CREDIVALORES-CREDISERVICIOS QUARTERLY RESULTS REPORT[1]

AS OF JUNE 30, 2019

Operator: Welcome to the Credivalores second quarter 2019 results conference call. My name is Angela 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 second quarter 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.

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 795,000 clients, having issued more than US$2.5 billion in loans.

As of June 2019, we had a managed loan portfolio of US$454 million and a broad geographic footprint with 99 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 1,800 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$90.5 million as of June 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 partnerships with employers, retailers and utility companies granting us access to more than 7.6 million potential clients and our customer segment.

[1] The following transcript should be read in conjunction with our unaudited Financial Statements as of June 30, 2019. Our Quarterly Financial Statements have been prepared in accordance with IFRS for non-financial entities.

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$454 million, out of which payroll loans represent almost 60.8%, credit cards represent about 33% and insurance premium financing represents 5.5%.

- 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 72 months among all products nonetheless the average life of the portfolio is about 40 months, including prepayments. The average interest rate is about 25% (not including fees) and total yield is about 36% including fees and commissions. Our average NPLs for the managed portfolio stood at 6.6%, 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 80% 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 teams.
- 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 market.
- 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 second quarter of 2019.

Recent Developments

Regarding our growth and profitability, in the 2Q 2019 we had overall positive operational results and financial results in line with expectations. Our managed portfolio grew 6.5% and our owned portfolio grew 0.2% year over year. Total NPLs stood at 6.6%, down from 7.3% in March 2019. This improvement was due to the effectiveness of the measures implemented during the 3Q of last year and the 1Q of 2019, which will be further discussed in the presentation. In terms of our financial results, on a year over year basis, the net interest income increased 31.7% and our gross financial margin grew 2.6%, still impacted by larger net impairment expenses due to IFRS 9 adoption in 2018. Our operating income and our net income declined 12.4% and 85.5%, respectively.

During the 2Q of this year, we completed a legal corporate transformation to become a joint stock company under Colombian law. This transformation grants Credivalores access to the domestic capital market allowing the company to registry bonds and securities before the National Registry of Securities and Issuers from the Financial Superintendence. Also, during the 2Q 2019 we used the local secured syndicated loan 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 June 2019, we maintained $273 billion in committed credit lines with financial institutions and 31% of these lines were available to use in the next 12 months. The average life of our debt stood at 2.6 years and 100% of our foreign currency debt was hedged to Colombian pesos.

Our financial statements as of June 2019 reflect the $12 billion capitalization approved by all shareholders in March 2019 to support growth. Our leverage ratio stood at 4.9x and our equity to assets ratio improved to 14.4%. As of June 2019, the Company was in compliance with the covenants from all of its financial obligations.

Finally, we have consolidated our leading competitive position as a non-banking consumer lender, increasing our payroll loan origination by 36% and our payroll loan managed portfolio by 18% year over year. As we have stated in past conference calls, we have implemented several measures to improve the quality of our loan portfolio, especially in the credit card business, including technological improvements in the origination and collections processes, more conservative underwriting policies and new agreements with utility companies. These measures are already yielding their results as productivity increased by 38% and clients approved by 59%, improving also the credit quality of our origination, especially in the credit card business.

2Q 2019- Main Highlights- Macro Conditions

Regarding the business environment in Colombia, inflation remains within the target of the Central Bank at 3.79% as of July 2019. The Central Bank expects inflation to end 2019 at 3.6 %. 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 expectations from the Central Bank were revised to 3.0% from 3.5%, below the government's expectation of a 3.6% GDP growth. However, last week the National Department of Statistics revealed that the GDP growth from the 2Q 2019 was 3.0%, above

the market consensus. This growth was driven mainly by commerce and financial activities, which grew at 4.8% and 4.6% YoY, respectively. With the inflation rate at 3.79%, the Central Bank might consider additional interest rate increases to control inflation expectations.

Since September 2017, the calculation period of the usury rate changed from a quarterly to a monthly basis. Although the calculation formula remained unchanged at 1.5 times the average lending interest rate from banks, the usury rate has declined almost 400 basis points since the adoption of this 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 June 2019, the average systems' NPLs increased again to 4.80% and NPLs from consumer loans also increased to 5.3%. The financial system remains well capitalized showing a solvency index of 15.8%, above the 9% minimum regulatory.

Out of the total loan portfolio of the financial system, as of May 2019, 30% were consumer loans totaling about US$44 billion dollars. The consumer loan portfolio grew 11.4% 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 9.5% and 7.6% year over year, respectively.

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

2Q 2019 Operating Results

Our current client base represents about 6% of the total Colombian population holding at least a credit card or a consumer loan,

Our client base decreased on a quarterly and yearly basis, as a result of the reduction of our credit card origination due to more restrictive underwriting polices than those of 2018 and in payroll loans due to a commercial strategy to focus on pensioners, allowing us to increase the average loan amount and to extend the tenor at origination with the same client base to increase interest income from this product.

Our disbursements increased 1.9% quarter over quarter, as a result of the increase in the origination of payroll loans and credit cards to offset the decline in the origination in insurance financing due to management decisions to operate only with certain insurance companies to control operational risks. Year over year, origination grew 1.9%, mainly as result of the 36% growth in disbursements in payroll loans, especially among pensioners. Year over year, we have increased the share of pensioners of the total balance of payroll loans from 53% to 58%. The decline in origination in credit cards and insurance financing is due to self-imposed restrictive and conservative underwriting policies to better control NPLs.

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.

Regarding our owned portfolio, which includes the portfolio on balance and in free standing trusts, we had a 2.7% growth between the first and second quarter of 2019 due to the increase in origination of payroll loans. Year over year we experienced a 0.2% growth in the owned portfolio

reaching a total of about $1.15 trillion pesos, mainly due to a 9.2% increase in the payroll loans portfolio with a longer average maturity than credit card and insurance premium portfolios, which require higher origination to offset higher amortization amounts.

Our managed loan portfolio, which includes our owned portfolio and the payroll loan portfolio sales, increased 2.5% quarter over quarter totaling $1.46 trillion pesos.

The annual growth in the owned portfolio resulted in a 6.5% increase in the managed portfolio, specially from payroll loans which grew 18.1% 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 June 2019, payroll loans increased their participation to almost 61%, 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 58% 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 23%.

Geographically, Bogota represents only 26% 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 6.6% as June 2019. 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 previous 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 these measures, we were able to reduce the NPL levels across all products during the 2Q 2019, remaining 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 15.3% compared to the 20.9% of the average NPLs of consumer lending companies.

Due to the changes in underwriting policies, the vintage analysis of our recent originations in the credit card business show an improvement in the NPL levels of these loans.

NPL coverage ratio of our managed portfolio and our owned portfolio, had a slight decrease between March and June 2019. NPL coverage ratio stood at 83% 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 33% 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.

- 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.

- Finally, we have also changed the remuneration 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. After a month and a half of full implementation the results of this development are very promising: 59% increase in the number of clients approved showing already better performance on payment habits, 38% increase in productivity of our sales teams, 33% decrease in the response time to our clients delivering the credit card on site within 12 minutes and 55% decrease in origination costs. The digitalization of processes allowed us to have a large increase in the number of consultations to the loan underwriting process from sales representatives, which currently reach almost 60,000 per month.

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

Now Patricia will present our financial results for the 2Q 2019.

Patricia Moreno:

2Q 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, increased 0.4% between the first and the second quarter of this year, mainly as a result of an increase in interest income from longer dated loans in the payroll loan business and a decline in commissions and fees due to 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. As previously mentioned, the digitalization of processes allowed us to have a large increase in the number of consultations to our underwriting system from sales representatives, reaching almost 60,000 per month in the credit card business, which will result in the recovery of the origination and balance of the credit card portfolio during the second half of the year. Year over year interest income grew 17.9% due to an increase in the owned loan portfolio, mainly driven by payroll loans.

The gross financial margin grew 0.3% quarter over quarter, mainly due to a decline in net interest income and in net impairment expenses under IFRS 9. This decline in net impairment expenses during the 2Q 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 grew 2.6%, due to a 32% increase in net interest income offset by a 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. 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 1.7% quarter over quarter due to an important decline in employee benefits. Year over year, SG&A increased 5.9% mainly as a result of higher depreciation and amortization expenses and technical assistance expenses resulting from larger intangible assets recognized in December 2018 from the acquisition of the Crediuno business in 2016.

With regards to the operating income, quarter over quarter we experienced a 49% increase due to lower SG&A expenses and higher income from recovery of losses from past exercises. However, on an annual basis, operating income decreased 12.4% as a result of higher net impairments affecting the growth of the gross financial margin and higher depreciation and amortization expenses.

Now moving to the non-operating results in the income statement, during the 2Q 2019, the net impact of non-recurring items, which include foreign currency rate differences, financial income or expenses and costs of transaction, totaled $4.1 billion pesos. Transactions costs related to the origination of the loan portfolio are deferred over the average maturity of the loan. However, when we use portfolio transfers under certain financing structures, the amortization of those transaction costs related to the portfolio transferred must be recognized immediately. During the 2Q 2019, higher transaction costs from payroll loan portfolio transferred to these financing structures, registered as higher non-financial expenses for financial instruments, increased the non-recurring items net impact in the P&L.

As of the end of the 2Q 2019, 100% of our foreign currency debt was hedged to pesos through short-term forwards, cross currency swaps and options. Although, our net income before taxes and non-recurring items during the 2Q 2019 was less affected by the volatility of the FX in our financial obligations, the non-operating financial expenses increased due to higher amortization expenses from transaction costs related to loan portfolio transfers. If we eliminate the impact of non-recurring

items from our income statement, the net income before taxes would have reached $6 billion pesos as of June 2019.

When considering all the impacts from non-operating items, our net income before taxes exhibited a profit of $1,7 billion pesos as of June 2019. Out net income reached $1.1 billion pesos and was largely affected by higher net impairment expenses in the operating income resulting from the IFRS 9 adoption and an impact from non-recurring items related to the amortization of transaction costs from loan portfolio transfers. The net result of the second 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 second 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 second half of 2019.

2Q 2019 Financial Results- Balance Sheet

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

Our shareholders' equity increased to $290 billion pesos, showing a 16.2% growth compared to December 2018. This was mainly a result of the increase in retained earnings from the accumulation of the net income of 2018 and the COP$ 12 billion pesos capitalization from all shareholders to support growth.

Our leverage ratio of debt to equity stood at 4.9 times, declining from the December 2018 figure. This was a result of the 16.2% growth in our shareholders' equity during the 2Q 2019. Our solvency ratio, calculated as equity to assets, increased to 14.4% 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 15.7%. Lastly, the capitalization ratio, measured as the total shareholders' equity divided by net loan portfolio, totaled 29.9% as of June 2019 remaining above the 13.5% level required by the covenant of the 144 A / Reg S bond issuance.

Between December 2018 and June 2019, total capitalization, including the FX impact on debt, increased 2.1% to $1.9 trillion pesos, due to the impact of the capitalization in the shareholders' equity. Our ratio of unencumbered assets to unsecured debt, calculated accordingly to the Description of the Notes of the Offering Memorandum, stood at 133.3%, above the minimum 110%, required by the covenant.

Our average funding cost remained at 12.79% in June 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 second quarter of 2019 benefiting our financial cost, since about 68% of our debt is indexed to these floating rates.

Debt Profile- June 2019

The bid price of our 144A / Reg S bond recovered during the first half 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 101% on the bid side.

In terms of our financial obligations by source as of June 2019, the 144A /Reg S notes represented 64% of our total financial obligations, the outstanding notes under the ECP Program represented 14.8%, the secured domestic sources represented 12.7% and the unsecured domestic sources represented 8.1%.

Below, we present the debt maturity profile as of December 2018 and June 2019. Average life of our debt stood at 2.6 years as of June 2019. The average life of our domestic debt is 2.0 years, as most of these credit lines are revolving and short-term, and the average life of our international debt is 2.8 years. The secured debt amortizations correspond to the IFC facility, which has about COP$26 billion pesos outstanding and to the local syndicated loan for payroll loans, which is revolving for the following three years. As of June 2019, we face amortizations of $69 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 June 2019 we had $83.9 billion pesos available to use in the next 12 months for growth and debt amortizations.

Financial Obligations - June 2019

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

Total financial obligations, net of the FX impact, increased 0.1% to $1.43 trillion pesos between December 2018 and June 2019. As of June 2019, 87% of our total debt was unsecured and 13% was secured, represented by the IFC facility and a peso denominated syndicated loan with local financial institutions. By currency as of the same date, 81% of our debt was denominated in US dollars and 19% in pesos, with 100% of our debt hedged to pesos. By term, 12% of maturities were due in less than 12 months and 88% 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 customer acquisition process. During the 2Q 2019 we implemented a 100% digital origination process for our credit card business. We are rolling out this 100% digital origination platform for our renewal process for payroll loans under a self-service model for mobile devices.

In terms of customer 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 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. However, the performance of our NPLs during the 2Q 2019 improved, changing the trend from previous quarters while maintaining conservative and restrictive underwriting policies. Our profitability, in terms of net income quarter over quarter, improved by more than 102%, recovering the growing path included in our budget.

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 and we are working on new sources of funding in the fixed income local capital market. By the end of 2019, we expect to maintain the average life of our debt above 3 years to mitigate refinancing risks.

We see a more stable macro-economic 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 61%, 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 $15 billion pesos capitalizations between the 4Q 2018 and the 2Q 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 # key.

We have no audio questions at this time. We'll now answer the questions from the web.

Patricia Moreno: We have some questions in the webcast that we've received so we are going to read them and answer them on the phone, ok?

The first question is from Gabriel Fabrega, from Andbank. "Why are credit cards' NPL so high? What is the average of the market in the banking system?"

The NPLs for our credit cards as of June of this year were 13.23%. When you compare this to the market, and we need to compare it to the same segment in which we operate, and that was part of the presentation, I mean those figures were included in the presentation, and you can go to slide 14, when we compare this to the average of small-amount consumer loans, we stood at 13.2% as of June of this year, and consumer lending companies which are also operating the same type of loans that we operate under the credit card, they stood at 20.9%, so it's comparable.

The next question is from Maria Cruz, from Seminario SAB. "In which levels do you expect NPLs for the credit card business to stand in the short and long-term? In which products did you concentrate your write-offs in the quarter?"

David Seinjet: Ok. Regarding the NPLs for the credit card business, as we mentioned during the presentation, we implemented more restrictive or conservative underwriting policies that resulted in a lower portfolio balance, so the NPLs first, when we implemented these measures, saw a spike because the portfolio decreased instead of increasing in size, so we saw a spike in the NPLs.

Now, with the new digital platform, what we are seeing is higher quality of vintages for the newly originated credit cards, so we expect the NPLs to stabilize and we can say that the NPLs have changed their trend and we are expecting a decrease in the number through the second half of 2019.

As of March 2019, NPLs were at 13.8%. As of June, they were at 13.2% and we expect this number to improve during the second half of this year.

As I mentioned earlier, vintage analysis already shows us a better performance in the clients that we are issuing credit cards to.

Besides, I think it is important to mention the riskier market segment of the population [in the credit card business], but the fees and the interest rates that we charge allow us to have a profitable unit in credit cards.

Patricia Moreno: And according to accounting standards and to internal risk policies, our write-offs are concentrated usually on the credit cards and on the insurance premium financing product.

David Seinjet: The write-offs are done in loan by loan, so it's concentrated, not something that we decided. Basically, it's done in a loan by loan basis.

Patricia Moreno: But on those two products. Not on payroll loans.

Martin Anidjar, from Baffin. "Can you please elaborate on the capital injection in terms of who made it and how it changes the composition of shareholders?"

David Seinjet: It was done proportionally to each of the shareholders, so it does not change the capital structure of the company.

Patricia Moreno: Matias Castagnino from BCP says, "Can you give color on the NPLs in the Bucaramanga and Villavicencio regions?"

David Seinjet: I think NPLs throughout the products are improving. In these regions it's slow, it's more controlled. We don't see large improvements in the NPL levels but the ratio we are seeing is improving across the product itself.

Patricia Moreno: There is another question from Maria Cruz. "Are you expecting in the short term to issue debt in the local capital market? When and in which amount?"

David Seinjet: We don't have an amount yet and we don't have a plan yet. We are working with potential investors in local markets. It's something that we have to structure in the second half of 2019. Cost of funding in local market is more convenient for our funding structure than issuing in the international capital markets.

The first step to become an issuer in the local markets is that we have to change the legal structure of the company. That's something that was done already, so we are pretty much moving forward with this initiative.

Patricia Moreno: There is another question from Gabriel Fabrega. "What are you doing to compete with fintech entering the market and taking market share?"

David Seinjet: This fintech story in Colombia has a lot of noise, but the structures are very limited in terms of funding, vision, and market segment. What we are developing is a digital platform that works to our market segment. It's a digital platform first. Our objective is to increase our client acquisition capabilities and that's our first call. Then it's to reduce the cost of acquisition of clients and then to have a better control in terms of risk, in terms of having a stronger scoring system using some artificial intelligence in order to get the more data possible from these clients, so we don't feel really a competition in terms of a large fintech company.

These digital banks are more focused on upper segments of the population than the lower income population of Colombia. We do use a lot of technology in order to be much more efficient and agile in terms of disbursements. We use alliances with 20,000 points of sale. They correspond to money transfer companies that have Internet access, so we use a lot of technology to acquire new clients to reduce the cost of acquisition, to improve the scoring system, and to be more efficient and easier to use than a financial institution for disbursements.

Patricia Moreno: A final question from Ignacio Fonce. "Are you planning on additional equity capital to support growth?"

David Seinjet: No. We don't see it, at least for this year. I think the capital structure of the company is good, it's strong enough for the growth that we are expecting. Since we reduced our growth rate in the credit card business, probably we have enough capital structure to assume the growth rate that we are seeing in the payroll loan business and when we resume growth in the credit card business.

Patricia Moreno: We have no further questions from the webcast. Operator, do we have any questions on the telephone line?

Operator: No questions from audio.

Patricia Moreno: Ok. We can conclude the presentation now.

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