Banco Davivienda S.A. BVC: PFDAVVNDA, BCS: DAVIVIENCL

Third Quarter Results 2021 / 3Q21

Bogotá, Colombia. December 2nd, 2021 – Banco Davivienda S.A. (BVC: PFDAVVNDA, BCS: DAVIVIENCL) announces its 2021 Third Quarter consolidated results. Financial statements have been prepared according to the International Financial Reporting Standards (IFRS) in Colombian Pesos (COP).

HIGHLIGHTS

- Net profits for the quarter totaled $395 billion while accumulated profits reached $928 billion, increasing by 135.5% year-on-year, mainly due to lower financial and provision expenses and higher other operating income.
- The 12-month Net Interest Margin including our hedging strategy for interest rate risk and FX movements closed at 6.28%, decreasing 5 bps over 3Q20.
- The 12-month Cost of Risk closed at 3.22%, decreasing by 54 bps compared to the previous quarter, as a result of better portfolio dynamics and improved macroeconomic outlook.
- The Total Capital Adequacy Ratio reached 18.46%. The Common Equity Tier 1 ratio closed at 12.29%
- Davivienda acquired Promociones y Cobranzas Beta SAS through Corporación Financiera Davivienda, in a reorganization process with Grupo Bolívar.
- DaviPlata reached 13.3 million customers, adding 2.1 million customers over the year.
- Davivienda was ratified as a member of the Dow Jones Sustainability Indices.
- In October, Moody's ratified Davivienda's rating at Baa3 with a stable outlook.
  Current Risk ratings: Fitch BB+/ S&P BB+/ Moody's Baa3. All of them with a stable perspective.
- As of September 2021, Davivienda operated in 6 countries, had 19.3 million customers, over 17 thousand employees, 679 branches and 2.7 thousand ATMs.

ECONOMIC ENVIRONMENT COLOMBIA

The third quarter of this year experienced a major slowdown in global economic growth mainly caused by Covid-19 outbreaks in economies such as China and the United States, as well as by a sharp increase in worldwide inflation. Therefore, economic growth in the United States, China and Europe declined from 12.2%, 7.9% and 14.2% respectively in the second quarter, to 4.9%, 4.9% and 3.7% in the third quarter.

Oil prices rebounded rapidly during the third quarter of the year, in contrast to the first quarters. In fact, Brent crude oil complex averaged USD 73.5 for the quarter compared to USD 68.98 in the previous quarter. Closure figures for the quarter were even better, reaching USD 77.8.

The COP/USD exchange rate continued rising during the third quarter, following the upward trend that has been experienced since the beginning of this year. The average exchange rate was $3,844.05 for the third quarter, higher than the $3,690.9 average recorded in the second quarter.

Regarding domestic economic activity, during the third quarter of 2021, the Colombian economy grew 13.2% compared to the same period in 2020 when a decrease of -8.9% was registered. This improvement was principally driven by commerce and manufacturing industries with increases of 33.8% and 18.8% respectively. Construction, agriculture, financial and insurance had lower contributions to growth, with increases of 0.8%, 1.3% and 2.1% respectively. However, it is important to note that there were no activities with negative results.

Annual inflation for the third quarter of the year closed at 4.51%, the highest figure since 2017. Food and non-alcoholic beverages categories, along with accommodation and utilities, were decisive for inflation's performance, accounting for more than half of the increase in the quarter.

Furthermore, after maintaining a stable interest rate at 1.75% for eleven months, the Central Bank decided to start the process of normalizing its monetary policy by increasing 0.25% the interest rate in September and 0.50% in October.

There were two significant events during the third quarter of the year. The first one refers to the approval of the Social Investment Law, which is expected to raise $15.2 trillion. The second event concerning the approval of the Nation's General Budget for 2022 for an amount of $350.4 trillion, a figure that represents a 5.3% increase compared to 2021's budget.

On the other hand, based on figures reported by Tax Authorities in Colombia (DIAN), during the third quarter of the year gross tax revenues amounted to $45.3 trillion, a 31.5% increase compared to the same period of the previous year.

Finally, it is important to mention that on October 6th, Moody's confirmed Colombia's sovereign risk rating at Baa2, one notch above investment grade, with a change in its outlook from negative to stable.

ECONOMIC ENVIRONMENT CENTRAL AMERICA

In the second quarter of 2021, economic recovery continued across the region, driven by an increase in external demand, the flow of family remittances, dynamic vaccination campaigns and a loosening of the restrictions imposed to contain Covid-19.

The Gross Domestic Product (GDP) for the quarter recorded annual increases of 7.9% for Costa Rica, 24.5% for El Salvador, 25.5% for Honduras and 40.4% for Panama.

Overall, the increase in external demand influenced the recovery of the manufacturing industry in the region, while vaccination programs and lower restrictions positively impacted trade, transportation, and tourism.

For Honduras and El Salvador, the continuous flow of family remittances has supported household consumption; in fact, the cumulative annual increase of remittances in January and September 2021 was 31.9% and 31.1%, respectively. For Panama, the increase in the production of the copper mine compared to the same period in 2020 should be highlighted as one of the most contributive activities to GDP growth during the year.

In addition, economic activity measured by monthly indicators IMAE-IVAE for July and August averaged an annual growth rate of 11.6% for Costa Rica, 12.9% for El Salvador, 13.5% for Honduras and 24.3% for Panama.

The region has experienced upward pressure on prices. Annual inflation in September was 2.1% in Costa Rica, 5.0% in El Salvador, 4.6% in Honduras and 2.5% in Panama. The increase in international commodity prices was the main driver of domestic prices, which affected sectors such as transportation, electrical energy, and food. However, inflation in Costa Rica and Honduras remains within the central banks' target range of 3% +/- 1% and 4% +/- 1%, respectively.

So far, central banks consider the inflationary pressures as transitory, thus monetary policy rates during the year have been maintained at historical lows of 3% for Honduras and 0.75% for Costa Rica.

In contrast, the Costa Rican colon depreciated by 2.12% between September 2021 and December 2020. Meanwhile, the Honduran lempira appreciated by 0.14% in the same period.

Finally, Moody's downgraded El Salvador's sovereign risk rating from B3 to Caa1 in July this year. According to the rating agency, this downgrade was due to the expectation that access to the market will remain limited to obtain the necessary resources to meet the amortization of public debt in 2023, and also to the deterioration of the quality in policy formulation, which intensifies the risks of implementing the fiscal adjustment plans required by the country.

All other ratings remained unchanged during the third quarter, although Standard and Poor's did modify its outlook: it announced a change from stable to negative for Panama in August and for El Salvador in October.

MAIN CONSOLIDATED FIGURES:

Statement of Financial Condition (COP billion)				% Chg.	
Assets	**Sep. 20**	**Jun. 21**	**Sep. 21**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	10,998	11,257	12,723	13.0	15.7
Investments	16,256	16,079	16,593	3.2	2.1
Gross Loan Portfolio	111,540	110,976	113,637	2.4	1.9
Loan Loss Reserves	-6,162	-5,689	-5,603	-1.5	-9.1
Property, Plant and Equipment	1,747	1,660	1,636	-1.5	-6.3
Other Assets	6,059	5,770	5,994	3.9	-1.1
Total Assets	**140,438**	**140,055**	**144,980**	**3.5**	**3.2**
Liabilities					
Repos and Interbank Liabilities	3,314	1,966	4,121	100.0	24.4
Demand Deposits	52,114	56,380	59,381	5.3	13.9
Term Deposits	35,949	33,164	31,397	-5.3	-12.7
Bonds	13,440	15,595	16,751	7.4	24.6
Credits	16,227	13,359	13,146	-1.6	-19.0
Other Liabilities	6,382	6,113	6,184	1.2	-3.1
Total Liabilities	**127,426**	**126,577**	**130,980**	**3.5**	**2.8**
Equity					
Non-controlling Interest	131	138	142	3.0	8.7
Equity	12,881	13,339	13,857	3.9	7.6
Total Equity	13,012	13,478	14,000	3.9	7.6
Total Liabilities and Equity	**140,438**	**140,055**	**144,980**	**3.5**	**3.2**

Income Statement	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**	**Sep. 20**	**Sep. 21**	**Y/Y**
Interest Income	2,820	2,698	2,666	-1.2	-5.5	8,682	7,800	-10.2
Loans	2,569	2,527	2,537	0.4	-1.2	7,983	7,511	-5.9
Investments	235	155	116	-25.1	-50.6	628	249	-60.4
Other Income	17	15	12	-19.7	-25.7	71	41	-43.1
Financial Expenses	928	717	815	13.8	-12.2	3,065	2,262	-26.2
Gross Financial Margin	1,892	1,981	1,850	-6.6	-2.2	5,617	5,539	-1.4
Net Provision Expenses	1,152	700	641	-8.4	-44.4	3,016	2,476	-17.9
Net Interest Margin	740	1,281	1,210	-5.6	63.5	2,601	3,062	17.8
Other Operating Income	313	367	471	28.6	50.5	906	1,205	33.0
Operating Expenses	1,027	1,117	1,127	0.9	9.7	3,047	3,253	6.8
Exchange and Derivatives	36	74	81	9.7	100.0	79	367	100.0
Other Income and Expenses, net	10	-8	5	100.0	-45.4	-26	-10	61.0
Income Before Taxes	73	597	641	7.2	100.0	512	1,371	100.0
Income Tax	25	165	246	49.0	100.0	118	443	100.0
Net Profit	**48**	**432**	**395**	**-8.7**	**100.0**	**394**	**928**	**100.0**
Non controlling interest	4	6	5	-13.0	28.3	11	12	12.7

MAIN RATIOS

				Bps. Chg	
12 Months	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
NIM	6.23%	6.08%	6.03%	-5	-20
NIM FX+D	6.33%	6.30%	6.28%	-2	-5
Cost of Risk	3.22%	3.76%	3.22%	-54	0
Cost-to-Income	47.3%	46.3%	46.6%	30	-67
ROAE	6.1%	4.6%	7.1%	255	102
ROAA	0.59%	0.43%	0.67%	24	8

				Bps. Chg	
Annualized Quarter	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
NIM	6.05%	6.41%	5.88%	-54	-18
NIM FX+D	6.17%	6.65%	6.13%	-52	-4
Cost of Risk	4.13%	2.52%	2.26%	-27	-187
Cost-to-Income	45.6%	46.5%	46.8%	29	121
ROAE	1.5%	13.1%	11.5%	-158	1001
ROAA	0.14%	1.25%	1.11%	-14	97

COVID-19 RESPONSE

In line with the comprehensive strategy implemented in March 2020 to support our customers, a portion of our portfolio is still classified under some kind of relief program in the countries where we operate.

After implementing the Debtors Relief Program (PAD in spanish) in Colombia, which expired in August this year, 8% of the portfolio remained under relief measures during the quarter. This figure represents a 1 pp reduction from the previous quarter's level of 9%. Out of the 8%, 65% corresponds to the consumer segment, 25% to the commercial segment, and 10% to the mortgage segment. Regarding payment behavior of this portfolio, 85.4% are up to date, 8.1% are between 30 and 90 days past due and the remaining 6.5% are more than 90 days past due.

In Central America, 8% of the portfolio benefits from some type of relief, decreasing by 100 bps when compared to the previous quarter. The largest share of the portfolio benefiting from reliefs stems from the commercial segment (63%), followed by the consumer segment (27%) and finally the mortgage segment (11%). Furthermore, 90.3% of the relieved portfolio is up to date on payments, while 6.2% is between 30 and 90 days past due, and the remaining 3.5% is over than 90 days past due.

The asset quality ratios (PDLs) presented in this report already incorporate the payment behavior of the relieved portfolio just described.

DIGITAL TRANSFORMATION

Our digital native Bank, Daviplata, reached 13.3 million customers at the end of the third quarter of 2021, of whom 5.7 million hold other financial products, 4.2 million count on DaviPlata as their only active financial product, and 3.4 million are common customers with Davivienda. The electronic deposits' balance grew 1.3 times over the third quarter of 2020 reaching $557 billion.

As for the Bank's digital transformation process, 88% of consolidated customers are considered digital by the 3Q21. For the Colombian operation, this figure represented 89% and for the Central American operation, it was 67%.

In Colombia, the outstanding amount of digital loan products[1] has more than doubled compared to the previous year, reaching $6.9 trillion. In addition, digital deposits[2] closed with a balance of $2.6 trillion, increasing by 46% over the year. Finally, digital investment products[3] reached an outstanding amount of $600 billion.

In regards to accumulated sales as of the 3Q21, 54% of product placements have been made through digital channels. This figure is 8 pps higher than the figure recorded last year. In terms of accumulated transactions, 54% of monetary transactions were processed through digital channels, compared to 51% last year. Accordingly, and in light of the Covid-19 pandemic, transactions through traditional channels dropped from 16% in 3Q20 to 13% in 3Q21.

STATEMENT OF FINANCIAL CONDITION

Assets

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Assets	**Sep. 20**	**Jun. 21**	**Sep. 21**	**Q/Q**	**Y/Y**	**Sep. 21**	**Q/Q**	**Y/Y**	**Sep. 21**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	10,998	11,257	12,723	13.0	15.7	5,963	11.9	16.3	1,773	12.1	16.8
Investments	16,256	16,079	16,593	3.2	2.1	12,359	7.2	6.0	1,417	-7.0	-4.8
Gross Loans Portfolio	111,540	110,976	113,637	2.4	1.9	89,971	2.5	1.6	6,207	0.1	4.5
Loan Loss Reserves	-6,162	-5,689	-5,603	-1.5	-9.1	-4,803	-0.9	-10.7	-210	-6.4	3.2
Property, Plant and Equipment	1,747	1,660	1,636	-1.5	-6.3	1,149	-1.8	-7.0	128	-2.4	-3.5
Other Assets	6,059	5,770	5,994	3.9	-1.1	4,556	4.4	-3.2	252	1.7	11.7
Total Assets	140,438	140,055	144,980	3.5	3.2	109,195	3.7	3.1	9,567	1.2	5.1

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

Q/Q Performance:

Assets totaled $145.0 trillion, increasing 3.5% over the quarter. Excluding the effect of the Colombian peso depreciation over the quarter (1.7%), assets would have increased by 3.0%.

Cash and interbank funds closed at $12.7 trillion, increasing 13.0% from the previous quarter. This behavior is mainly attributable to a higher outstanding amount in accounts with the Central Bank and banks abroad. The investment portfolio reached $16.6 trillion, growing 3.2% over the quarter, due to an increased liquidity reserve in Colombia and typical fluctuations of the trading portfolio.

Gross Loans grew by 2.4% over the quarter, reaching $113.6 trillion, mainly due to a $1.4 trillion increase in the consumer portfolio and a $1.3 trillion increase in the mortgage portfolio. Loan loss reserves decreased 1.5% compared to the previous quarter, closing at $5.6 trillion, mainly as a result of a better risk profile of our loan book and write-offs made during the year. Loan loss reserves to gross loans stood at 4.9%.

Finally, other assets increased 3.9% over the quarter, particularly driven by the growth of net accounts receivable +7.8% and acceptances and derivatives +3.0%.

Y/Y Performance:

Total assets have grown 3.2% over the year. Excluding the impact of the Colombian peso appreciation over the year (1.4%), assets increased 3.6%.

Cash and interbank funds expanded by 15.7%, driven by an increase in monetary market operations in Colombia and a higher outstanding amount in banks abroad. Investments grew 2.1% due to the performance of the trading portfolio and higher liquidity reserve in Colombia, consistent with the quarter's performance.

Gross loans increased 1.9% over the year, mainly driven by the mortgage and consumer portfolios, which grew 14.0% and 3.8%, respectively, offsetting the 4.9% contraction in the commercial portfolio. Loan loss reserves decreased 9.1%, as a result of a better risk profile of our loan portfolio, and write-offs made during the year.

Finally, other assets decreased by 1.1% as a result of a lower balance of trade acceptances and derivatives due to volume changes in instruments in Colombia and interest rate fluctuations.

The acquisition of Promociones y Cobranzas Beta, represents 0.06% of Assets Growth. Overall, this acquisition does not impact Assets, Liabilities and Equity in a significant manner.

Gross Loans

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Gross Loans	**Sep. 20**	**Jun. 21**	**Sep. 21**	**Q/Q**	**Y/Y**	**Sep. 21**	**Q/Q**	**Y/Y**	**Sep. 21**	**Q/Q**	**Y/Y**
Commercial	54,952	52,358	52,278	-0.2	-4.9	40,240	-0.6	-6.5	3,157	-0.5	2.6
Consumer	30,953	30,736	32,141	4.6	3.8	25,872	5.1	3.3	1,644	0.7	7.4
Mortgage	25,636	27,883	29,218	4.8	14.0	23,859	5.3	16.4	1,406	1.0	5.7
Total	111,540	110,976	113,637	2.4	1.9	89,971	2.5	1.6	6,207	0.1	4.5

Q/Q Performance:

Gross loans closed at $113.6 trillion, a 2.4% increase over the previous quarter. Excluding the effect of the Colombian peso depreciation of 1.7% during the quarter, gross loans increased by 2.0%.

The commercial portfolio decreased 0.2% during the quarter, mainly due to prepayments in the corporate segment. However, the SMEs, construction and business segments grew 4.2%, 1.5% and 3.6% in comparison to the previous quarter.

The consumer portfolio increased by 4.6%, largely driven by disbursements in payroll and unsecured personal loans, due to the reactivation of campaigns.

The mortgage portfolio grew 4.8%, driven by residential leasing and residential housing in Colombia. Additionally, there was a mortgage securitization last quarter, which results in a lower baseline for comparison.

In international subsidiaries, gross loans totaled US$6.2 billion, remaining relatively stable during the quarter, increasing by 0.1%. Honduras recorded the largest expansion in gross loans +6.4%, followed by El Salvador +1.4%, while in Panama gross loans declined by 0.5%.

Y/Y Performance:

Consolidated gross loans increased 1.9% over the past year, reflecting an increase in mortgage and consumer portfolios, which grew $3.6 trillion and $1.2 trillion respectively, over the year. Excluding the effect of the Colombian peso appreciation during the year (1.4%), gross loans grew by 2.2%.

Commercial loans decreased 4.9%, mainly explained by a $2.2 trillion reduction in the corporate segment in Colombia. This is explained by: different prepayments made by corporate clients during the last twelve months, write-offs made during the fourth quarter of 2020 and the baseline effect from a year ago, related to significant disbursements during the first quarter of 2020.

Consumer loans increased 3.8%, mainly driven by higher disbursements of unsecured personal loans, mainly in Colombia.

The mortgage portfolio increased 14.0%, due to growth in residential leasing and social housing, especially in Colombia, where these lines increased 16.3% and 12.6%, respectively, consistent with the performance of the housing sector in recent months.

Gross dollar-denominated loans increased by 4.5% in international subsidiaries. This growth was mainly boosted by the consumer portfolio, which grew 7.4% during the year, followed by the commercial portfolio +2.6% and the mortgage portfolio +5.7%. Honduras' growth stands out at around 14.6%, followed by El Salvador with 6.3%, whereas Panama experienced a 6.9% reduction.

Asset Quality and Coverage

	Consolidated			Colombia			International		
PDL	**3Q20**	**2Q21**	**3Q21**	**3Q20**	**2Q21**	**3Q21**	**3Q20**	**2Q21**	**3Q21**
Commercial	3.65%	3.92%	3.99%	4.38%	4.60%	4.71%	0.98%	1.58%	1.58%
Consumer	0.75%	2.90%	2.76%	0.36%	2.66%	2.80%	2.43%	3.85%	2.61%
Mortgage	3.47%	4.96%	4.45%	3.45%	5.25%	4.68%	3.57%	3.72%	3.40%
Total (90)[1]	2.80%	3.90%	3.76%	3.03%	4.22%	4.15%	1.93%	2.66%	2.27%
Mortgage (120)	3.21%	4.17%	3.70%	3.25%	4.39%	3.86%	3.05%	3.22%	2.97%
Total (120)[2]	2.74%	3.70%	3.57%	2.98%	4.00%	3.93%	1.82%	2.54%	2.17%

Portfolio	Stage 1	Stage 2	Stage 3	Total
Commercial	44,073	4,616	3,589	52,278
Consumer	29,181	2,092	869	32,142
Mortgage	27,010	1,353	856	29,219
Total	**100,264**	**8,061**	**5,314**	**113,639**

Q/Q Performance:

The 90-days PDL ratio closed at 3.76%, decreasing 14 bps over the quarter, reflecting the performance of the mortgage and consumer portfolios.

The commercial PDL ratio increased 7 bps over the quarter, mainly explained by some specific customers in the commerce, construction and food sectors in Colombia.

The consumer portfolio 90 days PDL ratio decreased by 14 bps, explained by portfolio growth and write-offs made during the quarter.

The 90-days and 120-days PDL ratios for the mortgage portfolio decreased by 51 bps and 47 bps, respectively. This is mainly explained by portfolio growth and better payment behavior from customers in Colombia.

In Central America, 90-days PDL decreased by 39 bps during the quarter. The PDL ratio for the consumer portfolio decreased 124 bps due to better payment behavior, portfolio growth and write-offs made during the period. On the other hand, the mortgage PDL contracted 32 bps due to renegotiations and payments, while the commercial PDL remained stable.

Write-offs for the 3Q21 totaled $928 billion, mainly concentrated in the consumer portfolio.

Write-offs	Quarterly Figures			% Chg.	
(COP billion)	3Q20	2Q20	3Q21	Q/Q	Y/Y
Total write-offs	173	1,165	928	-20.4	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 grew 34 bps over the year due to deterioration of some customers in different sectors in Colombia.

The increase in the consumer portfolio PDL is mainly explained by the expiration of relief programs.

As for the mortgage portfolio, PDL ratios increased due to the end of relief measures, a bigger proportion of social housing within the loan book, write-offs parameters, and a portfolio securitization carried out last June.

Coverage

	Coverage		
Coverage	3Q20	2Q21	3Q21
Commercial	156.5%	143.5%	141.0%
Consumer	1050.7%	234.7%	231.4%
Mortgage	64.3%	47.5%	46.9%
Total	197.0%	131.5%	131.2%

Q/Q Performance:

The Coverage ratio closed 3Q21 at 131.2%, remaining relatively stable compared to the previous quarter.

Y/Y Performance:

The Coverage ratio decreased by 65.8 pps as a consequence of write offs performed during the last twelve months and higher PDL formation.

Funding Sources

Funding Sources	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
	Sep. 20	Jun. 21	Sep. 21	Q/Q	Y/Y	Sep. 21	Q/Q	Y/Y	Sep. 21	Q/Q	Y/Y
Demand deposits	52,114	56,380	59,381	5.3	13.9	46,041	6.2	14.8	3,499	0.7	12.5
Term deposits	35,949	33,164	31,397	-5.3	-12.7	21,664	-5.7	-15.2	2,553	-6.1	-5.2
Bonds	13,440	15,595	16,751	7.4	24.6	14,348	4.7	23.8	630	24.6	31.6
Credits	16,227	13,359	13,146	-1.6	-19.0	7,964	-5.4	-27.8	1,359	3.1	1.1
Total	117,730	118,498	120,675	1.8	2.5	90,016	1.8	2.0	8,041	0.3	5.4

Q/Q Performance:

Funding sources totaled $120.7 trillion, increasing 1.8% over the quarter, mainly driven by demand deposits and bonds. However, when excluding the effect of the Colombian peso depreciation (1.7%) during the quarter, funding sources increased by 1.4%.

Demand deposits reached $59.4 trillion, increasing 5.3% over the quarter, mainly driven by low-cost deposits in Colombia. In Central America, demand deposits in USD remained relatively stable with a slight growth of 0.7%. On the other hand, term deposits totaled $31.4 trillion, decreasing 5.3% over the quarter.

Bonds closed the third quarter with a $16.8 trillion balance, recording a 7.4% fluctuation over the quarter. This is mainly attributable to a $700 billion senior bond issuance in Colombia. In the international operation, bonds grew due to local issuances in El Salvador and Costa Rica.

Credits with entities reached $13.1 trillion, decreasing by 1.6% over the quarter, mainly explained by the lower balance of financial obligations with local entities in Colombia. Additionally, in Central America, the balance of credits with entities denominated in USD grew 3.1%.

Gross loans to funding sources ratio closed at 94.2%, increasing 52 bps compared to the previous quarter, reflecting the lower growth of funding sources relative to gross loans.

Y/Y Performance:

Funding sources increased 2.5% during the year due to higher balances in demand deposits and bonds, which offset the reduction in term deposits and credits with entities. Excluding the effect of the Colombian Peso appreciation 1.4% during the year, funding sources increased 2.9%.

The growth in traditional funding sources is mainly a result of higher demand deposits, which grew 14.8% in Colombia and 12.5% in Central America. Furthermore, term deposits decreased 15.2% and 5.2%, respectively.

Bonds increased 24.6% compared to the third quarter of 2020, largely due to the USD $500 million AT1 perpetual bond issuance and $1.4 trillion pesos of local issuances during the last twelve months in the Colombian operation.

Credits with entities decreased by 19.0% over the year. This is explained by payment of obligations with foreign entities.

Considering that funding sources increased at a faster rate than gross loans during the year, the gross loans to funding sources ratio decreased 57 bps compared to the third quarter of 2020.

Equity and Regulatory Capital

	Previous regulation	New regulation (Basel III)		% Chg.
(COP billion)	4Q20	2Q21	3Q21	Q/Q
Equity	12,720	13,478	14,000	3.9
Common Equity Tier I (CET1)	9,557	12,001	12,573	4.8
Additional Tier 1 (AT1)	0	1,879	1,943	3.4
Tier II Capital	4,677	4,699	4,377	-6.9
Total Regulatory Capital	14,234	18,574	18,888	1.7
Risk Weighted Assets[4]	115,660	99,651	102,344	2.7
CET1 Ratio	8.26%	12.04%	12.29%	25 pbs
Tier 1 Ratio	8.26%	13.93%	14.18%	25 pbs
Total Capital Adequacy Ratio	12.31%	18.64%	18.46%	-18 pbs
Leverage Ratio	NA	8.97%	9.02%	5 pbs

Q/Q Performance:

Consolidated equity totaled $14.0 trillion in September 2021, increasing 3.9% over the quarter, reflecting higher profits for the year. In line with this behavior, the CET1 Ratio showed a 25 bps increase over the quarter, closing at 12.29%.

The Total Capital Adequacy Ratio under Basel III closed at 18.46%, 18 bps lower than the one reported in 2Q21, reflecting a lower weight of Tier 2 subordinated debt, and higher risk weighted assets (mainly explained by loan growth).

The leverage ratio closed at 9.02%, 5 bps higher than the previous quarter, mainly due to the growth of the common equity Tier 1 and additional Tier 1.

The Risk Weighted Assets density[5] closed at 70.6%, decreasing 6 bps compared to the 70.7% registered for 2Q21 under the new standard.

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

INCOME STATEMENT

Income Statement	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	3Q20	2Q21	3Q21	Q/Q	Y/Y	Sep. 20	Sep. 21	Y/Y
Interest Income	2,820	2,698	2,666	-1.2	-5.5	8,682	7,800	-10.2
Loan Income	2,569	2,527	2,537	0.4	-1.2	7,983	7,511	-5.9
Commercial	1,007	829	879	6.1	-12.7	3,050	2,573	-15.6
Consumer	985	951	970	2.1	-1.5	3,082	2,819	-8.5
Mortgage	577	747	687	-8.0	19.2	1,851	2,119	14.5
Investment Income	235	155	116	-25.1	-50.6	628	249	-60.4
Other Income	17	15	12	-19.7	-25.7	71	41	-43.1
Financial Expenses	928	717	815	13.8	-12.2	3,065	2,262	-26.2
Demand Deposits	194	139	142	1.7	-27.1	668	423	-36.6
Term Deposits	361	260	270	3.9	-25.3	1,198	802	-33.0
Credits	127	85	94	9.6	-26.5	441	281	-36.4
Bonds	203	198	276	39.2	36.0	640	659	3.0
Other Expenses	42	34	34	0.9	-19.3	118	97	-18.0
Gross Financial Margin	1,892	1,981	1,850	-6.6	-2.2	5,617	5,539	-1.4
Net Provision Expenses	1,152	700	641	-8.4	-44.4	3,016	2,476	-17.9
Net Interest Margin	740	1,281	1,210	-5.6	63.5	2,601	3,062	17.8
Other Operating Income	313	367	471	28.6	50.5	906	1,205	33.0
Operating Expenses	1,027	1,117	1,127	0.9	9.7	3,047	3,253	6.8
Personnel Expenses	396	464	462	-0.4	16.9	1,210	1,335	10.3
Operation Expenses	440	443	457	3.1	3.8	1,272	1,305	2.6
Other Expenses	191	210	208	-1.0	8.6	564	613	8.7
Exchange and Derivatives	36	74	81	9.7	100.0	79	367	100.0
Other Income and Expenses, net	10	-8	5	100.0	-45.4	-26	-10	61.0
Income before Taxes	73	597	641	7.2	100.0	512	1,371	100.0
Income Tax	25	165	246	49.0	100.0	118	443	100.0
Net Profit	**48**	**432**	**395**	**-8.7**	**100.0**	**394**	**928**	**100.0**
Non controlling interest	4	6	5	-13.0	28.3	11	12	12.7

Net Profit

Quarterly figures

Q/Q Performance:

Net profits reached $394.7 billion in 3Q21, decreasing by 8.7% over the quarter, mainly due to a higher income tax implemented by the local tax reform in Colombia. Consequently, the annualized quarterly return on average equity (ROAE) decreased 1.6 pps from 13.1% to 11.5%.

Net profits in Colombia totaled $309.4 billion, 2.3% lower than previous quarter due to higher income tax, as mentioned before. Even though the gross financial margin decreased by 7.5%, the 35% growth in other operating income boosted income before taxes by 19.6%.

Profits derived from the Central American operation totaled nearly US$22.2 million, decreasing US$9.5 million over the quarter related to lower investment income and higher operating expenses.

Y/Y Performance:

Consolidated profits increased by $346.6 billion year-over-year, due to lower financial and provision expenses, and the increase in other operating income.

The Colombian operation recorded a $325.5 billion increase in net profits. This is mainly due to lower provision expenses, which decreased by 46.0%, and to other operating income, which increased by 49.7%.

In the international subsidiaries, net profits in USD grew 29.5%. Lower provision expenses led to a 19.6% increase in the net financial margin, while other operating income increased 49.5% mainly explained by higher fee income.

Accumulated figures

Y/Y Performance:

Consolidated profits closed at $928 billion, increasing by 135.5% compared to September 2020, mainly due to: lower financial expenses, lower provision expenses and higher other operating income.

The 12-months ROAE was 7.12% by the end of 3Q21, 102 pps lower than the figure reported in the third quarter of the previous year.

Net profits for the Colombian operation closed at $694 billion, 1,8 times the one recorded by September 2020, presenting the same trends observed in the Consolidated figures.

In international subsidiaries, accumulated profits closed at $63,4 million USD, increasing by 10.6%, mainly due to lower financial expenses and growth in other operating income, as mentioned before.

Gross Financial Margin

Gross Financial Margin	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	3Q20	2Q21	3Q21	Q/Q	Y/Y	Sep. 20	Sep. 21	Y/Y
Loan Income	2,569	2,527	2,537	0.4	-1.2	7,983	7,511	-5.9
Investments and Interbank Income	252	171	128	-24.7	-48.9	699	289	-58.6
Financial Income	2,820	2,698	2,666	-1.2	-5.5	8,682	7,800	-10.2
Financial Expenses	928	717	815	13.8	-12.2	3,065	2,262	-26.2
Gross Financial Margin	1,892	1,981	1,850	-6.6	-2.2	5,617	5,539	-1.4

Quarterly figures

Q/Q Performance:

The consolidated gross financial margin reached $1.9 trillion at the end of the third quarter of the year, decreasing 6.6%, due to the 13,8% growth in financial expenses, and lower investment and interbank income -24.7%.

In Colombia, the gross financial margin decreased by 7.5% relative to the previous quarter, mainly related to: higher financial expenses associated with bond issuances and the effect of the exchange rate; and lower investment income, in line with the behavior observed during this year of market upside movements and portfolio devaluation.

In the international subsidiaries, the gross financial margin denominated in USD decreased by 6.8%, largely due to lower investment income, which decreased mainly explained by lower balance in the investment portfolio.

The annualized quarterly NIM closed at 5.88%, decreasing 54 bps from 2Q21, as a result of a lower gross financial margin and higher earning assets.

NIM				**Bps. Chg**	
Annualized Quarter	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
Total NIM	6.05%	6.41%	5.88%	-54	-18
Total NIM FX+D	6.17%	6.65%	6.13%	-52	-4

Y/Y Performance:

In comparison to the previous year, the gross financial margin decreased 2.2%, mainly explained by a reduction in investment and loan income.

In Colombia, investment income decreased by 61.9% due to the volatility of the Colombian securities market and the portfolio devaluation, while loan income decreased mainly due to the low interest rate environment and competition. As a result, the gross financial margin decreased 3.6%.

In the international operation, the gross financial margin increased by 0.5% over the year as a result of lower financial expenses.

The annualized NIM for the quarter decreased 18 bps year-over-year due to lower loan and investment income. However, if we include changes and derivatives income to reflect the results of the hedging strategy, the quarter's NIM decreases 4 pbs over the period.

Accumulated Figures

Y/Y Performance:

The accumulated gross financial margin as of September 2021 closed at $5.5 trillion, decreasing by 1.4% compared to the same period of 2020, due to lower financial income.

In Colombia, the accumulated gross financial margin closed at $4.4 trillion, decreasing by 2.9% as a result of lower loan income from the commercial and consumer segments, as well as lower investment income, as explained before.

In the international subsidiaries, gross financial margin totaled $297.0 million USD, increasing 5.3%, due to lower financial expenses in demand deposits and credits.

12-months NIM closed at 6.03% decreasing 20 bps relative to the figure recorded in 3Q20. However, if we include changes and derivatives income to reflect the results of the hedging strategy, the NIM for the last twelve months decreases by 5 bps over the year.

NIM				**Bps. Chg**	
12 Months	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
Total NIM	6.23%	6.08%	6.03%	-5	-20
Total NIM FX+D	6.33%	6.30%	6.28%	-2	-5

Provision Expenses

Provision Expenses	**Quarterly Figures**			**% Chg.**		**Accumulated Figures**		**% Chg.**
(COP billion)	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**	**Sep. 20**	**Sep. 21**	**Y/Y**
Provision for credit losses	1,292	968	871	-10.0	-32.6	3,399	3,244	-4.6
Loan recoveries	140	273	230	-15.7	64.0	383	772	100.0
Net loan sales	0	-4	0	NA	NA	0	-4	NA
Net Provision Expenses	**1,152**	**700**	**641**	**-8.4**	**-44.4**	**3,016**	**2,476**	**-17.9**

Quarterly figures

Q/Q Performance:

Gross provision expenses amounted to nearly $871.0 billion in 3Q21, decreasing by 10.0% from the previous quarter, reflecting better macroeconomic expectations.

Recoveries decreased by 15.7% when compared to 2Q21, when negotiations in Colombia and the economic activity rebound improved collection processes.

Consequently, net provision expenses totaled $640.9 billion, decreasing by 8.4% quarter-on-quarter.

The annualized quarterly Cost of Risk closed at 2.26%, decreasing by 27 bps relative to the second quarter of 2021.

Cost of Risk				**Bps. Chg**	
Annualized Quarter	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
CoR	4.13%	2.52%	2.26%	-27	-187

Y/Y Performance:

Gross provision expenses decreased both in Colombia and in international subsidiaries, reflecting a 32.6% decrease in a Consolidated basis.

Loan recoveries increased by $89.8 billion following negotiations dynamics in Colombia and Central America.

As a result, consolidated net provision expenses recorded an annual reduction of 44.4%.

The annualized Cost of Risk for the quarter decreased 187 bps compared to the figure recorded during the third quarter of 2020.

Accumulated Figures

Y/Y Performance:

As of September 2021, provision expenses (net of recoveries) reached close to $2.5 trillion, decreasing 17.9% compared to the accumulated figure for the same period in 2020, mainly as a result of the economic recovery and adjustments to the forward looking parameters in line with improved macroeconomic expectations for Colombia and Central America.

The 12-month Cost of Risk[6] closed at 3.22%, remaining stable when compared to the same figure reported in September 2020.

Cost of Risk				**Bps. Chg**	
12 months	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
CoR	3.22%	3.76%	3.22%	-54	0

Other Operating Income

Quarterly figures

Q/Q Performance:

Net other operating income totaled $471.4 billion in the third quarter of the year, higher than pre-pandemic levels. Over the previous quarter, other operating income increased by 28.6%.

Out of the increase in the other operating income during the quarter, around 17% is explained by the acquisition of Promociones y Cobranzas Beta.

[6] 12-months Cost of Risk = Accumulated Provision Expenses (12 months) / Gross Loans (Quarter Balance).

In Colombia, other operating income increased by 35.0%, mainly as a result of higher fee and insurance income, as well as credit and debit card activity.

In Central America, net other operating income increased 6.3% due to higher net fees and commission income.

Y/Y Performance:

Other Operating income increased 50.5% 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 period following the COVID-19 outbreak.

Out of the increase of the other operating income over the year, around 20% is explained by the acquisition of Promociones y Cobranzas Beta.

In Colombia, other operating income increased 49.7%, mainly driven by a 54.5% growth in net fees and commission income, followed by a 33.3% increase in service income. In international subsidiaries, operating income in USD increased 49.5% as a result of higher fees and commission income.

Accumulated Figures

Y/Y Performance:

Accumulated other operating income as of September 2021 increased by 33.0% compared to the previous year, mainly due to higher fee and insurance income, higher credit card activity, and transactionality levels.

Out of the increase of the other operating income on an accumulated basis, around 7% is explained by the acquisition of Promociones y Cobranzas Beta.

Operating Expenses

Operating Expenses	**Quarterly Figures**			**% Chg.**		**Accumulated Figures**		**% Chg.**
(COP billion)	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**	**Sep. 20**	**Sep. 21**	**Y/Y**
Personnel Expenses	396	464	462	-0.4	16.9	1,210	1,335	10.3
Operating Expenses and Others	631	653	664	1.8	5.3	1,836	1,918	4.4
Total Expenses	**1,027**	**1,117**	**1,127**	**0.9**	**9.7**	**3,047**	**3,253**	**6.8**

Quarterly figures

Q/Q Performance:

Operating expenses remained relatively stable when compared to 2Q21.

Consolidated personnel expenses decreased 0.4% compared to the previous quarter, reflecting a baseline effect associated with non-recurring personnel expenses related to the collective agreement framework in Colombia.

The cost-to-income ratio for the quarter was 46.8%, 29 bps higher than in 2Q21, mainly explained by lower income.

Cost-to-Income				**Bps. Chg**	
Annualized Quarter	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
Cost-to-Income	45.6%	46.5%	46.8%	29	121

Y/Y Performance:

Operating expenses in 3Q21 increased by 9.7% relative to the third quarter of the previous year. This performance is mainly attributable to a 16.9% increase in personnel expenses, resulting from higher incentives related to commercial results, employee benefits and salaries.

As operating expenses growth, the annualized quarterly Cost-to-Income ratio increased by 121 bps compared to 3Q20.

Accumulated Figures

Y/Y Performance:

Accumulated operating expenses as of September 2021 reached $3.2 trillion, a 6.8% increase relative to the same figure last year. This increase is mainly attributable to a 10.3% increase in personnel expenses associated mainly to the non-recurring payment related to the collective agreement, as well as incentives payments to the commercial staff, based on business results. Additionally, other operating expenses increased 4.4%.

The 12-month Cost-to-Income ratio closed the third quarter of the year at 46.6%, decreasing by 67 bps year-over-year, reflecting higher income over the past 12 months.

Cost-to-Income				**Bps. Chg**	
12 months	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
Cost-to-Income	47.3%	46.3%	46.6%	30	-67

Taxes

Quarterly figures

Income Tax				**% Chg**	
Quarter	**3Q20**	**2Q21**	**3Q21**	**Q/Q**	**Y/Y**
Tax	25	165	246	49.0	100.0

Q/Q and Y/Y Performance:

Income tax reached $245.9 billion, increasing both quarterly and annually, due to higher income and an increase in the long-term deferred tax, due to a higher income tax rate for corporations implemented by the tax reform in Colombia.

Accumulated Figures

Y/Y Performance:

The accumulated income tax as of September 2021 reached $443.1 billion, increasing by 274.8% over the previous year, mainly due to higher income before taxes, as well as an increase in the long-term deferred tax, related to the increase in the income tax rate defined by the Colombian tax reform, as explained before.

As a result, the accumulated effective tax rate increased 9.2 pps over the year.

Income Tax Accumulated	**Sep. 20**	**Sep. 21**	**Pps. Chg Y/Y**
Tax	118	443	100

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