CREDIVALORES-CREDISERVICIOS QUARTERLY RESULTS REPORT[1]

AS OF MARCH 31, 2019

Operator: Welcome to the Credivalores first quarter 2019 results conference call. My name is Richard and I will be your operator for today's call**.**

At this time, all participants are in listen only mode. Later we will have a question and answer session. Please be aware that if you're in the web part only, you cannot interact verbally but still we can receive your questions via web.

Please note that this conference is being recorded.

I will now turn the call over to Mr. David Seinjet, Founder and CEO of Credivalores. Mr. Seinjet, you may begin.

David Seinjet (CEO):

Good morning and thank you for joining us today in our investor conference call to present our results for the 1Q 2019.

My name is David Seinjet and I am the founder and CEO of Credivalores and here with me is Patricia Moreno, our Chief Funding and Investor Relations Officer, and Hector Chaves, our CFO. We will have a Q&A session at the end of this presentation. You will also be able to download the presentation from our Investor Relations website.

To start the presentation please join me in slide 3 for an overview of our company.

Credivalores at-a-glance

Credivalores is the leading non-banking financial institution in Colombia targeting mid-to low-income clients. We offer a diversified portfolio of consumer credit solutions with innovative collections channels through the following products: payroll loans, branded credit cards, insurance premium financing and retail micro insurance. The Company has a track record of over 15 years and more than 890,000 clients, having issued more than US$2.4 billion in loans.

As of March 2019, we had a managed loan portfolio of US$447 million and a broad geographic footprint with 79 branches and points of sale in retail locations and 120 customer centers across the country in alliance with telecom companies in Colombia. Our sizable exclusive sales force with more than 1,900 sales representatives, allows us to reach almost 80% of the municipalities in 34 cities in Colombia. We have consolidated a strong network for disbursements and collections through partnerships with more than 20,000 points of collection with a wide presence throughout the country.

Our shareholders' equity totaled US$82 million as of March 2019.

Credivalores' business model is supported by four pillars including our unique collection channels that mitigate credit risk, the robust yield of our loan portfolio given our niche market, our key

[1] The following transcript should be read in conjunction with our unaudited Financial Statements as of March 31, 2019. Our Quarterly Financial Statements have been prepared in accordance with IFRS for non-financial entities.

partnerships with employers, retailers and utility companies granting us access to more than 7.6 million potential clients and our customer segment.

Overview of Product Portfolio

Our innovative products are designed to appeal to our target market segment and mitigate repayment risk as you can see in the overview of our product portfolio.

− We manage a portfolio of US$447 million, out of which payroll loans represent almost 59%, credit cards represent about 35% and insurance premium financing represents 6%.

- Our product portfolio is well diversified with low concentration by loan size, geographical location and economic sector. The average term at origination of the whole loan portfolio is 70 months among all products nonetheless the average life of the portfolio is 48 months, including prepayments. The average interest rate is 25% (not including fees) and total yield is 36% including fees and commissions. Our average NLPs for the managed portfolio stood at 7.3%, as we will see further in the presentation.

− As we previously noted, the payroll loan product collections are made through monthly deductions from our clients' payrolls through a contract with the employer and an irrevocable mandate given by the borrower at subscription.

− For the credit card product, collections are made by adding the monthly installment of our credit card to the client's utility bills, which they are required to pay in full, achieving a higher priority of payment over any other consumer loan

− And finally, for the insurance financing product, the borrower of this product issues an irrevocable mandate to cancel coverage if installments are not paid on time.

Competitive Advantage and Target Market

Commercial banks are traditionally focused on the upper income segment of the population; however, most of Colombia's population is concentrated in the mid- to low-income segment. Credivalores' strategy is based on reaching clients located in the segments 1 through 3, which represent around 79% of the country's population. We also have a special emphasis on small- and mid-sized cities, in addition to rural areas where banking penetration is considerably lower. About 89% of our client base corresponds to segments 1 through 3 and 70% of the loan portfolio is originated in small and medium cities with populations between 200,000 and 2 million inhabitants.

Average access to credit in these areas is below 5% of the population, meanwhile for Colombia's main cities this figure stands at around 26%. As these regions continue to develop, we will be the primary beneficiary thanks to our existing relationships, unique business model and strong market share.

We differentiate from traditional banks in the following ways:

On the commercial point of view, branch networks represent still the largest channel for commercial activity for banks, as opposed to our model, which approaches customers on-site through our proprietary sales force.

On the product stance, traditional banks focus on a broad portfolio and cross-selling strategies, while our portfolio is exclusively composed of three specialized credit products tailor-made for our target segments.

On the market segment approach, our customization starts with the understanding of risk and the uniqueness of our target population and their financial needs.

In terms of processes, we are focused on providing agile and simple products that suit our clients, while commercial banks have more complex internal processes.

We will continue the presentation with the recent developments of the first quarter of 2019.

Recent Developments

Regarding our growth and profitability, in the 1Q 2019 we had overall positive operational results and mixed financial results. Our managed portfolio grew 9.8% and our owned portfolio grew 8.5% year over year. The number of clients increased 4.2% year over year reaching more than 890,000 clients. In terms of our financial results, on a year over year basis, the net interest income increased 32.1% and our gross financial margin and our net income were impacted by larger net impairment expenses due to the IFRS 9 adoption in 2018.

During the 1Q of this year, we continued the amortization of the local secured syndicated loan disbursed to fund payroll loan origination. We renewed this facility with local financial institutions for an amount of $223 billion pesos in November 2018. The loan has a 3-year availability period for revolving disbursements and a 5.5 years tenor. As of March 2019, we maintained $273 billion in committed credit lines with financial institutions and 45% of these lines were available to use in the next 12 months. The average life of our debt stood at 2.8 years and 100% of our foreign currency debt was hedged to Colombian pesos.

During the 4Q 2018 we received a $3 billion pesos capitalization from one of our shareholders and during the 1Q 2019 an additional capitalization of $12 billion was approved by all shareholders to support growth. As of March 2019, our leverage ratio stood at 5.3x and our equity to assets ratio was 13.8%. The Company was in compliance with the covenants from all of its financial obligations.

We have a renewed and stronger senior management team with the addition of three new chief officers in the financial, commercial and risk departments with over 20 years of experience in the financial sector. I have great confidence that we will achieve our objectives for 2019 with this new team and with the changes we have implemented in the middle management and in the execution teams.

Finally, as we have stated in our past conference calls, we have implemented several measures to improve the quality of our loan portfolio, especially in the credit card business, including more conservative underwriting policies, new agreements with utility companies and technological improvements in the origination and collections processes, which we will discuss in further detail in the presentation.

1Q 2019- Main Highlights- Macro Conditions

Regarding the business environment in Colombia, inflation remains under control within the target of the Central Bank at 2.12% as of April 2019. The Central Bank expects inflation to end 2019 at 3.4%. The current easing cycle of the Central Bank started on December 2016 as a result of weak economic growth in 2017 and 2018. The reference interest rate of the Central Bank has remained unchanged at 4.25% since the second half of 2018. The DTF rate, which is the 90-day CDs average rate, and the overnight repo rate have also decreased consistently since August 2016 but they both have stabilized since the second half of 2018. Economic growth is expected to improve in 2019 reaching a potential 3.5%. Currently the market expects the Central Bank to hold rates during 2019 given their assessment of external factors, inflation and economic growth.

As we have previously explained in past conference calls, the reduction in interest rates from the Central Bank in 2017 was not being reflected in the interest rates from the financial system. Thus, in August 2017, the government announced changes in the calculation period of the usury rate from a quarterly to a monthly basis starting on September 1st, 2017. Although the calculation formula remained unchanged at 1.5 times the average lending interest rate from banks, the usury rate has declined 396 basis points since the adoption of this measure.

Recently, the lower chamber of Congress approved a regulation draft to eliminate monthly fees and commissions charged by financial institutions to their clients for savings accounts, credit and debit cards as well as for consultation of savings accounts balance, ATM withdrawals and money transfers and payments by internet. This draft regulation will only apply to financial institutions and thus Credivalores will not be affected by the measure. However, given the potential impact that this measure could have in reducing bancarization in Colombia, we expect additional modifications to the draft regulation to address the concerns from the financial institutions with the proposed measure.

The financial system in Colombia witnessed an increase in the NPLs in 2017, as a result of the slowdown in the economy and specific impacts on the commercial loan portfolio. During 2018 NPLs in the financial system recovered although as of March 2019, the average systems' NPLs increased again to 4.81% and NPLs from consumer loans also increased to 5.4%. The financial system remains well capitalized showing a solvency index of 16.1%, above the 9% minimum regulatory.

Out of the total loan portfolio of the financial system, as of March 2019 about 29% were consumer loans totaling about US$44 billion dollars. The consumer loan portfolio grew 10.5% year over year and payroll loans continued to represent the largest portion of this portfolio with a 36% share. Among the consumer loan portfolio, payroll loans and credit cards grew 9.3% and 6.3% year over year, respectively.

Now, we will present the results for the first quarter of 2019.

1Q 2019 Operating Results

Our client base increased 0.04% between December 2018 and March 2019 and 4.2% year over year. On a quarterly basis we continued growing in the number of clients among all products and on an annual basis the growth was due to an increase in the number of clients of credit card and payroll loans. The strategy in the payroll loan business has focused on increasing the average loan amount and extending the tenor at origination with the same client base in order to increase interest income from this product. Our current client base represents about 6% of the total Colombian population holding at least a credit card or a consumer loan.

Our disbursements increased 2.1%% quarter over quarter, mainly as a result of an increase in the origination of payroll loans to offset the decline in the originations in the credit card due to self - imposed restrictive and conservative underwriting policies to better control NPLs. Similarly, the insurance premium financing portfolio has declined due to management decisions to operate only with certain insurance companies to control operational risks. Year over year, origination grew 22.3%, mainly as result of the 98% growth in disbursements in payroll loans specially among pensioners. Year over year, we have increased the share of pensioners of the total balance of payroll loans from 50% to 57.2%.

Regarding our owned portfolio, which includes the portfolio on balance and in free standing trusts, we had a 2.9% decrease between the fourth quarter of 2018 and the first quarter of 2019 due to the shorter maturity of the credit card and insurance premium portfolios, which require higher origination to offset higher amortization amounts. Year over year we experienced an 8.5% growth in the owned portfolio reaching a total of about $1.13 trillion pesos, mainly due to a 23.5% increase in the payroll loans portfolio.

Our managed loan portfolio, which includes our owned portfolio and the payroll loan portfolio sales, increased 1.7% quarter over quarter totaling $1.42 trillion pesos.

The annual growth in the owned portfolio resulted in a 9.8% increase in the managed portfolio, especially from payroll loans which grew 20.3% year over year. Our results confirm our origination capabilities and the strong demand for loans in our market segment in line with the growth of consumer loans in the Colombian financial system.

If we review our managed loan portfolio by product type, as of March 2019, payroll loans increased their participation to almost 59%, while credit cards and insurance financing decreased their share.

Our business model results in a high degree of portfolio diversification, minimizing concentration risk. Our payroll loan portfolio is highly diversified, minimizing concentration across geography and clients. Our top 25 clients represent only 0.61% of the portfolio and the average single exposure represents less than 0.10% of the total portfolio.

In addition to our diversification, 88% of the payroll loan portfolio and 51% of the overall portfolio ultimately come from clients on the government's payroll, which increases the stability of their cash flows. Following our strategy of focusing on high quality profiles in payroll loans, year over year we increased our portfolio balance among pensioners by 38%.

Geographically, Bogota represents only 24% of the portfolio and the remaining is well distributed among other regions and cities, as opposed to a 50% share that Bogota, the capital of Colombia, represents within the loan portfolio of traditional banks.

Since June 2018 our NPL levels for the whole portfolio have increased as a result of the performance of our credit card business. Our NPLs stood at 7.3% as of March 2019, above the average NPLs of the consumer loan portfolio of the financial system. However, when comparing our NPLs to similar risk profile loans, such as the small amount consumer loans, we remain below the industry average. In our 4Q 2018 conference call we had anticipated that the conservative and restrictive underwriting policies adopted in October 2018 to control further deterioration of our credit card business, will result in an increase of the NPLs of this product given the decrease in the origination and in the balance of this portfolio. Despite the recent performance, our NPLs remain below the average consumer lending companies, which operate in products and market segments similar to those of Credivalores. After including write-offs of loans greater than 360 days, Credivalores had NPLs of 15.5% compared to the 20.7% of the average NPLs of consumer lending companies as of March 2019.

Due to the changes in underwriting policies, the vintage analysis of our recent originations in the credit card business show a 65% improvement in the NPL levels of these loans in their third month after origination.

NPL coverage ratio of our managed portfolio and our owned portfolio, had a slight decrease between December 2018 and March 2019. NPL coverage ratio stood at 84% for the managed portfolio and 90% for the owned portfolio, including FGA reserves. This performance was the result of the adoption of IFRS 9 in March 2018, which resulted in a large increase in the coverage ratio at the time of adoption, but then as the expected losses of the credit card business materialized, the coverage ratio returned to the previous levels in this product, which accounts for 35% of the total portfolio.

In 2018 we saw strong signs of deterioration in the credit risk of our credit card business and thus we adopted the following measures:

-Restrictive and more conservative underwriting policies in the credit card business, resulting in a lower growth of the portfolio of this product compared to the market.

-Migration to direct billing under the AMB agreement.

Strengthening of the collections and risk areas under the supervision of Juan Camilo Mesa, our new CRO and former CRO of Tuya, a joint venture between Bancolombia and Grupo Exito and the largest credit card issuer in the Colombia.

Development of new scoring models for new origination and for loan portfolio management.

-Execution of a new agreement with Electrohuila, an electricity utility company which will grant us access to more than 360,000 clients for our credit card origination. This agreement could potentially increase our total client base in the credit card business by 14% reaching a total of more than 3 million potential clients among the agreements in place.

-The implementation of a new digital underwriting platform for the credit card business to significantly reduce the response time in the origination process. We also have implemented agreements with Huawei and Samsung to pre-install an app in the cell phones we finance under the TIGO agreement. This app will allow us to send notifications on payment dates, deadlines and eventually block the cell phone when payment is past due.

-Finally, we have also changed the compensation of regional and zonal managers of our sales force to include NPLs targets per product to improve the quality of our loan portfolio.

Redesign and Digitalization of the Origination Process

In the past year we have worked on initiatives for digital innovation in our business model. We started by redesigning and digitalizing our origination processes to achieve higher efficiency and agility for our clients. We prioritized the digital origination process for the credit card business through our commercial channels. We equipped our sales force with tablets to facilitate the profiling of our clients in retailers and points of sale. In this way, we obtained instant feasibility confirmation and we were able to collect data from our client with georeferencing and automatic validations of information. We also implemented digital and facial biometrics for identity validation on site. One of the features that facilitated the digital transformation of our origination was the fact that Credivalores is the largest issuer of dematerialized promissory notes in Colombia within the corporate sector, as recently recognized by the Colombian Stock Exchange.

In May 2019, we launched a 100% digital origination platform for our credit card business. So far, the results are very promising including a 60% increase in productivity of our sales force in this product, a 70% decrease in the response time to our clients delivering the credit card on site within 12 minutes, a 60% decrease in origination costs and a 35% increase in the number of clients approved for the credit card, as a result of the increase in the number of clients approached by the sales representatives.

We expect to recover the origination and balance of the credit card portfolio with the digital origination strategy in the following months, while maintaining conservative underwriting policies in place.

Now Patricia will present our financial results for the 1Q 2019.

1Q 2019 Financial Results- Income Statement

With regards to our financial results, we start by presenting our income statement.

Our interest income, which includes interests, commissions and fees, decreased 12.8% between the fourth quarter of last year and the first quarter of this year, mainly as a result of a decline in the credit card portfolio resulting from self-imposed measures in the origination to better control NPLs. Income from interest rates and fees and commissions in the credit card is considerably higher than the income from payroll loans, thus the impact in our interest income in the quarter. However, year over year interest income grew 18.6% due to an 8.5% increase in the owned loan portfolio, mainly driven by payroll loans.

The gross financial margin decreased 3.9% quarter over quarter, mainly due to a decline in the net interest income in spite of a large decrease of 30% in net impairment expenses under IFRS 9. This decline in net impairment expenses during the 1Q 2019 reflect the improvement in the quality of the recently originated credit cards, as confirmed by our vintage analysis. Year over year, gross financial margin remained almost unchanged and was negatively impacted by the large increase in net impairment expenses resulting from IFRS 9 adoption, which uses the expected loss model to calculate the expense in provisions for the portfolio. It is important to clarify that year over year results for net impairment expenses are not comparable. IFRS 9 was adopted at the closing of the first quarter of 2018 and the initial impacts of the adoption of this standard were recognized in the shareholders' equity directly without affecting the P&L, whereas the net impairment expenses of the first quarter of 2019 calculated using IFRS 9 models were recognized in the P&L. We expect a stabilization of net impairment expenses by the second half of 2019 resulting from the measures adopted to improve the NPLs of our overall portfolio.

The selling, general and administrative expenses, which are referred to as other expenses in our income statement, decreased 4.6% quarter over quarter due to an important decline in legal, insurance and taxes expenses. Year over year, SG&A increased 4.8% mainly as a result of higher depreciation and amortization expenses and technical assistance expenses.

With regards to the operating income, quarter over quarter we experienced a 1.0% increase since the SG&A expenses were under controlled during the first quarter of this year. However, on an annual basis, operating income decreased 37.0% as a result of higher net impairments affecting the gross financial margin and higher depreciation and amortization expenses.

Now moving to the non-operating results in the income statement, during the 1Q 2019, the net impact of non-recurring items, which include foreign currency rate differences and financial income or expenses, totaled $1.7 billion pesos. This result confirms the effectiveness of the hedging policy in place to mitigate the impacts in the P&L arising from changes in our foreign currency denominated debt.

As of the end of the 1Q 2019, 100% of our foreign currency debt was hedged to pesos through short-term forwards, cross currency swaps and options.

Our net income before taxes and non-recurring items is now less affected by the volatility of non-recurring items associated to the FX risk exposure in our financial obligations. If we eliminate the impact of non-recurring items from our income statement, the net income before taxes would have reached $3 billion pesos as of March 2019.

When considering all the impacts from non-operating items, our net income before taxes exhibited a profit of $0,6 billion pesos as of March 2019. Out net income reached $0,4 billion pesos and was largely affected by higher net impairment expenses in the operating income resulting from the IFRS 9 adoption. The net result of the first quarter of the year was within our expectations and our budget. We had foreseen a decrease in the net interest income resulting from a decline in interest income and fees and commissions related to a lower portfolio balance in the credit card business. Since this product has a shorter average maturity than the payroll loans a decline in origination in the credit card quickly leads to a lower portfolio balance. We also had anticipated an increase in the net impairment expenses during the first quarter of this year, since the measures adopted to improve the quality of the recent origination of the credit cards and the collection and monitoring processes of the loan portfolio, are expected to impact our NPLs by the fourth quarter of 2019.

1Q 2019 Financial Results- Balance Sheet

With regards to our balance sheet, we present the main financial ratios as of March 2019.

Our shareholders' equity increased to $260 billion pesos, showing a 4.2% growth compared to December 2018. This was mainly a result of the increase in retained earnings from the accumulation of the net income of 2018.

Our leverage ratio of debt to equity stood at 5.3 times, improving from the December 2018 figure. This was a result of a decrease in our financial obligations during the 1Q 2019 due to debt amortizations and an increase in our shareholders' equity. Our solvency ratio, calculated as equity to assets, increased to 13.8% and the risk-adjusted capital adequacy ratio, in which the cash and cash equivalents from the Balance Sheet are not taken into consideration, stood at 14.8%. Lastly, the capitalization ratio, measured as the total shareholders' equity divided by net loan portfolio, totaled 27.5% as of March 2019 remaining above the 13.5% level required by the covenant of the 144 A / Reg S bond issuance.

Between December 2018 and March 2019, total capitalization, including the FX impact on debt, decreased 3.8% to $1.8 trillion pesos, due to amortizations from the local secured syndicated loan for payroll loan origination and from local working capital lines. Our ratio of unencumbered assets to unsecured debt, calculated accordingly to the Description of the Notes of the Offering Memorandum, stood at 128.8%, above the minimum 110%, required by the covenant.

Our average funding cost remained at 12.7% in March 2019. Our cost of funding remains controlled due to a higher participation of the domestic debt of the total mix of financial obligations with lower financial costs. Also, the reference interest rates of the Central Bank and the average DTF from financial institutions have stabilized during the first quarter of 2019 benefiting our financial cost, since about 68% of our debt is indexed to these floating rates.

Debt Profile- March 2019

The bid price of our 144A / Reg S bond recovered during the first quarter of the year in line with the prices of bonds issued by other non-banking financial institutions in the region and has remained stable at a price of about 96% on the bid side.

In terms of our financial obligations by source as of March 2019, the 144A /Reg S notes represented 67% of our total financial obligations, the outstanding notes under the ECP Program represented

15%, the secured domestic sources represented 12% and the unsecured domestic sources represented 6%.

Below, we present the debt maturity profile as of December 2018 and March 2019. Average life of our debt stood at 2.8 years as of March 2019. The average life of our domestic debt is 1.8 years, as most of these credit lines are revolving and short-term, and the average life of our international debt is 3.0 years. The secured debt amortizations correspond to the IFC facility, which has about $31 billion pesos outstanding and to the local syndicated loan for payroll loans, which is revolving for the following three years. As of March 2019, we face amortizations of $91 billion pesos this year from local revolving loan facilities with financial institutions. We have signed committed credit lines with financial institutions for $273.5 billion pesos, and as of March 2019 we had $123 billion pesos available to use in the next 12 months for growth and debt amortizations.

Financial Obligations - March 2019

Finally, we present the status of our financial obligations as of March 2019.

Total financial obligations decreased 4% to $1.37 trillion pesos between December 2018 and March 2019. As of March 2019, 89% of our total debt was unsecured and 11% was secured, represented by the IFC facility and a peso denominated syndicated loan with local financial institutions. By currency as of the same date, 84% of our debt was denominated in US dollars and 18% in pesos, with 100% of our debt hedged to pesos. By term, 4% of maturities were due in less than 12 months and 96% were due in the long-term as a result of the strategy to extend the average life of debt.

Now, please join me in the Closing Remarks section to conclude our presentation.

Closing Remarks

As we explained in our previous conference call and as you have seen during this presentation, we are focusing our efforts in the deployment of several initiatives of digital innovation in our business model. The recent upgrades of our core systems and the creation of our innovation department allowed us to set up several initiatives for digital innovation in our origination and customer service processes. During the 1Q 2019 we implemented a 100% digital origination process for our credit card business. In June 2019, we expect to rollout this 100% digital origination platform for our renewal process for payroll loans under a self-service model for mobile devices.

In terms of service, we are working on an omnichannel approach to our clients by developing a web-app platform that will support consultations, transactions, marketing and value-added alternatives for our clients. In this line, we are developing chat bots in social media to attend our clients' requests.

In the medium-term, we have identified several opportunities to partner with Fintechs and other digital companies to increase our origination capabilities and develop a digital ecosystem. We acknowledge the increasing importance of digital marketplaces to develop new channels for our products as well as the value of reaching new alliances with small and medium merchants to finance their products, specially through our credit card.

Finally, we see the alliances with Fintechs as opportunities to speed up our learning curve and adopt best practices as well as a way to optimize the R&D process in a rapid changing industry and to get access to state of the art solutions for our clients.

With regards to our closing remarks, as seen throughout the presentation the adoption of IFRS 9 increased our net impairment expense, specially under a period of deterioration of the asset quality. We expect to stabilize the NPLs by year end, especially for our credit card business, through several initiatives to control operational and credit risks. However, we still expect a poor performance of our NPLs for the next quarter, as more conservative and restrictive underwriting policies to correct NPLs, will continue to affect the growth of our portfolio.

In terms of our funding sources, we have $273.5 billion pesos of committed credit lines with financial institutions to meet this year's debt amortizations and to fund portfolio growth. We expect to maintain the average life of our debt above 3 years to mitigate refinancing risks.

We see a more stable macroeconomic environment in Colombia for 2019, with higher expectation for GDP growth, controlled inflation and a stable political environment. Based on this business environment we expect to grow our managed portfolio by 14% and the number of loans disbursed by 9%. In addition, we expect origination to grow by 19% this year, especially in the payroll loans business, with a 42% growth among pensioners.

The recent launching of a new exclusive agreement with Electrohuila, a utility company located in a stable macroeconomic region, will grant us access to more than 360,000 new clients with the potential to increase our client base by 14%.

Our payroll loan portfolio increased its participation within the overall portfolio to 58.6%, mainly due to a strong growth in origination among pensioners.

The digital innovation initiatives are already showing a large potential to reduce origination costs, improve efficiency and quality of the loan portfolio during 2019.

Finally, our shareholders' have showed their commitment to the financial stability and growth perspectives of the company, with the approval of $15 billion pesos in additional capitalizations between the 4Q 2018 and the 1Q 2019.

This concludes our presentation for today. We will now open the call for a Q&A session.

Q&A Session

Operator: Thank you. We will now begin the question and answer session.

First, we will go with the audio questions and then we will read the questions coming from the web.

If you have a question, please press * and then 1 on your touchtone phone.

If you wish to be removed from the queue, please press the # sign.

If you're using a speaker phone, you may need to pick up the handset first, before pressing the numbers.

Once again, if you have a question please press * and then 1 on your touchtone phone.

We're standing by for questions.

Once again, press * and then 1 for any questions.

We have no questions in queue. Are we having any questions coming in from the web?

Patricia Moreno: We have a question on the website. It's from Maria Cruz, Seminario. What has been the reason for NPLs for credit cards that high?

David Seinjet: Basically, we had two different problems in two different alliances that have geographical coverage in two different regions. These regions were impacted by independent events. One was the impact of the Venezuelan immigration and the region was the north part of a state which is northwest of Colombia. Unemployment is very high, there is a humanitarian crisis, and it is taking some time for us to control depuration in this portfolio.

With the measures that we are implementing, basically conservative and more restrictive underwriting policies, with reducing the size of the portfolio, with controlling risk, the first impact that we will see in the portfolio is as the portfolio is decreasing size, you see a temporary spike in NPLs, then we'll go to normal levels. That was the impact in one region.

The other impact is basically we are taking a toll in the reduction in investments in oil and gas in one region of Colombia. Unemployment in that region went up. It's very high right now, and that impacted the performance of the portfolio.

In the other regions, we're seeing better performance, even though we are putting in place more restrictive and conservative underwriting policies so that future growth is going to have a much better performance of the portfolio. Basically, the digital platform helped us to improve much more an agile process with the restrictive policy that we have put in place.

Patricia Moreno: There is another question from Gonzalo Romero, from BD Capital. What would be the optimal product mix between credit cards, payroll loans and insurance financing?

David Seinjet: We feel that payroll loans between 55 and 60% is a very conservative mix and represented by more than 80% in government employees. That's what we're trying to achieve. We increased origination in payroll loans in order to compensate lower origination in our credit card business. That's a decision by the management.

Nowadays, we are seeing a very strong demand for loans. We're seeing that our strategies for increasing market share in the payroll loans is working well, and we're seeing a very successful strategy in government pensioners.

We feel that something between 50 and 55% or 60% for payroll loans would be appropriate. We feel that the 35% currently represented in credit card business is the right percentage when we get to a much more stable performance regarding NPLs. That portfolio is very profitable because it goes to maximum rates and commission on this charge to that risk profile.

Patricia Moreno: There's another question from Gonzalo Romero, also from BD Capital. What would be the stabilized NPL ratio for each product?

For payroll loans, we're talking about a level around 3%. We're currently at 3.6%. Credit cards should stabilize at about 10% to 11% in terms of NPLs, and the premium insurance financing product should have NPLs of around 3%.

Basically, payroll loans and premium insurance financing have more of an operational risk than a credit risk according to our collection channels and in the business model that we have for these two products. In the credit card business, we have a higher exposure to credit risk, although the business model that we have with collection through the utility bill helps us to mitigate this risk.

David Seinjet: I think it's important to complement Patricia regarding the credit card business, regarding NPLs in the credit card business. When you compare our NPLs to similar risks or similar risk profiles by client in other consumer lenders, still our risk level is low and that's due to the collection channels and the information that we had from the utility companies that we have partnerships with.

In the analysis that we're seeing resulting from the new underwriting policies, the new origination process, we feel that we can achieve these levels and it will result in a very strong performance of the portfolio.

Regarding the payroll loans, as we migrate more and more to government pensioners, the NPLs should perform much better and pensioners tend to have the best credit quality you can find in a government employee because pensioners never lose the pension, it's basically until death, and 100% of the portfolio, not just for pensioners, but for payroll loans and credit card business, is fully insured for life insurance.

Patricia Moreno: There is another question from Michael, from Inter American Advisors. When can the agreement with the utility company start to show material results?

David Seinjet: I think the alliance is already up and running. We started issuing loans probably a month and a half ago. It's doing very well. It's a very stable region and it's a very strong alliance. Electrohuila operates with very high standards in terms of invoicing and since we depend on the operation skills of the utility company, we feel that this Electrohuila is going to perform very well. It's a large market and we feel that we are going to see strong results in the third quarter 2019.

Patricia Moreno: A question from Carla Tejada, from Credicorp Capital. How has your new digitalization strategy mainly focused on the credit card business impacted NPL ratios? How will you avoid another potential deterioration in NPLs?

David Seinjet: I think it's two questions. One is, as we mentioned during the call and as I mentioned in some other questions, we feel that the underwriting policies and strategies that we use in order to select credit profiles of our clients is going to give us results in credit quality and it's something that we are putting in place best practices gathered from the best operators in some Latin American countries and in Colombia itself. Our CRO is probably the most knowledgeable person in the credit card business for the low-income population so we feel that these new stronger underwriting policies are going to end up in better NPLs.

Regarding the digital origination platform, we are implementing two or three different aspects that were not included in our process and it's something that no one is doing in Colombia as we are right now. It's basically processes in order to reduce frauds. One is biometric and facial recognition, and the other one is basically a system in which we have access to the central government's list of IDs of people, so we can be certain of the identity of the person.

That will allow us basically to reduce the fraud, which is important in this type of products and besides that, that origination platform, being able to issue credit cards in less than 10 minutes gives us the agility effect in order to induce the purchase right away by the client and that gives us access to higher quality of clients at that time.

Patricia Moreno: There is a question from Edgar Chiquillo, from BD Capital. What is the specific measure to be implemented to improve coverage ratio and what is the use of the 3 million USD in additional capitalization?

David Seinjet: I think additional capital, we have no specific use. Basically, to strengthen our balance sheet and to have more equity for future growth. We've seen a higher demand of loans in the market and we don't want to see a restriction due to equity levels so basically, it's a policy by all shareholders to support the company in order to achieve—We're expecting, as Patricia mentioned during the call, growth in the portfolio close to 15%. That's probably 50% higher of the total market so we want to have enough equity to attend this market growth.

Patricia Moreno: From Mariana Villalba from Credicorp Capital. Could you please provide more detail on the vintage analysis that has been done under the previous unrevised underwriting standards?

David Seinjet: A vintage analysis is a very standard analysis in which we measure the NPLs according to the date of origination and the NPL levels in each of the months that have passed by. That's a very simple analysis in which we compare the same month at origination to the non-origination. We are seeing a 65% decrease in NPL levels at the same age of origination with the new originations.

Patricia Moreno: One of the last questions from Carla Tejada, from Credicorp Capital. Would you consider another capital injection to comply with S&P requirements? Have you been in conversations with rating agencies?

Yes. We have been in conversations with Fitch Ratings and with Standard and Poor's. Actually, the 12 billion COP of additional capitalization that were approved during the first quarter of the year was something that we talked about with S&P. We told them as soon as the decision was made by the shareholders and they were very receptive about this decision.

As David mentioned before, this is additional capital to support growth during the year. Since our portfolio is not growing as expected at the usual rates, during the first quarter of this year we are maintaining a moderate position in terms of solvency, which is one of the ratios that S&P is looking flawlessly, but we believe that with the performance for the following months, which are expected to be better in terms of net results, we will be able to continue strengthening our shareholders' equity and our solvency position as measured by the rating agencies.

David Seinjet: To complement what Patricia is saying, shareholders are very committed to comply with all the ratios measured by rating agencies. I guess your question is regarding the ratio that S&P asked about...

Patricia Moreno: The risk adjusted capital ratio.

David Seinjet: We are very committed. Shareholders are 100% committed in order to continue strengthening the balance sheet to comply and improve and go back to the same levels as before in order to maintain our ratings.

Regarding future results, management feels that our results were negatively impacted by three aspects that we feel are under control: net impairments, the performance of our credit card business, in which we needed to control NPLs. Basically, we decided to strengthen underwriting policies. That will reduce portfolio sales and interest income and commissions, so we feel that with the strategies that are in place net impairments are going to reduce, performance of the product is going to improve, and supported by very strong results in our payroll loans, we feel that we are going to achieve better results in the coming quarters and with a strengthened balance sheet.

Patricia Moreno: A follow up question from Michael, from Inter American Advisors. What kind of maturation is being targeted at the Electrohuila agreement?

David Seinjet: In mature alliances, we reached closed to 25% penetration rate within three years, or something like that. I'm not sure. I don't have the exact number but it's around 25% within three years so we expect to reach same penetration levels at the other alliances that we have.

It will depend on the performance of the alliance but as I mentioned earlier, we are very confident that this is a very – geographical region. It's a geographical region that relies a lot on agricultural products and has a very stable economic growth in the past and we assume it will continue to have a stable economic development.

Patricia Moreno: The last question from Maria Cruz, from Seminario. What are the operational risks of payroll loans? How are you controlling these risks?

David Seinjet: Well, as Patricia mentioned during the call, the payroll business around 80% of our risk comes from operational aspects. We feel that we – are operating under very strict risk administration systems, even though we hired an external consulting company which use to be – in Colombia and we are putting in place a strategy to implement a more automatic process, so we are investing. This consulting company is already working with us to know how to – and is helping us in order to improve efficiency and automate the remaining process in these operational aspects of payroll loans.

Patricia Moreno: As we also explained during the conference call, one of the digital initiatives that we are working on is a 100% digital platform for payroll loan renewals. That will be launched in June 2019. It will be a process in which the client can go directly to their mobile phone or tablet and they could access the web app and include all the information that they need directly so that the renewal of the payroll loan will be automatic at the time.

That will eliminate certain risks that we have of sending the documents to the employer or to the pension fund and waiting sometimes for the discount to be applied. In this case what we are doing is reducing those times to be more effective, specifically for the renewal process, which is a very large part of the strategies that we maintain to control the portfolio balance in payroll loans.

We will send the presentation and the financials right after this call to our distribution list. We have experienced some problems with the web site. I've heard that our results for the fourth quarter of 2018 are not visible to everyone. I will check into that so that you are able to see them by the end of this week in the website.

Operator thank you very much for your help.

Operator: Thank you ladies and gentlemen. This concludes today's conference. Thank you for participating. You may now disconnect.