Banco de Bogotá

Q1-2024 Results

Information reported in COP and under IFRS

Thursday, May 23rd, 2024

CORPORATE PARTICIPANTS

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Operator:

Good morning.

Welcome to Banco de Bogotá's Q1-2024 consolidated results conference call. My name is Karen, and I will be your operator for today´s conference call.

At this time, all participants are in a listen-only mode. Afterwards, management will be available for a question-and-answer session. Please note that this conference is being recorded.

We also advise you to read our disclaimer available on slide number 2. When applicable in this webcast, we refer to trillions as millions of millions and to billions as thousands of millions.

Thank you for your attention.

Mr. César Prado, CEO of Banco de Bogotá, will be the host and speaker today. Mr. Prado, the floor is yours.

César Prado:

Thank you, Karen. Good morning, everyone, and welcome to Banco de Bogotá's first quarter 2024 earnings call.

As we announced in the previous call, we have been reviewing the Bank's strategy for some months now. This review includes innovations and renewed efforts on different fronts that will complement our current strategy.

Today I want to share with you some of the key points:

Our strategy consists of 4 pillars, namely: Growth, Profitability, Sustainability and Funding optimization.

First, we want to leverage the bank's strength in wholesale banking. Specifically, for our large and medium-sized corporate clients, we are focusing on complementing our traditional strength in credit, with an enhanced value proposition on intermediation in payments, in particular leveraging treasury, transaction banking, cash management, and supply chain finance solutions. We expect to become the primary bank for these clients and thereby increase our share in corporate deposits.

For the public sector, we will be focused on clients at the national, state and local level. We want to increase our participation in this segment which has been an extremely important source of relatively inexpensive and stable deposits. The competitive strategy is based on a service model with highly specialized relationship managers. We will also offer tailor- made solutions - transactional, operational, and technological - which are very valuable for these clients and also create exit barriers.

In addition to that, the Bank has a wide-spread channel network for payments, including around 430 branches and over 22,000 banking correspondents, which are crucial for intermediation in payments for these clients. A special effort will be made in different regions of the country, beyond the largest urban centers, which are usually underserved, and offer great business opportunities.

Regarding SMEs, we are working to simplify our offering by developing customized solutions packages that focus on digitization and self-service capabilities. We will also develop an app that supports the client's journey from on-boarding to retention. In addition, we are working on building more cost-efficient service models that will complement the relationship managers, such as virtual managers and different digital channels. We are also starting to deploy new risk models for this segment, especially for low end SMEs.

With regards to retail banking, we want to pay special attention to affluent clients. Here the value proposition is based on a relationship manager model and the offering of an integrated portfolio of banking and investment products, including on-shore and off-shore solutions. We are reviewing the thresholds and characteristics of each sub-segment, increasing the size of our *premium* base. We will seek to increase the number of affluent clients, as well as strengthen the relationship with existing ones, through the improvement in products, processes, and relationship models. We intend to evaluate the attention channels, in particular rethinking the specialized *premium* offices we currently have. The Bank is also working on deepening the integration with its asset management and off-shore subsidiaries.

For the rest of our retail banking clients, we will be working on reducing the cost to serve, focusing on migrating these clients to low-cost service models such as digital channels like the app.

In general, we want to leverage our future growth with a balanced portfolio, including an adequate mix of consumer products such as credit cards, personal loans, payroll lending, automotive lending and mortgages.

These and many other concepts have been mapped into specific goals that we are already beginning to implement and will continue to do so in the short to medium term.

Now, on ***slide 4***, let me summarize the Bank's consolidated first quarter results:

- Profitability was higher than the previous quarter, with an attributable net income of $206.8 billion pesos, which resulted in annualized profitability ratios of 5.3% for return on average equity and 0.6% for return on average assets.

- Quarterly net interest margin increased 18 basis points, to 4.5%, due to both lower cost of funds and higher investment yields.

- Fee income ratio decreased by 2.1 percentage points in the quarter to 25.5%, as expected after the usual seasonality in the last quarter of the year.

- Efficiency, measured as cost to income, improved to 49.2% this quarter. Cost to assets ratio also decreased to 2.7% for the same period.

- Consolidated gross loans amounted to $101.3 trillion pesos, with the Colombian portfolio increasing 11.1% year on year and representing 85% of the total gross loan portfolio.

- Deposits totaled $95.3 trillion pesos this quarter, a 4.7% quarterly increase. When excluding FX movements, deposits show a 4.5% quarterly growth. The ratio of deposits to net loans was 1.0x, on target.

- Deposits increased their share of funding, reaching 79.6%, as total funding increased 2.6% this quarter, mainly due to the growth in time deposits.

- Loan quality deteriorated slightly this quarter, as 90-day PDLs increased by 14 basis points to 4.3%.

- Net cost of risk increased this quarter by 28 basis points to 2.9%, as commercial and mortgage loans deteriorated by 49 and 45 basis points respectively, while consumer loans improved by 34 basis points.

Now I will turn the presentation over to Germán Salazar, Banco de Bogotá's Executive Vice President.

Germán Salazar:

Thank you, César, and good morning all. Let's move on to ***slide 5***, where we present highlights regarding our digital strategy.

The execution of the strategic exercise we recently completed, relies importantly on digital tools, and channels where the Bank has demonstrated significant strengths and progress. Here are some examples:

In Q1-2024, we continued expanding the digital portfolio, improving the value offer in the corporate segment, one of our strategic focal points. Regarding customer products, we implemented new developments that enhanced user experience and strengthened already available products.

During the quarter, we continued growing our digital offering for the corporate segment: Currently, our corporate digital products had a 79% increase in disbursements versus the fourth quarter of 2023. This performance was possible due to our sales force's adoption, with 8 out of 10 sales representatives using digital tools for disbursements, improving the overall experience and lowering operational expenses.

We would like to highlight the following results for corporate business:

- First, in digital business loans, we reached 2,530 disbursements for a total amount of $284 billion pesos, which represents a quarterly growth of 76% and 48% yearly. Through innovation, the Bank accelerated the digital experience for the SME segments, one of our focuses in our new strategy.
- During the first quarter, we achieved the first case of embedded finance with the payroll accounts API, which integrates directly with the companies' platforms. Through this initiative, companies can open payroll accounts through the company's ERP experience without a need of a bank’s agent. We currently have 50 accounts opened through their ERP systems in the country.

In line with the strategy, we are close to launch several APIs to strengthen our portfolio of cash management and transactional banking for companies. This portfolio includes APIs for Payouts, Pay-in (including taxes) and factoring. For the retail segment, I want to highlight the following results and improvements during the quarter:

- First, as part of our strategy, we will pay special attention to affluent clients. We continue to strengthen our digital investment products: for example, digital time deposits reach more than 17 thousand digital time deposits and achieve a total balance of $749 billion pesos. In Q1-2024 we improved our digital reinvestment experience, where we optimize the experience to increase the renewal and reinvestment rate.
- Second, our digital savings account reported 152 thousand new accounts for a $74 billion growth in balance. In this quarter, we’d like to highlight "Mi Trabajo" savings account, which is the payroll account product without a payroll agreement, where 5.5 thousand accounts were opened, representing a growth of 2x compared to Q4-2023.
- Third, in Q1-2024 we placed more than 36 thousand credit cards, reaching $137 billion pesos in balance. The recently introduced credit card called 'ON,' tailored for tech-savvy users, which offers 5% cashback reward on purchases made at gaming and technology stores. In the pilot phase, 204 cards were placed, contributing to the balance of $1.1 billion pesos. With the development of these products, we seek to expand our product offering, while being aligned with market needs, and reaching the right customer profiles through our channels.
- Fourth, we sold over 37 thousand digital insurance products, where 78% were positioned through our effective cross-selling experience. We also kept improving the digital experience for insurance acquisition and increased our portfolio with accident and health insurance. Moreover, 20% of the Bank's total insurance fees are generated from digital products. Our new strategy seeks to deepen relationships with existing clients and enhance product placement. Insurance products clearly optimize the cross-selling experience.

Another focal point is to continue strengthening our digital channels. In Q1-2024 we had over 2.5 million active customers on our digital channels with an adoption of 60%, having conducted over 21 million monetary transactions, including PSE, digital safe payments, for a 16% growth year-over-year.

- Instant payments by using only the customer's cellphone number, through Transfiya or Aval payments, recorded 6.3 million transactions in Q1, showing an annual growth of 10%. Furthermore, advancements in QR-based transactions, although in early stages, achieved 40 thousand immediate transactions, representing a 5x increase compared to Q4-2023.

- We implemented a "panic button" feature across our digital channels, empowering users to swiftly block their banking products in cases of theft or loss of their mobile phone, protecting users from potential frauds. Also, we enriched the digital help center with comprehensive support information for all products. Additionally, we introduced an innovative feature to our mobile banking platform, enabling users to access and use virtual credit card data seamlessly.
- Furthermore, we improved the digital channel experience in our banking correspondents and ATMs, by increasing *card-not-present* withdrawal limits.

Finally, Fintech Americas recognized Banco de Bogotá in the category for innovation in channels, acknowledging our efforts in evolving banking services with our recurrent payment system that allows payments through PSE Avanza.

Now, moving on to ***slide 6***, we present highlights regarding our sustainability strategy:

For the fourth consecutive year, Banco de Bogotá is in the top 4% of the S&P Sustainability Yearbook, surpassing 96% of more than 500 banks evaluated globally. This milestone was further enhanced by the issuance of our Sustainable Subordinated Bond in international markets, raising USD $230 million and marking our inaugural impact report in this area.

Our commitment to sustainable finance is clearly reflected in our extensive portfolio of sustainable loans, which now totals $13 trillion pesos. As of March 2024, green loans reached $3.5 trillion pesos, representing a robust growth of 34% since December 2023. Over the past four years, this segment of the lending portfolio has expanded by 10.8x.

Additionally, social loans, totaling $10.7 trillion pesos, are primarily targeted at SMEs and social housing initiatives, with $258 billion pesos allocated specifically to small and medium-sized enterprises, 37% of which operate in vulnerable communities. Our social housing efforts have been equally significant, with $3.2 trillion pesos directed towards these projects, of which 34% have benefited women.

An initiative that stands out this quarter is our involvement in the financing of four photovoltaic solar parks, an investment of $519 billion pesos that generates approximately 1,345 Giga watts/hour of energy annually and prevents the emission of over 200 thousand tons of carbon dioxide equivalent each year.

The Sustainable Subordinated Bond has made a significant influence, not only in terms of environmental benefits but also in social impact.

- During the quarter, we disbursed 58 green loans focused on climate change adaptation and mitigation across sectors such as energy, agriculture, aquaculture, and fishing.
- Our social loans are equally impactful, with 12,920 credits disbursed, promoting prosperity and gender equality. Furthermore, over 10,000 credits were granted, 83% of which went to women-owned micro, small, and medium-sized enterprises, with 53% serving clients below the poverty line. In addition, more than 2,000 credits were

allocated to social housing, with 55% benefiting women and 94% aiding households below the poverty line.

Moving on to ***slide 7***, let me summarize the local macroeconomic overview:

- The Colombian economy registered a favorable start during the first quarter of 2024 thanks to the higher level of public spending, the calendar effect due to the leap year, the notable increase in agricultural production, and finally, the greater demand and provision of public services, especially electricity, thanks to the high temperatures caused by the El Niño phenomenon. On the contrary, the more traditional sectors of the economy such as manufacturing and commerce, continued their weak trend.

- For 2024, our Economic Research team predicts that more working days, lower interest rates from Banco de la República, gains in workers' purchasing power thanks to the decrease in inflation, and high levels of public spending, would lead the Colombian economy to go from an economic growth of just 0.6% in 2023 to one closer to 1.0% in 2024. The modest recovery would be a consequence of the low levels of confidence of both households and companies, local socio-political uncertainty amid the discussion of social reforms in Congress, security problems and the recent upward revision in central bank's interest rate prospects, both globally and locally. At the same time, investment remains weak as uncertainty weighs in and slower growth and lower capacity utilization discourage new projects. Meanwhile, consumer inflation continued its downward trend and in April completed thirteen consecutive months of moderation. With this, the metric went from a maximum of 13.3% in March 2023 to 7.2% on April of 2024, explained by the relevant slowdown in food and goods inflation. In that same period, inflation in these items went from 21.8% and 15.1%, to 3.0% and 2.4%, respectively. Greater agricultural supplies and lower exchange rates, reduced the price of inputs and imported goods, largely explaining the effects in inflation in these segments.

- In contrast, the services and regulated components have presented inflationary persistence. In services, indexation to past inflation has impacted rentals, while prices of other services were influenced by the 12% increase in the minimum wage. In the case of regulated components, El Niño phenomenon put upward pressure on energy rates, while gasoline experienced its final price increases. Thus, on April, services and regulated inflation were 8.0% and 14.6%, respectively.

- For the rest of 2024, our Economic Research team anticipates continued moderation in inflation, but at a slower speed, ending the year at 5.6%. Several factors support this outlook. First, the plausible increase in the price of diesel and the risk of high oil prices in international markets. Second, the greater sensitivity to the upside of the exchange rate. And third, the recovery of the internal demand in the second semester.

- The economic slowdown and the almost 600 basis point drop in inflation allowed Banco de la República to accelerate the pace of interest rate cuts from 25 basis points in December and January to 50 basis points in March and April, taking it to 11.75%. Our Economic Research team highlights that the board of Banco de la República maintains a cautious approach to rate cuts, especially due to the short-term risks that have resurfaced for inflation and the challenging fiscal outlook, which would lead to reductions of equal magnitude in the coming months. An acceleration in the pace of interest rate cuts could occur in the second half of the year if inflation risks remain contained and shows greater signs of deceleration. Depending on the above, we expect the interest rate to end the year between 8.75% and 9.25%.

- Turning to the exchange rate, in the first quarter of 2024 the currency traded in a low volatility range with an average slightly above $3,900. During April volatility increased and the exchange rate average close to $3,850, in both cases below the year-end level of $3,822. The appreciation of the peso is based mainly on a favorable global environment amid the expectation of lower interest rates in the United States and a contained perception of country risk. Going forward, the adjustment in the Federal Reserve's rate outlook, will keep on benefiting the local currency. In the local front, the discussions of the reforms in Congress, the deterioration of public finances and the stabilization of the external imbalance at higher than 2023, could lead to a change in the trend of the exchange rate. Our Economic Research team forecasts an exchange rate of $3,950 pesos per dollar at the end of the year.

- Regarding the external imbalance, so far this year, a slight deterioration has been observed compared to the end of 2023, explained by a better performance of imports when compared to exports. In particular, imports moderated their annual contraction rate and even, in the case of consumer goods, resumed a path of annual expansion, thanks to a slight rebound in household demand for durable goods. For its part, the fall in oil exports, despite higher prices, limited the results of Colombia's sales abroad. The above, in the midst of a slowdown in the inflow of remittances, would lead the current account imbalance to go from 2.7% of GDP in 2023 to 2.9% in 2024, similar to the historical average between 2001 and 2019.

- Regarding public finances, the path of fiscal adjustment that started in 2021 was paused in 2024, as the Government revised upwards its 2024 fiscal deficit goal from 4.2% to 5.3% of GDP. Likewise, weak tax collection, the accounting of income with low probability of occurrence and execution problems, have left the Government with little margin of error to abide by the Fiscal Rule. This is a relevant risk for the current year, because the solution through a spending cut would be postponed until the end of the year.

Now, I will hand over the presentation to Javier Dorich, Head of Investor Relations and Corporate Development, who will provide details on our financial results for the quarter.

<u>Javier Dorich:</u>

Thank you Germán and good morning, everyone. Starting on ***slide 8***, we present our Balance Sheet evolution during Q1-2024.

- Consolidated assets totaled $139 trillion pesos at the end of Q1-2024, presenting annual and quarterly growth of 5.1% and 1% when excluding FX fluctuations.

- The net loan portfolio continues to be the main asset, representing 68.8%. Fixed income portfolio follows, with 12.2%, while other assets and equity investments portfolio represent 11.1% and 7.9% respectively.

- The gross loan portfolio closed at $101.3 trillion pesos in Q1-2024, increasing 2.4% in the quarter and 4.4% yearly. Excluding FX, loans grew 9.5% year on year and 2.3% this quarter; with the Colombian peso portfolio increasing 3.1% in the quarter and representing 85% of the consolidated portfolio.

- Regarding loan mix, the commercial portfolio represents 64.6% of consolidated loans, while consumer and mortgage segments represent 22.8% and 12.3%, respectively. The commercial portfolio increased its share in the loan mix this quarter, as this segment's relatively better quality has made it more attractive.

- Commercial loans amounted to $65.4 trillion pesos, increasing 3.0% in the quarter and 9.2% annually when excluding FX. General purpose loans increased the most in absolute terms during the quarter, both in Colombia and in Panama.

- Consumer loans increased 0.2% quarterly, without FX, reaching $23.1 trillion pesos. The consumer portfolio's size remained stable, as credit policy has become tighter.

- Mortgages increased 2.7% this quarter to $12.5 trillion pesos, or 2.6% when excluding FX. In Colombia, this segment increased 3.8%, as government subsidies have positively impacted its performance in the past quarters. In Panama, mortgages decreased by 0.8% in dollar terms.

- Finally, microcredits increased to $283 billion pesos, a growth of 2.7% in the quarter, remaining a small component of the total loan portfolio.

We expect loan growth to be between 7% and 8% for 2024.

Moving on to ***slide 9*** we present our liability structure.

- Total funding reached $119.7 trillion pesos, increasing 1.5% year on year and 2.6% this quarter. Excluding the peso revaluation effect, funding increased 5.9% yearly and 2.5% quarterly.

- Deposits remain the main source of funding, representing 79.6%, followed by banks and others with 9.1%, long-term bonds with 7.4%, and interbank borrowings with 3.9%.

- Deposits totaled $95.3 trillion pesos, increasing 4.7% in the quarter and 6.4% annually. Isolating the FX effect, growth was 12.8% in the year and 4.5% in the quarter, respectively.

- In terms of deposit mix, time deposits remain the largest source, increasing their participation to 51.8%. Saving accounts increased their share to 33.5%, while checking accounts represent 14.5% of total deposits.

- On the bottom right, we show the evolution of the Liquidity Coverage Ratio, or IRL in Spanish, which closed the quarter at 155%, while the Net Stable Funding Ratio, or CFEN in Spanish, was 108%, close to the previous quarter's ratio.

- Deposits to net loans were 1x, on target.

Let's continue with ***slide 10***, where we present our equity and capital adequacy levels.

- Total equity was $15.5 trillion pesos in Q1-2024, decreasing 1.8% quarterly and increasing 0.7% annually, explained mainly by dividends.

- Tangible common equity remained at $13.9 trillion during this quarter. The tangible common equity ratio decreased from 10.5% to 10.1%. Likewise, leverage, measured as equity / assets, decreased from 11.5% to 11.1% this quarter.

- Common equity tier 1 capital decreased this quarter by $337 billion, or 2.5%, due to the effect of dividend payments, as well as slightly higher intangible assets of $47 billion. Total risk weighted assets increased by $1.97 trillion, or 1.9% in the quarter.

- Therefore, both common equity tier 1 and tier 1 ratios stand at 12.4% this quarter, a reduction of 55 basis points vs. the fourth quarter of 2023.

- Tier 2 capital decreased by 16.7% quarterly, or $429 billion pesos, mainly explained by the decrease in weighting of the 2026 subordinated bonds, as they lose 10% of their weight for Tier 2 calculations, every year, since their issuance. The tier 2 ratio decreased by 44 basis points, from 2.4% to 2%.

- Consequently, total capital adequacy was 14.4%, 99 basis points lower than in Q4-2023.

- Tier 1 ratio and Total Solvency ratios are 3.9 and 2.9 percentage points, above regulatory minimums including buffers.

Now let's move to our P&L performance ratios, starting with net interest margin on ***slide 11***.

- Net Interest Income for Q1-2024 was $1.3 trillion pesos, showing a quarterly increase of 6.2%, explained by lower cost of funds.

- Lending yield decreased from 13.8% to 13.4% in the quarter and increased by 87 basis points annually. Mortgage and microcredit yields grew by 20 and 89 basis points this quarter, while commercial and consumer yields decreased by 47 and 33 basis points, respectively.

- Investment yields were 37 basis points higher this quarter, mainly, due to the roll-over of investments at higher yields.

- The cost of funds decreased by 42 basis points this quarter. All deposit types decreased their cost of funds, especially savings accounts with a 95 basis points reduction.

- Consequently, loan NIM increased to 5.4%, as the cost of funds decreased more than loan yields.

- Investment NIM remained negative this quarter, though higher. Investment yield was 7.6% and cost of funds was 8.7%, rendering a -0.4% investment NIM, increasing 84 basis points quarterly.

- Finally, total NIM, was 4.5%, experiencing an 18-basis point quarterly growth.

- We expect NIM to increase slightly this year, as Banco de la República continues its downward rate cycle, which is expected to last well into 2025. We expect to take advantage of becoming slightly liability sensitive, and our NIM is expected to increase as macroeconomic policy rates decrease.

- We expect NIM for 2024 around 4.6%.

Moving on to ***slide 12***, we present loan quality ratios.

- Starting with delinquency ratios, 30-day PDLs increased from 5.7% to 6.2% this quarter. The Colombian portfolio presented a 41 basis points increase this quarter, while Panama's 30-day PDLs increased 157 basis points, to 5.0%.

- On the bottom left, we show that 30-day PDLs deteriorated in the consumer segment, by 98 basis points this quarter, to 8.2%. Likewise, commercial and mortgage loans deteriorated by 52 and 23 basis points respectively, to 5.4% and 6.6% respectively. Most of the deterioration in commercial loans is explained by Panama's 315 bps increase in the quarter, as the Colombian portfolio deteriorated only by 17 basis points.

- As for the 90-day PDL ratio, it reached 4.3%, an annual and quarterly increase of 57 and 14 basis points, showing less deterioration than that of 30-day PDLs. The increase came from the Colombian portfolio, with a 17 basis points increment to a ratio of 4.6%. Panama's 90-day PDLs ratio was 2.3%, the lowest level since Q3-2022.

- Breaking down 90-day PDLs, the consumer segment deteriorated 26 basis points this quarter, mainly in personal loans, vehicle loans and financial leases. Commercial 90-day PDLs increased 12 basis points this quarter and 39 basis points yearly, where all products except financial leases and working capital loans saw some deterioration. Mortgages remained stable in 3.7%, improving by only 4 basis points.

- We still have a positive outlook for 2024, where lower inflation and central bank rate cuts are expected to improve portfolio quality.

On ***slide 13***, we present the total gross loan mix by stages. On the top, one can observe that stage 1 loans, which in Q1-2024 represented 87.5% of the portfolio, have maintained a similar level throughout previous quarters. Stage 1 loans decreased in the loan mix by 35 basis points this quarter, migrating by 30 basis points to stage 2 loans and by only 6 basis points to stage 3.

- Stage 3 loans, which imply high credit risk, have maintained a level between 7.7% and 7.2% in the last two years, and are 7.3% in this quarter, 14 basis points lower than a year ago.

- In the bottom graph, we present coverage by stage. For stages 2, 3 and for the entire portfolio, coverage increased. Coverage only decreased by 7 basis points for stage 1 loans, which are in need of the least coverage. These coverages show stability, and evidence similar figures than in the past quarters.

On ***slide 14***, we present coverage ratios.

- On the top left, the coverage ratio for 30-day PDLs decreased to 0.93x this quarter; the Colombian 30-day PDL coverage ratio was 1.01x and the Panamanian figure was 0.31x, both with a slight reduction. Panama's lower coverage is explained by its increase in 30-day PDLs, especially in the commercial portfolio.

- On the top right, we observe consolidated coverage for 90-day PDLs diminishing 1pp to 1.34x. For Colombia, this ratio decreased to 1.39x, while in Panama, this ratio increased to 0.67x. The relative stability in 90-day coverage is explained by a lower deterioration in 90-day PDLs than in 30-day PDLs.

- Allowances over gross loans increased 12 basis points this quarter to a level of 5.8%, increasing in all segments.

On ***slide 15***, we present our net cost of risk and charge-off ratios.

- Net cost of risk was higher than expected, as loan deterioration was impacted by higher than anticipated PDLs. The first quarter's annualized net cost of risk was 2.9%, 28 basis points higher than the previous quarter. Colombia's figure deteriorated 34 basis points to 3.2% and Panama's figure improved 18 basis points to 0.7%.

- Commercial net cost of risk increased 49 basis points this quarter to 0.6%. Most of the deterioration has been in financial leases and overdrafts.

- Consumer cost of risk decreased 34 basis points to 10.0%. Personal loans, credit cards and financial leases improved their cost of risk, while payroll loans and overdrafts saw deterioration.

- Mortgage cost of risk increased by 45 basis points this quarter to 1.0%, given a 74-basis point deterioration in the Colombian portfolio.

- Finally, microcredits remained stable at 11.9% during this quarter.

- For 2024, we expect net cost of risk to be around 2.3%, as this quarter's figure was higher than anticipated.

- For the consolidated portfolio, the ratio of charge-offs over 90-day PDLs stands at 59%. In Colombia, it is 61%, having decreased by 10 percentage points quarterly, and in Panama, it is 31%, decreasing by 7 percentage points this quarter.

- Charge-offs over average loans decreased 31 basis points quarterly, to 2.5%. The Colombian and Panamanian figure decreased 34 and 22 basis points respectively.

On ***slide 16***, we present fee income structure and details on other income.

- Gross fee income in Q1-2024 decreased by 3.2% in quarterly terms, to $488 billion pesos. Banking services and credit & debit card fees amount to 82% of total gross fees, while 10.7% is explained by fiduciary activities, from Fidubogotá. Card fees and banking services fees decreased quarterly by 4.6% and 5.0%, respectively, reflecting the effect of year-end seasonality.

- Fee income ratio was 25.5% for the quarter, increasing 1.1 pp yearly and decreasing 2.1 pp quarterly.

- Other operating income stood at $213 billion pesos this quarter, coming from:

  - First, equity method & dividend income, which came in at $169.2 billion pesos, a 12.7% quarter on quarter increase and a 46.8% year on year decrease. This quarter´s figure is mostly explained by Corficolombiana´s and Porvenir positive results of $77 and $60 billion pesos respectively.

  - Second, income from net investment activities was $39.4 billion, a 13.0% quarterly decrease.

  - Third, the derivatives and FX position had a net expense of $117 billion, decreasing 4.5% in the quarter.

  - Finally, $121.4 billion pesos from other income, a slightly below average figure.

- Fee income ratio should be in the 26% area in Q4-2024.

Slide 17 presents efficiency ratios, measured by cost to income and cost to assets.

- Total income for the quarter was $1.9 trillion pesos, 4.4% higher than in Q4-2023.
- Operating expenses reached $923 billion this quarter, increasing 1.5% year on year and showing a notable decrease of 8.4% quarter on quarter.
- Consequently, cost to income decreased to 49.2% for the quarter, 6.9 pp below Q4-2023's figure.
- Total average assets increased by $197 billion, or 0.1% this quarter. Therefore, cost to assets ratio decreased by 25 basis points this quarter, to a level of 2.7%.
- We expect cost-to-income ratio to be around 49% for the entire 2024.

Finally, on ***slide 18***, we show our profitability ratios.

- This quarter saw an increase in NIM, offset by an increase in cost of risk, having both figures revert to the levels observed in Q3-2023. Also, the slight decrease in fees was more than compensated by the gains in efficiency. There were improvements in the effective tax rate this quarter, as last quarter's tax rate was abnormally high, given a one-off tax.
- Annualized profitability metrics were 0.6% for ROAA and 5.3% for ROAE in Q1-2024. These ratios result from a combination of factors that we have mentioned along the call, and we will work towards improvement as surrounding circumstances also improve.

Before moving on to the Q&A session, I'd like to summarize our general guidance for 2024:

- Loan growth is expected to be between 7% and 8%,
- Net interest margin is expected around 4.6%,
- Net cost of risk is expected to be around 2.3%,
- Fee income ratio should come in around 26%,
- Cost-to-income ratio around 49%,
- And return on average equity should be around 7%.

And now we are open to your questions....

Operator:

We will now begin the Q&A session. We can take your written questions through our Q&A chatbox, as well as your live questions, or you can ask the questions by yourselves if you are using a phone line. Please, note the following instructions:

For the Q&A chatbox, please type your questions down and we'll proceed to read them. After answering the questions received in the Q&A chatbox, we will proceed with live questions.

If you wish to ask your question live, please click the request button and we'll open your microphone and call your name accordingly to give you the floor.

If you are using a phone line, please press the star (*) button and number five (5) to access the Q&A feature. If you are using a speakerphone, you may need to pick up your handset first before pressing the numbers.

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Right now, we're standing by for questions.

Our first question comes from ***Jaskaran Singh***, from ***Goldman Sachs***. He's got a couple of questions.
Question number one: "Could you please provide a breakup of consumer lending? How much are payroll loans, credit cards, unsecured personal loans, auto loans, etcetera?" Question number two: "What is the average LTV for mortgage portfolio and compared to peers, is the end segment more LIG or HIG? Thank you."

Javier Dorich: Hi, Jaskaran, and thank you for your question.
In terms of our consumer portfolio, we have a very balanced portfolio because around 35% of our consumer portfolio is payroll loans and another 10% is auto loans. We have another 25% in personal loans and other 20% in credit cards. So, this is a very balanced portfolio, which has been a strength in the recent credit deterioration cycle and explains the difference between us versus our peers in terms of cost of risk and PDLs.
In terms of the second part of your question, the loan to value at origination is 60% on average, but for the stock, that number should be lower than 40%.
And finally, in terms of segment, around 50% of our mortgage loan portfolio is concentrated in high-income individuals and the other half in the low-income group, which in Colombia is called the VIS portfolio. Thank you.

Operator: Thank you very much. Our second question comes from ***Mr. Juan Carlos Guisao Jaramillo***. His question is, "What is the bank's NIM expected for 2024? Thank you."

Javier Dorich: Thank you, Juan Carlos. As I just mentioned, our guidance for NIM in 2024 is 4.6%. Remember that in the first quarter, the figure was 4.5% so we feel comfortable that NIM will improve in the next quarters as the Central Bank decreases rates and the cost of funds decreases faster than the loan yield. Thank you.

Operator: Thanks a lot. Our third question comes from ***Mr. Julian Ausique***, from ***Davivienda Corredores***. His question is: "I'd like to know your perception about the quality metrics on the commercial segment. Do you have any worries about any specific sector?"

Germán Salazar: Thank you for the question, Julian. Basically, in the case of the commercial loans, in general terms, we feel comfortable. Maybe there's been a certain deterioration in very small segments of that category. In general, I would say that the big portion of commercial lending is based on big corporate customers as well as the medium sized. So, in general terms, in that segment, we have no concern whatsoever. We believe that not only the ratios are behaving properly, but also within each sector, different customers have good results in general terms.
In connection with the small sub-category of commercial lending, there is certain deterioration, but I have to indicate that that's a segment that is only about 2.5% of the total loan portfolio of the bank.

Operator: Thanks a lot. Our fourth question comes from ***Mr. Julian Ausique*** as well, from ***Davivienda Corredores***. "Do you have any strategy to motivate the share price or the liquidity? Thank you."

Germán Salazar: I would say that the strategy is basically, first, what César indicated at the very beginning of the presentation, there is a change of strategy, which is basically building on what we have, but also reviewing some of the different parameters to work online for the organization. So, in that regard, there has been certain progress that we see in market share, that we see in NIM, that we see in better efficiency. So, that's basically the beginning of a new effort to continue strengthening these attributes of the balance sheet, which at a certain point should impact in the share price and in the behavior of that share. That's basically the strategy that I could share with you in connection with your question.

Operator: Thank you very much. Our fifth question comes from ***Mr. Julian Ausique***, from ***Davivienda Corredores***. "Do you have any target in terms of market share? We've seen an increase on that, and your expectation of loan growth is higher than your peers'."

Javier Dorich: Hi Julian, thank you for your question. We might not have a precise target, but we're looking all the time what's happening in the market. What has been happening is that we do have gained market share this year. For example, if you look at the local book, you can see that we've gained around 20 basis points in the first quarter. And if you look at figures up to the middle of May, that number gets even to 30 basis points. So yes, of course, we want to grow, and we want to be relevant. Of course, we're very cautious in doing so. But the thing is, if you talk about our peers, and in market share you have to talk about the peers, maybe they are doing more charge-offs and being even more cautious than us. But you know, in the last two or three years, we have lost some market share, so we think we're getting that back. Thank you.

Operator: Thank you very much. ***Mr. Sebastian Gallego***, from ***Ashmore***, has got a series of questions.

Question number one: “Can you please provide specific targets under your new strategy, particularly in quantitative terms?”
Question number two: “What could be different compared to peers in terms of the new strategy?”
Question number three: “What is the medium-term effective tax rate for the bank?”
Question number four: “Can you please elaborate on the deterioration of PDL in Panama and what is the outlook ahead?”
Question number five: “What is the outlook for quality in Colombia, considering the negative surprise in the first quarter of 2024? Where are we in the cycle?” Thank you very much.

César Prado: Thank you, Sebastian, for your questions. I'm going to take a couple of them. Regarding strategy, we have mapped more than 50 initiatives. Currently, we are working on detailing them with specific activities, metrics, CAPEX involved with applicable APIs, business cases, and so on and so forth.
Even though several initiatives have already begun, we expect to start a comprehensive implementation in July, and we believe that most of the whole plan should be completed in 18 months approximately.
We wanted to communicate to the investor community the launching of our new strategy as well as some of its main aspects. Nonetheless, we feel at this point that we don't necessarily want to discuss it in more detail. In the future, when we have more material advancements on different fronts, we will be more than happy to convey them accordingly, including specific and quantitative targets.
Javier, could you address the other question, please?

Javier Dorich: Yes, of course, César. So, for example, in terms of the effective tax rate for the bank in the medium and long term, as you know, right now the statutory tax in Colombia is 40% and in Panama is around 25%. In Colombia, that 40% has a surcharge of five points. We don't know what's going to happen with that in the future, but hopefully that will decrease. So, what we can say is that the compound effective tax rate for us, excluding equity methods, of course, should be 30% in the foreseeable future.
Continuing with the other question about the deterioration of PDLs in Panama and what we're looking ahead, yes, it did have a deterioration from 3.5% to 5%, mainly in the commercial portfolio and mainly in construction and real estate projects. Some of them are already paying their obligations right now, so that figure should improve in the second quarter.
The other thing that makes us be very confident is that most of these loans have collaterals that may exceed the amount of the loan, so we don't really need to do many provisions in the future. So, we think that situation is under control.
And finally, you were asking about the outlook for asset quality in Colombia, considering negative surprises in the first quarter and where we are in the cycle. So, first, I already mentioned what happened in Panama, but in Colombia, we did see a slight deterioration in the commercial and the mortgage books, but keep in mind that those books were behaving very well in 2023, so any slight surprise might be on the upside, in terms of cost of risk and PDLs. As Germán mentioned, our commercial portfolio is in very good shape right now, mainly because of our composition in terms of companies, mostly large companies.
In the mortgage portfolio, of course, it did experience the same as some of our consumer portfolio in terms of high interest rates last year, but we also feel very confident there because, as I mentioned, loan-to-value is below 50%. So, we think our clients will resume paying in the very short term.
There are also some other considerations, for example, Holy Week this year, which was in March, and the end of the month was a Sunday so that may explain also an increase in PDLs,

which did not have a correlation with the consumer cost of risk because, in fact, consumer cost of risk decreased 30 basis points this quarter.
Finally, and I'm sorry getting that long, but in terms of the consumer book, as you know, we are being more strict in terms of disbursements and originations, especially in personal loans and credit cards. That already has paid off in personal loans. New vintages are performing very well, and PDLs for those new vintages are at levels that we saw two years ago. Unfortunately, that hasn't happened yet with credit cards so we're making additional adjustments. We hope to see better results starting in the second quarter and onwards. Thank you, Sebastian.

Operator: Thanks a lot. Our next question comes from ***Mr. Nick Dimitrov*** from ***MSIM***. His question is: "Did Banco de Bogotá engage in purchases of consumer loans from Banco Popular and Banco AV Villas in 2023, or do you plan on engaging in such transactions in 2024? Can you provide more information on the economics of these transactions? Thank you."

Javier Dorich: Yes, of course. As we disclosed in our financial statements, we did some purchases last year from Banco Popular. I don't recall any Villas purchase, but we did buy loans, payroll loans and commercial loans from Banco Popular. For us, it was an opportunity; we evaluated especially the pricing, and it was profitable for us. It was, as I mentioned, an opportunity for us to grow in terms of market share. So, that was the main reason for us in terms of why we did it. We don't know if more of that will come in the future. We will see.

Operator: Thank you very much. Our next question comes from ***Mr. Sebastián Gallego***, from ***Ashmore***. "Could you please provide any comments regarding a potential M&A? Is this part of the new strategy?"

César Prado: Thank you, Sebastián, for your question. In spite of the fact that we have an important share in the local market, especially if you take into account the numbers of the whole conglomerate, what I can say is that we are always open to analyze opportunities for inorganic growth that may arise, and the same applies to international M&A opportunities.

Operator: Thank you very much. Our next question comes from ***Mr. Camilo Arenas***, from **Credicorp**. "Is there any update regarding the local bonds issuance expected for last April?"

Germán Salazar: Thank you for the question, Camilo. At that time, we decided to put it off basically because market conditions came to certain stress. And on the other hand, in the case of the Bank, there's not really need to have that issuance in the meantime. Maybe it will be postponed until the second semester, until the situation normalizes, and we believe that the price and the spread are going to be more normal compared to our expectations.

Operator: Thank you very much. We're switching over now to our phone line. Our first question from the phone line comes from **Mr. Nicolás Riva**, from ***Bank of America***. Mr. Nicolás, the floor is yours.

Nicolás Riva: The first one on your Tier 2 capital, if you can confirm that the decline that we see in the quarter of USD $110 million, if it's entirely due to the phase out from capital treatment of the 2026 Tier 2 bonds. And if that's the case, then the question is, even though the 2026 bonds are losing capital treatment, if you could consider doing a tender offer on the 2026s and issuing a new Tier 2 that counts 100% for Tier 2 capital treatment.
And then my second question on Multibank. So, you already gave the guidance for the bank on a consolidated basis for this year for ROAE and other metrics. My question is if you can share some guidance specifically for Multibank in Panama. Last year, they reported only USD

$9 million in net profits, given higher funding costs. If you can share any guidance for net profits, ROAE for Multibank this year. Thanks.

Javier Dorich: Hi, Nicolás. I'm going to address the first part of the question. The answer is yes. Mostly all the impact in the Tier 2 bucket was because of the loss of capital treatment for the 2026s. As you know, we have an outstanding of USD $1.1 billion. Last year, it was counting for us at 40% and right now it's at 30% so that 10 points means 110, roughly $400 billion pesos of less Tier 2 capital. In terms of what we will do with that, we're not in a rush because as you can see, right now, our CET 1 is 12.4%. Our Tier 2 is 2% so our total solvency is 14.4% and that is way above the regulatory minimums, so we are fortunately in a comfortable position so we can wait. Of course, between this and next year we may be looking into the market, favorable market conditions in order to do some things because of course, we don't want to wait until 2026 for a maturity of USD $1.1 billion, but we haven't figured out exactly what we're going to do just yet.

Nicolás Riva: And Javier, on that point, if I can follow up. So, my understanding is your minimum total capital requirement is 11.5% as systemic banking in Colombia, fully loaded for Basel III. Your Tier 1 is at 12.4%. All the Tier 2 you have is losing capital treatment, so that 12.4%, assuming at some point that converges to be both Tier 1 and total capital, is that 90 basis points buffer enough of a capital buffer for you? Or what's your target for total capital or Tier 1?

Javier Dorich: No, as you see, we don't give a specific guidance about solvency. We have a track record of always being above those regulatory minimums. But you know, until 2019, the minimum was 9%. Right now, that the minimum is 11.5%, so maybe our risk appetite changes a little bit, because we don't feel it would be very efficient to have a very large buffer against that minimum. That is all I can say by now. But of course, we always want to have a prudent distance against those minimums.

Nicolás Riva: Okay, thanks, Javier. And then, on the guidance, if there is any ROAE or net profits for Multibank this year?

Javier Dorich: Yes, of course. So, as you mentioned, last year was a tough year for Multibank, slightly below USD $10 million in profits. This year, we think we may increase that figure, maybe 30%, 40%. But we are aware that that may be not enough. Multibank is a liability sensitive bank, so we need the Federal Reserve to start cutting rates. And as you know, that may not happen at least until September or the end of this year. So, while that happens, Multibank's NIM is going to be pressured.
We don't have any concern in terms of profits. They are making reasonable profits every month. But as I mentioned, the ROAE for Multibank this year, maybe also as last year, slightly below 5%.

Nicolás Riva: Okay. Thanks very much, Javier.

Operator: Thank you very much. It seems like we have no further questions at this time. We'll proceed now with the final remarks from Mr. César Prado. Mr. Prado, please, the floor is yours.

César Prado: Thank you, Karen. As previously mentioned, this quarter reflects improvement in NIM, offset by an increase in cost of risk. Overall, this quarter's increasing profitability is consistent with our view of a slow recovery of profitability throughout the year. Thank you for attending today's meeting, and I hope you will join us for our next conference call.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect. Have a nice day.