FORWARD LOOKING STATEMENT DISCLOSURE; NON-GAAP MEASURES DISCLOSURE
(Slide 2)

JUAN CARLOS MORA:
Good morning and welcome to our conference call for the second quarter of 2019.

I want to present the positive performance of Bancolombia during this quarter. These operational results are in line with our forecast at the beginning of the year and confirm some of the signals that we started seeing during the first quarter.

I want to make a special mention of two factors:

• One of them is the consistent improvement in the credit portfolio’s quality and a reduction in provisions.
• Another one is the effect of our strategy to grow in consumer loans and process more transactions through our digital channels.

Let me elaborate on these factors:

o **Provision Charges:** We experienced a consistent improvement in the quality of the loan portfolio and therefore, the provisions for the year are changing their trend.
  ▪ The current dynamics of provisions and their year-on-year decline is due to long-term improvement in risk model’s parameters. This is explained by the performance of the most recent vintages, which have lower default rates.
  ▪ Additionally, the deterioration of the loan portfolio has come down in recent months and that implies lower provision charges.
  ▪ The corporate clients that had a high impact in 2018 reached an adequate coverage level, and have not required additional charges in 2T19.
  ▪ In June, we charged-off the Electricaribe loan and that contributed to improve PDL and coverage ratios.
  ▪ Today, we have a 90-day coverage ratio of 165%, which we consider enough to protect the balance sheet.
  ▪ We believe that the cost of risk in 2019 will be below 2%, as we anticipate a better loan performance, explained by the normalization of the credit cycle.

o **Growth in number of transactions and consumer loans:** Bancolombia’s transactions grew 26% over the last year and today Bancolombia processes more than 40% of the total transactions executed in the Colombian financial sector.
  ▪ The way we conduct these transactions is changing and the mobile grew more than 50% year on year.

Coupled with more transactions, we continue undergoing a rapid growth in consumer loans, which already represents 19% of our loan portfolio reaffirming our leading position as leader in the Colombian market place. We are developing our large customer base to offer a complete solution, and this strategy has permitted to add 1.3 million customers over the last 12 months and improve the risk adjusted returns of the portfolio.

A key topic for the business’ evolution today is the **macro situation** in Colombia.

We estimate that GDP will grow 2.9% in 2019. During the last months, we have seen a moderation of the economic recovery but on the positive side, we highlight the household’s financial health.
Leverage has come down in the last year and the total financial burden has come down to 15.4% from the 17% peak observed in 2017.

Although headline inflation has been in the upper end of the range set by the Central Bank, the core inflation remains anchored and there is no concern from the bank in this front. As a result, the Central Bank reached 14 months with stable interest rates and we maintain our forecast of 4.25% at the end of 2019.

This combination of factors explains to a large extent, the evolution of corporate credit demand in Colombia.

Now, I want to give you an update on the progress in the digital front:
(Slide 3)

We are changing the business in such a way that processes, channels and products are conducted and offered in a digital way. As a result, clients will have a more convenient interaction and the scalability and efficiency of the business increases.

The outcome of this strategy is the growth in our customer base. Today, we have more than 12 million personal and SME customers in Colombia and our value proposal turns around convenience and efficiency.

Three key platforms complement the physical and on-line channels and permitted us to reach a point where 60% of our total customers use digital channels.

- Nequi: a transactional and inclusion tool for young individuals with basic financial needs. We have more than One million users in Colombia and are adding around 100 thousand per month. We also launched the platform in Panama.
- Bancolombia a la Mano: an inclusion tool targeting non-bancarized individuals. We already have 1.4 million users and the utilization of the platform is the highest in Colombia.
- App Bancolombia: The most comprehensive mobile banking platform in Colombia, where more than 4 million customers operate on a regular basis. The portfolio of savings, loans, mutual funds, and other services is integrated in one single place.

In the transactions and payment solutions space, we are massifying digital payments and have launched several products that complement traditional acquiring business.

Finally, digital processes in Bancolombia aim to improve efficiency of the Bank’s operation to have better “time-to-market” and increase scalability.

Progress in this front has been around three topics:
- Automation
- Change management and software development
- Complementing traditional banking with associated solutions that allow us to create ecosystems.

Having said this, I want to mention that our expectations for the second half of the year remain in line with what we have seen so far:
- Moderate growth of the loan portfolio: around 7%
- Stable margins: around 5.8%
- Efficiency around 48%
With these elements in mind, I want to ask José Acosta to elaborate on the main topics that are driving the business today.

JOSE: Thank you, Juan Carlos. For all of you following the presentation, at the end, you can find additional information that complements the bank’s numbers.

I want to start this presentation making a reference to the performance of the international operations, which you can see in Slide 4.

We have seen positive trends across the geographies:

- In Banistmo, we have expanded NIMs, product of the loan portfolio repricing and stable funding cost. Also, cumulative cost growth has been negative 0.7%.
- In Banco Agrícola, we highlight the consistent growth of the loan book and stable funding cost. Also, we have had a negative growth in expenses, -6.5%. These factors have contributed to the cumulative 18% ROE in this operation.
- In BAM, we updated the coverage for some corporate clients, which impacted the cost of risk and the results of the quarter.

On average, the cost of risk for the group during the quarter was 1.8%

The main driver for the overall performance of Bancolombia will be the evolution of the business in Colombia given the relative weight of this operation.

In slide 5, we present the LOAN GROWTH. The portfolio expanded 9% over the last year, mainly driven by consumer loans.

As a matter of fact, consumer loans grew more that 26% year on year and already represents a fifth of the total credit portfolio.
As we mentioned at the beginning of this call, our efforts in convenience and digital channels have allowed us to grow much faster than the market in terms of customers and loans.

Bancolombia has consolidated its leadership in Colombia, with a market share of 26% of gross loans, and in consumer loans, we reached 19% market share.

The impact on the financial performance of the bank is reflected in better margins, a more stable deposit base and the largest pool of active customers in Colombia.

Coupled with the growth, credit quality of the consumer loan portfolio has been in line with our forecast. The use of data and the knowledge of our customers, has permitted to originate more loans and maintain default rates within our risk appetite.

Today the commercial portfolio grows 4.7% year on year, a slow pace compared to historical standards. We are looking forward to the second half of the year with a faster economic growth, which eventually will drive demand from companies.
We reaffirm a loan growth between 7 and 8% in 2019.

On slide 6, we see the evolution of MARGINS.

In 2Q19, we saw a positive performance of NIMs.

This expansion is mainly explained by higher yields of the loan portfolio due to changes in mix and stability in the funding cost. The 26% growth in consumer loans outpaced the 4.7% growth in commercial loans, contributing to the change in loan book composition that is taking place.

Cost of funding has been stable because the Colombian central bank has kept interest rates at 4.25% during the last 14 months.

Additionally, the securities portfolio has benefited from the reduction of yields of Colombian treasuries, helping the overall NIM to increase during the quarter.

We don’t forecast big variations in margins during 2019 and we are expecting a NIM of around 5.8%.

The funding strategy for some geographies will be to replace long term debt with clients’ deposits and promote checking and savings accounts, like we have done in the first half of 2019. The market leadership and franchise have permitted to accelerate the growth of savings and checking accounts over time deposits and the outcome is a change in mix that maintains the funding cost relatively stable.

In slide 7, we present PROVISION CHARGES.

In line with the trends of the first quarter, we had a lower charge of provisions than one year ago. This better performance is explained by three main components:

- One is the reduction of the burden of large corporate cases, as we reached the target coverage and we did the write-off of Electricaribe.
- The second is the overall improvement of the vintages, which has impacted parameters used to estimate expected losses and therefore, requiring lower provisions.
- Finally, the lower amount of new past due loans that we have seen in the year. This trend can be observed across all segments: commercial, consumer and mortgage loans.

The 90-day coverage ratio decreased because the run-off of a large loan to a mass transportation company in Bogotá, which reached that 90-day threshold.

We wish to stress the fact that the rapid growth in the consumer loan portfolio, has come along with a lower cost of risk for that segment. This is because the consumer loan portfolio and its NII have grown much faster than PDLs and cost of risk.

The recent performance of the loan portfolio has lower the cost of credit and lead us to forecast that this metric will be below 2% for the whole year.
The next slide, number 8 shows the QUALITY of the loan portfolio.

In this slide, we can see the improvement in the 30-day PDL and coverage ratios. This reduction is the outcome of a slower pace of deterioration.

The 90-day PDL ratio increased because the deterioration of a large loan to a mass transportation company in Bogota.

The most important fact of this slide is the consistent reduction in the amount of new past due loans. This confirms the improvement of the conditions of the loan portfolio, in particular, the commercial loan portfolio. We have experienced improvement in SMEs and the issues with large corporate clients are in the past.

Also, we have accelerated the pace of charge-offs as we reach 100% coverage for troubled clients. The total amount of charge offs was 1.16 trillion, the effect of the Electricaribe write-off was 642 billion pesos.

We expect to maintain the recovery path in 2019 and, as we mention before, we forecast the cost of credit to be below 2%.

Slide number 9 shows the evolution of Fees.

Fees are presenting a steady growth in 2019. To put it in perspective, fees have grown faster than total revenues of the bank over that last three years and as result, they represent today 18.5% of the total operating income.

Gross fees grew 13% versus 2018, presenting a very dynamic pace.
This evolution is explained by more transactions related to cash management services, bancassurance, debit cards and asset management.

Nevertheless, we have had higher expenses related to fees and services that we pay for and help us to move from fixed cost to variable costs. As an example:

- The fast growth on transactions through Banking Agents, which grew 22% versus one year ago. These agents already represent 18% of the total transactions performed by bancolombia.
- The fast growth in cost related to collections, which supports our strategy to grow faster in consumer loans and contributes to a low NPL ratio in that segment.

We maintain our fee growth target between 8 to 10%.

Slide number 10 shows the evolution of EXPENSES AND EFFICIENCY.

During this quarter we saw a consistent trend of improvement in the cost to income ratio.

This is mainly explained by the positive performance of revenues, which have diluted expenses.
During the second quarter, we observed stability in the operational expenses. Cumulative growth for the first six months of the year is 7%, but we are confident than as we advance in the year, the figure will converge towards our estimations at the beginning of the year, that is, around 5%.

We reaffirm our forecast of cost to income around 48% for the year.

RECAP

After seeing the result of this quarter, I want to review our expectations for the year:

- Growth will remain in line with our forecast for all geographies, reaching 7% for the year.
- Regarding margins, we will continue optimizing the funding structure and promoting retail loans in the portfolio mix, in order to maintain NIMs around 5.8%.
- Fees should maintain a positive trend given the growing number of transactions in Colombia and the launching of new products in other geographies. We forecast 8% fee growth.
- In 2019, we see a normalization of the cycle, the stock of past due loans is not growing and we forecast a cost of risk below 2% as we see better performance of the loan portfolio.
- The combination of cost and revenue evolution should put the cost to income at 48%.
- With this combination, we forecast an ROE between 12.5% and 13%

After elaborating on these key topics, we want to open the line for questions.

Questions and answers

First question

Gabriel Nobrega, Analyst at Citibank

Hi, everyone. Good morning and thank you for the opportunity to ask questions. During the quarter, we saw that your 90-day NPLs actually increased despite you fully writing off for Electricaribe. So here I just maybe wanting to understand why this happened, and also where do you believe that we are in the NPL cycle in Colombia? And also on the second question here, could you just guide us through the ongoing process with the government in relation to the liquidation of the RDS? And are you expecting any relevant reversals from this loan still this year? Thank you.

Juan Carlos Mora Uribe, Chief Executive Officer

Thank you. Gabriel for your question. And regarding the 90-day ratio, as Humberto mentioned, one big customer of the massive transportation system of Bogota reached the 90-day threshold. That's why the number increased during the quarter. As we mentioned in the last conference call, an agreement was reached between -- or between -- or among the operators of the massive transportation system in Bogota and TransMilenio. Based on that amendment to the contract, we negotiate a restructuration of the loan with those operators. So we will expect that for the third quarter those loans are going to be normalized based on that change that we did to the loans. So that will change during the third quarter.

We feel comfortable with the level of provisions that we have at this moment. So we don't expect any surprises on that front. Regarding the Ruta del Sol loss, we are expecting today what is going to be a result of the arbitration process, and based on that, we will move forward. Let me remind you that we have a coverage of 50% of that loan that we have in our books.
Second question
Ernesto Gabilondo, Analyst at Bank of America Merrill Lynch.
Hi, good morning, Juan Carlos, Jose Humberto, congratulations in your results. My first question is on interest rates. Where do you see them this year, and after the Fed's movement, do you think there is room for Colombia to lower rates and what's your sensitivity to a potential cut of 50 basis points in the interest rates? My second question is on the global trade war. Have you evaluated any potential impact on the economy or for Bancolombia and how does this compares against the region? And my last question is on your digital transformation, Juan Carlos, I believe you have done a fantastic job in this front. So, can you elaborate on what are the new challenges and opportunities? For example, how are you doing with the new QRs in taxis and mom and pop shops? What are you doing on smarter solutions? Are you developing apps for mom and pops? What are you doing in terms of fintechs? I don't know if there is a cross-selling target for the next years. Any color on this would be very helpful. Thank you.

Juan Carlos Mora Uribe, Chief Executive Officer
Thank you, Ernesto, I am going to answer your question in the reverse order that you put them. Let me first take the -- your comment on your question around the digital transformation. As you mentioned, we have been working on this front for the last 3 years and we are now seeing the results. In concrete examples, we now have more than 100,000 shops with -- that accept Bancolombia's QR code and the number of transactions through this mechanism are increasing rapidly. And our target is to provide a simple way of payment for small shops. And I think that it's -- the results are there and are improving and we see it in the number of customers that we are acquiring.

You mentioned fintechs. We are very active working with different fintechs in different fronts. We are doing joint ventures, but also we are investing in some of them. So we believe that fintechs complement very well our strategy on, again, we are seeing the results in the number of customers that we are -- acquired. Besides that, we have two platforms for -- to do the basic transactions that people need and those two transactions, one, NEQUI, which is a digital -- a pure digital bank, is doing very well, is growing fast, the services that we are providing are very -- the customers really appreciate what we are doing. We are starting to offer micro loans and that's growing also twice. And you mentioned cross-selling, that's another target -- another focus that we have. And that -- the numbers are also improving. So we are happy with the results so far, how our - - the numbers -- the operational numbers are improving, but also we know that still we have a lot of way to go and we keep moving, investing on the digital front.

With this, I am going to pass it to Juan Pablo Espinosa who is going to answer your questions around interest rates in Colombia and the trade war.

Juan Pablo Espinosa, Chief Economist
Yes, Ernesto, regarding interest rates, while the recent moves by the -- not only by the Federal Reserve, but also by the central banks of Brazil and Chile, has led several agents to maybe expect the rate cut in Colombia. However, we continue to expect that however baseline that interest rates will remain -- reference interest rates will remain stable for the remainder of the year and that is based first on the consideration that inflation has been increasing in a steady way in the past few months. For example, yesterday, we knew that the inflation in July stood at almost 3.8%, which is close to the Central Bank ceiling, and given that there are short-term pressures on prices, that's a fact that will keep Central Bank cautious in our opinion.
We have mentioned in the call, we think that the economy is going to recover in the second half of the year. So actually in terms of having more stimulus on the monetary policy side, we don't think that's the case in Colombia, because activity is going to pick up and interest rate levels at this moment are attractive enough to lead to more growth.

And finally, because with the uncertainty in global markets, we think that the current level of interest rates, it allows the Central Bank to counter in a certain way the effects on the markets, especially the weakness of the peso. And regarding the trade war, we think that the on the financial side, Colombia as well as other economies in the region is exposed to volatility and risk aversion, as we have seen during the past few days. In that sense, I think that Colombian peso could in the short term weaken more than we have seen so far. And in my opinion, that's a factor that will lead in the future to an adjustment in the current position or in the external position of the country and eventually will go back to the levels that we think are in line with the fundamentals, which is around 3,200 [ph]. And on the real side of the economy, especially on the possibility that the change in the trade flows across countries can actually lead Colombia to access to some products, especially, some products that are now subject to tariffs coming from China.

So, in the medium term, I think that this confrontation leaves opportunities for countries such as Colombia, which has at this moment active trade with the US and will remain to have free trade agreement in effect with the United States.

**Jose Humberto Acosta Martin, Chief Financial Officer**

Regarding sensitivity, Ernesto, the sensitivity for every 50 basis points of change of interest rate, the sensitivity for the Bank is 4 basis points and that is basically because on the loans side, 70% of the loans are floating and on the liabilities side, at around 50% are floating as well.

**Third question**
**Jason Mollin, Analyst at Scotiabank.**

Yes, hi. My question is on your guidance and outlook for the rest of the year. You've been mentioning that you expect an acceleration in economic activity, yet you're talking about loan growth guidance of about 7% for the full year. We saw 9% quarter-year-on-year in the second quarter, 26% growth, as you mentioned in the consumer side, slower growth on the commercial side, but how should we think, I mean, the ROE guidance you're talking about is 12.5% to 13% and you reported 13.5% in the first quarter, 15% in the second. So are you looking for a material slowdown that you're looking for ROEs in this 12.5% to 13%?

I think part of it may be explained by the tax rate that was low in the second quarter, 25%. Typically, we talked about that being higher, and you did talk about the high level of income from the securities in the net interest margin that was 4.7%, that seems relatively high versus history. So are you expecting pressure on loan growth? And you talked about stable NIMs for the year, but I would imagine from this quarter, there'll be pressure on that securities income. So, in general, why are you talking about a lower ROE for the year with an acceleration in income? And what are the drivers behind this outlook for slowing profitability? Thanks.

**Jose Humberto Acosta Martin, Chief Financial Officer**

Thank you, Jason. Yes, we have to explain several factors that explains the second quarter. The first one is cost of risk. You see that the cost of risk this quarter is 1.8% and our expectations to be at around 2% or 1.9% at the end of this year, that will affect in a certain way the level of income at the end of this year. Securities. You see a very good performance of the securities portfolio, which is 9% of our assets.
We'll see, as Juan mentioned, the second half of the year, we don't expect a major change in interest rates. So this securities will behave as expected, meaning that these will be 1% of NIM of the securities, so you don't expect from them huge performance for the rest of the year. The third factor is the fact that in the FX, you see that there is a devaluation of 10% year-on-year. So we don't see one-third of our loan portfolio is in US dollar. So we don't believe that at the end of the year, we don't have a clear picture about FX, so that's the reason why we are seeing that would be 7% and the first factor is the path of growth of consumer, yes, it's growing at a pace of 26%, but there would be a kind of plateau.

Remember that the first half of last year was very weak in terms of economic activity, because that we had elections, the situation politically was very noisy, that affected the level of business. So you are comparing different bases, first half of last year with this half of this year. That's the reason why the combination of those four factors, why we believe that the loan growth at the end of the year would be 7%.

Juan Carlos Mora Uribe, Chief Executive Officer

Jason, let me summarize our view. We think that the trends that we saw during the first semester are going to continue during the second semester. The loan growth, we are cautious and we are forecasting 7%. Let me remind you that is affected by the exchange rate. So we have to -- we need to take into account the FX rate, and second, at the beginning of the year, in general, we were expecting a 3.5% GDP growth for Colombia. Now, we are expecting 3%, which is not bad, but it's lower than we expected at the beginning of the year and that is affecting the commercial book. So for me, the question is how the commercial loans are going to perform? And we have seen lower -- a low demand and probably that's going to remain for the rest of the year.

And regarding ROE, remember that we are accumulating capital. So even though the returns -- the net income is growing and is improving, we are calculating the ROEs on a higher base, and also, it is important to take into account that cost of risk is key. We -- at this moment, we are operating at around 1.8%. We think that the cost of risk should be around 2%, a little bit lower probably, but still we need to be sure how it's going to perform in the second semester. We combine all of that, the return on equity are around 13%.

Fourth question

Thiago Batista, Analyst at ITAU BBA.

Hi, everyone. Thank you for taking my question. I have just one question on NEQUI, you now have 1.1 million users. I don't know if you shared this information, but if possible, can you tell us how many of these clients are not Bancolombia clients? Or in other words, how many of those NEQUI clients do not have a Bancolombia account? And as the second part of this question, can you share a little bit more of details on your monetization strategy or the revenue potential of these NEQUI clients? Thank you.

Juan Carlos Mora Uribe, Chief Executive Officer

Thank you, Thiago. At this moment, around 500,000 customers of NEQUI are not Bancolombia customers, meaning that those are just NEQUI clients, which for us is very positive. They are seen in making an alternative for their financial transactions as a platform that allow them to move money digital.

Regarding monetization, we have some -- the basic, the core products of the platform are free, meaning a savings account, and you can withdraw money in any Bancolombia ATM or banking correspondent free of charge, but we have additional services like a prepaid card in which we already have more than 100,000 prepaid cards. We also have a joint venture with PayPal, and that has been very successful in which NEQUI
customers could bring money from their PayPal account and withdraw that money in pesos in Colombia, and that has been very successful. We also have a top-up business growing. Additionally, we also have an agreement with the massive transportation system in Medellin, Metro Medellin, in which you can top up your card for riding the Metro, also growing very, very well. You can do payments and also we integrated NEQUI with the QR strategy of Bancolombia. So now NEQUI is accepted in any shop that received Bancolombia QR, so -- and that's growing also. So as you see, there is a -- there are businesses around that generates fees and we are reaching a number of customers that allow us to continue growing and to improving that returns of this platform.

Fifth question
Andres Soto, Analyst at Santander.
Good morning, and thank you for the presentation, and congratulations on the results. My question is related to FX, based on year-to-date performance, the Colombian peso has depreciated almost 20% over the last 12 months. Last time we saw this performance, we saw an impact of that in terms of asset quality. I would like to understand what is the current exposure of your clients in terms of local clients, Colombian clients, with US dollars, and how do you assess this risk putting some pressure on your asset quality indicators? Thank you.

Jose Humberto Acosta Martin, Chief Financial Officer
Thanks, Andres. There is some small portion of our loans in Colombia in US dollars, that would be at around 5%. Most of them are related to trade business. That implies that these kind of companies that take these kind of loans, they have a protection because or they are exporters or they have derivatives. So we don't see as first stage a huge impact because, again, the size of the loan portfolio in US dollars is very limited in Colombia. And on the other side, we are protecting our balance sheet against FX, remember that around more than 20% of our equity is also in US dollar that protects our solvency ratio and protects us against FX variations.

Sixth question
Julian Amaya, Analyst at Davivienda Corredores.
Good morning, and thank you for the presentation. I have two questions. The first one is related to the growth of the consumer portfolio. Could you please explain a little bit more about this? And also the performance of the operation in Guatemala. Could you also explain about these and trend in the future? Thank you.

Juan Carlos Mora Uribe, Chief Executive Officer
Thank you. Julian. Regarding the consumer loans, we decided couple of years ago that we want to add more consumer loans to our books, and we are using our analytics capabilities with -- in combination with additional other information to assess the creditworthiness of our current customers, basically. And based on that, we are -- we are pre-approving lines of credit to them. And that's why we are growing at the pace that we are growing, but most important is that we are growing without deterioration on the loans as you see the -- the past due loans on consumer loans are not increasing. And if you compare our past due loans in Colombia with other institutions, it's even better. And then, so we are growing. We are growing through our -- in own customer base based on information and analytics that we have on our customers and the risk that we are taking, it's we think under control. Regarding Guatemala, let me pass that question to Jose Humberto.

Jose Humberto Acosta Martin, Chief Financial Officer
Yeah. Thank you. In Guatemala, we have been doing several things. The first is -- the key challenge there is how to become more efficient, remember the number of efficiency level a year ago were around 70%. Today,
we are in the range of 65%. Our target is to reach a level of 50% efficiency ratio in 2020. How we are planning to do that? With a combination of factors. First, we are reducing the number of branches, we came from more than 220 two years ago and we are expecting to close the year with 150 branches. The second one is the headcount. We announced a reduction of the headcount of 9% in April, which is helping to become more efficient. This is on the efficiency side. On the quality of the loan portfolio side, we are increasing the level of provisions adjusting under IFRS standards. So the combination of these two factors is the reason why it's affecting the financial statements for the second quarter.

Seventh question

Yuri Fernandes, Analyst at JPMorgan.

Thank you, gentlemen. Congratulations on the results. My first question is regarding the Central America business, if you can explain a little bit how you see El Salvador and Panama going on in the future? In particular, in Banco Agricola, the cost of risk was really low, so my point is like, are those 20% ROEs sustainable for that business? Or should we see more mid-teens ROEs for Banco Agricola? And for Banistmo, it seems that the tax rate was a bit low. So if you can comment on that, it would be great. And my second question here is regarding a small asset sale you had, I think COP35 billion pretax, if you can comment on what was that? If we should see additional asset sales in the future? That would be great as well. Thank you.

Jose Humberto Acosta Martin, Chief Financial Officer

Okay, thank you. Regarding Central America and Banco Agricola, as you mentioned, yes, the cost of risk this quarter is historically low, which in a level of touching the level of 0.5%, our forecast is 1% -- the cost of risk at the end of the year will be 1%. This is the Banco Agricola operation by far the most profitable operation that we are having. We are expecting to close the deal with a return on equity at around 17% and this is because of combination of cost control, loan growth, they are growing in both in commercial and also in consumer loans, the NIMs are quite healthy. So this is -- this is a very good operation, but again, cost of risk, we are forecasting a cost of risk at around 1.1% or 1.2% and the coverage, which is relevant, that would be at around 250%.

Regarding Banistmo, the reason why the taxation in Banistmo it seems slow this quarter is because we have an exposure in securities and those securities are tax-free, the dividend, the interest that we receive. So that explains part of the reduction of the taxation. Remember that the statutory tax in our international operations is at around 25% in those geographies and the statutory tax in Colombia is 37%. But the combination is reflecting 28% this quarter. And the reason is that because of the good performance of the international operations.

Juan Carlos Mora Uribe, Chief Executive Officer

And Yuri, regarding the COP35 billion that you were asking about, this is the result of the sale of our operations in Peru, remember we completed that process during this quarter. So we booked this COP35 billion as revenue.

Eighth question

Nicolas Riva, Analyst at Bank of America.

Yeah, thanks, Jose Humberto, Juan Carlos for taking my question. I have a follow-up on Ruta del Sol. You mentioned earlier in the call that you’re expecting a decision from the tribunal today. I wanted to ask you, what's your expectation regarding that liquidation value? How much more the banks are going to get repaid? And if you can remind us your exposure? You mentioned 50% coverage of the exposure. I am estimating a
number around $110 million for the Ruta's exposure before reserves. But if you can remind us your exposure in dollars or in Colombian pesos, that will be helpful. Thanks.

Juan Carlos Mora Uribe, Chief Executive Officer
Thank you, Nicolas. As I mentioned, today, we are expecting the decision from the tribunal and our position is that we lent money to a project, that project -- that money was invested. The road is there, is not completed, but the money that we lent was invested in the project. So our expectations are that we should get repaid for the money that we lent and was invested. We need to wait for the result or what is going to say the tribunal today. But for us, it's clear that we lent money, the money was invested and we should be repaid.

Regarding our exposition, we have an exposition of COP390 billion, which is something around $120 -- $110 million. With the volatility, now, I don't know how much is that in dollar. Around $110 million, $120 million, and we have a coverage of half of that, already half reserves for that. We need to wait how this is going to evolve. We will analyze the result of -- we will see the decision and based on that we will take the actions accordingly to that decision.

Ninth question
Sebastian Gallego, Analyst at CrediCorp Capital.
Hi, good morning. Thanks for the presentation. I have two questions, mostly on strategy. The first one is related to new branch format that you're launched in Medellin in El Tesoro. Can you please tell us how is that going? And if you are planning to expand that kind of branch model?
The second question is regarding all the digital strategy and all the services that you're providing with NEQUI and all the products you have been mentioning. What's the status of those products and those services in Central America? Are you already implementing all that strategy? Or what stage are we on right now? Thank you.

Juan Carlos Mora Uribe, Chief Executive Officer
Thank you, Sebastian. Regarding your first question, as you mentioned, we opened a branch, we call it Lab. It's the branching we are experimenting with different technologies and different interactions with our customers. It's our self-service area, which is doing pretty well and the acceptance of that self-service area is very positive. Also the branch -- how the branch is organized is not like a traditional bank branch and what we are doing is we are learning a lot. We are learning on how the customers like what we are operating, and we are adjusting the model. So the concept of Lab is working pretty well. Yes, we are planning to open a branch in Bogota in this year and we will continue evolving on this concept.

And as I mentioned, it's a concept in which we interact with our customers, we learn and we adjust and we will be adding some of the things that we are learning in the traditional branch network. So it's a part of the process of our evolution in our relationship with our customers.

Regarding our digital performance in Central America, NEQUI was launched in Panama two years ago, it's growing well, it's very well accepted, and it's also an alternative to the traditional banking offer in Panama. We are very happy with the results of NEQUI in Panama, and in the case of El Salvador and Guatemala, we are launching new products. In El Salvador, the QR code strategies there, the app -- it's -- we launched a new app this year. So it's also -- it's also going very well and we are leading that process also in Central America. In the case of BAM, our focus now it's different. We are working on cost. We are working on the
number of branches. So this year is going to be more on organizing and having the right platform. And next year, we will start to deploy this strategy in Guatemala.

Tenth question

Alonso Garcia, Analyst at Credit Suisse.

Good morning, and thank you for taking my question. My question is regarding regulation, I mean, back in June, the Senate voted against the bill of law that intended to eliminate the number of banking fees. So that removed a significant source of risk for banks in Colombia, but I want to hear from you, if you were seeing any sort of similar risk or similar proposal to appear in the foreseeable future or any other source of risk on the regulatory front in the coming quarters? Thank you.

Juan Carlos Mora Uribe, Chief Executive Officer

Thank you, Alonso, for your question. Regarding regulation and you mentioned that the project that was when going through Congress last semester and I think that's the process that we are going to continue seeing. But our position is that if we advance in our strategy of offering better products, digital products, in many cases, free products, that's the way that we are going to keep moving in the direction of having a good offer to our customers and not letting those initiatives to have down on how we go to the market.

So there are some initiatives already in Congress, but they are much more moderate, and many of them are also in line with what we are thinking. So we will continue to see that, I think it's a trend all around the world. But if we keep improving our offer and being closer and adding new customers, we think we can handle well this trend that is there in the market.

Eleventh question

Carlos Gomez, Analyst at HSBC.

Hello, good morning. I have two questions. And the first one refers to Salvador. Did I understand correctly that you expect now a medium-term ROE of 17%? And how comfortable are you lending, you know, sort of a -- it has been a difficult market and not a very high growing economy for number of years? Are you more comfortable now than you were in the past? My second question refers to capital. You may have mentioned it earlier, and I may have missed it. Can you give us your estimated timeline for Basel III implementation right now, and remind us what the impact is? Thank you.

Juan Carlos Mora Uribe, Chief Executive Officer

Thank you, Carlos. Regarding El Salvador, yes, we feel comfortable in El Salvador, we have been feeling comfortable since we are there. The economy is not growing much, you are right, but we are market leaders, the margins are good, cost of credit is low, and we are -- the Bank is more efficient. So we have a combination that is very positive in El Salvador, so we will think that ROEs in El Salvador will continue around 16%, 17%, it's not something that we just saw on one quarter or -- but we think that in the mid term we can achieve those returns. And it's a combination. I mean, we are investing in El Salvador in new technologies, as I mentioned, in digital. The cost of risk is low. The economy is not growing much, but we are market leaders and we manage to grow our loan portfolio decent numbers and costs are under control. So we really believe that we can maintain those kind of returns in El Salvador.

Jose Humberto Acosta Martin, Chief Financial Officer

Carlos, regarding your second question, we are expecting the new regulation from the regulators and they are adjusting the risk-weighted assets. So at the beginning, I mean, a year ago, we thought that we will begin
the process next year, but we are not sure that will take place the second half of 2020 or we have to wait till 2021. So again, we didn't receive any particular measures from the regulators on any particular decree. So we are expecting. Once we know, we will let you know to all of you when it's going to happen finally, the Basel III in Colombia.

Operator
We have no further questions at this time. Thank you, ladies and gentlemen. I will now turn it back the presentation to Mr. Mora, Chief Executive Officer of Bancolombia for final remarks.

Juan Carlos Mora Uribe, Chief Executive Officer
Thank you everybody for your interest in our conference call. We think that the results that we presented are good and we are confident that this results are the base to continue on the trend that we are following. So we will expect that the second semester of the year perform similarly to the first semester. Again, thank you -- thank you very much. And we expect you in the next conference call for the third quarter of 2019. Have a good day.