exchange rate, the Costa Rican Colon depreciated by 0.74% as of June 30, 2021, relative to December 31, 2020, while the Honduran Lempira appreciated by 1.03% during the same period. As a result, the monetary policy interest rate stayed at 0.75% in Costa Rica and 3% in Honduras in the second quarter of the year, both historically low levels.

Finally, as of the end of June, risk rating agencies have not changed the ratings and perspectives of the countries in the region. However, Moody's downgraded El Salvador's rating to Caa1 in July and assigned a negative outlook. The rating agency cited uncertainty about the government's funding sources, upcoming 2023 debt maturities that will put pressure on the government's cash flow, and the risk of the implementation of fiscal adjustment plans.

In early August, Standard & Poor's gave Panama's sovereign rating a negative outlook. The rating agency cited public finance risks posed by the country's higher level of debt and fiscal constraints as the reasons for this negative outlook.

MAIN CONSOLIDATED FIGURES:

Statement of Financial Condition

(COP billion)				% Chg.	
Assets	**Jun. 20**	**Mar. 21**	**Jun. 21**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	13,664	10,054	11,257	12.0	-17.6
Investments	16,114	16,378	16,079	-1.8	-0.2
Gross Loan Portfolio	109,543	108,172	110,976	2.6	1.3
Loan Loss Reserves	-5,058	-6,007	-5,689	-5.3	12.5
Property, Plant and Equipment	1,760	1,682	1,660	-1.3	-5.7
Other Assets	6,125	5,734	5,770	0.6	-5.8
Total Assets	**142,148**	**136,014**	**140,055**	**3.0**	**-1.5**
Liabilities					
Repos and Interbank Liabilities	3,585	2,455	1,966	-19.9	-45.2
Demand Deposits	51,928	55,182	56,380	2.2	8.6
Term Deposits	36,373	33,706	33,164	-1.6	-8.8
Bonds	13,208	13,320	15,595	17.1	18.1
Credits	17,758	12,645	13,359	5.6	-24.8
Other Liabilities	6,394	5,724	6,113	6.8	-4.4
Total Liabilities	**129,246**	**123,032**	**126,577**	**2.9**	**-2.1**
Equity					
Non-controlling Interest	133	135	138	2.0	4.2
Equity	12,769	12,847	13,339	3.8	4.5
Total Equity	12,902	12,982	13,478	3.8	4.5
Total Liabilities and Equity	**142,148**	**136,014**	**140,055**	**3.0**	**-1.5**

Income Statement	**Quarterly Figures**			**% Chg.**		**Accumulated Figures**		**% Chg.**
(COP billion)	**2Q20**	**1Q21**	**2Q21**	**Q/Q**	**Y/Y**	**Jun. 20**	**Jun. 21**	**Y/Y**
Interest Income	3,047	2,437	2,698	10.7	-11.5	5,862	5,135	-12.4
Loans	2,720	2,447	2,527	3.3	-7.1	5,415	4,974	-8.1
Investments	303	-22	155	-100.0	-48.9	393	133	-66.2
Other Income	24	13	15	22.7	-35.2	54	28	-48.4
Financial Expenses	1,074	730	717	-1.8	-33.3	2,137	1,447	-32.3
Gross Financial Margin	1,973	1,707	1,981	16.1	0.4	3,725	3,688	-1.0
Net Provision Expenses	979	1,136	700	-38.4	-28.6	1,865	1,835	-1.6
Net Interest Margin	994	571	1,281	100.0	29.0	1,861	1,853	-0.4
Operating Income	279	367	367	-0.2	31.4	593	734	23.8
Operating Expenses	1,039	1,009	1,117	10.7	7.5	2,020	2,126	5.3
FX+D	-90	212	74	65.2	-100.0	42	286	100.0
Other Income and Exp., net	-20	-8	-8	-5.6	-61.0	-36	-16	NA
Income Before Taxes	124	134	597	100.0	100.0	440	731	66.2
Income Tax	2	32	165	100.0	100.0	93	197	100.0
Net Profit	**122**	**101**	**432**	**100.0**	**100.0**	**346**	**534**	**54.1**
Non controlling interest	3	2	6	100.0	79.5	7	7	4.1

MAIN RATIOS

12 Months	2Q20	1Q21	2Q21	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.30%	6.10%	6.08%	-2	-21
NIM FX+D[2]	6.41%	6.19%	6.30%	11	-11
Cost of Risk	2.83%	4.11%	3.76%	-35	93
Cost-to-Income	47.3%	46.9%	46.3%	-60	-100
ROAE	8.6%	2.2%	4.6%	240	-400
ROAA	0.84%	0.20%	0.43%	23	-41

Annualized Quarter	2Q20	1Q21	2Q21	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.40%	5.59%	6.41%	82	1
NIM FX+D	6.10%	6.28%	6.65%	37	55
Cost of Risk	3.58%	4.20%	2.52%	-168	-106
Cost-to-Income	48.7%	44.5%	46.5%	200	-220
ROAE	3.8%	3.2%	13.1%	990	930
ROAA	0.35%	0.30%	1.25%	95	90

COVID-19 RESPONSE

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

In Colombia, we continue implementing the Debtors Support Program (PAD), where 9.3% of Colombia's portfolio remained with relief measures. This figure represents a 1.1 pp increase from the previous quarter, when 8.2% of the portfolio was under some type of relief. Out of the 9.3%, 63% belongs to the consumer segment, 26% to the commercial segment, and 10% to the mortgage segment. Regarding payment behavior of this portfolio, 91% are up to date, 5% are between 30 and 90 days past due and the remaining 4% are more than 90 days past due.

In Central America, 9.4% of the portfolio benefits from some type of relief, without fluctuations relative to the previous quarter. The largest share of the portfolio benefiting from reliefs stems from the commercial segment (63%), followed by the consumer segment (24%) and finally the mortgage segment (14%). In addition, 93% of the relieved portfolio is up to date on payments, while 4% is between 30 and 90 days past due, and an additional 3% is more than 90 days past due.

The information described regarding the payment behavior of this portfolio is included in the asset quality indicators presented in this report.

[2] NIM FX+D includes changes and derivatives income to reflect the results of the hedging strategy.

DIGITAL TRANSFORMATION

Our digital native Bank, Daviplata, reached 12.7 million customers at the end of the second quarter of 2021, of whom 5.3 million hold other banking products, 4.4 million count on DaviPlata as their only active financial product, and 3 million are common customers with Davivienda. The electronic deposits balance rose 1.7 times over the second quarter of 2020 reaching 563 billion.

As for the Bank's digital transformation process, 86% of consolidated customers are considered digital as of 2Q21. This figure was 88% in the Colombian operation and 50% for the Central America operation.

In Colombia, the outstanding amount of digital loan products[3] approximately doubled over the previous year, reaching $5.1 trillion. On the other hand, digital deposits[4] closed with a $2.5 trillion balance, increasing by 50% over the year. Finally, digital investment products[5] reached an outstanding amount of $0.5 trillion, almost two times higher than the figure recorded in 2Q20.

Regarding accumulated sales, 53% of product placements have been made through digital channels in the first quarter of 2021. This figure is 9 pps higher than the figure recorded last year. In terms of accumulated transactions, 54% of monetary transactions were conducted through digital channels, compared to 48% last year. Accordingly, and in light of the Covid-19 pandemic, transactions through traditional channels dropped from 16% in 2Q20 to 12% in 2Q21.

In line with our Innovation and Digital Transformation Strategy, we would like to highlight the following:

- On August 9th, the Financial Superintendence of Colombia (SFC) authorized the incorporation of RappiPay Financing Company along with Rappi, in order to develop a digital-native bank in Colombia for the purpose of creating and offering agile and innovative solutions.
- Davivienda was accredited by the Ministry of Science of Colombia as a Research, Development and Innovation Unit, ratifying the Bank's innovation skills and culture.
- Davivienda and the Inter-American Development Bank (IDB) launched a pilot for the first bond in Colombia to be issued, placed, traded and settled using blockchain technology in the Colombian stock exchange.

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

STATEMENT OF FINANCIAL CONDITION

Assets

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Assets	**Jun. 20**	**Mar. 21**	**Jun. 21**	**Q/Q**	**Y/Y**	**Jun. 21**	**Q/Q**	**Y/Y**	**Jun. 21**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	13,664	10,054	11,257	12.0	-17.6	5,331	17.8	-9.5	1,581	5.2	-23.6
Investments	16,114	16,378	16,079	-1.8	-0.2	11,524	-4.2	-5.4	1,524	1.8	9.9
Gross Loans Portfolio	109,543	108,172	110,976	2.6	1.3	87,743	2.3	0.7	6,198	1.7	4.0
Loan Loss Reserves	-5,058	-6,007	-5,689	-5.3	12.5	-4,848	-6.5	10.3	-224	0.4	27.2
Property, Plant and Equipment	1,760	1,682	1,660	-1.3	-5.7	1,170	-1.7	-6.4	131	-2.2	-3.9
Other Assets	6,125	5,734	5,770	0.6	-5.8	4,363	-0.4	-8.8	248	4.1	7.6
Total Assets	142,148	136,014	140,055	3.0	-1.5	105,284	2.5	-1.5	9,457	2.3	-1.5

Q/Q Performance:

Assets totaled $140.1 trillion, increasing 3.0% over the quarter. Excluding the effects of the Colombian peso depreciation over the quarter 1.9%, assets would have increased 2.5%.

Cash and interbank funds closed at $11.3 trillion, increasing 12.0% from the previous quarter. This behavior is mainly attributable to an increase in money market operations in Colombia. On the other hand, the investment portfolio reached $16.1 trillion, which is 1.8% lower than the figure recorded the previous quarter, mainly due to the sale of government debt notes in Colombia as part of the trading portfolio.

Gross Loans went up by 2.6% over the quarter, reaching $111.0 trillion, mainly reflecting a $1.8 trillion growth of the commercial portfolio, as well as a $812 billion expansion of the mortgage portfolio. Loan loss reserves decreased 5.3% over the quarter, closing at $5.7 trillion. Consequently, loan loss reserves as a percentage of gross loans decreased 43 pbs over the quarter, closing at 5.1%. Write-offs totaled $1.2 trillion over the quarter, mainly concentrated in the consumer portfolio.

Finally, other assets remained relatively stable, recording a slight 0.6% quarterly increase, reflecting the performance of derivatives, which contracted by 26.6%, offsetting an 8.7% increase in net accounts receivable.

Y/Y Performance:

Total assets have decreased 1.5% over the year. Excluding the impact of the Colombian peso appreciation over the year 0.2%, assets decreased 1.4%.

Cash and interbank funds decreased by 17.6%, mainly due to less cash in Colombia and Central America related to the base effect of the previous year when cash increased as a response to the necessity of short-term liquidity during the beginning of the pandemic. In addition, Investments slightly contracted, reflecting the performance of the trading portfolio in Colombia throughout the quarter.

Gross loans increased 1.3% over the year, driven mainly by the mortgage portfolio, which grew 11.9%, offsetting a 3.3% decline in the commercial portfolio. Provisions increased 12.5%.

Finally, other assets decreased by -5.8% due to a lower balance of trade acceptances and derivatives due to volume changes in instruments in Colombia and interest rate fluctuations.

Gross Loans

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Gross Loans	**Jun. 20**	**Mar. 21**	**Jun. 21**	**Q/Q**	**Y/Y**	**Jun. 21**	**Q/Q**	**Y/Y**	**Jun. 21**	**Q/Q**	**Y/Y**
Commercial	54,168	50,576	52,358	3.5	-3.3	40,463	3.7	-4.5	3,173	1.0	0.8
Consumer	30,458	30,525	30,736	0.7	0.9	24,616	-0.2	-0.9	1,633	2.6	9.3
Mortgage	24,918	27,071	27,883	3.0	11.9	22,664	2.8	13.5	1,392	2.1	5.8
Total	109,543	108,172	110,976	2.6	1.3	87,743	2.3	0.7	6,198	1.7	4.0

Q/Q Performance:

Gross loans closed at $111.0 trillion, a 2.6% increase over the previous quarter. Excluding the effect of the Colombian peso depreciation of 1.9% during the quarter, gross loans increased by 2.2%.

The commercial portfolio increased by $1.5 trillion, growing 3.5%, mainly due to increased disbursements in the corporate segment in Colombia.

The consumer loan portfolio registered a slight 0.7% increase, attributable to higher disbursements in payroll loans and unsecured personal loans, which recorded a positive performance, increasing by 2.7% and 1.1%, respectively. However, this was offset by write-offs totaling $1.2 trillion within this portfolio over the quarter.

The mortgage portfolio increased 3.0%, driven by the social housing segment and residential leasing in Colombia.

Gross loans reached US$6.2 billion in international subsidiaries, increasing 1.7% over the quarter, mainly due to higher balances in the consumer and commercial portfolios in Honduras and El Salvador.

Y/Y Performance:

Consolidated gross loans increased 1.3% over the past year, reflecting an increase in mortgage loans, which grew $3.0 trillion over the year. Excluding the effect of the Colombian peso appreciation 0.2% during the year, gross loans grew by 1.4%.

The commercial portfolio experienced a 3.3% decrease, mainly due to a $1.8 trillion contraction in the corporate segment in Colombia. The latter is mainly due to the base effect of last year, on account of considerable disbursements made during the first quarter of 2020 in the energy, telecommunications, and mass consumption sectors.

Consumer loans grew 0.9%, mainly due to higher disbursements in Central America, where loans in USD increased by 9.3% relative to the immediately preceding year.

The mortgage portfolio grew 11.9%, driven by the growth in the residential leasing segment, particularly in Colombia, where it expanded 13.8%, in line with the sector's performance in recent months. Similarly, the social housing and residential segments also supported the portfolio's growth, recording 10.9% and 17.2% growth rates in Colombia, respectively.

Gross dollar-denominated loans increased by 4.0% in international subsidiaries. This growth was mainly boosted by retail banking, in which the consumer and mortgage portfolios grew by 9.3% and 5.8%, respectively. The commercial portfolio remained relatively stable, with an annual variation of 0.8%.

Asset Quality and Coverage

	Consolidated			Colombia			International		
PDL	**2Q20**	**1Q21**	**2Q21**	**2Q20**	**1Q21**	**2Q21**	**2Q20**	**1Q21**	**2Q21**
Commercial	3.77%	3.69%	3.92%	4.51%	4.39%	4.60%	1.11%	1.31%	1.58%
Consumer	0.75%	3.63%	2.90%	0.40%	3.44%	2.66%	2.30%	4.43%	3.85%
Mortgage	4.07%	4.91%	4.96%	4.22%	5.18%	5.25%	3.46%	3.68%	3.72%
Total (90)[1]	3.00%	3.98%	3.90%	3.27%	4.32%	4.22%	1.93%	2.65%	2.66%
Mortgage (120)	3.81%	4.06%	4.17%	3.94%	4.25%	4.39%	3.26%	3.25%	3.22%
Total (120)[2]	2.94%	3.76%	3.70%	3.21%	4.08%	4.00%	1.89%	2.56%	2.54%

Portfolio	Stage 1	Stage 2	Stage 3	Total
Commercial	43,789	4,902	3,667	52,358
Consumer	28,285	1,574	877	30,736
Mortgage	25,675	1,327	881	27,883
Total	**97,749**	**7,803**	**5,425**	**110,977**

Q/Q Performance:

The 90-days PDL ratio closed at 3.90%, decreasing 8 bps over the quarter, reflecting the performance of the consumer portfolio.

The commercial PDL ratio increased 23 bps over the quarter primarily due to portfolio impairment in the transportation, service, and infrastructure sectors in Colombia.

In the consumer portfolio, the improvement in the PDL ratio is mostly explained by the volume of write-offs made over the quarter and the reduction of loan deterioration.

The 90-days and 120-days PDL ratios for the mortgage portfolio increased 5 pbs and 11pbs, respectively. This is mainly explained by the $326 billion pesos securitization of low-risk portfolio in June and, to a lesser extent, as a result of lower restructuring arrangements within the framework of the Debtors Support Program (PAD).

In Central America, 90-days PDL ratios remained relatively stable over the quarter. This figure fell in the consumer portfolio, in line with improved payment behavior, in addition to write-offs and portfolio growth, offsetting an increase in non-performing loans in the commercial portfolio in Costa Rica and Honduras.

In 2Q21, write-offs totaled $1.2 trillion, decreasing 32.2% over the quarter, mainly concentrated in the consumer portfolio and to a lesser extent in the mortgage and commercial portfolios, given their performance and write-off parameters.

Write-offs	**Quarterly Figures**			**% Chg.**	
(COP billion)	**1Q20**	**4Q20**	**1Q21**	**Q/Q**	**Y/Y**
Total write-offs	514	1,720	1,165	-32.2	100.0

Y/Y Performance:

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

The PDL ratio for the commercial portfolio increased 15 bps over the year due to deterioration in specific sectors such as transportation, service and infrastructure, which is consistent with quarterly trends.

The deterioration of the PDL ratio in the consumer portfolio is largely explained by the expiration of relief programs and deterioration of past due loans that were up to date under the Debtors Support Program during 2020.

As for the mortgage portfolio, PDL ratios have increased as relief measures have expired and restructuring arrangements are lower, which is consistent with quarterly performance.

Coverage

Coverage	2Q20	1Q21	2Q21
Commercial	128.2%	154.1%	143.5%
Consumer	821.3%	237.3%	234.7%
Mortgage	55.6%	38.1%	47.5%
Total	154.1%	139.7%	131.5%

Q/Q Performance:

The Coverage ratio closed 2Q21 at 131.5%, decreasing 8.2 pps relative to the previous quarter due to an increase in write-offs in 2021 and the adjustment of model parameters in view of an improved macroeconomic outlook, reflecting lower provisions.

Y/Y Performance:

The Coverage ratio decreased by 22.6 pps due to lower provisions held on assets, in line with portfolio impairment and write-offs, along with an improved macroeconomic outlook.

Funding Sources

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Funding Sources	Jun. 20	Mar. 21	Jun. 21	Q/Q	Y/Y	Jun. 21	Q/Q	Y/Y	Jun. 21	Q/Q	Y/Y
Demand deposits	51,928	55,182	56,380	2.2	8.6	43,355	0.8	10.5	3,475	5.2	2.9
Term deposits	36,373	33,706	33,164	-1.6	-8.8	22,977	-1.9	-9.1	2,718	-2.7	-8.0
Bonds	13,208	13,320	15,595	17.1	18.1	13,698	16.9	22.5	506	16.2	-6.1
Credits	17,758	12,645	13,359	5.6	-24.8	8,414	2.1	-33.8	1,319	10.2	-1.7
Total	119,267	114,853	118,498	3.2	-0.6	88,445	2.4	0.0	8,017	3.7	-2.4

Q/Q Performance:

Funding sources totaled $118.5 trillion, increasing 3.2% over the quarter, mainly driven by bonds, demand deposits, and loans. However, when excluding the effect of the Colombian peso depreciation 1.9% during the quarter, funding sources decreased by 2.7%.

Demand deposits reached $56.4 trillion, increasing 2.2% over the quarter, mainly driven by low-cost deposits by companies in Colombia. In Central America, demand deposits in USD increased 5.2%, driven by savings accounts, which grew 7.8%, and checking accounts, which grew 2.6%. On the other hand, term deposits totaled $33.2 trillion, decreasing 1.6% over the quarter.

Bonds closed the second quarter with a $15.6 trillion balance, recording a 17.1% fluctuation over the quarter. This is mainly attributable to the issuance of an AT1 perpetual bond worth $500 million USD. In the international operation, bonds grew due to local issuances in Costa Rica to diversify funding sources.

Credits with entities reached $13.4 trillion, growing by 5.6% over the quarter. Higher obligations with foreign entities in the operation of Central America, mainly in El Salvador and Costa Rica, accounted for a large part of this performance. Similarly, in Colombia, credits with entities grew by 2.1%.

Gross loans to funding sources ratio closed at 93.7%, decreasing 53 bps compared to the previous quarter, reflecting the higher growth of funding sources relative to gross loans.

Y/Y Performance:

Funding sources remained relatively stable, reflecting lower balances in credits with entities and term deposits, which offset the increase in demand deposits. Excluding the effect of the Colombian Peso appreciation 0.2% during the year, funding sources decreased 0.6%.

The growth in traditional funding sources is mainly a result of higher demand deposits, which grew 10.5% in Colombia and 2.9% in Central America. This is due to lower interest rate scenarios that provide better funding sources. On the other hand, term deposits decreased 9.1% in Colombia and 8.0% in Central America.

Bonds increased 18.1% compared to the second quarter of 2020, largely due to the issuance of a $500 million USD AT1 perpetual bond and the issuance of $700 billion pesos in local bonds in the Colombian operation during the first quarter of 2021.

Credits with entities decreased by 24.8% over the year. This is explained by the payment of loans with foreign entities in Colombia, which reduced its balance by 33.8%. Similarly, in Central America, credits decreased 1.7%, partly because a number of loans were disbursed by foreign banks in the first half of 2020, specifically in the Costa Rican operation.

As gross loans increased while funding sources decreased throughout the year, the ration of the gross loan portfolio to funding sources increased 180 bps versus the second quarter of 2020.

Equity and Regulatory Capital

(COP billion)	Previous regulation 4Q20	New regulation (Basel III) 1Q21	2Q21	% Chg. Q/Q
Equity	12,720	12,982	13,478	3.8
Common Equity Tier I (CET1)	9,557	11,502	12,001	4.3
Additional Tier 1 (AT1)	0	0	1,879	100
Tier II Capital	4,677	4,747	4,699	-1.0
Total Regulatory Capital	14,234	16,245	18,574	14.3
Risk Weighted Assets[6]	115,660	97,372	99,651	2.3
CET1 Ratio	8.26%	11.81%	12.04%	23 bps
Tier 1 Ratio	8.26%	11.81%	13.93%	212 pbs
Total Capital Adequacy Ratio	12.31%	16.68%	18.64%	196 bps
Leverage Ratio	NA	7.61%	8.97%	136 bps

Q/Q Performance:

Consolidated equity totaled $13.5 trillion in June 2021, increasing 3.8% over the quarter, reflecting the profit for the year and an increase in other comprehensive income.

As of 2Q21, the Total Capital Adequacy Ratio under Basel III stood at 18.64%, 196 bps higher than the one reported in 1Q21, reflecting the inclusion of the perpetual bond (AT1) in the Additional Tier 1. The CET1 Ratio increased 23 bps to 12.04% in the second quarter of 2021, due to an increase in consolidated profits.

The leverage ratio closed at 8.97%, 136 bps higher than in the previous quarter, mainly due to higher loan balances linked to large companies, micro-companies and individuals in the commercial and consumer portfolios, lower growth in loan loss provisions, and an increase in the balance of other assets.

The density of Risk Weighted Assets[7] closed at 71%, decreasing 4 bps compared to the 72% registered for 1Q21 under the new standard.

[6] Risk-weighted assets include credit, market risk and operational risk.
[7] Risk-Weighted Assets' Density: (RWAs by Credit, Market and Operational Risk) / Total Assets.

Income Statement (COP billion)	Quarterly Figures 2Q20	1Q21	2Q21	% Chg. Q/Q	Y/Y	Accumulated Figures Jun. 20	Jun. 21	% Chg. Y/Y
Interest Income	3,047	2,437	2,698	10.7	-11.5	5,862	5,135	-12.4
Loan Income	2,720	2,447	2,527	3.3	-7.1	5,415	4,974	-8.1
Commercial	1,052	864	829	-4.1	-21.2	2,043	1,693	-17.1
Consumer	1,031	898	951	5.9	-7.8	2,097	1,848	-11.9
Mortgage	636	685	747	9.1	17.4	1,274	1,432	12.4
Investment Income	303	-22	155	-100.0	-48.9	393	133	-66.2
Other Income	24	13	15	22.7	-35.2	54	28	-48.4
Financial Expenses	1,074	730	717	-1.8	-33.3	2,137	1,447	-32.3
Demand Deposits	241	142	139	-1.9	-42.2	473	281	-40.6
Term Deposits	407	273	260	-4.7	-36.2	836	532	-36.4
Credits	166	102	85	-16.0	-48.6	314	187	-40.4
Bonds	220	185	198	7.1	-10.0	437	383	-12.4
Other Expenses	39	29	34	18.0	-13.9	76	63	-17.3
Gross Financial Margin	1,973	1,707	1,981	16.1	0.4	3,725	3,688	-1.0
Net Provision Expenses	979	1,136	700	-38.4	-28.6	1,865	1,835	-1.6
Net Interest Margin	994	571	1,281	100.0	29.0	1,861	1,853	-0.4
Operating Income	279	367	367	-0.2	31.4	593	734	23.8
Operating Expenses	1,039	1,009	1,117	10.7	7.5	2,020	2,126	5.3
Personnel Expenses	401	408	464	13.7	15.7	815	873	7.1
Operation Expenses	445	406	443	9.2	-0.5	832	848	1.9
Other Expenses	193	195	210	7.6	8.8	373	405	8.7
Exchange and Derivatives	-90	212	74	65.2	-100.0	42	286	100.0
Other Income and Expenses, net	-20	-8	-8	-5.6	-61.0	-36	-16	-56.7
Income before Taxes	124	134	597	100.0	100.0	440	731	66.2
Income Tax	2	32	165	100.0	100.0	93	197	100.0
Net Profit	**122**	**101**	**432**	**100.0**	**100.0**	**346**	**534**	**54.1**
Non controlling interest	3	2	6	100.0	79.5	7	7	4.1

Net Profit

Quarterly figures

Q/Q Performance:

Net profits reached $432.3 billion in 2Q21, increasing by $331.0 billion over the quarter, mainly as a result of lower provision expenses, higher interest income (loans and investments income), as well as stability in operating income. Consequently, the annualized quarterly return on average equity (ROAE) increased 9.9 pps from 3.2% to 13.1%.

Net profits in Colombia totaled $316.6 billion, up $248.7 billion from the previous quarter. The gross financial margin increased 18.7%, driven by growth in investment income and loan income. However, lower provision expenses are the main contributor to overall profit growth.

Profits derived from the Central American operation totaled nearly US$31.7 million, up US$22.3 million for the quarter due to lower provision expenses, and higher operating income along with foreign exchange and derivatives income.

Y/Y Performance:

Consolidated profits increased by $310.7 billion year-over-year, due to lower provision expenses and higher operating income.

The Colombian operation recorded a $252.2 billion increase in net profits. This is mainly attributable to lower provision expenses, which decreased 21.9%, and, to a lesser extent, to operating income, which increased 32.9%.

In the international subsidiaries, net profits in USD increased by $17.3 billion. The latter is explained by an 11.4% increase in the gross financial margin, lower provision expenses led to a 20.3% increase in the net financial margin. On the other hand, operating income increased 34.3% due to lower income from fees.

Accumulated figures

Y/Y Performance:

Consolidated profits increased 54.1%, mainly due to lower provision expenses, reduced financial expenses, higher operating income and the increase in net foreign exchange and derivatives income for the year to date.

The 12-months ROAE was 4.57% by the end of 2Q21, 4 pps lower than the figure reported in the second quarter of the previous year.

The gross financial margin decreased by 2.5% in the Colombian operation due to lower loan and investment income. However, in line with consolidated profits, higher operating income and an increase in net foreign exchange and derivatives income boosted profits by $186.5 billion.

In international subsidiaries, accumulated profits increased by 2.5% in USD due to the growth of the gross financial margin of 7.8% caused by lower financial expenses, mainly expenses related to interest payments on term deposits and credits with entities, which decreased by 22.1% and 22.8%, respectively.

Gross Financial Margin

Gross Financial Margin	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	2Q20	1Q21	2Q21	Q/Q	Y/Y	Jun. 20	Jun. 21	Y/Y
Loan Income	2,720	2,447	2,527	3.3	-7.1	5,415	4,974	-8.1
Investments and Interbank Income	327	-10	171	-100.0	-47.9	448	161	-64.1
Financial Income	3,047	2,437	2,698	10.7	-11.5	5,862	5,135	-12.4
Financial Expenses	1,074	730	717	-1.8	-33.3	2,137	1,447	-32.3
Gross Financial Margin	1,973	1,707	1,981	16.1	0.4	3,725	3,688	-1.0

Quarterly figures

Q/Q Performance:

The gross financial margin reached $2.0 trillion at the end of the second quarter of the year, growing 16.1%, mainly due to higher loan income of approximately $80.3 billion, an increase of investment income totaling $180.3 billion, as well as a decrease in financial expenses by $13.5 billion over the quarter.

In Colombia, the gross financial margin increased 18.7% relative to the previous quarter. Loan income increased 3.1%, mainly due to higher income from mortgage and consumer loans. Investment income increased $169.9 billion, while financial expenses decreased 3.5%, impacted by the growth in low-cost deposits.

In the international subsidiaries, the gross financial margin denominated in USD increased 2.1% due to a 1.0% increase in financial income, mainly from investments, which recorded a 6.2% gain, in addition to a 1.2% reduction in financial expenses.

The annualized quarterly NIM closed at 6.41%, increasing 82 bps from 1Q21, as a result of an increase in the gross financial margin. On the other hand, if we include changes and derivatives income to reflect the results of the hedging strategy, NIM would reach 6.65% increasing 37 bps over the period.

NIM				Bps. Chg	
Annualized Quarter	2Q20	1Q21	2Q21	Q/Q	Y/Y
Total NIM	6.40%	5.59%	6.41%	82	1
Total NIM FX+D	6.10%	6.28%	6.65%	37	55

Y/Y Performance:

Relative to the previous year, the gross financial margin remained relatively stable throughout the second quarter of this year, fluctuating by 0.4%. This is explained mainly by the reduction in loans and investment income, which offset lower financial expenses.

In Colombia, loan income decreased 6.9% in the context of lower interest rates. For that same reason, financial expenses decreased 36.9%. Investment income decreased due to the volatility of the Colombian securities market, as a higher level of risk translated into higher interest rates. As a result, the gross financial margin decreased 1.0%.

In the international operation, the gross financial margin increased 11.4% in USD over the year. This increase is mainly attributable to a 19.2% decrease in financial expenses and, to a lesser extent, to a 22.4% increase in investments. Meanwhile, loan income decreased by 4.3% over the year.

The annualized quarterly NIM increased 1 bp year-over-year due to a higher gross financial margin against lower earning assets during the same period. On the other hand, if we include changes and derivatives income to reflect the results of the hedging strategy, NIM increases 53 pbs over the period.

Accumulated Figures

Y/Y Performance:

The gross financial margin as of June 2021 closed at $3.7 trillion, remaining relatively stable compared to the accumulated during the corresponding period of 2020. This is mainly due to lower loans and investments income, which offset the reduction in financial expenses.

In Colombia, the accumulated gross financial margin closed at $3.0 trillion, decreasing by 2.5% as a result of a $379 billion reduction in loans income and a $270.5 billion drop in investment income. On the other hand, financial expenses decreased 35.9%.

In the international subsidiaries, gross financial margin totaled $201.9 million USD, increasing 7.8%. On the other hand, the financial expenses decreased 19.3%, mainly due to reduced expenses on term certificates (-22.1%), followed by interest on loans (-22.8%) and savings deposits (-16.6%).

12-months NIM closed at 6.08% decreasing 22 bps relative to the figure recorded in 2Q20. In contrast, the cycle of policy interest rate reductions completed 250 bps in the last year. On the other hand, if we include changes and derivatives income to reflect the results of the hedging strategy, NIM reached 6.30% decreasing 11 bps over the period.

NIM				Bps. Chg	
12 Months	2Q20	1Q21	2Q21	Q/Q	Y/Y
Total NIM	6.30%	6.10%	6.08%	-2	-21
Total NIM FX+D	6.41%	6.19%	6.30%	11	-11

Provision Expenses

Provision Expenses (COP billion)	**Quarterly Figures** 2Q20	1Q21	2Q21	**% Chg.** Q/Q	Y/Y	**Accumulated Figures** Jun. 20	Jun. 21	**% Chg.** Y/Y
Provision for credit losses	1,084	1,405	968	-31.1	-10.7	2,107	2,373	12.6
Loan recoveries	105	269	273	1.3	100.0	243	542	100.0
Net loan sales	0	0	-4	-100.0	-100.0	0	-4	-100.0
Net Provision Expenses	**979**	**1,136**	**700**	**-38.4**	**-28.6**	**1,865**	**1,835**	**-1.6**

Quarterly figures

Q/Q Performance:

Gross provision expenses amounted to nearly $968.1 billion in 2Q21, decreasing 31.1% from the previous quarter, reflecting the adjustment of model parameters given an improved macroeconomic outlook.

Recoveries increased by $3.5 billion when compared to 1Q21, a period in which negotiations in Colombia, and the economic activity rebound, helped the collection process.

Consequently, expenses for the impairment of financial assets (net of recoveries) in 2Q21 totaled $699.5 billion.

The annualized quarterly Cost of Risk closed at 2.52%, decreasing 168 bps relative to the first quarter of 2021.

Cost of Risk Annualized Quarter	2Q20	1Q21	2Q21	**Bps. Chg** Q/Q	Y/Y
CoR	3.58%	4.20%	2.52%	-168	-106

Y/Y Performance:

Over the past year, gross provision expenses decreased by $116.2 billion. Provisions decreased in Colombia and in international subsidiaries, mainly in the consumer segment.

Loan recoveries increased by $167.6 billion following negotiations dynamics in Colombia and Central America.

As a result, consolidated impairment expenses on financial assets (net of recoveries) recorded an annual reduction of $279.5 billion.

The annualized Cost of Risk for the quarter decreased 106 bps compared to the figure recorded during the second quarter of 2020.

Accumulated Figures

Y/Y Performance:

As of June 2021, provision expenses (net of recoveries) reached $1.8 trillion, decreasing 1.6% relative to the accumulated figure for the same period in 2020. This performance reflects higher recoveries amounting to $299.4 billion, which offset higher provision expenses amounting to $266 billion.

The 12-month Cost of Risk[8] closed at 3.76%, 93 bps higher than the figure recorded in the previous year, because of increased provisioning expenses.

Cost of Risk 12 months	2Q20	1Q21	2Q21	Bps. Chg Q/Q	Y/Y
CoR	2.83%	4.11%	3.76%	-35	93

Operating Income

Quarterly figures

Q/Q Performance:

Net operating income totaled $366.6 billion in the second quarter of the year. Figure higher than pre-pandemic levels. Relative to the previous quarter, operating income remained stable (down 0.2%).

In Colombia, operating income decreased 5.0%, mainly as a result of lower net fees and commission income linked to fewer credit and debit card transactions.

In Central America, net operating income increased 11.9% due to higher net fees and commission income and insurance operations.

Y/Y Performance:

Operating income increased 31.4% year-over-year due to higher net fees and commission income. This result was driven by the higher transaction volume recorded in the past few months and the strategy to reactivate charges, after the exoneration granted in March 2020 due to the COVID-19 outbreak.

In Colombia, operating income increased 32.9%, mainly driven by a 28.6% growth in net fees and commission income, followed by a 61.1% increase in service income. In international subsidiaries, operating income in USD increased 34.3% as a result of higher fees and commission income.

Accumulated Figures

Y/Y Performance:

Accumulated operating income as of June 2021 increased by 23.8% compared to the previous year, mainly due to higher net commission income related to the strategy to reactivate fees.

[8] 12-months Cost of Risk = Accumulated Provision Expenses (12 months) / Gross Loans (Quarter Balance).

Operating Expenses

Operating Expenses	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	2Q20	1Q21	2Q21	Q/Q	Y/Y	Jun. 20	Jun. 21	Y/Y
Personnel Expenses	401	408	464	13.7	15.7	815	873	7.1
Operating Expenses and Others	638	601	653	8.7	2.3	1,205	1,254	4.0
Total Expenses	**1,039**	**1,009**	**1,117**	**10.7**	**7.5**	**2,020**	**2,126**	**5.3**

Quarterly figures

Q/Q Performance:

In 1Q21, operating expenses totaled $1.1 trillion, increasing 10.7% from the previous quarter, mainly due to higher personnel and operating expenses.

Consolidated personnel expenses increased 13.7%, mainly as a result of non-recurring personnel expenses within the collective agreement framework in Colombia. Operating and other expenses increased 8.7%, mainly due to Colombia's higher administrative expenses linked to insurance, advertising, and maintenance expenses.

As a result of higher operating expenses, the cost-to-income ratio for the quarter was 46.5%, 200 bps higher than in 1Q21.

Cost-to-Income				Bps. Chg	
Annualized Quarter	2Q20	1Q21	2Q21	Q/Q	Y/Y
Cost-to-Income	48.7%	44.5%	46.5%	200	-220

Y/Y Performance:

Operating expenses in 2Q21 increased 7.5% relative to the second quarter of the previous year. This performance is mainly attributable to a 15.7% increase in personnel expenses, in line with quarterly trends.

In Colombia, personnel expenses increased 22.1%, due to non-recurring expenses, in line with quarterly trends. In international subsidiaries, operating expenses increased 7.9%, reflecting higher administrative expenses.

As operating income growth outpaced the increase in expenses, the annualized quarterly cost-to-income ratio decreased 200 bps compared to 2Q20.

Accumulated Figures

Y/Y Performance:

Accumulated operating expenses as of June 2021 reached $2.1 trillion, a 5.3% increase relative to the accumulated figure a year earlier. This increase is mainly attributable to a 7.1% increase in personnel expenses as indicated previously. Additionally, operating expenses and others increased 4.0%.

The 12-month cost-to-income ratio closed the second quarter of the year at 46.3%, decreasing 100 bps year-over-year, reflecting higher income over the past 12 months.

Cost-to-Income				Bps. Chg	
12 months	2Q20	1Q21	2Q21	Q/Q	Y/Y
Cost-to-Income	47.3%	46.9%	46.3%	-60	-100

Taxes

Quarterly figures

Income Tax				% Chg	
Quarter	2Q20	1Q21	2Q21	Q/Q	Y/Y
Tax	2	32	165	100.0	100.0

Q/Q and Y/Y Performance:

The income tax reached $165.0 billion, increasing over both the quarter and the year, due to the higher income before taxes.

Accumulated Figures

Y/Y Performance:

The accumulated income tax as of June 2021 reached $197 billion, increasing 111.8% relative to the previous year due to higher income before taxes which reached $291.3 billion, and the use of a similar amount of tax benefits during both years.

As a result, the accumulated effective tax rate increased 5.7 pps over the year.

Tax Rate			Pps. Chg
Accumulated	Jun. 20	Jun. 21	Y/Y
Effective Tax Rate	21.3%	27.0%	5.7

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