

BANCOLOMBIA SA
Form 6-K
August 01, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of August, 2018

Commission File Number 001-32535

Bancolombia S.A.

(Translation of registrant's name into English)

Cra. 48 # 26-85
Medellín, Colombia
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F

Form 40-F

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(2):___

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):
82-_____.

2Q18

BANCOLOMBIA S.A. (NYSE: CIB; BVC: BCOLOMBIA, PFBCOLOM) REPORTS CONSOLIDATED NET INCOME OF COP 592 BILLION FOR THE SECOND QUARTER OF 2018 WHICH REPRESENTS AN INCREASE OF 13% COMPARED TO 1Q18 AND A DECREASE OF 9% COMPARED TO 2Q17.

Gross loans grew 3.2% when compared to 2Q17 and 2.9% during the quarter. This annual growth shows moderation in the credit demand in Colombia. Peso-denominated loans grew 8.7% when compared to 2Q17.

Net interest income was COP 2.55 trillion for 2Q18, decreasing by 3.3% when compared to 2Q17. This slowdown in NII is mainly explained by the adoption of IFRS 9 during 2018, which cause a reduction of COP 106 billion compared to 2Q17. The compression of the net interest margin during the year also affected the number. Net interest income increased by 1.3% during the quarter.

The annualized net interest margin for the quarter was 5.9%. The margin increased by 6 basis points during the quarter and decreased by 31 basis points when compared to 2Q17, mainly affected by the decrease in the NII product of the adoption of IFRS 9, as well as the reductions in the reference rate in Colombia. The control of the cost of deposits allowed moderating the decrease of the margin during the quarter.

Provision charges for the quarter were COP 972 billion and the coverage ratio for 90-day past due loans was 157.3%. Provision charges increased by 23.1% when compared to 2Q17 and by 11.1% compared to 1Q18, these provisions allow us to maintain a solid coverage ratio amid a challenging environment. New past due loans totaled COP 1,151 billion for the quarter explain largely by corporate clients.

Efficiency was 49.1% during the last twelve months. Operating expenses decreased by 1.2% when compared to 2Q17. The annual decrease in operating expenses is explained by the reduction in the network of branches, automation and optimization of processes and the rationalization of personal expenses. Operating expenses increased by 1.6% during the quarter.

Net fees were COP 645 billion and increased by 4.8% compared to 2Q17. This growth was mainly driven by an increase in fees related to credit and debit cards, payments and collections, as well as trust services. Net fees decreased by 5.2% during the quarter.

Tier 1 ratio was 10.02% at June 30, 2018 and decreased by 38 basis points when compared to June 30, 2017. The capital adequacy ratio was 13.5%.

August 1, 2018. Medellin, Colombia – Today, BANCOLOMBIA S.A. (“Bancolombia” or “the Bank”) announced its earnings results for the second quarter of 2018¹. For the quarter ended on June 30, 2018 (“2Q18”), Bancolombia reported consolidated net income of COP 592 billion, or COP 615.20 per share - USD 0.84 per ADR. This net income represents an increase of 13.4% compared to the quarter ended on March 31, 2018 (“1Q18”) and a decrease of 9.5% compared to the quarter ended on June 30, 2017 (“2Q17”).

1. This report corresponds to the interim unaudited consolidated financial information of BANCOLOMBIA S.A. and its subsidiaries (“BANCOLOMBIA” or “The Bank”) which Bancolombia controls, amongst others, by owning directly or indirectly, more than 50% of the voting capital stock. This financial information has been prepared based on financial records generated in accordance with International Financial Reporting Standards – IFRS. BANCOLOMBIA maintains accounting records in Colombian pesos, referred to herein as “Ps.” or “COP”. The financial information for the quarter ended June 30, 2018 is not necessarily indicative of the results for any other future interim period. For more information, please refer to the Bank's filings with the Securities and Exchange Commission, which are available on the Commission's website at www.sec.gov.

. BANCOLOMBIA’s first IFRS financial statements will cover the year ending in 2015. **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS:** This release contains statements that may be considered forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. All forward-looking statements, whether made in this release or in future filings or press releases or orally, address matters that involve risks and uncertainties; consequently, there are or will be factors, including, among others, changes in general economic and business conditions, changes in currency exchange rates and interest rates, introduction of competing products by other companies, lack of acceptances of new products or services by our targeted customers, changes in business strategy and various others factors, that could cause actual results to differ materially from those indicated in such statements. We do not intend, and do not assume any obligation, to update these forward-looking statements. Certain monetary amounts, percentages and other figures included in this report have been subject to rounding adjustments. Any reference to BANCOLOMBIA means the Bank together with its affiliates, unless otherwise specified.

Representative Market Rate, July 1, 2018 \$2,930.80 = US\$ 1

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BANCOLOMBIA: Summary of consolidated financial quarterly resultsCONSOLIDATED BALANCE SHEET
AND INCOME STATEMENT

(COP million)	Quarter			Growth	
	2Q17	1Q18	2Q18	2Q18/1Q18	2Q18/2Q17
ASSETS					
Net Loans	150,747,014	149,654,067	153,812,437	2.78%	2.03%
Investments	15,273,122	16,720,642	15,606,305	-6.66%	2.18%
Other assets	37,684,231	34,570,861	35,134,604	1.63%	-6.77%
Total assets	203,704,367	200,945,570	204,553,346	1.80%	0.42%
LIABILITIES AND SHAREHOLDERS' EQUITY					
Deposits	128,476,933	130,164,630	130,318,773	0.12%	1.43%
Other liabilities	52,144,322	47,591,297	50,209,372	5.50%	-3.71%
Total liabilities	180,621,255	177,755,927	180,528,145	1.56%	-0.05%
Non-controlling interest	1,252,130	1,237,585	1,285,815	3.90%	2.69%
Shareholders' equity	21,830,982	21,952,058	22,739,386	3.59%	4.16%
Total liabilities and shareholders' equity	203,704,367	200,945,570	204,553,346	1.80%	0.42%
Interest income	4,227,227	3,946,739	3,945,743	-0.03%	-6.66%
Interest expense	(1,593,836)	(1,434,194)	(1,399,639)	-2.41%	-12.18%
Net interest income	2,633,391	2,512,545	2,546,104	1.34%	-3.31%
Net provisions	(789,735)	(875,016)	(972,136)	11.10%	23.10%
Fees and income from service, net	615,215	679,917	644,684	-5.18%	4.79%
Other operating income	367,191	318,457	343,666	7.92%	-6.41%
Total Dividends received and equity method	21,105	48,166	114,967	138.69%	444.74%
Total operating expense	(1,880,723)	(1,828,882)	(1,859,001)	1.65%	-1.15%
Profit before tax	966,444	855,187	818,284	-4.32%	-15.33%
Income tax	(281,050)	(311,138)	(195,002)	-37.33%	-30.62%
Net income before non-controlling interest	685,394	544,049	623,282	14.56%	-9.06%
Non-controlling interest	(31,855)	(22,289)	(31,566)	41.62%	-0.91%
Net income	653,539	521,760	591,716	13.41%	-9.46%
PRINCIPAL RATIOS					
	2Q17	Quarter 1Q18	2Q18	As of 2Q17	2Q18
PROFITABILITY					
Net interest margin (1) from continuing operations	6.16%	5.79%	5.85%	6.23%	5.82%
Return on average total assets (2) from continuing operations	1.31%	1.04%	1.17%	1.28%	1.10%
Return on average shareholders' equity (3)	12.29%	9.21%	10.57%	11.83%	9.85%
EFFICIENCY					
Operating expenses to net operating income	51.71%	51.39%	50.94%	51.45%	51.16%

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Operating expenses to average total assets	3.77%	3.64%	3.66%	3.79%	3.65%
Operating expenses to productive assets	4.40%	4.22%	4.27%	4.43%	4.24%
CAPITAL ADEQUACY					
Shareholders' equity to total assets	10.72%	10.92%	11.12%	10.72%	11.12%
Technical capital to risk weighted assets	14.34%	13.73%	13.52%	14.34%	13.52%
KEY FINANCIAL HIGHLIGHTS					
Net income per ADS from continuing operations	0.89	0.78	0.84	1.72	1.58
Net income per share \$COP from continuing operations	679.48	542.47	615.20	1,312.39	1,157.67
P/BV ADS (4)	1.50	1.28	1.48	1.50	1.48
P/BV Local (5) (6)	1.40	1.32	1.49	1.40	1.49
P/E (7) from continuing operations	12.07	13.71	14.29	12.50	15.19
ADR price	44.55	42.02	47.78	44.55	47.78
Common share price (8)	31,780	30,220	35,320	31,780	35,320
Weighted average of Preferred Shares outstanding	961,827,000	961,827,000	961,827,000	961,827,000	961,827,000
USD exchange rate (quarter end)	3,050.43	2,780.47	2,930.80	3,050.43	2,930.80

(1) Defined as net interest income divided by monthly average interest-earning assets. (2) Net income divided by monthly average assets. (3) Net income divided by monthly average shareholders' equity. (4) Defined as ADS price divided by ADS book value. (5) Defined as share price divided by share book value. (6) Share prices on the Colombian Stock Exchange. (7) Defined as market capitalization divided by annualized quarter results. (8) Prices at the end of the respective quarter.

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1. BALANCE SHEET

1.1. Assets

As of June 30, 2018, Bancolombia's assets totaled COP 204,553 billion, which represents an increase of 1.8% compared to 1Q18 and of 0.4% compared to 2Q17.

During the quarter, the COP depreciated 5.4% versus the USD and over the past 12 months, it appreciated 3.9%.

The increase in total assets during the quarter is largely explained by the growth in the loan book, reverse purchase agreements and investment in associates and joint ventures.

1.2. Loan Portfolio

The following table shows the composition of Bancolombia's loans by type and currency:

(COP Million) (1 USD = 2930,80 COP)	Amounts in COP		Amounts in USD converted to COP		Amounts in USD (thousands)		Total	
	2Q18	2Q18/1Q18	2Q18/1Q18	2Q18/1Q18	2Q18/1Q18	2Q18/1Q18	2Q18/1Q18	
Commercial loans	76,310,672	-0.01%	36,249,250	8.01%	12,368,381	2.47%	112,559,923	2.4%
Consumer loans	19,732,895	2.85%	8,680,689	6.74%	2,961,884	1.27%	28,413,584	4.0%
Mortgage loans	12,059,218	2.95%	9,197,506	5.53%	3,138,224	0.11%	21,256,724	4.0%
Small business loans	626,894	-0.32%	439,703	11.26%	150,028	5.55%	1,066,597	4.1%
Interests paid in advance	(3,013)	-11.27%	(1,650)	18.46%	(563)	12.38%	(4,662)	-2.6%
Gross loans	108,726,667	0.82%	54,565,499	7.41%	18,617,954	1.90%	163,292,166	2.9%

In 2Q18, gross loans increased by 2.9% when compared to 1Q18. Peso-denominated loans grew 8.7% and the dollar-denominated loans decreased by 2.4% when compared to 2Q17. In comparison with 2Q17, total gross loans grew 3.2%.

As of June 30, 2018, the operations in Banco Agricola in El Salvador, Banistmo in Panama and BAM in Guatemala, represented 25% of total gross loans.

Gross loans denominated in currencies other than COP, originated by the operations in Central America, the offshore operation of Bancolombia Panama and the USD denominated loans in Colombia, accounted for 33.4% and increased by 7.4% during 2Q18 (when expressed in COP), explained mainly by the depreciation of the COP against the USD during the quarter.

Total reserves (allowances in the balance sheet) for loan losses increased by 5.4% during the quarter and totaled COP 9,480 billion, equivalent to 5.8% of gross loans at the end of the quarter.

For further explanation regarding coverage of the loan portfolio and credit quality trends, (see section 2.4. Asset Quality, Provision Charges and Balance Sheet Strength).

The following table summarizes Bancolombia's total loan portfolio:

LOAN PORTFOLIO (COP million)	2Q17	1Q18	2Q18	2Q18/1Q18	2Q18/2Q17	% of total loans
Commercial	111,015,493	109,877,417	112,559,923	2.44%	1.39%	68.93%
Consumer	25,853,481	27,318,286	28,413,584	4.01%	9.90%	17.40%
Mortgage	20,274,141	20,430,405	21,256,724	4.04%	4.85%	13.02%
Microcredit	1,089,093	1,024,140	1,066,597	4.15%	-2.07%	0.65%
Interests received in advance	-	(4,788)	(4,662)	-2.62%	100.00%	0.00%
Total loan portfolio	158,232,208	158,645,460	163,292,166	2.93%	3.20%	100.00%
Allowance for loan losses	(7,485,194)	(8,991,393)	(9,479,729)	5.43%	26.65%	
Total loans, net	150,747,014	149,654,067	153,812,437	2.78%	2.03%	

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1.3. Investment Portfolio

As of June 30, 2018, Bancolombia's net investment portfolio totaled COP 15,606 billion, decreasing by 6.7% from the end of 1Q18 and increasing by 2.2% from the end of 2Q17. The investment portfolio consists primarily of debt securities, which represent 70.5% of Bancolombia's total investments and 5.4% of assets at the end of 2Q18.

At the end of 2Q18, the debt securities portfolio had a duration of 19.6 months and a weighted average yield to maturity of 4.7%.

1.4. Goodwill and intangibles

As of 2Q18, Bancolombia's goodwill and intangibles totaled COP 6,501 billion, increasing by 5.3% compared to 1Q18. This variation is explained by the depreciation of the COP against the USD during the quarter.

1.5. Funding

As of June 30, 2018, Bancolombia's liabilities totaled COP 180,528 billion, increasing by 1.6% from the end of 1Q18 and decreasing by 0.1% compared to 2Q17.

Deposits by customers totaled COP 130,319 billion (or 72.2% of liabilities) at the end of 2Q18, increasing by 0.1% during the quarter and by 1.4% over the last 12 months. The net loans to deposits ratio was 118.0% at the end of 2Q18.

Bancolombia's funding strategy during the last months has been to reduce the average life of time deposits and promote saving and checking accounts in the consumer segment in order to keep the funding cost at a minimum. The objective is to build and maintain ample liquidity and reduce the sensitivity of the balance sheet to cuts in interest rates.

Funding mix	2Q17	1Q18	2Q18
COP Million			
Checking accounts	20,212,416 12%	20,246,222 12%	20,405,763 12%

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Saving accounts	50,142,758 30%	54,549,203 33%	54,286,041 32%
Time deposits	56,974,773 34%	54,213,615 33%	54,543,374 32%
Other deposits	5,664,360 3%	5,187,212 3%	5,917,969 3%
Long term debt	18,298,359 11%	18,380,881 11%	18,729,888 11%
Loans with banks	18,523,104 11%	13,784,738 8%	15,357,472 9%
Total Funds	169,815,770 100%	166,361,871 100%	169,240,507 100%

1.6. Shareholders' Equity and Regulatory Capital

Shareholders' equity at the end of 2Q18 was COP 22,739 billion, increasing by 3.6% or COP 787 billion, compared to the value reported at the end of 1Q18. Bancolombia's capital adequacy ratio was 13.5% in 2Q18.

Bancolombia's capital adequacy ratio was 452 basis points above the minimum 9% required by the Colombian regulator, while the basic capital ratio (Tier 1) to risk weighted assets was 10.02%, 552 basis points above the regulatory minimum of 4.5%. The tangible capital ratio, defined as shareholders' equity minus goodwill and intangible assets divided by tangible assets, was 8.1% at the end of 2Q18.

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In the last months, Bancolombia has generated capital organically due to the appropriation of earnings in March 2018 and to the efficient allocation of capital in different products. The annual increase in the RWA is mainly explained by the growth in the loan book.

**TECHNICAL CAPITAL RISK WEIGHTED
ASSETS**

Consolidated (COP millions)	2Q17	%	1Q18	%	2Q18	%
Basic capital (Tier I)	18,110,213	10.40%	18,557,539	10.16%	18,856,171	10.02%
Additional capital (Tier II)	6,864,575	3.94%	6,513,470	3.57%	6,584,425	3.50%
Technical capital ⁽¹⁾	24,974,788		25,071,009		25,440,595	
Risk weighted assets including market risk	174,199,865		182,615,322		188,204,931	
CAPITAL ADEQUACY ⁽²⁾		14.34%		13.73%		