CREDIVALORES-CREDISERVICIOS QUARTERLY RESULTS REPORT[1]

AS OF SEPTEMBER 30, 2022

Operator: Welcome to the Credivalores' third quarter 2022 results conference call. My name is Juan Pablo, 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 Mister David Seinjet. Mister Seinjet, you may begin.

David Seinjet (Founder and CEO):

Good morning and thank you for joining us today in our investor conference call to present our results for the 3Q 2022.

My name is David Seinjet, and I am the founder and CEO of Credivalores. In the conference call I am also joined by Patricia Moreno, Funding and Investor Relations Officer, Héctor Chaves, and Catalina Kempowsky. We will have a Q&A session at the end of this presentation. You will also be able to download the presentation from our Investor Relations website.

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

3Q and YTD 2022 Main Highlights

We are facing one of the most challenging business environments of our corporate history. Rising interest rates from central banks to control high global inflation, default declarations from several Mexican NBFIs and a new government in Colombia increased uncertainty for our business during a year of high refinancing needs.

Our operational and financial results were negative during the 3Q 2022 due to the impact of decisions to accumulate cash to pay off the US$168 MM bond maturity in July and the US$50 MM ECP Program Note maturity in October. Total portfolio origination decreased by 30% due to our decision to accumulate cash and our managed loan portfolio decreased 2.5%, affecting our income from interests and commissions and fees. However, our owned portfolio grew 2.3% on a year-over-year basis.

Gross financial margin had a sharp decline resulting from a 73% increase in financial costs due to three main issues: i) the negative carry from disbursements of loans completed in May, June and July 2022, ii) the impact of FX rate differences from a higher spot rate than the FX rate fixed in the call spreads used to hedge US$68 MM of the principal of the July 2022 bonds at settlement and from the derivatives valuation of the hedges in place on the February 2025 bonds, and iii) higher interest rates due to a higher benchmark rate from the Central Bank.

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[1] The following transcript should be read in conjunction with our unaudited Financial Statements as of September 30, 2022. Our Annual Financial Statements have been prepared in accordance with IFRS for non-financial entities.

After the amortization of the 2022 bonds, the committed credit lines available total $231 Bn pesos and cash at hand totaled $213 Bn pesos.

We successfully closed $1.5 trillion pesos in new funding sources mainly to pay off the amortization of the 9.75% bonds due in July and the 8.5% ECP Program Notes due in October 2022. These new funding sources include a new credit card backed term-loan with O'Connor and Gramercy, one of our shareholders, for the equivalent to US$100 MM.

About $350 Bn pesos from these new funding sources will be used for payroll loan portfolio origination.

We issued a new US$15 MM ECP Program note in October 2022, as a result of an exchange to partially retire the US$50 MM ECP Program note maturity due that same month and we also received a US$20 MM loan from the shareholders to complete the payment of the rest of the US$50 MM maturity on time. As you see, we have met 100% of the debt maturities we had in 2022, totaling US$214 MM, despite the difficult market conditions.

Finally, the shareholders expect to accomplish a capital injection of not less than US$20 million and announce it in the following days. This capitalization will strengthen the shareholder's equity of the company and will improve the solvency and leverage ratios that were greatly affected by the results of the 3Q.

Credivalores is the largest payroll and consumer non-bank lender in Colombia…

We have consolidated our competitive position as the largest payroll and consumer non-bank lender in Colombia providing access to consumer credit to underserved market segments.

We have a broad geographic footprint in Colombia covering 97.7% of the population.

We have built an attractive business model in Colombia with a 19- year track record.

We have disbursed more than US$3 billion in more than 393,000 loans reaching a loan portfolio of about US$394 million.

Finally, we have successfully transformed our business model using digital onboarding and process automation along our underwriting process to reach highly competitive response times for our clients and improve operational and credit risk. 84% of our payroll loans are disbursed under 24 hours among the 502 agreements in place.

Contributing to the UN's sustainable development goals through our businesses…

Credivalores' business platform and commitments to the Environmental, Social and Good Governance standards contribute to the United Nation's development goals.

On the environmental front, Credivalores has a nationwide presence achieved through strategic alliances for loan origination and digitalization of the underwriting process resulting in efficiency, agility and low environmental impact. In 2019 Credivalores received the Silver Award from the Colombian Stock Exchange, granted to the financial entities with the largest issuance of dematerialized promissory notes.

On the social front, our business model is based on financial inclusion, granting access to loans to the underserved population by the traditional commercial banks. Our origination focuses on the population with the lowest income levels in small and medium cities, and our commercial strategy for the payroll loan and the credit card products concentrates among pensioners and women.

On the good governance front, our decision-making process is based on ethics and transparency, following high standards of corporate governance set by our shareholders and by our board of directors.

Providing access to consumer credit to underserved market segments…

As previously mentioned, we provide access to consumer credit to underserved market segments in Colombia.

First, while only 32% of women in Colombia have access to credit, 52% of our loan portfolio is placed among women. Second, whereas only 27% of the population older than 65 years has access to formal credit on a national level, 54% of our payroll loan portfolio is placed among pensioners. Finally, only 17% of the population in rural areas has access to credit in Colombia. In contrast, 55% of our total loan portfolio is placed in small and medium cities.

With innovative products to achieve financial inclusion…

Our products are designed to appeal to a specific market segment with innovative features that allow us to achieve financial inclusion and contribute to the development goals to reduce poverty and inequalities.

In the payroll loan business:

- 72% of our clients did not have any other loans within the formal financial system when the loan was first originated.
- 40% of our clients used the payroll loans to prepay expensive informal obligations and loans from third parties, and
- 19% of our clients used the payroll loans for household sanitation and maintenance.

In the credit card business:

- 58% of our clients did not have any other credit products within the formal financial system at origination, and
- 13% of our clients improved their bancarization level twelve months after the origination of our credit card, getting access to other formal financial products.

Continued success for over 19 years, with strong support from shareholders to access a diversified funding base…

During our 19-year track record we have achieved many significant milestones and we have overcome several economic cycles in the domestic and the international capital market. Throughout these economic cycles our business has exhibited great resilience and we have adapted quickly to the changes in the competitive and macroeconomic environment.

After I founded the company in 2003 with capital from friends and family, we have gradually expanded the reach of our business.

On the equity front, we have seen continuous capital injections from our shareholders throughout the last 10 years, with aggregate capital injections of about US$45 million.

On the debt front, our funding sources have evolved from pure, local secured facilities to significantly diversified sources of funding, including multilateral financing and unsecured issuances in the international and domestic capital markets. Since inception, we have raised over US$2.5 billion through our multiple funding sources.

Since 2021 we have focused our attention on diversifying our sources of funding, accessing the domestic capital markets for the first time and increasing the number of financial institutions as lenders for Credivalores.

The year 2022 was already challenging due to the aggregate US$214 million debt amortizations from US dollar bonds and notes from the Euro Commercial Paper Program. Since the last quarter of 2021, we focused on structuring and closing new secured term-loans to gather the resources to serve the dollar bond maturity without taping the international capital markets. We went through very detailed due diligence processes and thorough reviews and auditing of our loan origination process and our corporate governance to obtain these term-loans, which are mostly committed. Credivalores not only delivered to investors and the financial community by closing the structures laid out in our financial plan to address its debt maturities in 2022 on time, but also managed to diversify its sources of funding adding new lenders from the international and local market, such as Citibank Colombia and UBS O'Connor.

Lastly, we have received the continuous support from our shareholders not only through the capital injections that have allowed the company to strengthen the balance sheet, but also through their participation as lenders in different facilities. The most recent was a 1-year US$20 million loan from shareholders to pay a US$50 MM maturity of the ECP Program in October 2022.

Even under current challenging global and domestic macro conditions…

We managed to raise about US$325 million in funding sources in 2022, even under challenging global and domestic macro conditions.

First, global inflation has been increasing forcing central banks to adopt aggressive tightening monetary policies. In Colombia, the Central Bank has increased the benchmark rate by 925 basis points since October 2021, taking the maximum rate, at which most credit cards in Colombia are set, to 38.7% in 14 months. As a result, the financial costs have increased for the corporate and financial sector and for the general public. Profitability and efficiency ratios have been affected within the financial system in Colombia and we expect slowdown in consumption in 2023, as a result of higher interest rates.

Colombian economy is expected to reach a 7.8% GDP growth in 2022, but then show a slowdown in 2023 reaching only a 0.9% GDP growth.

Still, the regulated and stable local payroll market represents a unique opportunity…

Colombia remains a highly attractive consumer lending market, with a sound regulatory framework for consumer lending.

On the regulatory front, Credivalores benefits from the Colombian consumer lending market's mature and stable regulatory framework, in which:

- National laws have been implemented to protect both i) borrowers, by establishing maximum interest rates and limiting payroll deduction's share in individual paychecks, and

ii) lenders, by allowing the deduction of installments directly from borrowers' paychecks based on an irrevocable mandate, having loans follow borrowers between employers and creating a central payroll registry for payroll loan originators.

- Additionally, borrowers can directly select the lender of choice for a payroll loan, which may not be the case in other Latam markets, where loan origination may be impacted by labor unions or other exclusive arrangements which can limit consumer choice.

The consumer loan portfolio in Colombia grew almost 16% year-to-date exhibiting an 11% CAGR since 2019. As of September 2022, payroll loans represented almost 35% and credit cards 17% of the total consumer loan portfolio. The aggregate payroll loan portfolio balance of the regulated financial institutions in Colombia grew 8.4% on a year-to-date basis reaching $72 trillion pesos.

And attractive for growth among government employees and pensioners…

We continue to see relevant growth potential for payroll loans among pensioners and government officials as Colombia will face an aging population in the following years. According to the forecast of the Colombian National Statistics Department based on the 2018 census, by 2070 the Colombian population older than 60 years will reach 20 million people, equivalent to 37% of the total projected population. Demand for products and services for the older population will increase in the following years.

There are about 2.5 million pensioners in Colombia (69.4% of the total population older than 64 years old) from the two regimes in place. The labor and pension reforms that will be presented to Congress by this government intend to increase the coverage of the pension system, which in turn will increase our addressable market among pensioners.

Pensions are adjusted annually. In one hand, those pensions less or equal to one monthly minimum wage are adjusted by the annual increase of the minimum wage set by the government and the labor unions. In the other hand, those pensions greater than one monthly minimum wage are adjusted by the CPI Index.

Pensions are not subject to any garnishment, except for alimony, and thus payroll loans among pensioners represent a stable source of cash flow. In addition, all payroll loans originated by Credivalores have life insurance policy.

Patricia Moreno (Funding and Investor Relations Officer):

We maintain an innovative product portfolio designed to appeal to target clients…

Our product offering is designed to appeal to our target market segment.

For payroll loans, we have 502 operating agreements with pension funds and private and public employers mainly in small and medium cities. The average term at origination of this portfolio is 123 months, although the average duration is only 48 months.

- The US$3,900 average loan size is considerable inferior to that of the financial system. The average interest rate increases from almost 23% to 28%, when including commissions and fees.

- About 88% of our payroll loan portfolio is placed among pensioners and government employees, with very little single client exposure.

For our Visa branded credit cards, we leverage our 15 agreements with Colombia's major public utilities, retailers, mobile service providers and other allied merchants, placing 90% of the loan portfolio in cities outside of Bogota. The average term at origination of this portfolio is 18 months and the average loan size is about US$1,150. This product has the highest yield in our portfolio, since the revolving feature of the credit card allows us to charge higher fees and commissions to reach a 56% average yield, including fees.

- Our credit card portfolio targets low-and middle-income individuals mainly employed, also maintaining a very low single client exposure of less than 0.1%. The participation of employed and pensioners in the total credit card loan portfolio has increased as a result of tighter underwriting policies.

With unique distribution channels based on long-lasting partnerships…

Our unique distribution channels are based on long-lasting partnerships that help us reach the specific groups targeted by each product.

We successfully originate these products through distinct distribution networks:

For payroll loans, we have 502 agreements with private and public employers and pension funds that grant us access to 2.4 million pensioners and 1.2 million policemen, military, public servants, teachers and employees from private companies.

- The top 33 agreements, which represent 69% of total new loans issued, are digitally integrated to our origination and operational systems improving the response time and lowering our operational risk.

For our credit cards, we have origination agreements for digital onboarding of our clients at the major retailers and at more than 310 points of sales of the mobile service providers and other allied merchants, which we have recently incorporated through digital channels. Collection agreements with utility companies allow us to incorporate non-conventional data to our credit analytics to address the credit profile of our target population and to bundle our bill to the utility bill, increasing the priority of payment of this credit card. In addition, the collection agreements with bank correspondents and financial institutions result in more than 16,000 points at which our clients can pay their bill.

- The origination and collection agreements grant us access to 1.3 million clients from utility companies and more than 44 million clients from telecom companies. We calculate that recurrent traffic from clients at retailers and allied merchants could result in more than 1.7 million potential loan applications.

Traditional focus of payroll loan origination among pensioners and government officials…

Credivalores currently manages a portfolio of $1.8 trillion pesos that has grown at a 4.8% average rate in the last 4 years. On a year-over-year basis as of September 2022, our managed portfolio decreased 2.5% and origination for payroll loans and credit cards fell by 30% on a year-over-year basis, basically as a result of the strategic decisions to accumulate cash to pay off debt maturities due during the quarter.

Our managed portfolio, which includes our owned portfolio and the payroll loan portfolio transfers, is comprised of payroll loans and credit cards which together account for almost 100% of the loan portfolio. The insurance premium financing is a product undergoing unwinding since the end of 2020.

However, the payroll loan portfolio sold as an alternative source of funding is not part of our managed portfolio. If we include the payroll loan portfolio sold to Colombian financial institutions, the managed portfolio would have totaled $1.9 trillion pesos as of September 2022.

Credivalores has traditionally focused the origination of the payroll loan portfolio among pensioners and government officials. We have disbursed more than $2.9 trillion pesos in loans among pensioners in the last ten years. As of September 2022, 54% of the balance of the payroll loan managed portfolio is among pensioners and 34% among government officials.

Enhanced through digital channels to consolidate a leading market position…

Our commercial strategy to focus payroll loan origination among pensioners and government officials, has been enhanced by the digital integration of the top 33 agreements, which represent 69% of total new loans issued to our origination and operational systems improving the response time and lowering our operational risk.

As of September 2022, about 76% of the total origination of payroll loans is carried out through digital channels.

Furthermore, given the characteristics of the pensions in Colombia and the stable regulatory framework for payroll loans, pensioners have the lowest expected loss within the payroll loan product contributing to maintain low NPLs among these types of clients.

Lastly, given the positive historical performance of the payroll loan portfolio of Credivalores and the commercial strategy to become a market leader in the market segment of pensioners and government officials, more investors have expressed their interest in participating in new funding structures backed by the payroll loan portfolio. As previously announced, we closed negotiations and obtained the approval for two new funding sources backed by the payroll loan portfolio for $350 Bn pesos with Colombian financial institutions. The proceeds from these new funding sources will be used for payroll loan origination in 2023.

David Seinjet (Founder and CEO):

Quarterly results greatly affected the solvency and leverage ratios…

Our negative quarterly results, due to higher financial costs, greatly affected our leverage and solvency ratios.

Year-to-date our shareholders' equity declined 30.6% to $180 Bn pesos due to a $67 Bn pesos net loss. As previously explained, the main reason for this loss was a 73% increase in financial costs due to the negative carry from disbursements of loans completed in May, June and July 2022, the impact of FX rate differences from a higher spot rate than the FX rate fixed in the call spreads used to hedge US$68 MM of the principal of the July 2022 bonds at settlement and from the derivatives valuation of the hedges in place on the February 2025 bonds, and higher interest rates due to a higher benchmark rate from the Central Bank.

Total capitalization reached $3.7 trillion pesos and grew 3.3% on a year-to-date basis.

In addition, the NPLs coverage ratio remains compliant with IFRS 9 further enhancing the strength of our balance sheet. The coverage ratio of the managed loan portfolio declined during the 3Q 2022 due to the stabilization of the net impairment expenses in the P&L amid the expected deterioration in the loan portfolio, especially in the credit card business.

Finally, our leverage and solvency ratios stood at 12.3 times and 0.06 times, respectively. These two results are due to the net loss of the quarter.

As well as core financial results due to higher cost of funding…

Credivalores' top-line growth has been in line with that of the loan portfolio since 2018, growing at a 10.7% CAGR. YoY as of September 2022 the interest income and similar grew 10.6% to reach $236 Bn pesos. Interest income grew 4.8% while the commissions and fees increased 6.6%. As a result, the yield of our loan portfolio increased to 24% during the third quarter.

The cost-of-funding increased by 73% driven by:

- Negative carry due to the accumulation of cash to pay off the debt maturities in USD,
- FX rate differences from a higher spot rate than the FX rate fixed in the call spreads used to hedge US$68 MM of the principal of the July 2022 bonds at settlement and from the derivatives valuation of the hedges in place on the February 2025 bonds,
- Higher local reference rate from the Central Bank since October 1st, 2021. Since then, the reference rate has increased 925 basis points. There is some lag effect between the impact of higher interest rates in our cost of funding and the actual increase of the maximum rate, which affects our interest income, since about 76% of our total loan portfolio is in floating rates.

The net interest income reached $44 Bn pesos as of September 2022, exhibiting a 71% decline year-over-year. The increase in the financial cost during the quarter could not be mitigated by a higher income from interests and commissions and fees, due to the lack of origination of new loans to accumulate cash to pay off the debt maturities due in July and October.

As a result, the Net Interest Margin YoY decreased to 5.0% and the Net Interest Margin after provisions also declined to 0.4%.

The decline in the net interest margin resulted in a deterioration of the efficiency ratio. Despite the efforts to optimize SG&A expenses, through process automation and controls the efficiency ratio deteriorated to 100.7% as of September 2022. SG&A expenses grew only 0.7% on a year-over-year basis.

Catalina Kempowsky (Advisor for the Risk Department)

However, asset quality remains in line with peer performance in Colombia…

Regarding our asset quality, total NPLs stood at 6.9% in September 2022 above the result from December 2021. The 6.9% was above the 4.9% average level of the consumer loans in the financial system but below the average 15.9% NPLs ratio for comparable consumer loans within the market we operate. In terms of NPLs by product, payroll loans and credit cards stood at 4.6% and 9.1%, respectively.

Our NPLs in 2021 were below the guideline announced to the market. We expect the NPLs to end 2022 above the initial forecast announced between 6.5% and 7.0% and end the year between 7.5% and 8.0%, given the deterioration of macroeconomic conditions. The adjustments in the underwriting policies of the credit card business allowed us to maintain a concentration among clients with better credit profiles. We maintain strict underwriting policies in place to control further deterioration of our loan portfolio, including smaller credit lines and tighter underwriting policies on private agreements. In addition, we launched digital collection channels that have improved the recovery ratios and the performance of the loan portfolio in the early stages of delinquency. Finally, we developed new scoring models for collections and portfolio management.

The more restrictive underwriting policies resulted in a 96% concentration of the payroll loan origination among pensioners and government officials and in a 100% concentration among new clients in the super prime segment for the credit card business.

Patricia Moreno (Funding and Investor Relations Officer):

Improving debt profile with access to diversified sources…

We have cultivated long-standing relationships with local and global financial institutions and multilateral agencies in order to support our funding base. This has been complemented and enhanced by our access to global capital markets. Through our diversified funding base, we have raised more than US$1.9 billion of funding in the past ten years to support growth.

As of September 2022, 48% of the financial obligations were the unsecured 144 A / Reg S bonds due 2025, 33% were secured term-loans, 13% were notes under the ECP Program, 12% unsecured domestic sources and 4% were domestic bonds. Our current sources of funding include a local syndicated loan for payroll loan origination, a payroll loan-backed term-loan with Citibank Colombia, a payroll loan financing structure through a mutual fund with BTG Pactual, a credit card-backed term-loan with O'Connor and Gramercy, working capital lines with local financial institutions, domestic bonds, overdraft lines and Reg S Notes under the ECP Program. These sources and the cash at hand we maintain, add up to $2.4 trillion pesos, out of which $830 Bn pesos are available as of today.

In addition to these funding sources, our relationship with Banco Credifinanciera provides an alternative funding source through payroll loan portfolio sales.

As of September 2022, the average life of our debt stood at 2 years. The US$164 million maturity of the 2022 bonds due in July and the US$50 million ECP Program Note due in October have been fully refinanced. The rest of maturities include monthly amortizations from the local syndicated loan for payroll loan origination and the term-loan with Citibank Colombia and working capital lines, which are revolving.

In March 2022 S&P announced the downgrade of our international rating to 'CCC+'. In July 2022, this rating and a negative credit watch were confirmed. Later, in October 2022 S&P removed the negative credit watch after meeting the US$50 MM debt maturity.

In May 2022 Fitch Ratings downgraded our international credit rating to 'B' and our national issuer rating to A-. However, Fitch also confirmed the 'AA' of the partially guaranteed domestic bonds. In June 2022, Fitch removed the negative credit watch and affirmed the 'B' rating with negative outlook.

In October 2022, BRC Ratings S&P Colombia downgraded our local loan servicer rating from 'AA' to 'A' with a negative outlook, as a result of the deterioration of global and local macroeconomic conditions. According to the agency, higher interest rates and a risk averse environment will present restrictions to funding needed for the growth of our loan portfolio.

We have managed to access different sources of funding to meet 100% of our debt maturities in 2022, despite the adverse changes in our international credit rating.

Totaling about US$325 million in new funding sources in 2022…

In 2022 we raised almost $1.5 trillion pesos or US$325 million through several new sources of funding. These new sources of funding allowed us to pay off 100% of the US$164 million amortization of the 9.75% coupon bonds in July 2022 without accessing the international capital markets.

In addition, we issued a new US$15 MM ECP Program note in October 2022, as a result of an exchange to partially retire the US$50 MM ECP Program note maturity due that same month and we also received a US$20 MM loan from the shareholders to complete the payment of the rest of the US$50 MM maturity on time.

As seen in this slide, we will substitute debt in the international capital markets for secured term-loans and debt issuances in the domestic capital market.

While maintaining a stable credit profile…

Total financial obligations, net of the FX impact, increased 11% to $2.2 trillion pesos between December 2021 and September 2022. This was due to the disbursement of committed credit lines between May and July to accumulate cash needed to pay off the maturity of the US dollar bonds by the end of July 2022. By September 2022, 67% of our total debt was unsecured and 33% was secured and 85% of maturities were due in the long-term and 15% in the short-term, this is in less than 12 months.

Our ratio of unencumbered assets to unsecured debt, stood at 131%, above the minimum 110%, required by the covenant. The capitalization ratio, measured as the total shareholders' equity divided by net loan portfolio, totaled 13.5% meeting the required level of the incurrence covenant of the Notes due 2025.

David Seinjet (Founder and CEO):

Experienced management and best-in-class corporate governance

On the corporate governance front, we believe that our management team, comprised of experienced professionals with deep knowledge of their areas of expertise, have been responsible for the successful development and growth of our business.

On average, our principal officers have 20 years of experience in the financial services industry.

The combined knowledge, experience and commitment of our management team and our shareholders has been crucial in determining our strategy and building new initiatives.

Our Board of Directors is composed of seven principal members with their alternates: the main members include 2 members from Gramercy, 2 representatives of the Seinjet family, 1 member from ACON and 2 independent members.

Credivalores is registered at the Single Registry of Payroll Loan Operating Entities, is subject to the surveillance of the Superintendency of Industry and Commerce and the Anti-money laundering and terrorism financing (AML/FT) regulations from the Superintendency of Corporations in Colombia. In addition, in 2021 the Board of Directors approved the directive to become a Collective Interest and Benefit Society, a Colombian government initiative to promote better practices in the corporate sector to generate a positive social and environmental impact.

Our corporate governance framework includes a several codes and committees that regulate management, personnel and commercial corporate governance practices.

Globally recognized shareholders, supporting Credivalores' growth

Our recognized shareholders ACON and Gramercy and the founding family have continuously supported the company's growth path through capital injections throughout the last 10 years, with aggregate capital injections of about US$40 million, including the latest capital injection for $12 Bn pesos in December 2021.

Finally, the shareholders expect to accomplish a capital injection of not less than US$20 million and announce it in the following days. This capitalization will strengthen the shareholder's equity of the company and will improve the solvency and leverage ratios that were greatly affected by the results of the 3Q.

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