CREDIVALORES-CREDISERVICIOS QUARTERLY RESULTS REPORT[1]

AS OF SEPTEMBER 30, 2018

Operator: Welcome to the Credivalores third quarter 2018 results conference call. My name is Katherine 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 3Q and first nine months of 2018.

My name is David Seinjet and I am the founder and CEO of Credivalores and here with me is Patricia Moreno, our Director of International Funding and Investor Relations, 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.

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 insurance. The Company has a track record of over 15 years and more than 880,000 clients, having issued more than US$2.4 billion in loans.

As of September 2018, we had a managed loan portfolio of US$469 million and a broad geographic footprint with 85 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 2,100 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 16,000 bank correspondents with a wide presence throughout the country.

As of the nine months of 2018, we maintained a strong balance sheet position with a shareholders' equity of US$71 million.

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,

[1] The following transcript should be read in conjunction with our Financial Statements as of September 30, 2018. Our Annual Financial Statements have been prepared in accordance with IFRS for non-financial entities.

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

Credivalores' Client Base Breakdown

Our customer segment is comprised of those clients that traditional banks cannot or do not serve, more specifically mid- to low-income clients in Colombia's small and medium sized cities, where banks have a more limited presence.

About 75% of Colombian population, which stands at about 50 million people, corresponds to socio economic segments 1 through 3, with the lowest income levels especially in small and medium cities. Precisely, 89% of our client base corresponds to these segments with 70% of the loan portfolio in small and medium cities with populations between 200,000 and 2 million inhabitants.

By gender, we ensure equitable access to payroll loans, credit cards and insurance financing to men and women within the segments in which we are present. By age, there is a clear differentiation among our products. Whereas about 80% of clients of the insurance premium financing and the credit card products are younger than 55 years old, more than 50% of our clients under the payroll loan product are older than 55 years old, according to the strategy to increase our market share among pensioners in this product.

Overview of Product Portfolio

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

− We manage a portfolio of US$470 million, out of which payroll loans represent almost 55%, credit cards almost 37% and insurance premium financing around 8%.

- 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 57 months among all products nonetheless the average life of the portfolio is 48 months, including prepayments. The average interest rate is 26% (not including fees) and total yield is 36% including fees and commissions. Our average NLPs for the managed portfolio stood at 6.5%, 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.

We also have been able to develop and operate a successful retail insurance business. As of September, 2018 more than 43,000 clients of our payroll loan business and more than 69,000 clients from our credit card business had voluntary insurance policies issued through Tu Seguro, reaching a 72% and an 80% penetration rate, respectively. As of the same date, non-credit clients had 119,000 insurance policies outstanding issued by insurance companies and sold by us using our alliances with utility companies. The fact that the premium of this policies is included in the utility bill, allows us to have a 95% collections ratio. These alliances have granted us access to 300,000 households during 2018 allowing us to issue 25,000 insurance policies year to date. In this way we have become one of the leading distributors of micro insurance policies in Colombia. We obtain fees from this business line, equivalent to $9.4 billion pesos or about US$3,2 million.

Please join me in slide 7 to review the main highlights of the company in the third quarter of 2018.

Opening Remarks

During this quarter we partially prepaid the local secured syndicated loan we disbursed during the first half of the year to fund payroll loan origination. We renovated this facility with local financial institutions for an amount of $223 billion pesos (around US$75 MM) in November 2018. The loan has a 3-year availability period for revolving disbursements and a 5.5 years tenor. With this renovation we completed about $273 BnCOP in committed credit lines with financial institutions with 38% of this amount available to use. In addition, we have been working on diversifying our funding sources through a senior unsecured syndicated loan with international investors, which we expect to close in the following days. The average life of our debt remains at 3.2 years and it is fully hedged to Colombian pesos through derivative instruments.

Regarding our credit ratings, in September 2018, S&P confirmed Credivalores' international issuer credit rating at B+ and announced a change in the outlook from stable to negative. This was a result of the deterioration of the Risk-Adjusted Capital Ratio, calculated by dividing the Total Adjusted Capital by the Risk-Weighted Assets. This ratio declined between December 2017 and June 2018, mainly due to a decline in the Total Adjusted Capital because of the adoption of IFRS 9 for valuation of financial instruments and a minority equity exposure in Asficrédito, a company that manages the sales force. The adoption of IFRS 9, which was a requirement for all corporates in Colombia in 2019, resulted in a change in the impairment model of the company from incurred losses to expected losses. The result was a $47 BnCOP reduction in the shareholders' equity. The Risk-Weighted Assets were also affected by the net deferred tax assets related to the valuation of financial instruments to hedge the FX exposure.

This announcement triggered three specific initiatives: first, a full divestment of Asficrédito during the last quarter of 2018, second a $3 BnCOP (about US$1 million) capitalization from one of the shareholders and the commitment to explore several instruments to strengthen the shareholders' equity, and third, greater focus on initiatives to improve profitability margins in 2018 and 2019.

Regarding our growth and profitability, during the first nine months of 2018 our managed and owned portfolios grew 13.9% and 19.4%, respectively year over year.

Finally, we received a $3 BnCOP (about US$1 MM) capitalization from one of our shareholders to support our equity position. As of September 2018, our leverage ratio stood at 6.8x and our solvency ratio at 12% As of this date we are in compliance with all the covenants from our financial obligations.

3Q and 9M 2018- Main Highlights- Macro Conditions

Regarding the business environment in Colombia, inflation remains under control within the target of the Central Bank and market consensus expects to end 2018 with a 3.3% inflation rate. Interest rates have been decreasing since December 2016 when the Central Bank adopted an easing cycle considering lower economic growth expectations for the country in 2017 as a result of the impact of oil prices in the fiscal accounts. Therefore, DTF, which is the 90-day CDs average rate, and the overnight repo rate have decreased consistently since August 2016.

The reduction in interest rates from the Central Bank was not reflected completely in the interest rates from the financial system in 2017. 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 decreased 312 basis points since the adoption of this measure. However, we have not had a similar adjustment in the average interest rate of our portfolio, since we maintain an important gap compared to the usury rate.

By the end of 2017 government officials and representatives from the banking sector have expressed publicly the need to deregulate the maximum interest rate for consumer loans among the low and middle-income part of the population in order to increase the access to financial services. However, no specific regulatory measures have been announced by the cabinet or representatives from President Duque, who was recently elected and appointed during August 2018.

The financial system in Colombia has witnessed an increase in the NPLs as a result of the slowdown in the economy with low growth rates in terms of loan portfolio balance.

As of September 2018, the average systems' NPLs stood at 4.96% and NPLs from consumer loans totaled 5.80%. The system as a whole remained well capitalized showing a solvency index of 16.4%.

Out of the total loan portfolio of the financial system as of September 2018, about 29% were consumer loans totaling US$44 billion dollars. The consumer loan portfolio grew 8.4% 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 9.8% and 6.1% year over year, respectively.

Now, please join me in slide 11 to review our third quarter and accumulated nine months of 2018 results.

3Q and 9M 2018 Operating Results

Our client base increased 2.6% between June and September 2018 and 12% between the first nine months of 2017 and the same period of this year. We have grown in the number of clients for all of our products, especially in the credit card and insurance financing. 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 in this product.

Our disbursements decreased 14% between June and September 2018, as a result of a decrease in originations in payroll loans due to the general vacations period of government officials, the Soccer World Cup which slowed down the consumer lending business and an increase in commissions of this product in order to optimize the pricing strategy to increase profitability. Nonetheless, origination among pensioners in our payroll loans product increased 73% year over year. The disbursements for the credit card business also decreased due to the change in underwriting policies in order to better control NPLs.

Loan portfolio origination totaled $686 billion pesos during the first nine months of 2018 exhibiting a 21.3% increase compared to the same period of 2017. During the first nine months of 2018 we had a large increase in disbursements across all products, but specially in payroll loans, as a result of a stronger liquidity position of the Company during 2018.

Regarding our owned portfolio, which includes the portfolio on balance and in free standing trusts, we had a 2.2% growth between the second and third quarter of 2018 and a 19% growth year over year reaching a total of almost $1.2 trillion pesos.

Our managed loan portfolio, which includes our owned portfolio and the payroll loan portfolio sales, also increased by 2.0% quarter over quarter totaling $1.39 trillion pesos as of September 2018.

The annual growth in the owned portfolio resulted in a 13.9% growth in the managed portfolio as a result of a large increase across all products but specially in payroll loans. As we suspended portfolio sales of our payroll loans since June 2016 our managed portfolio will eventually equal our owned portfolio. With these results we confirm our origination capabilities and the strong demand for loans in our market segment when compared to the 8.9% nominal growth of consumer loans in the Colombian financial system.

If we review our managed loan portfolio by product type, as of the end of the first nine months of 2018 payroll loans increased their participation between June and September to 55%, 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 0.64% of the portfolio and the average single exposure represents only 0.10% of the total portfolio.

In addition to our diversification, almost 86% of the payroll loan portfolio and 47% of the overall Company's 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 22%.

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.

During the third quarter of 2018 our NPL levels increased above the average NPLs of the consumer loan portfolio of the financial system to 6.5%. This was the result of two specific events:

1) A deterioration of the credit card NPLs in two specific cities: Bucaramanga, located close to the boarder with Venezuela, and Villavicencio, located in the southeastern part of the country. The Venezuelan immigration affected the economic environment in Bucaramanga, increasing informal employment to almost 57% in September 2018, which is 21% above the national average. Villavicencio has been affected by massive layoffs from the oil and mining industry in the past two years and a general

slowdown of the economy given the dependency from this activity. The unemployment rate in this city increased from 7.2% in December 2017 to 11.7% in September 2018. These two cities represent about 45% of the credit card loan portfolio.

2) The second event is related to changes in the management team of the Credit Risk Department. As mentioned in the last call, we strengthened the collections team with new recruitments from the financial system. This team was fully empowered to implement new standards and best practices for the credit risk management of our products. However, some of these new measures did not take into account the specialty of our products and market segment, leading to operational problems in the collections and monitoring areas, which affected our traditional performance.

We expect to partially control these effects during the last quarter of the year by completing the implementation of a new collections software in December 2018, improving the control of the new management models in the collections and monitoring areas and focusing our growth on payroll loans. Recently, we recruited Juan Camilo Mesa, as our new Chief Risk Officer. Juan Camilo is an engineer with an Economics minor and a Master of Science in Risk Management from NYU. He previously worked as Chief Risk Officer for Tuya, a joint venture between Bancolombia and Grupo Exito and one of the largest credit card issuers in Colombia with a market share of about 15%. With these measures we expect to maintain the total NPLs at 6.5% by year end.

Despite the recent performance, our NPLs remain below the Colombian financial system, even after including write-offs of loans greater than 360 days from commercial banks. As of September 2018, Credivalores had NPLs of 12.7% compared to the 14.4% of the industry average when including write-offs.

NPL coverage ratio of our managed portfolio and our owned portfolio, decreased between the second and third quarter of this year to 94% for the managed portfolio and 105% for the owned portfolio, including FGA reserves. This was due to the increase in NPLs, especially in the credit card business, and to an increase in FGA commissions that are charged to our clients as a guarantee for the performance of their loans during the quarter. However, year over year the coverage ratio improved from 85% to 94% on our managed portfolio and from 94% to 105% in our owned portfolio.

Our recovery rates for loans with over 180 days overdue as September 2018 was 18.1%. The recovery rate has decreased from 25,1% in September 2017 to 18,1% this year due to poor performance of our collections and monitoring processes, which are going through an important restructuring, as we just explained. However, we maintain high recovery rates of NPLs compared to market standards.

3Q and 9M 2018 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, increased 4.4% between the second and third quarter of the year, mainly as a result of a 9.1% increase in interest income which offset the 5.3% drop in commissions and fees. The growth in the interest income was due the increase in payroll origination during the last two months of the second quarter, which meant that for the third quarter these loans had full accrual of interest for the period. Year over year, interest income grew 11% due to higher average portfolio balance and a 21% increase in commissions and fees, offsetting revenues from portfolio sales and other items that we used to have in the past.

The gross financial margin increased 8.6% quarter over quarter due to an increase in interest income higher than the increase in financial costs and lower net impairment expenses. Year over year, gross financial margin decreased 10.3% due to two reasons: 1) lower net interest income, resulting from higher financial costs related to a higher balance of dollar denominated debt and the cost of the hedges to pesos, and 2) higher net impairment expenses due to the adoption of IFRS 9 during 2018.

The selling, general and administrative expenses, which are referred to as other expenses in our income statement, increased 6% between the second and third quarter due to an increase in the legal, insurance and taxes expenses offset by lower employee benefits. During the first nine months of the year other expenses totaled $72 billion pesos, 1,0% less than in the same period of 2017 as a result of the annual cost saving program implemented to improve operational efficiency and control expenses.

With regards to the operating income, quarter over quarter we experienced a 36% increase due to the growth in the gross financial margin, as previously explained with a controlled increase in other expenses. On an annual basis, operating income declines 48.8%, as a result of a 24.3% increase in the financial costs arising from higher US dollar debt balances and their hedging costs. During the second and third quarter we reviewed our accounting policies towards transactions costs and costs of hedging instruments, which increased after the issuance of our 144 A / Reg S Bond. Applying current accounting standards, we adopted a new amortization methodology for transaction costs over the life of the Bond and reclassified certain costs of hedging as financial costs affecting the net interest and similar, the gross financial margin and the operating income in September and June of 2018. This change in the classification of financial costs did not affect the net income for these two periods.

Now moving to the non-operating results in the income statement, during the first nine months of 2018, non-recurring items, which include foreign currency rate differences represented a financial income of $8.3 billion pesos offset by the negative valuation of hedging instruments for $7.1 billion pesos. Thus, our non-operating items totaled $1.6 billion pesos as of September 2018, confirming the effectiveness of the hedging policy in place to mitigate impacts on the P&L from FX rate fluctuations.

As of September 2018, 100% of our foreign currency debt was hedged to pesos through short-term forwards, cross currency swaps and options. In January 2018, we executed a cross currency swap to Colombian pesos on the principal and interests of US$250 million of the principal of the 9.75% notes with international counterparties. The hedge extends until 2022 and it was structured to allow Credivalores to actively manage the gap of its assets and liabilities during this period paying a floating rate in pesos indexed to the IBR overnight. Furthermore, in March 2018, we closed a call spread on the principal of the US$75 million reopening of the notes and a coupon only swap also indexed to the IBR overnight to hedge the corresponding interest payments until 2022.

Our net income before taxes and non-recurring items during the third quarter and during the first nine months of 2018 was considerably lower than during the same periods of the past year, due to the fact that our P&L is less affected by the volatility of non-recurring items associated to the exposure to FX risk in our financial obligations. This allows the management to focus on improving operating results and profitability. If we eliminate the impact of non-recurring items from our income statement, the net income before taxes would have reached $9 billion pesos as of September 2018.

When considering all the impacts from non-operating items, our net income before taxes exhibited a profit of $2.5 billion pesos in the third quarter of the year. Year over year, our net income before taxes showed an important recovery due to the effectiveness of the hedging instruments in place to mitigate FX rate risk on the P&L.

During the third quarter of the year we had a net income of $1.8 billion pesos and an accumulated result for the first nine months of the year of $9 billion pesos, exhibiting an important recovery of more than 100% when compared to the same period of 2017.

9M 2018 Financial Results- Balance Sheet

With regards to our balance sheet, we present the main financial ratios for the first nine months of the year.

Our shareholders' equity decreased 13% between September 2017 and 2018, totaling $212 billion pesos. When comparing the results between December 2017 and September 2018, our shareholders' equity decreased 7.2% due to the one-off charge effect of the adoption of IFRS 9 and the variation of the other comprehensive income resulting from the mark-to-market of the derivative instruments related to the interest rate component. The volatility in the OCI is temporary since the impact of derivative valuations on the OCI should be zero at the maturity of the hedging instruments.

Our leverage ratio of debt to equity stood at 6.8 times, due to additional debt disbursed under local unsecured sources of funding and a decline in the equity due to the movement in the OCI and IFRS 9 adoption. Our solvency ratio, calculated as equity to assets, declined to 12% compared to the 15.4% of December 2017 due to an 19% growth in assets and a 7% decline in equity. If we calculate a risk-adjusted capital adequacy ratio, in which the cash and cash equivalents from the Balance Sheet weight cero percent, then this ratio will improve to 12.9% as of September of 2018.

It is worth mentioning that our cash position has increased by almost 10% this year compared to December 2017 as a result of changes in the liquidity policy of Credivalores to address unexpected events. Lastly, the capitalization ratio measured as the total shareholders' equity divided by net loan portfolio, which is defined as the owned loan portfolio less impairments of financial assets and the FGA reserve, totaled 20.9% as of September 2018 remaining above the 13.5% level required by the covenant of the 144 A / Reg S bond issuance.

With regards to the evolution of the composition of our capitalization, between December 2017 and September 2018, total capitalization increased 18.9%, due to the reopening of the 9.75% international bond in February 2018, the issuance of notes under the ECP Program in April 2018, the IFRS 9 adoption and the OCI impact in the shareholders' equity. Year over year, the capitalization increased 12%.

Our ratio of unencumbered assets to unsecured debt, calculated accordingly to the Description of the Notes of the offering memorandum of the bond, stood at 113.4%, above the minimum 110%, required by the covenant.

Our average funding cost was 12.7% during the third quarter of the year in line with the result from the second quarter. 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 and a decrease in the Central Bank's reference rate during the first quarter of the year, which led to lower domestic interest rates, specially the IBR rate, art which 68% of our debt is indexed to including the interest payments of the international bond which are indexed to the IBR overnight rate through a cross currency swaps executed during the first quarter of the year.

9M 2018 Debt Profile

As you see on slide 24, the price of Credivalores' bond has also been affected by the recent market volatility and Emerging Market sentiment.

In terms of our financial obligations by source, the issuance of the 144 A/ Reg S notes in 2017 changed our funding structure by substituting domestic secured debt for foreign currency unsecured debt. As of September 2018, the 144A /Reg S notes represented 64% of our total financial obligations, the outstanding notes under the ECP Program represented 15%, the secured domestic sources represented 16% and the unsecured domestic sources represented 5% of the total financial obligations of the Company.

Below, we present the debt maturity profile before and after the bond issuance in July 2017. We have been able to extend the average life of our debt from 1.14 years in June 2017 to 3.2 years as of September 2018. The secured debt amortizations correspond to the IFC facility, which has about $40 billion pesos outstanding and the local syndicated loan for payroll loans, which is revolving for the following three years. We completed two liability management transactions during the last quarter of 2017 and the first half of 2018, which allowed us to prepay US$80 million of notes under the ECP Program and extend debt duration through longer term issuances with more than 3 years average life. With these transactions we continue to improve the debt profile of Credivalores moving towards long-term unsecured sources of funding and a diversified investor base to support our growth.

9M 2018 Financial Obligations

Finally, we present the status of our financial obligations as of September 2018.

Total financial obligations increased 24% to $1.5 trillion pesos between December 2017 and September 2018. As of September 2018, 84% of total debt was unsecured and 16% was secured, represented by the IFC facility and a peso denominated syndicated loan with local financial institutions, which was disbursed to fund the portfolio origination during first half of 2018. By currency as of the same date, 82% of our debt was denominated in US dollars and 18% in pesos, with 100% of the total 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 result of the strategy to extend average life of debt.

Now, please join me in slide 26 to present our closing remarks for the conference call.

Closing Remarks

With regards to our closing remarks, in terms of our funding sources we continue developing new sources of funding to diversify our investor base through loans in pesos, with multilateral entities and international banks. We believe these new sources of funding will allow us to maintain the average life of debt above 3 years to mitigate the refinancing risk.

On the risk management side, the new dynamic risk management strategy implemented in 2017 will allow us to maintain a dynamic hedge on our foreign currency rate and interest rate exposure, while maintaining a minimum impact in our P&L.

As seen throughout the presentation the adoption of IFRS 9 during 2018 impacted our financial results and credit rating. The recognition of higher impairment expenses for $47 billion pesos resulted in a loss in the shareholders´ equity and write-offs for $22 billion pesos reduced our loan portfolio. The volatility in the OCI account of the shareholders´ equity due to derivatives valuations, has also affected our solvency ratios. However, we have been able to grow above the average financial system in our loan portfolio on a year over year basis.

Regarding the asset quality we expect to stabilize the NPLs by year end, especially for our credit card business, through several initiatives which include: the strengthening of the collections and risk areas, the results of the new collections software, a new management team in charge of implementing changes in processes for early and preventive collection and a new collections model for the agreements with utilities in Bucaramanga and Villavicencio, which have experienced important operational problems recently. I would like to emphasize that the results of the quality of our asset during this quarter reflect mainly a poor performance of our management team from the risk and collections area, which I expect to correct by year end.

The $3 billion pesos capitalization from one of our shareholders is a strong sign of their commitment to achieve the growth expectations for the business in Colombia and to explore different alternatives to strengthen our equity in 2019. We are already experiencing the benefits from adjustments in our cost structure, especially in our administrative expenses, due to the annual cost saving program. This will improve efficiency ratios to around 57%.

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'll go with the audio questions and then we'll read and answer questions coming from the web.

If you have a question, please press * then 1 on your touch-tone phone.

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

If you're in 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 touch-tone phone.

The first question comes from Nelson Davalos, from BD Capital.

Nelson Davalos: Hi David and thank you very much for the quarterly presentation. Could you please briefly describe what is going to be your risk adjusted capital ratio? What is the current risk adjusted capital ratio you have in place for this quarter? What's your guidance for the next quarter? Also, I would like to know, what is the current status of Asficredito, if you already divested from this company. Thank you.

David Seinjet: Ok. Let's answer first the question about Asficredito. We have disinvested the participation of Credivalores in the company. Still we have administrative control of the management team, since Asficredito is responsible for managing all our sales teams, so Asficredito has already been taken care of.

In terms of the risk adjusted capital ratio, Asficredito impacts the ratio and the way the rating agency looks at the ratio is not where the ratio currently stands. It's the ability of the company to maintain the ratio after the expected level for the coming months.

Patricia Moreno: After completely divesting from Asficredito and doing some other arrangements among the accounts receivable, we expect to move upwards the 7% that has been considered as a threshold for the ratio. It's kind of difficult for us to tell you exactly where we stand today because part of the risk-weighted assets is part of the methodology of Standard & Poor's and they have their own weight for each item of the assets. We kind of discussed with them partially where the risk-weighted assets would end at the end of 2018, 2019 and 2020 and with those expectations we would be above the 7% that I'm telling you for these three years.

Nelson Davalos: Ok. Thank you, David and Maria Patricia.

Operator: We have no further questions at this time. Now I'll answer the questions coming from the web.

Maria Patricia: Ok.

We'll try to answer most of the questions that we received, but if anything, we'll follow up after the call.

There's a question about how we expect to control the NPLs from the credit card business and what have been the results up to date.

David Seinjet: Let me answer the question. The credit card business for us has a very unique collection channel, so it's not completely related to credit risk. It has a lot of operational issues, since the collection depends on our ability to include timely on the utility bill the installment, so we have had first some operational issues for these two alliances that we mentioned during the call, which is Bucaramanga (AMB) and Villavicencio, which is another utility company called EMSA.

We have been improving operational aspects and besides that we are improving collections thanks to the model that we used in the past. We changed collection strategies thinking or not knowing that the preventive collection was so important, so we're basically moving back to practices that were used in the company in the last five or eight years. These NPL levels have been unseen for us and we conclude that it's not totally related to the credit quality of the client. It's mostly related to operational issues and a change in the collection model by our management team.

That's one of the reasons why we decided to bring on board a new member as a CRO, a person with vast experience in managing credit cards for the low-income population of the country. Basically, he was responsible for credit risk and collections in one of the largest issuers for low income population, so we feel that we understand the problem. It's something that we now know in terms of strategy and we feel that we'll be able to control NPL levels in the credit card business.

Patricia Moreno: There are a couple of questions from Xavier de Romana, from Niklas Partners. I guess some of you have told us that you had some problems downloading the financial statements as of December 2017 from our web page. We will review that, but this morning I checked, and I was able to do it. I tried to send them to those of you who have had problems downloading it.

Another question from Xavier de Romana is if we have any overlap between the clients of the payroll loan product and the credit card product.

David Seinjet: No. The overlap is minimized. We are not very active in cross-selling. Basically, the clients for the payroll loans are different. Sales teams are totally different. It's a specialized product and probably it's one of the competitive advantages that we have over any other regular financial institution. When the client goes to a regular financial institution, he's offered a credit card, a mortgage, a big loan, and basically what we offer is eight products specifically designed for his needs, so we have no overlap and we do not engage in cross-selling of products to our client base.

Patricia Moreno: Another question is, what has been the peak of your NPLs on a historical basis?

David Seinjet: We are at the peak right now.

Patricia Moreno: Thus, the measures that we are taking to control them.

From Invesco, Adrian Garcia, given the discussion on the fiscal reform, do you expect a deterioration in consumer confidence and as such a deceleration in appetite for consumer credit?

David Seinjet: Not really. We feel that there is an increase in confidence in the country itself. With the new government in place, confidence has been improving. Improved confidence in the country means that we'll be improving in demand for loans and we have been able to grow much faster than any other financial institution, so we feel that our market segment is quite independent from what goes on in terms of government, in terms of fiscal reforms, or in terms of changes in policies.

Our market segment is basically located in small and medium cities. They don't get to see the uptrends in economic growth and they don't get to see the downturns in economic growth. They're much more stable. Nevertheless, we have specific situations that we mentioned during the call, such as the immigration from Venezuela, which is a very important issue for the country itself. New numbers show that probably 1.2 million Venezuelans have moved to Colombia irregularly and we have to provide health, education and living facilities so that's an issue that will impact the region in the border with Venezuela.

I think we already digested the decrease in foreign direct investment in terms of oil and mining. Probably there's going to be an increase now with the new oil prices, but besides those specific events we feel that 2019 is going to be a good year for GDP growth in the Colombian economy.

Patricia Moreno: There's a question on deregulation of the rates.

David Seinjet: That's a good question. We don't know. Day by day we have receiving a lot of questions on our feeling and what's good for the country. There's a lot of pressure from some government officials that deregulation of the rates will be the only way to increase financial penetration in the population of Colombia.

As you might be aware, financial penetration is very low. If you measure financial penetration in the large cities, it's around 30%. But if you go to small and medium cities, you find cities with 200,000 inhabitants with a 7 or 8% financial penetration. Some officials are already aware and they have been recommended by some agencies that deregulation in some of the financial products is important.

We don't know what is going to happen. We don't know if it's going to happen or not. We feel that in the financial system in Colombia, probably credit cards and payroll loans are very mature. There are very strong laws. We are the only country in the world that has a constitutional law that regulates the payroll loans if they deregulate the rate, even though we are going to be regulated by this constitutional law that was signed in 2015 or 2016.

Patricia Moreno: There's a question from Maria Teresa Cruz and Alonso Acosta, regarding the instrument to strengthen shareholders' equity, the kind of high-risk instruments that we have been discussing. You want to answer?

Basically what we mentioned during the conference call is that our shareholders are currently open to the discussion of exploring not only a further capitalization during 2019 to strengthen our shareholders' equity position, but to probably explore instruments like hybrids bonds which will have to go through a process of analysis with the credit agencies and internally, but we believe that this could be a mezzanine solution before we reach a capitalization.

It has been the case for institutions like us in Mexico like Credito Real or some other institutions in Colombia, even traditional commercial banks that have considered these instruments in the past. We will do our due diligence internally also and according to that we believe this could be a transaction that could take place during 2019 according to market conditions and to the final decision of our shareholders.

David Seinjet: I think it's a good question and I just want to complement. We see a huge potential for growth. We feel that the dynamics of our sales team has been great. We see that the alliances that we have developed over these 15 years of work are very strong, so we have a lot of potential for growth.

We feel that we can continue growing at around two times as fast as the other players, but equity restriction is something that we have been discussing and as Patricia mentioned a high-risk instrument is something that we are analyzing. We are following the path that other Mexican non-bank financial institutions have done in the past.

Patricia Moreno: There's a question from Sergio Delgado, from Aventicum Capital. Given your high funding costs, how can you keep growing your portfolio and maintain profitability?

David Seinjet: I think the most important here is increasing profitability. Profitability will end up resulting in higher equity that will allow us to achieve higher growth rate and we feel that we have been able to stabilize our net income. I think Patricia and the rest of the financial team have done a great job stabilizing the P&L, basically mitigating FX risk. We have used very complex instruments like the full cross-currency swap taking basically a fixed-rate dollar denominated bond and extend it to an IDR which has a viable rate in Colombian pesos. I think stabilizing our P&L with this financial instrument will allow management to focus more on the most important aspects such as improving efficiency ratios in our selling processes.

We are working with a large consultant company, going over all the opportunities that are coming from the digital world. We have a lot of processes that can be improved using digital processes and strategies and also using different strategies in terms of improving pricing.

We have seen and there's a lot of space in small and medium cities that we can further increase pricing without impacting the ability to issue new loans. But the major concern or probably the most important is profitability.

Patricia Moreno: This is a question from Ignacio Ponce, from Baffin Advisors. What measure are you going to take to control NPL and how will you improve credit quality to keep the B+ rating?

David Seinjet: I think we answered the question and I can probably go in more detail, as I explained earlier. Let's talk about payroll loans and then I'll move to credit cards.

Payroll loans are performing well, even though we have improved our ability to issue new loans in pensioners. Pensioners are the perfect credit profile for a loan. Basically, the pensioner never loses his pension until death, so you're lending almost to the Colombian government and the only risk is death and 100% of our portfolio is covered by a life insurance policy.

As we mentioned in the presentation, we have been able to grow the pensioner portfolio year over year at around 73% and that's going to change the credit profile of the payroll loans even though the NPLs are very low, that's going to improve even further the quality of the portfolio.

In terms of the credit card business, as I mentioned earlier, we have a very good understanding that the increase in the NPLs is due to the credit quality of our clients. It's more operational due to changes in collection processes, so I feel that if we take control again and go back to the practices that we used in the past, NPLs are going to be controlled and are going to have a better performance.

Patricia Moreno: Most of these have been answered. I don't know if you want to answer this one relating to the NPLs and if they are related to a problem of growth or if we have issued credit cards to Venezuelan immigrants that are not identified, do we have perfectly identified and confirmed who we have issued credit cards to?

David Seinjet: No, I think Venezuelan immigrants are not our clients. It's basically that their presence deteriorated the economic environment of those cities. In order to be clients of Credivalores in the credit card business, you have to meet certain parameters in terms of income, probably you don't have to be an employee, but you can be an independent person, or someone who does not have a permanent job can be independent, but income has to be proven. The problem with this immigration is that thousands of Venezuelans are basically unemployed and people with no income whatsoever.

Patricia Moreno: There's another question about the expected financing that we mentioned during the call, the use of proceeds and the maturity.

As we mentioned in our results call in June, just recently we have been working with a number of international investors and banks to participate in a syndicated and secured senior loan in dollars. It's a facility that we expect to close in the following days. Last week we had Thanksgiving and that kind of slowed things down for us. We are almost done with the documentation and part of the concerns of some of the investors was basically to confirm company results as of September 2018, which we are doing right now, as this is a facility that will allow us to prefund the loan portfolio growth for 2019.

As mentioned during the call, all the funding that we have completed, along with the 144A Reg S bond issuance at the initial amount that we issued last year and the reopening this year and the 40 million dollars of an ECP note that we issued during April of this year were all dedicated to prepay the outstanding debt that we had as of the moment we issued those notes and to extend the average life of debt, so we have not been using these sources that we already issued this year to fund the growth of our portfolio. We have been funding the growth of our portfolio with our own collections and with also unsecure and secure sources.

This will be a new facility to diversify the source of funding that we have and to be able to have cash at hand to prefund 2019. We expect that with these resources we will be able to be on track for most of the first half of 2019. The opportunity to do a facility like this came from one of the international banks that covers the company. It was not something that we were looking for actively in the market. It came as a proposal from them and we were interested at the time.

In terms of cost, of course the performance of the bond in the last two months has not been helpful. We still believe that we have an opportunity to seize the spread at which we are discussing the indicative level for this transaction, especially because we expect to have a transaction in dollars and in other Latin American currency which will allow us to have a cost that at the end we expect to be competitive compared to any other source of funding that we have available.

We know that this is an exercise also that will allow us to increase the investor base that we have currently and to diversify our funding sources. That’s an effort that the company has been doing for the last year and a half.

There’s a question from Alonso Acosta, who wants more explanations on the increase in the interest cost during this quarter.

Basically, what we have been doing during this year in March, June and September is recognizing also the cost of the hedges that we have outstanding within the financial interest of the P&L and that’s the reason why you see an increase in this account.

There is also a change that we mentioned. We mentioned during the call that we did a change in the accounting policies for the amortization on the transaction costs. The transaction costs increased considerably when we issued the 144A Reg S bond. At the moment we had a different amortization schedule which we had to adjust for the second and third quarter of this year, so that also has an effect on the interest and the financial cost.

Those are basically the two reasons. There has not been an increase in rates locally. Actually, if you look at our cost of funding as a whole, including the mix from pesos and dollars, we maintain our cost of funding at about 12.7% the rate in pesos. The spread over the DTF has also maintained about 7%. DTF is the reference rate that we use to calculate this cost because it’s the historical rate for 90 days in Colombia, but because of the mix of pesos and dollars that we have right now in our debt we are able to maintain this average cost.

From Juan Pardo. What specific NPL level are you expecting for 2018 and 2019?

David Seinjet: We feel that we can close around 6.5% in 2018. 2019 has to be lower. I think we are going to start seeing results in the first Q of 2019 for the new strategy, new management team, and new software implemented during the fourth quarter of 2018.

We made some adjustments in different market segments in which we feel that we are going to get higher quality of credit profiles. As I mentioned earlier, payroll loans have been refocusing on growing the portfolio with pensioners that represent a very low NPL level in the future.

Software implementation.

Patricia Moreno: Yes. We have a lot of questions.

David Seinjet: We have two new software that we are working on. First, we're implementing a collection software that is provided by a local company, commonly used in large credit card issuers to low income population. It's a software that can give us much more detail, accurate information, and will allow us a much more efficient strategy in the early stage of collection. That's a software that we are implementing for collection.

We are also moving to a different software as a core business for the credit card product. It's a software commonly used by the large issuers as well as massive issuers of credit cards to low income population. It's commonly used in two large issuers in Colombia and other Latin American countries. That software is going to be in place early next month, probably in a couple of weeks, and the collection software is working already in the company.

Patricia Moreno: Are the equity holders willing and ready to keep the B+ rating?

David Seinjet: That's a must. It's something that hasn't even been discussed. We work very close to the credit agencies. I think it's important to mention that the credit rating now has been more affected by the risk adjusted capital ratio. It's not an operational issue. It's something that we have to adopt IFRS 9. None of the local banks has to adopt IFRS 9 on individual basis, so we have to adopt IFRS 9. Also, the adoption of IFRS 9 required different provisions even though it's a different model, in order to prevent expected loss. It's a different model and it's kind of unfair, because for example if you have a payroll loan given to a pensioner, what could happen? That the Colombian government goes to default and we don't see that happening soon. If he dies, the loan is covered by the life insurance, so the provision that you have to make there is very small because it's very unlikely to become a defaulted loan, even though IFRS 9 requires us to make some provisions in those types of loans.

Basically, the rating was adjusted by non-operational issues. It's something about the balance sheet that we're working on. As Patricia mentioned, we have been reviewing a high-risk instrument. We're working with our shareholders in how we can increase our equity position in order to not prevent down rate, but most likely look for an improvement in rating.

We feel that moving from 1.1 years in our debt maturity to 3.2 years is a major event even though it increased our cost of funding, but it's probably the highest risk of a non-banking financial institution. We did it and it's working well. Derivatives have been in place. Liquidity position is great. Cash at hand has been…

Patricia Moreno: About US$10 million dollars per quarter. We maintained about 10 million dollars per quarter in cash at hand and also we completed several committed lines which allows us to have about 75 million dollars and 38% of them available right now to diverse, so this will definitely take care of the liquidity risk which was an issue before for Credivalores in 2016 and probably at the beginning of 2017 and we have been more conservative in our policies regarding liquidity this year and have also penalized our risk weighted assets, of course.

David Seinjet: To wrap up the discussion with the rating agencies, we feel that we can be in a much better position to look for an improvement in ratings, instead of a down rate once we complete all the pending issues in terms of equity, but in terms of cap of funding, which is the most important aspect of a rating agency, we think that we have done it. We have been available to absorb the higher cost of interest into our pricing strategy for our products.

Patricia Moreno: Outside of Bucaramanga and Villavicencio, how is the NPLs performance? Can we link the performance of NPLs to the underperformance of these two cities?

David Seinjet: The performance of the credit card business in other cities is very stable. It's going very well and we're doing very well. The thing is that we're not doing very well at all in these two cities and it's where we have to go back to collection models that are probably more expensive, but we are implementing them.

Patricia Moreno: We can wrap up for now. We will follow up on a couple of questions that were left unanswered. Please let us know any additional questions or comments. You can write directly to me. You have my information on the third presentation and we will upload the presentation in the investor relations website as soon as this conference ends.

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