Banco Davivienda S.A. / PFDAVVNDA

Second Quarter Results 2019 / 2Q19

Bogotá, Colombia. August 15th, 2019 - Banco Davivienda S.A. (BVC: PFDAVVNDA), announces its 2019 Second Quarter consolidated results. Financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in Colombian Pesos (COP).

HIGHLIGHTS

- Net profit for the quarter closed at nearly $362 billion, a 28.8% increase compared to 2Q18 and a 8.0% decrease over 1Q19. Accumulated profit as of June 2019 reached $755 billion, increasing 2.7% when compared to the same period last year. 12-months ROAE closed at 12.6%, increasing 38 bps over the quarter, and decreasing 40 bps compared to the previous year.

- Gross loans reached $91.3 trillion, growing 11.8% over the year and 2.8% over the quarter. Annual growth by segment was: consumer: 12.9%, mortgage: 12.8% and commercial: 10.8%.

- 90-days Consolidated PDL closed at 3.68%, decreasing 19 bps in the quarter and 17 bps year on year, mainly due to the performance of the commercial portfolio.

- Net financial margin for the quarter reached $996 billion, increasing 9.3% over the year and decreasing 10.8% over the quarter. Accumulated net financial margin closed at $2.1 trillion, a 7.6% increase when compared to the accumulated figure of the previous year. 12-months Net Interest Margin (NIM) decreased 3 bps over the quarter and 4 bps over the year, closing at 6.52%.

- 12-months Cost of Risk closed at 2.46%, 1 bp lower than 1Q19 and 7 bps lower than 2Q18.

- 12-months Cost-to-Income ratio located at 46.0%, 53 bps lower compared to the first quarter of 2019 and 57 bps lower than the second quarter of 2018.

- Total Capital Adequacy Ratio closed at 11.91% as of June 2019, while the Tier I ratio closed at 8.51%.

- As of June 2019, Davivienda was present in 6 countries, had over 11 million customers, 17,087 employees, 698 branches, and 2,644 ATMs.

ECONOMIC ENVIRONMENT COLOMBIA

Average WTI price was 57.26 USD during the second quarter of the year, 6.0% lower than the first quarter, when it was 58.15 USD. Concerns regarding global economy performance grew over the quarter. The U.S. crude oil production and stock increased; generating downward pressures.

According to the Economic Activity Index, the Colombian economy grew 2.6% between April and May. This figure is lower than the 2.8% and 2.9% recorded in 1Q19 and the second quarter of 2018, respectively.

Regarding monetary policy, Colombia's Central Bank decided to keep the interest rate stable at 4.25%. This responds to the fact that the Colombian economy growth level continues to be below its potential and that inflation continues to be within the Central Bank target band. By the end of this quarter, inflation stood at 3.42%, surpassing the 3.22% rate recorded in March 2019 since food prices rise turned out to be higher than total inflation throughout the period.

As for the exchange rate against the U.S. dollar[1], the average exchange rate reached $3,239.85 COP on 2Q19, higher than the average of $3,134.97 recorded on the first three months of 2019. The exchange rate started at $3.146,81 COP per USD in April and followed a growing trend that drove its peak of $3.377,16 on June 1st. Thereafter, the currency revaluated to $3.205,67 by the end of the month. This behavior was mainly influenced by concerns about worldwide economy and oil prices.

Regarding fiscal policy, two major events occurred in this quarter. First, risk rating agencies issued their reports. While Moody's changed its outlook from negative to stable, considering the government's efforts to improve the country's fiscal situation, Fitch decided to change its outlook from stable to negative to reflect fiscal consolidation and external imbalances risks.

Second, the Medium-Term Fiscal Framework was published. National Government ratified a 2.4% target deficit for 2019, a lower figure than the maximum deficit of 2.7% allowed by Fiscal Rule. Additionally, in the second quarter of 2019, gross tax collection totaled $4.2 trillion, increasing 10% compared to 1Q18.

[1] Foreign exchange rate figures refer to the Official Exchange Rate.

ECONOMIC ENVIRONMENT CENTRAL AMERICA

Gross Domestic Product (GDP) growth slowed down on the first quarter of 2019 compared to the last quarter of 2018. This trend was registered among the four countries where we operate.

Annual growth in Costa Rica was only 1.78%, which confirmed a downward trend. Growth in the last quarter of 2018 was 1.91%. The lower dynamism arises from lower consumer and business confidence. In Honduras annual GDP increased 3.50% (1Q19), also below the 4.49% reported in the last quarter of 2018. Manufacturing and construction sectors were the ones with the greatest deceleration during this period.

Regarding currency matters, Costa Rican Colon and Honduran Lempira behavior was diverse. The Colon recorded a 4.74% appreciation in June, while the Lempira fell by 0.70%. The Colon appreciation is explained by the expectation of a greater availability of foreign exchange during 2019, mainly due to the approval of an important external indebtedness limit increase.

1Q19 GDP growth in El Salvador was 1.78%, less than the 2.13% of the last quarter of 2018. This was due to a lower performance of the manufacturing sector and a contraction of the agricultural sector.

Finally, Panama grew 3.07% in the first quarter of the year, less than the growth experienced during the 4Q18 (4.02%). This performance is explained by a slowdown in the construction and transportation sectors.

2Q19 annual average inflation rate in the region was higher than average of the first quarter. This was mainly due to the annual increase on international fuel prices.

In 2Q19, Standard & Poor's upgraded Panama's country risk rating from BBB to BBB+. According to the rating agency, this is because of the sustainable economic growth in recent years experienced by Panama over peer countries; economic diversification doubling per capita GDP; stability in government changes; and efforts to strengthen the transparency and regulations of its financial system.

Costa Rica, El Salvador and Honduras ratings were not modified over the 2Q19.

MAIN CONSOLIDATED FIGURES:

Statement of Financial Condition (COP billion)				% Chg.	
Assets	**Jun. 18**	**Mar. 19**	**Jun. 19**	**Q/Q**	**Y/Y**
Cash and Interbank Funds	8,705	9,899	10,643	7.5	22.3
Investments	10,220	10,617	11,864	11.7	16.1
Gross Loans Portfolio	81,642	88,748	91,266	2.8	11.8
Loan Loss Reserves	-3,356	-3,934	-4,206	6.9	25.3
Property, Plant and Equipment	734	1,872	1,839	-1.8	150.4
Other Assets	3,952	4,566	4,809	5.3	21.7
Total Assets	101,897	111,767	116,214	4.0	14.1
Liabilities					
Demand Deposits	32,340	37,804	38,167	1.0	18.0
Term Deposits	32,754	32,444	34,188	5.4	4.4
Bonds	10,009	11,342	11,167	-1.5	11.6
Credits	10,248	11,730	12,083	3.0	17.9
Other Liabilities	5,894	7,048	8,755	24.2	48.5
Total Liabilities	91,245	100,369	104,360	4.0	14.4
Equity					
Non-controlling Interest	84	94	96	1.9	14.2
Equity	10,568	11,304	11,759	4.0	11.3
Total Equity	10,652	11,397	11,854	4.0	11.3
Total Liabilities and Equity	**101,897**	**111,767**	**116,214**	**4.0**	**14.1**

Income Statement	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	**2Q18**	**1Q19**	**2Q19**	**Q/Q**	**Y/Y**	**Jun. 18**	**Jun. 19**	**Y/Y**
Interest Income	2,350	2,647	2,611	-1.4	11.1	4,755	5,258	10.6
Loans	2,189	2,382	2,371	-0.5	8.3	4,419	4,753	7.6
Investments	137	239	211	-11.4	53.9	286	450	57.7
Other Income	23	26	28	6.1	19.8	50	55	8.9
Financial Expenses	872	949	995	4.8	14.1	1,762	1,945	10.4
Gross Financial Margin	1,477	1,698	1,616	-4.8	9.4	2,992	3,313	10.7
Provision Expenses, net	566	582	620	6.6	9.5	1,030	1,202	16.7
Net Interest Margin	911	1,116	996	-10.8	9.3	1,962	2,112	7.6
Operating Income	336	320	356	11.3	6.0	653	676	3.5
Operating Expenses	876	868	892	2.8	1.8	1,665	1,760	5.7
Exchange and Derivatives	21	1	-15	-100.0	-171.3	48	-14	-129.8
Other Income and Expenses, net	4	-24	7	100.0	57.0	-22	-17	-24.4
Income Before Taxes	397	545	451	-17.3	13.7	976	996	2.1
Income Tax	116	152	89	-41.2	-22.9	241	241	0.3
Net Profit	**281**	**393**	**362**	**-8.0**	**28.8**	**735**	**755**	**2.7**

MAIN RATIOS

12 Months	2Q18	1Q19	2Q19	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.56%	6.56%	6.52%	-3	-4
Cost of Risk	2.53%	2.47%	2.46%	-1	-7
Cost-to-Income	46.6%	46.5%	46.0%	-53	-57
ROAE	13.0%	12.2%	12.6%	38	-40
ROAA	1.37%	1.27%	1.30%	3	-7

Annualized Quarter	2Q18	1Q19	2Q19	Bps. Chg Q/Q	Bps. Chg Y/Y
NIM	6.64%	6.92%	6.46%	-46	-18
Cost of Risk	2.77%	2.62%	2.72%	10	-6
Cost-to-Income	47.9%	43.7%	45.7%	199	-214
ROAE	10.7%	13.8%	12.4%	-135	173
ROAA	1.12%	1.41%	1.27%	-14	15

STATEMENT OF FINANCIAL CONDITION

Assets

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Assets	Jun. 18	Mar. 19	Jun. 19	Q/Q	Y/Y	Jun. 19	Q/Q	Y/Y	Jun. 19	Q/Q	Y/Y
Cash and Interbank Funds	8,705	9,899	10,643	7.5	22.3	5,848	18.0	28.8	1,496	-3.9	5.3
Investments	10,220	10,617	11,864	11.7	16.1	9,492	13.1	14.1	1,154	3.2	4.1
Gross Loans Portfolio	81,642	88,748	91,266	2.8	11.8	72,950	3.3	11.0	5,714	0.0	5.0
Loan Loss Reserves	-3,356	-3,934	-4,206	6.9	25.3	-3,709	7.5	26.8	-155	1.6	5.6
Property, Plant and Equipment	734	1,872	1,839	-1.8	150.4	1,375	-2.8	200.0	145	0.5	53.5
Other Assets	3,952	4,566	4,809	5.3	21.7	3,622	4.7	23.9	222	11.7	17.9
Total Assets	101,897	111,767	116,214	4.0	14.1	89,579	4.9	13.4	8,574	0.0	5.8

Q/Q Performance:

As of June 30th, 2019, total assets reached $116.2 trillion, increasing 4.0% over the quarter.

Cash and interbank funds totaled $10.6 trillion, growing 7.5% compared to 1Q19, and the investment portfolio closed at $11.9 trillion, growing 11.7% due to dynamics of the trading portfolio. Gross loans reached $91.3 trillion, increasing 2.8% against March 2019. Loan loss reserves closed at $4.2 trillion, growing 6.9% over the quarter.

Y/Y Performance:

Assets increased 14.1% over the year. When excluding the impact of the COP devaluation during the year (9.4%), consolidated assets grow 11.9% against 2Q18.

Cash and interbank funds rose 22.3%, as a result of higher levels in central banks and banks abroad. The investment portfolio grew 16.1%.

Gross loans increased by 11.8%, being the consumer and mortgage portfolios the ones with the highest growth dynamics. Loan-loss reserves increased across the different segments, mainly in the commercial portfolio, where coverage levels for the energy, transportation, and infrastructure sectors have been gradually increased.

Finally, the increase in Property, plant, and equipment is due to the rights of use recognition given IFRS[2] 16 implementation, effective on January 1st, 2019.

Gross Loans

	Consolidated (COP Billion)					Colombia (COP Billion)			International (USD Million)		
				% Chg.			% Chg.			% Chg.	
Gross Loans	Jun. 18	Mar. 19	Jun. 19	Q/Q	Y/Y	Jun. 19	Q/Q	Y/Y	Jun. 19	Q/Q	Y/Y
Commercial	41,454	44,719	45,911	2.7	10.8	35,956	3.6	10.1	3,105	-1.6	3.5
Consumer	20,988	22,606	23,702	4.8	12.9	19,272	5.3	11.8	1,382	2.1	7.9
Mortgage	19,200	21,423	21,653	1.1	12.8	17,722	0.7	12.1	1,226	2.0	6.0
Total	81,642	88,748	91,266	2.8	11.8	72,950	3.3	11.0	5,714	0.0	5.0

Q/Q Performance:

Gross loans reached $91.3 trillion, increasing 2.8% compared to 1Q19, led mainly by the commercial and consumer portfolios.

The commercial portfolio grew 2.7% over the quarter, with the Colombian corporate and SMEs segments showing the greatest dynamics.

The consumer portfolio increased 4.8% compared to last quarter, led by payroll and unsecured-personal loans, which continue to be supported by digital initiatives. More than $1.6 trillion COP have been disbursed through the digital version of these two products.

Consolidated mortgage portfolio growth was 1.1% in the quarter. In Colombia, leasing and social housing portfolios performance is noteworthy.

[2] International Financial Reporting Standards

In the international subsidiaries, gross loans reached USD $5.7 billion, remaining stable compared to the previous quarter. The consumer and mortgage portfolios experienced growth mainly in Costa Rica, Honduras and Panama. Commercial loans declined as a result of prepayments made by some customers in Costa Rica and El Salvador.

Y/Y Performance:

The 11.8% annual increase in gross loans was mainly driven by the behavior of commercial and consumer portfolios. When excluding the effect of the Colombian Peso devaluation during the year, consolidated gross loans increase 10.0% compared to 2Q18.

Commercial loans grew by 10.8% year-on-year as a result of higher corporate and construction segments demand in Colombia, which grew 12.7% and 7.4% respectively.

The consumer portfolio increased 12.9%. Unsecured-personal and payroll portfolios excelled in Colombia (growing 26.7% and 8.8% respectively). Unsecured Personal Mobile Loans (launched in May 2018) and Payroll Mobile Loans (launched in January 2019) reached balances of $1 trillion and $128 billion respectively by the end of June 2019 .

Additionally, the mortgage portfolio grew 12.8% year-on-year, driven by the leasing and social housing segments in Colombia (15.1% and 9.0%). Mortgage loans by $620 billion pesos were securitized in the last twelve months.

International subsidiaries' gross loans grew 5.0%, mainly as a result of the commercial and consumer segments' performance in Honduras and Panama. The manufacturing sector stands out in the commercial portfolio, as well as payroll and credit cards in the consumer segment.

Asset Quality and Coverage

	Consolidated			Colombia			International		
PDL	**2Q18**	**1Q19**	**2Q19**	**2Q18**	**1Q19**	**2Q19**	**2Q18**	**1Q19**	**2Q19**
Commercial	4.51%	4.76%	4.22%	5.27%	5.66%	4.97%	1.65%	1.64%	1.53%
Consumer	2.60%	2.31%	2.35%	2.54%	2.24%	2.23%	2.87%	2.63%	2.85%
Mortgage	3.81%	3.68%	4.02%	4.11%	3.79%	4.21%	2.44%	3.19%	3.14%
Total (90)[3]	3.85%	3.87%	3.68%	4.28%	4.30%	4.06%	2.11%	2.20%	2.19%
Mortgage (120)	2.92%	2.99%	3.17%	3.11%	3.07%	3.26%	2.05%	2.66%	2.77%
Total (120)[4]	3.64%	3.71%	3.48%	4.04%	4.12%	3.83%	2.03%	2.09%	2.11%

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

Q/Q Performance:

90 days Consolidated PDL closed at 3.68%. 19 bps lower than 1Q19, positively impacted by the commercial portfolio, where the PDL decreased 54 bps compared to the previous quarter.

In both Colombia and Central America, 90 days commercial PDL reduced as a result of restructuring debt agreements with corporate customers.

Consumer PDL experienced a slight increase of 3 bps compared to March 2019. In Colombia, the ratio presents stability due to vintages' performance and loan growth reactivation. In Central America, there were deteriorations in El Salvador and Honduras, especially related to credit card and payroll loans.

Compared to the previous quarter, 90 and 120 days mortgage PDLs grew 33 and 18 bps respectively.

In Colombia, the increase is explained by two factors: on one hand, the maturity of restructured loans in previous months led to an increase in the delinquent portfolio. On the other hand, during April and May, mortgage loans by $530 billion were securitized, which impacted the 90 and 120 days PDLs by 12 and 9 bps. In Central America PDL ratios continue to be affected mainly by the macroeconomic situation in Costa Rica.

Write-offs for the total portfolio reached $467 billion in 2Q19, increasing 3.1% driven by higher write-offs in the commercial and mortgage portfolios during the quarter.

Write-offs	Quarterly Figures			% Chg.	
(COP billion)	2Q18	1Q19	2Q19	Q/Q	Y/Y
Write-offs	509	453	467	3.1	-8.3

Y/Y Performance:

90 days Consolidated PDL decreased by 17 bps compared to 2Q18, mainly explained by the commercial and consumer portfolio dynamics.

Commercial PDL decreased 29 bps compared to the second quarter of 2018, as a result of restructuring agreements as well as payments received from corporate clients.

Consumer PDL fell by 26 basis points when compared to the same quarter of the previous year, due to better performance of loans disbursed in the year, resulting from risk-profile adjustments in Colombia. In Central America, the ratio remained relatively stable when compared to June 2018.

90 and 120 days mortgage PDLs increased 20 and 25 bps compared to 2Q18, impacted in 11 and 9 bps by securitizations made in Colombia during the last twelve months ($620 billion), as well as by macroeconomic effects in Central America.

2Q19 write-offs decreased 8.3% compared to the same quarter of the previous year, mainly due to lower write-offs in the consumer portfolio.

Coverage

Coverage	Coverage[5] 2Q18	1Q19	2Q19	Total Reserves Coverage[6] 2Q18	1Q19	2Q19
Commercial	92.2%	101.4%	122.0%	107.1%	113.1%	136.6%
Consumer	253.2%	281.8%	271.4%	280.2%	297.2%	291.8%
Mortgage	34.3%	38.5%	38.3%	65.9%	72.8%	68.3%
Total	106.7%	114.4%	125.1%	127.6%	131.9%	144.6%

Q/Q Performance:

Coverage ratio closed at 125.1%, increasing 107 bps over the quarter. Total Consolidated Reserves Coverage closed the quarter at 144.6%, 128 bps higher than the 1Q19, as a result of increases in asset allowances and equity reserves, and due to 90 days past due loans reduction.

Y/Y Performance:

Coverage and Total Reserves Coverage ratios grew by 184 bps and 170 bps over the year due to the increase in asset allowances and equity reserves.

Funding Sources

Funding Sources	Consolidated (COP Billion) Jun. 18	Mar. 19	Jun. 19	% Chg. Q/Q	% Chg. Y/Y	Colombia (COP Billion) Jun. 19	% Chg. Q/Q	% Chg. Y/Y	International (USD Million) Jun. 19	% Chg. Q/Q	% Chg. Y/Y
Demand deposits	32,340	37,804	38,167	1.0	18.0	30,078	3.3	19.5	2,523	-7.9	3.1
Term deposits	32,754	32,444	34,188	5.4	4.4	25,038	5.0	0.9	2,854	5.5	5.5
Bonds	10,009	11,342	11,167	-1.5	11.6	9,940	-1.1	8.4	383	-5.6	33.9
Credits	10,248	11,730	12,083	3.0	17.9	7,503	4.6	22.1	1,429	-0.5	2.1
Total	85,351	93,321	95,605	2.4	12.0	72,559	3.4	11.1	7,189	-1.4	5.1

Q/Q Performance:

Funding sources reached $95.6 trillion as of June 2019, growing 2.4% over the quarter due to higher demand and term deposits, which increased 1.0% and 5.4% respectively, closing at $38.2 and $34.2 trillion, following the strategy to optimize funding costs.

Bonds closed at $11.2 trillion, decreasing 1.5% due to senior bonds' maturity in Colombia ($183 billion in May), and payment of bonds issued in El Salvador ($30 million USD).

Credits increased 3.0% as a result of higher credits from national and foreign institutions.

Loans to funding ratio closed at 95.5%, up 40 bps compared to the previous quarter.

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

Y/Y Performance:

Funding sources increased 12.0% over the previous year, mainly due to growth in deposits and credits. Excluding the effect of the COP devaluation year on year, funding sources grow 9.8% over 2Q18.

In Colombia, there was a 19.5% increase on demand deposits and a slight 0.9% increase on term deposits. In Central America, demand deposits grew by 3.1% (mainly in checking accounts) in El Salvador and Costa Rica, and term deposits grew by 5.5% in Panama and Honduras.

Bonds grew as a result of issuances made in the second half of 2018 and the first half of 2019 (senior bonds for $953 billion in Colombia and close to $100 million USD in Central America).

Over the past year, credits increased by 17.9%, resulting from higher obligations with foreign financial entities, multilateral and national entities.

Loans to funding ratio decreased by 20 bps compared to 2Q18.

Equity and Regulatory Capital

Total Regulatory Capital and Risk Weighted Assets	**Consolidated**				
(COP Billion)	**2Q18**	**1Q19**	**2Q19**	**Q/Q**	**Y/Y**
Equity	10,652	11,397	11,854	4.0	11.3
Core Equity Tier I Capital	7,855	8,667	8,718	0.6	11.0
Tier II Capital	3,838	3,374	3,486	3.3	-9.2
Total Regulatory Capital	11,693	12,042	12,205	1.4	4.4
Risk Weighted Assets	88,518	95,367	97,936	2.7	10.6
Capital Adequacy Ratio	12.68%	12.12%	11.91%	-21 bps	-77 bps
Tier I	8.52%	8.72%	8.51%	-21 bps	-1 bps
Tier II	4.16%	3.40%	3.40%	1 bps	-76 bps

Q/Q Performance:

Consolidated equity closed at $11.9 trillion, increasing 4.0% over the quarter.

Total capital adequacy ratio was 11.91%, 21 bps lower than 1Q19. Tier I ratio decreased in the same amount, closing at 8.51% as a result of higher risk-weighted assets, due to the increase in loans. Total capital adequacy ratio is 291 bps above the minimum required by the Colombian regulation (9%).

Risk-weighted assets reached $97.9 trillion, 2.7% higher than the previous quarter. Their density[7] closed at 84.3%, 105 bps less than in 1Q19, which located at 85.3%.

Y/Y Performance:

Consolidated equity increased 11.3% over the year as a result of reserves growth, following the capitalization of $782 billion approved at the General Shareholders' Meeting.

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

Total capital adequacy ratio was 77 bps lower than the previous year due to the increase in risk-weighted assets (10.6%) and a lower weight of subordinated debt instruments. Tier I ratio decreased 1 basis point compared to the same period last year.

Risk-weighted assets density decreased 260 bps over the year (2Q18: 86.9%).

INCOME STATEMENT

Income Statement	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	2Q18	1Q19	2Q19	Q/Q	Y/Y	Jun. 18	Jun. 19	Y/Y
Interest Income	2,350	2,647	2,611	-1.4	11.1	4,755	5,258	10.6
Loans	2,189	2,382	2,371	-0.5	8.3	4,419	4,753	7.6
Commercial	882	956	897	-6.2	1.6	1,763	1,852	5.0
Consumer	780	831	864	4.0	10.8	1,575	1,695	7.6
Mortgage	527	596	611	2.5	15.9	1,080	1,206	11.7
Investments	137	239	211	-11.4	53.9	286	450	57.7
Other Income	23	26	28	6.1	19.8	50	55	8.9
Financial Expenses	872	949	995	4.8	14.1	1,762	1,945	10.4
Demand Deposits	147	188	200	6.6	36.5	305	389	27.5
Term Deposits	420	387	410	5.9	-2.4	835	798	-4.5
Credits	115	140	146	4.1	26.6	217	287	31.9
Bonds	170	185	192	3.8	12.9	364	378	3.7
Other Expenses	19	48	46	-4.7	141.7	40	94	133.0
Gross Financial Margin	1,477	1,698	1,616	-4.8	9.4	2,992	3,313	10.7
Provision Expenses, net	566	582	620	6.6	9.5	1,030	1,202	16.7
Net Interest Margin	911	1,116	996	-10.8	9.3	1,962	2,112	7.6
Operating Income	336	320	356	11.3	6.0	653	676	3.5
Operating Expenses	876	868	892	2.8	1.8	1,665	1,760	5.7
Personnel Expenses	397	379	375	-0.9	-5.6	745	754	1.2
Operation Expenses	359	323	351	8.6	-2.1	682	674	-1.1
Other Expenses	120	166	166	-0.3	38.0	238	331	39.1
Exchange and Derivatives	21	1	-15	-100.0	-171.3	48	-14	-129.8
Other Income and Expenses, net	4	-24	7	100.0	57.0	-22	-17	-24.4
Income before Taxes	397	545	451	-17.3	13.7	976	996	2.1
Income Tax	116	152	89	-41.2	-22.9	241	241	0.3
Net Profit	**281**	**393**	**362**	**-8.0**	**28.8**	**735**	**755**	**2.7**

Net Profit

Quarterly figures

Q/Q Performance:

Net profit for the quarter reached nearly $362 billion, an 8.0% decrease compared to 1Q19. As a result, the Annualized Quarter Return on Average Equity (ROAE) at the end of 2Q19 closed at 12.4%, 135 bps lower than the figure reported on the first quarter of 2019.

Net profit from Colombia's operation was nearly $301 billion, contracting 12.3% compared to the previous quarter, as a result of lower financial income and higher provisions expenses.

In Colombia, loan income decreased 1.6%, mainly due to lower income from the commercial portfolio related to loan repricing. Investment income decreased 14.9% compared to the previous quarter, explained by the non-recurring income recorded in 1Q19 due to valuation adjustments of some securitization instruments. Finally, net provision expenses in the Colombian operation increased 11.7%, mainly due to risk situations in the corporate portfolio.

Net profit from Central America reached close to $18.8 million USD, an increase of 17.3% over the quarter, as a result of lower provisions expenses (-28.5%) and operating expenses control (-0.4%).

Y/Y Performance:

Consolidated profits in 2Q19 increased 28.8% compared to 2Q18, mainly due to higher financial and operating income, and lower personnel and operating expenditures. As a result, the Annualized Quarter Return on Average Equity at the end of 2Q19 was 173 bps higher than the one reported in the second quarter of 2018.

Colombia's net profits increased 34.2% year over year, mainly by higher investment income, operating expenses control, and lower income taxes.

Central American quarterly profits decreased 5.5% compared to 2Q18, as a result of higher financial expenses and lower operating income.

Accumulated figures

Y/Y Performance

The accumulated profit as of June 2019 reached $755 billion, increasing 2.7% when compared to June 2018. 12-months ROAE at the end of 2Q19 was 12.6%, 40 bps lower than the figure reported in 2Q18, impacted by equity growth during the year and lower net profits increase.

In Colombia, accumulated profits grew 4.8%, mainly due to higher financial income. Loan income increased 4.4%, specially driven by the mortgage portfolio (10.2%) and the consumer portfolio (5.4%). In addition, investment income significantly increased compared to the same period last year (59.7%) due to the appreciation of public debt instruments; and valuation changes on securitization instruments, which generated a non-recurring income in 1Q19 as mentioned before.

In Central America, accumulated profits decreased 17.8% as a result of higher financial expenses associated with savings accounts and bonds, and higher provision expenses.

Gross Financial Margin

Gross Financial Margin	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	2Q18	1Q19	2Q19	Q/Q	Y/Y	Jun. 18	Jun. 19	Y/Y
Loan Income	2,189	2,382	2,371	-0.5	8.3	4,419	4,753	7.6
Investments and Interbank Income	161	265	240	-9.7	49.0	336	505	50.4
Financial Income	2,350	2,647	2,611	-1.4	11.1	4,755	5,258	10.6
Financial Expenses	872	949	995	4.8	14.1	1,762	1,945	10.4
Gross Financial Margin	1,477	1,698	1,616	-4.8	9.4	2,992	3,313	10.7

Quarterly figures

Q/Q Performance:

Consolidated gross financial margin in 2Q19 closed at $1.6 trillion, 4.8% less than the previous quarter, mainly due to lower loan and investment income.

Loan income in Colombia decreased 1.6% over the quarter, given lower income from the commercial portfolio, which contracted as a result of loan repricing in response to Central Bank interest rates behavior. Consumer and mortgage portfolio income grew 3.3% and 2.7% respectively, versus the previous quarter.

Additionally, investment income in Colombia decreased 14.9% compared to 1Q19. This is explained by the fact that a $43 billion non-recurring income was obtained during that period given valuation adjustments of securitization instruments. When excluding the effect of this non-recurring income, Colombia's investment income would have increased by 10.9%.

Financial expenses in Colombia rose 4.4% in the quarter, mainly due to higher expenses in savings accounts and term deposits related to increases in their outstanding amount.

As a consequence, Colombia's gross financial margin was 6.5% lower than the previous quarter.

Regarding Central American operations, the gross financial margin in dollars remained stable compared to the previous quarter. Loan income increased by 1.3%, with the consumer portfolio generating the highest income growth. Financial expenses increased 2.7%, mainly due to higher term deposits and bonds expenses.

Therefore, the annualized-quarter NIM closed at 6.46%, down 46 bps versus the figure reported in the first quarter of 2019.

NIM				Bps. Chg	
Annualized Quarter	2Q18	1Q19	2Q19	Q/Q	A/A
Total NIM	6.64%	6.92%	6.46%	-46	-18

Y/Y Performance:

Consolidated gross financial margin for the quarter was 9.4% higher than in 2Q18 as a result of growth in loan and investment income.

In Colombia, the gross financial margin increased 6.5%. In terms of income, consolidated loan income grew 8.3%, where mortgage and consumer portfolios showed the greatest increases (14.9% and 8.4%, respectively).

Additionally, Colombia's investment income increased by the appreciation of public debt securities, due to increased demand for these instruments after the Medium-Term Fiscal Framework release. On the other hand, financial expenditures increased by 9.3% as a result of higher expenses on savings accounts and credits, as well as by interests on lease liabilities given IFRS 16 adoption as of January 1st, 2019.

In the international operation, gross financial margin in USD increased 9.3% as a result of higher loan and investment income. The portfolio with highest income growth was the commercial, followed by the consumer book. Investment income increased mainly in Costa Rica and Panama as a result of higher instrument returns. The increase in financial expenses in Central America was due to higher spending on savings deposits and bonds.

However, the annualized NIM for the quarter decreased 18 bps compared to the one reported in 2Q18, as a result of higher growth in performing assets during the year, compared to the gross financial margin growth during the same period.

Accumulated figures

Y/Y Performance

The accumulated gross financial margin as of June 2019 reached $3.3 trillion, presenting a 10.7% increase compared to the accumulated in the same period of 2018. This is mainly explained by higher loan and investment income.

Regarding Colombian operations, the accumulated gross financial margin closed at $2.7 trillion, up 9.2%, as a result of higher income from the mortgage and consumer portfolios, and higher investment income due to public debt appreciation and the valuation adjustments mentioned earlier.

In the Central American operation, the gross financial margin reached $179.7 million USD, an increase of 9.3%, where the commercial and consumer income had the highest increases. Investment income also increased due to better performance of securities.

The 12-month NIM closed at 6.52%, showing a 4 bps contraction over the year.

NIM				Bps. Chg	
12 Months	2Q18	1Q19	2Q19	Q/Q	Y/Y
Total NIM	6.56%	6.56%	6.52%	-3	-4

Provision Expenses

Provision Expenses	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	2Q18	1Q19	2Q19	Q/Q	Y/Y	Jun. 18	Jun. 19	Y/Y
Provision for credit losses	694	690	764	10.8	10.1	1,233	1,454	17.9
Loan recoveries	128	108	137	27.1	7.3	199	245	23.3
Net loan sales	0	0	7	100.0	100.0	4	7	77.0
Provision expenses, net	**566**	**582**	**620**	**6.6**	**9.5**	**1,030**	**1,202**	**16.7**

Quarterly figures

Q/Q Performance:

Consolidated gross provision expenses for the quarter reached $764 billion. In Colombia, this is explained by higher coverage in some corporate cases, as well as in other segments. In Central America, provision expense was lower than in the previous quarter due to lower spending on the commercial and mortgage portfolios.

In both Colombia and Central America, recoveries for the quarter were higher than in 1Q19, as a result of recoveries from the mortgage segment, and by payments received in the commercial portfolio.

As a result, provision expenses (net of recoveries) for the quarter closed at 620 billion, increasing 6.6% over 1Q19.

Annualized Cost of Risk for the quarter was 2.72%, 10 bps higher than the one reported in the first quarter of 2019.

Cost of Risk				Bps. Chg	
Annualized Quarter	2Q18	1Q19	2Q19	Q/Q	Y/Y
CoR	2.77%	2.62%	2.72%	10	-6

Y/Y Performance:

2Q19 provision expenses (net of recoveries) increased 9.5% over the year.

The growth in gross provisions expense occurred mainly in Colombia, given the evolution of the commercial and mortgage loans. Consolidated recoveries showed an increase compared to those made in the same quarter of the previous year.

The Annualized Cost of Risk for the quarter decreased 6 bps compared to the second quarter of 2018, positively impacted by loan growth rate during the year.

Accumulated Figures

Y/Y Performance:

Provision expenses (net of recoveries) as of June 2019 reached $1.2 trillion, an increase of 16.7% compared to the accumulated as of June 2018, in response to risk situations identified in the commercial portfolio.

Cost of Risk				Bps. Chg	
12 months	2Q18	1Q19	2Q19	Q/Q	Y/Y
CoR	2.53%	2.47%	2.46%	-1	-7

The 12-month Cost of Risk[8] closed at 2.46%, 7 bps lower than the figure for June 2018, positively impacted by the loan book growth during the year.

Operating Income

Quarterly figures

Q/Q Performance:

Operating income for the quarter reached nearly $356 billion, an increase of 11.3% compared to 1Q19, mainly due to higher income from fees and services.

Consolidated net income from commissions and fees grew 10.0%. In Colombia, such income grew 10.8% as a result of higher handling fees, insurance collection, service and network usage fees. In Central America, income from commissions denominated in dollars increased 3.4%, due to banking services usage and card fees, mainly in Honduras, El Salvador and Costa Rica.

Y/Y Performance:

Consolidated operating income of the 2Q19 increased 6.0% compared to 2Q18.

Consolidated commission and fee income increased primarily in Colombia as a result of higher income from card fees, portfolio management, trust businesses, insurances and mutual funds management.

Additionally, higher income from business services and usage of networks abroad was observed especially in Colombia, as well as higher results from associated entities.

Accumulated Figures

Y/Y Performance:

Accumulated operating income in June 2019 increased 3.5% over the year, mainly by higher income from banking services, cards and mutual funds management in Colombia and associated entities income.

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

Operating Expenses

Operating Expenses	Quarterly Figures			% Chg.		Accumulated Figures		% Chg.
(COP billion)	2Q18	1Q19	2Q19	Q/Q	Y/Y	Jun. 18	Jun. 19	Y/Y
Personnel Expenses	397	379	375	-0.9	-5.6	745	754	1.2
Operational Expenses	359	323	351	8.6	-2.1	682	674	-1.1
Other Expenses	120	166	166	-0.3	38.0	238	331	39.1
Total Expenses	**876**	**868**	**892**	**2.8**	**1.8**	**1,665**	**1,760**	**5.7**

Quarterly figures

Q/Q Performance:

Consolidated operating expenses for the quarter closed at $892 billion, 2.8% higher than 1Q19.

Expenses associated with advertising and software development increased when compared to the previous quarter, mainly in Colombia.

Tax expenses decreased over the previous quarter, mainly due to lower Industry and Commerce tax.

As a result, the annualized Cost-to-Income ratio for the quarter was 45.7%, 199 bps higher than in 1Q19.

Cost-to-Income				Bps. Chg	
Annualized Quarter	2Q18	1Q19	2Q19	Q/Q	Y/Y
Cost-to-Income	47.9%	43.7%	45.7%	199	-214

Y/Y Performance:

Consolidated operating expenses in 2Q19 slightly increased (1.8%) compared to the same period of the previous year, mainly due to higher depreciation expenses of property, plant, and equipment for rights of use, related to IFRS 16 adoption.

This increase was partially offset by lower personnel expenses in Colombia, due to the Employees Collective Agreement payment in 2Q18; and by lower lease expenses due to IFRS 16.

As a result of the latter, and due to higher gross financial margin, the annualized Cost-to-Income ratio for the quarter was 214 bps below the one of the 2Q18.

Accumulated Figures

Y/Y Performance:

Accumulated operating expenses as of June 2019 reached close to $1.8 trillion, 5.7% higher than June 2018. This is mainly due to higher amortization and depreciation expenses related to IFRS 16 implementation, as mentioned above.

The 12-month Cost-to-Income ratio closed at 46.0%, 57 bps lower than the figure reported in June 2018, positively impacted by higher gross financial margin over the last twelve months.

Cost-to-Income				Bps. Chg	
12 months	2Q18	1Q19	2Q19	Q/Q	Y/Y
Cost-to-Income	46.6%	46.5%	46.0%	-53	-57

Taxes

Quarterly figures

Tax Rate				PP Var. (%)	
Quarter	2Q18	1Q19	2Q19	Q/Q	Y/Y
Effective Tax Rate	29.2%	27.9%	19.8%	-8.1	-9.4

Q/Q Performance:

2Q19 income tax closed at $89 billion, which generated a decrease in the effective tax rate quarter on quarter. This was due to the adjustment in the long-term income tax rate applied to loan provisions estimated on the Individual Income Statement under local rules, versus the Consolidated Income Statement under IFRS.

Y/Y Performance:

2Q19 income tax decreased 22.9% when compared to 2Q18. This results from the adjustment on the long-term income tax rate applied to the difference in loan provisions explained above.

Accumulated Figures

Y/Y Performance:

Accumulated income tax as of June 2019 reached $241 billion, remaining stable when compared to the accumulated as of June 2018.

Tax Rate			PP Var. (%)
Accumulated	Jun. 18	Jun. 19	Y/Y
Effective Tax Rate	24.7%	24.2%	-0.4

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