CREDIVALORES-CREDISERVICIOS QUARTERLY RESULTS REPORT[1]

AS OF DECEMBER 31, 2018

Operator: Welcome to the Credivalores 4Q and full year 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 4Q and full year of 2018.

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

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

Credivalores at-a-glance

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

As of December 2018, we had a managed loan portfolio of US$429 million and a broad geographic footprint with 79 branches and points of sale in retail locations and 120 customer centers across the country in alliance with telecom companies in Colombia. Our sizable exclusive sales force with more than 1,900 sales representatives, allows us to reach almost 80% of the municipalities in 34 cities in Colombia. We have consolidated a strong network for disbursements and collections through partnerships with more than 20,000 points of collection and disbursement with a wide presence throughout the country.

Our shareholders' equity was US$77 million as of the end of 2018.

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

[1] The following transcript should be read in conjunction with our audited Financial Statements as of December 31, 2018. Our Annual Financial Statements have been prepared in accordance with IFRS for non-financial entities.

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

Overview of Product Portfolio

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

− We manage a portfolio of US$429 million, out of which payroll loans represent 56%, credit cards represent 36% and insurance premium financing represents 7%.

- 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 60 months among all products nonetheless the average life of the portfolio is 48 months, including prepayments. The average interest rate is 23.8% (not including fees) and total yield is 37% including fees and commissions. Our average NLPs for the managed portfolio stood at 6.3%, as we will see further in the presentation.

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

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

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

Competitive Advantage and Target Market

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

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

We differentiate from traditional banks in the following ways:

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

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

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

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

We will continue the presentation with the recent developments of the fourth quarter of 2018.

Recent Developments

Regarding our growth and profitability, 2018 was still a transitional year to recover previous profitability levels while the company is able to absorb higher costs of funding while substituting revenues from portfolio sales. During 2018 we had an overall improvement in our operational and financial results. Our managed portfolio grew 7.1% and our owned portfolio grew 9.9% year over year. On a year over year basis, our gross financial margin grew 10.5% and our operating income grew 111%. Our net income grew by 809% compared to 2017.

During the 4Q 2018, we completed the divestment from Asficrédito, a company that manages the sales force of Credivalores according to our underwriting policies, for $28 billion pesos, which increased our accounts receivables in this same amount.

During the 4Q we amortized an additional amount of the local secured syndicated loan disbursed to fund payroll loan origination. We renewed this facility with local financial institutions for an amount of $223 billion pesos in November 2018. The loan has a 3-year availability period for revolving disbursements and a 5.5 years tenor. With this renewal we completed about $303 billion in committed credit lines with financial institutions with 38% of these lines available to use in the next 12 months. The average life of our debt remained at 3.0 years and 100% of our foreign currency debt was hedged to Colombian pesos.

We received a $3 billion pesos capitalization from one of our shareholders to support our equity position. As of December 2018, our leverage ratio stood at 5.7x and our equity to assets ratio was 12.6%. During 2018 we also strengthened our senior management team with the addition of three new chief officers in the financial, commercial and risk departments with over 20 years of experience in the financial sector.

Credivalores restated the financials of 2016 and 2017 to comply with IFRS 3 related to "Business Combination" accounting standards, when registering the acquisition of the Crediuno-Avances business unit in 2016. The result was an increase in total assets and retained earnings of the balance sheets of 2016 and 2017 and higher amortization expenses in 2017, related to the increase in the intangible assets. As a result, the net income for 2017 decreased. We will explain with further detail this restatement in the following slide and you can also find more detail on this decision in Note 2 of our Financial Statements as of December 2018. For the purpose of simplifying the analysis and calculation of variations for this presentation, we will use the restated figures of 2017 to compare to the 2018 results.

Restatement of 2016 and 2017 Financials- Impacts

As we have explained, the Company restated the financials of 2016 and 2017 to comply with IFRS 3 related to "Business Combination" accounting standards. In 2015 we acquired the Crediuno-Avances business unit, but this transaction was completed only until 2016. It is worth mentioning, that we adopted IFRS in 2015 as the rest of corporates in Colombia. The capital gains of this transaction related to data bases, intangible assets for clients and exclusivity contracts, were not recognized in the financial statements of 2016 according to IFRS 3. During 2017 the Company was able to collect information to determine the reasonable value of this transaction allowing us to proceed with the restatement of financials for the fiscal year of 2018.

In terms of the Balance Sheet, the recognition of an additional value of intangible assets of the Crediuno-Avances business unit resulted in an increase of total assets of 2.8% in 2016 equivalent to $37.8 billion pesos and of 2.5% in 2017, equivalent to $36.8 billion pesos. The retained earnings account of the shareholders' equity increased in these same amounts in 2016 and 2017 resulting in an increase in the shareholders' equity of 20% and 16.1%, respectively. The increase in the intangible assets in 2016 also resulted in higher amortization expenses in 2016 and 2017. According to the International Accounting Standard 8 (IAS 8), related to accounting policies, changes in accounting estimates and errors, the Company recognized the higher amortization expenses of 2016 against the retained earnings account in the Balance Sheet without affecting the net income of the P&L in 2016. However, in order to make the 2017 results comparable to 2018, the accounting standard required us to recognize the higher amortization expense of 2017 in the P&L, reducing the net income for this year from $1.8 billion pesos to $0.8 billion pesos.

Finally, the equity to assets ratio and the capitalization ratio improved after the restatement of the 2016 and 2017 financials. Our equity to assets ratio increased from 14% to 16.4% in 2016 and from 15.4% to 17.4% in 2017. The capitalization ratio increased from 22.6% to 27.1% in 2016 and from 24.6% to 28.6% in 2017. The restatement of the 2016 and 2017 financials did not affect the capacity of the Company to comply with the financial covenants applicable to our financial obligations.

2018- Main Highlights- Macro Conditions

Regarding the business environment in Colombia, inflation remains under control within the target of the Central Bank ending the year at 3.18%. The Central Bank expects inflation to end 2019 at 3.4%. The current easing cycle of the Central Bank started on December 2016 as a result of weak economic growth for the country in 2017 and 2018 given lower oil prices and their impact in the fiscal accounts. However, during the second half of 2018 the reference interest rate of the Central Bank remained unchanged at 4.25%. 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 stabilized during the second half of 2018. Economic growth is expected to improve in 2019 reaching a potential 3.5%. Currently the market expects the Central Bank to hold rates during 2019 given their assessment of external factors, inflation and economic growth.

As we have previously explained in past conference calls, the reduction in interest rates from the Central Bank in 2017 was not being reflected in the interest rates from the financial system. Thus, in August 2017, the government announced changes in the calculation period of the usury rate from a quarterly to a monthly basis starting on September 1st, 2017. Although the calculation formula remained unchanged at 1.5 times the average lending interest rate from banks, the usury rate has decreased 342 basis points since the adoption of this measure. No specific regulatory measures or new initiatives on this matter have emerged for discussion.

The financial system in Colombia witnessed an increase in the NPLs in 2017 because of the slowdown in the economy and specific impacts on the commercial loan portfolio. However, during 2018 NPLs in the financial system recovered. As of December 2018, the average systems' NPLs stood at 4.6% and NPLs from consumer loans totaled 5.2%. The system remained well capitalized showing a solvency index of 16.3%, above the 9% minimum regulatory.

Out of the total loan portfolio of the financial system, about 29% were consumer loans totaling about US$42 billion dollars. The consumer loan portfolio grew 9.2% 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 10% and 6.6% year over year, respectively.

Stable Regulatory Framework for Payroll Lending

Credivalores benefits from favorable conditions in the Colombia's payroll market, relative to other countries in the region.

We have a national Law regulating certain aspects of payroll loans (Law 1527 of 2012). The existence of a Law and the fact that the payroll loan market is a mature and stable financial market, contribute to a have a more sustainable business model in Colombia as compared to other LATAM countries.

The payroll loans law aims to protect both borrowers and lenders:

-From the lender perspective, the law allows the deduction of credit payments directly from borrowers' paychecks and transfer payments to the lender. In addition, if the borrower changes jobs, the new employer is responsible for applying deductions and make payments.

-From the borrower perspective, the law stablishes maximum interest rates and maximum deduction amounts as a percentage of salaries.

In terms of business operation, borrowers in Colombia can freely select the lender of their choice for a payroll loan, while in Mexico and Brazil typically you need a distributor or contact through unions.

Now, we will present the fourth quarter and full year results for 2018.

4Q and FY 2018 Operating Results

Our client base increased 0.9% between September and December 2018 and 8.4% year over year. On a quarterly basis we continued growing in the number of clients for credit cards and payroll loans and on an annual basis our client base grew basically from a 16.2% increase in the credit card business and a 5.9% in the payroll loans. The strategy in the payroll loan business has focused on increasing the average loan amount and extending the tenor at origination with the same client base in order to increase interest income in this product. Our current client base represents about 3% of the total Colombian population holding at least one financial product.

Our disbursements decreased 2.0%% between September and December 2018, as a result of a decrease in originations in the credit card due to more restrictive and conservative underwriting policies to better control NPLs and in the insurance premium financing due to management decisions to operate only with certain insurance companies to control operational risks. However, year over year origination grew 17.3%, especially in the payroll loan business showing a 32% increase in disbursements mainly among pensioners.

Regarding our owned portfolio, which includes the portfolio on balance and in free standing trusts, we had a slight decrease between the third and fourth quarter of 2018 due to a decrease among all products and a 9.9% growth year over year reaching a total of $1.16 trillion pesos, showing a 22% growth in the payroll loans business.

Our managed loan portfolio, which includes our owned portfolio and the payroll loan portfolio sales, increased by 0.2% quarter over quarter totaling $1.39 trillion pesos.

The annual growth in the owned portfolio resulted in a 7.1% increase in the managed portfolio, specially from payroll loans which grew 12.6% 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 the end of 2018, payroll loans increased their participation to 56%, 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, 87% of the payroll loan portfolio and 49% 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 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 last quarter of 2018 our NPL levels for the whole portfolio remained above the average NPLs of the consumer loan portfolio of the financial system at 6.3%. However, our NPLs still remain well below the NPLs loans for clients with income of up to 2 minimum wages. As mentioned during our third quarter conference call, our NPLs were affected in 2018 by 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. 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 11.9% in December 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 were able to partially control these effects during the last quarter of the year executing a series of measures that will be discussed further ahead. In spite of 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 December 2018, Credivalores had NPLs of 13.4% 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 third and fourth quarter of this year to 88% for the managed portfolio and 94% 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 36% of the total portfolio. Year over year the coverage ratio also decreased due to the same reasons.

In spite of the performance of our credit card, our collection channel through utility companies has proved to be effective, since it allowed us to delay the impact of deterioration in credit conditions in our credit card portfolio when the rest of the market participants were experiencing a considerable larger increase in NPLs as seen in the lower graph in 2016 and 2017. In 2018 we saw stronger signs of deterioration in the credit risk of our credit card business. We adopted the following measures for control:

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

- Strengthening of the collections and risk areas and the implementation of a new collection's software.
- The recruitment of 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 CRO for Tuya, a joint venture between Bancolombia and Grupo Exito and the largest credit card issuer in Colombia for the low-income segments of the population.
- Development of new scoring models for new origination and for loan portfolio management.
- The recent launch of the agreement with a new utility called Electrohuila, which will grant us access to more than 400,000 clients for our credit card origination.

4Q and FY 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 28.3% between the third and fourth quarter of the year, mainly as a result of a 37.2% increase in interest income and a 7.4% increase in commissions and fees. Year over year, interest income grew 17.6% due to a pricing strategy based on regional differentiation allowing us to increase interest income and commissions and fees on the overall portfolio.

For comparison reasons in this presentation, we included the financials costs associated to the cross-currency swaps executed to hedge the FX risk on the 144 A / Reg S Bond in the recurrent financial cost that affects the Gross Financial Margin. However, in our Financial Statements as of December 2018 following accounting standards, the financial cost of the cross-currency swaps is presented as a non-recurring item.

The gross financial margin increased 1.4% quarter over quarter due to a 28.3% increase in interest income and fees and lower financial costs. Net impairment expenses increased considerably as a result of the IFRS 9 adoption, which uses the expected loss model to calculate the expense in provisions for the portfolio. Year over year, gross financial margin decreased 5.9% due to higher net impairment expenses that offset higher net interest income.

The selling, general and administrative expenses, which are referred to as other expenses in our income statement, increased 3.5% between the third and fourth quarter due to an increase in the legal, insurance and taxes expenses offset by lower employee benefits. During 2018 other expenses totaled $98 billion pesos, 3.6% less than in 2017 resulting from 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 14.8% decline due to a small growth in the gross financial margin offset by the increase in other expenses. On an annual basis, operating income decreased 22.3% due to higher net impairments affecting the Gross Financial Margin in 2018.

Now moving to the non-operating results in the income statement, during 2018, non-recurring items, which include foreign currency rate differences represented a financial income of $8.6 billion pesos offset by the negative valuation of hedging instruments for $8.4 billion pesos. Thus, our non-operating items totaled $1.0 billion pesos as of December 2018.

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

Our net income before taxes and non-recurring items during the fourth quarter and during 2018 was lower than during the third quarter and during 2017 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 $12 billion pesos as of December 2018.

When considering all the impacts from non-operating items, our net income before taxes exhibited a profit of $1.7 billion pesos in the fourth quarter of the year. Year over year, our net income before taxes showed an important recovery due to almost no impact from non-recurring items.

During 2018 we had a net income of $7 billion pesos, showing a large recovery when compared to the 2017 result.

FY 2018 Financial Results- Balance Sheet

With regards to our balance sheet, we present the main financial ratios for 2018.

Our shareholders' equity decreased by 5.7% between December 2017 and the same month in 2018, totaling $250 billion pesos. When comparing the results between September and December 2018, our shareholders' equity increased 18.0% due to the positive variation of the other comprehensive income, resulting from adopting the valuation methodology of the derivative instruments used by Colombian Financial Institutions. 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 5.7 times, due to additional debt disbursed under local unsecured sources of funding and an increase in the equity. Our solvency ratio, calculated as equity to assets, increased to 12.6% and the risk-adjusted capital adequacy ratio, in which the cash and cash equivalents from the Balance Sheet weight cero percent, the result improved to 13.9%. It is worth mentioning that our cash position has increased by 60% between 2017 and 2018 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 the net loan portfolio, which is defined as the owned loan portfolio less impairments of financial assets and the FGA reserve, totaled 25.1% at the end of 2018 remaining above the 13.5% level required by the covenant of the 144 A / Reg S bond.

Between December 2017 and December 2018, total capitalization, including the FX impact on debt, increased 26.8%, due to the reopening of the 9.75% international bond in February 2018, the issuance of notes under the ECP Program in April 2018, and the OCI impact in the shareholders' equity. 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 130.3%, above the minimum 110%, required by the covenant.

Our average funding cost was 12.6% during 2018 in line with the result from the third 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. In addition, a decrease in the Central Bank's reference rate during the first quarter of the year, led to lower domestic interest rates, especially the IBR rate, at which 68% of our debt is indexed, including the interest payments of the international bond under the cross currency swaps in place and finally to lower cost of hedging through forwards in the case of the ECP Program notes, given the COP depreciation during the second half of 2018.

FY 2018 Debt Profile

The recent price action of our 144A / Reg S bond shows an important recovery during 2019 to reach levels between a price of 97% and 98% on the bid side.

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 December 2018, the 144A /Reg S notes represented 65% of our total financial obligations, the outstanding notes under the ECP Program represented 15%, the secured domestic sources represented 13% and the unsecured domestic sources represented 7% of the total financial obligations of the Company.

Below, we present the debt maturity profile as of December 2017 and 2018. Average life of our debt stood at 3.0 years as of December 2018. The secured debt amortizations correspond to the IFC facility, which has about $36 billion pesos outstanding and the local syndicated loan for payroll loans, which is revolving for the following three years. With resources of the reopening of the 144A / Reg S Bond in February 2018, we were able to prepay $200 billion pesos of notes under the ECP Program maturing during the second half of 2018. In 2019 we have amortizations of $140 billion pesos, well distributed within the year from local revolving facilities with financial institutions. We have signed committed credit lines with financial institutions for $303 billion pesos, and as of December 2018 we had 33% of those lines available to use in the next 12 months, to serve the need of resources for growth and debt amortizations.

FY 2018 Financial Obligations

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

Total financial obligations decreased 2% to $1.4 trillion pesos between September and December 2018 and they grew 20.5% between December 2017 and 2018. As of the end of 2018, 87% of total debt was unsecured and 13% 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 foreign currency debt hedged to pesos. By term, 5% of maturities were due in less than 12 months and 95% were due in the long-term as result of the strategy to extend average life of debt.

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

Closing Remarks

In 2019 we will launch several initiatives for digital innovation in our business model. The recent upgrades of our core systems and the creation of our innovation department allowed us to set up several initiatives for digital innovation in our origination and customer service processes. During the first half of 2019 we expect to implement a 100% digital process for our credit card and the renewals of our payroll loans. We have already implemented a facial and touch biometric system in the origination process. We have upgraded and improved the response times of our loan originator for the credit card business, allowing us to issue a credit card for our clients at retailers and points of sale in 12 minutes. We also simplified and introduced automatization in the renewal process of our payroll loans to offer our clients a self-service process on their mobile or tablet.

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

In the medium term we have identified several opportunities to partner with Fintechs and other digital companies to increase our origination capacities 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.

We see the alliances with Fintechs as opportunities to speed up our learning curve and adopt best practices as well as a way to optimize the R&D process in a rapid changing industry and to get access to state of the art solutions for our clients. In 2018 for example we worked closely with Huawai and Samsung to pre-install an app in the mobiles we financed through the agreement with TIGO to send notifications regarding payment dates, deadlines and finally block the mobile when the payment was past due. This practice proved very effective in China and so we decided to adopt it. In 2019, we expect to develop loan origination capacity within the apps used by clients of telecom companies.

With regards to our closing remarks, 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, which was offset in the last quarter of 2018 by the OCI after the adopting of a valuation methodology of derivative instruments used by Colombian Financial Institutions. Regarding the asset quality, we were able to stabilize the NPLs by year end, especially for our credit card business, through several initiatives. However, we still expect a poor performance of our NPLs for the credit card business during the first half of 2019, as more conservative and restrictive underwriting policies to correct NPLs, affect the growth of our portfolio.

In terms of our funding sources, we have enough funding sources including $303 billion pesos of committed credit lines with financial institutions to meet this year's debt amortizations and to fund portfolio growth. We expect to maintain the average life of our debt above 3 years to mitigate refinancing risks.

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

The recent launching of a new exclusive agreement with Electrohuila, a utility company located in a stable macroeconomic region, will grant us access to about 400,000 new clients.

In 2019 we expect to obtain positive impacts from implementing several innovation initiatives.

Finally, during 2018 to worked hard on attracting new talent to our management team to strengthen the leadership positions needed to execute our strategic plan and correct recent performance problems, especially in the collection and risk department. The $3 billion pesos capitalization from one of our shareholders completed during the third quarter of the year 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.

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 * and then 1 on your touch tone phone. If you wish to be removed from the queue, please press the # sign. If you are using a speaker phone, you may need to pick up the handset first before pressing the numbers.

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

We're standing by for questions.

Our first question online comes from Mr. Juan Pardo, from Sura Asset Management.

Juan Pardo: Good morning and thank you for the presentation. Quick questions on the fiscal side. The recent fiscal reform included a tax surcharge on financial institutions. I just wanted to know if you are included in this measure or if you aren't, because you're not a bank. That's my first one.

The second question has to do with all the commitments that you acquired with the rating agency in order to avoid a negative credit action. Can you give us some color on how those commitments have evolved in the last quarter?

David Seinjet: Thanks for your questions. The first question regarding the fiscal reform, no, we don't have any impact in terms of the reform that is affecting supervised financial entities. That is a 5% increase in the income tax. That doesn't affect us.

Patricia Moreno: For all matters, Credivalores is a corporate in Colombia, not a financial institution.

Regarding the commitments with the rating agency, Standard & Poor's in particular, we completed the divestment of Asficredito, as promised, by the end of the year. As we stated, we sold that investment for about COP$28 billion and that's something that you will see in our financial statements.

Also, our shareholders' equity increased between September and December by 18% more or less, so we are now in a better position in terms of shareholders' equity for all matters.

We have not had additional discussions with Standard & Poor's this year regarding their decision taken in September of last year, but we see that we are in the path of improving our equity position in order to solve their concerns on this regard.

Juan Pardo: Ok, thank you. If I might add an additional question, during the last quarter you shared with us that you were experiencing a special macroeconomic situation in the border with Venezuela and how Venezuelan economy was affecting Villavicencio and Bucaramanga. Are there any new developments on these specific regions in your operation?

David Seinjet: We have an alliance with a public utility company in Bucaramanga, in the Santander region, through a water supplier, which is AMB. That alliance was negatively impacted with the large immigration from Venezuela, which is an important crisis for that region. Basically, what we decided is to implement much more restrictive underwriting policies and we implemented a different recovery activity to improve collections in that city.

We're scaling down the operation in that region. Still the situation is very complicated. As you may know, immigration from Venezuela has become a huge crisis for Colombia and even more in border cities, but we scaled down the operation, and we are implementing very restrictive underwriting policies and we're trying to strengthen our collection systems.

Juan Pardo: Ok. Thank you so much.

Operator: Thank you. Our next question online comes from Danielle. Please go ahead.

>> Hi, good morning. I have two questions. The first one would be, taking into account the impact of the IFRS 9 implementation and the increase that non-performing loans had in 2018 net income, what would be a normalized return on equity?

The second question is, why is this metric so low when you compare it to the industry's average of traditional institutions, where you see figures above 10%? What are the main factors that affect this metric?

Patricia Moreno: Could you repeat the second question, please?

>> Why is this return on equity so low when you compare it to the industry's average of traditional financial institutions? The figures you see there, the returns are above 10%. What are the main factors that affect this metric being around 3%?

David Seinjet: Our business model and our balance structure have changed dramatically probably since 2015, when we decided to stop selling portfolios. When we stopped selling portfolios to large financial institutions, we lost an important revenue source. Let's say our income from portfolio sales in 2015 accounted for around 30%, and that is a process that will take some time to recover that income. Instead of having an income from portfolio sales, we included an income from a recurring interest income from portfolios on balance.

Besides that, we're adjusting pricing and interest rates per region, per risk level, to adjust our cost of funding, which was increased by the issuance of the 144A/ Reg S bond. That issuance increased the cost of funds, but it helped us extend the average life of debt from one year at that time to three years, so as we mentioned in several conference calls in the past, we feel that 2017, 2018 were transitional years. We expect to start seeing recovery in 2019, 2020 and so on.

Patricia Moreno: We'll have some questions on the website while we get some others from the audio part.

Juan Pardo, from Sura, is asking if we have the financial statements already uploaded on the website.

We will have them available before noon today. We will send them right after the conference call.

There's another question regarding the compliance with the covenants for the IFC that we have. There's a specific covenant that we have in terms of equity to assets ratio, which as you saw in the presentation, stood at 12.6% as of December.

We have a waiver with the IFC up to the results of March of this year in this regard, but the current position of our shareholders' equity allows us to foresee that we will still meet this covenant as of March this year. The minimum under this covenant is 12%.

What do you expect in terms of NPLs coverage and efficient ratios of this year? In terms of NPLs, we have not set a specific target. Internally we have it, but we are still waiting for results during the first half of this year.

As we mentioned during the conference call, NPLs especially on credit cards will stabilize during the first half of the year. Since we have more restrictive and more conservative underwriting policies, our portfolio is not growing at the levels it used to, so the index as we measure it of course is having further deterioration during the first half of 2019 because of this reason, specifically for the credit cards, but what we are doing is to increase the origination in our payroll loan product, and we are putting all of our efforts in increasing the quality of this product, which weighs 56% of our total portfolio, in order to see better NPLs by year end. But I guess it's a little bit soon for us to commit to any target specifically for NPLs this year.

Efficiency levels continue to improve. As we saw, our SG&A continued to decrease year over year. We have them in control compared to the CPI increase, in terms of costs of employee benefits, so we see that we can still reach better efficiency levels by the end of this year.

There is another question from Alonso Alcorta, from Seminario. I guess we already answered this part in terms of what's going on with the high NPL regions for the credit card business. That's something that we already discussed. What are the expectations for the NPLs? Yeah. We already answered that.

I don't know if there's another question from the audio part.

Operator: Yes. We have a question online again from Juan Pardo.

Juan Pardo: Thank you. I just want to make an additional question. In previous quarters, you gave us some color on how the specific line on credit cards used to finance mobile phones was having a change from the operational perspective, that you were implementing some changes in the software that you used to improve the NPLs for this type of product. Can you elaborate a little bit on how you closed the year on that project?

David Seinjet: Yes, sure. We developed two alliances, one with Samsung, and the other one with Huawei, which represent close to 80% of the mobile phones that we finance.

These alliances with the manufacturers allow us to include in the telephone a special app that will give us access to the telephone itself. We can use that app as a collection mechanism, as a communication mechanism with the client, and finally, if the client does not pay us some time, basically the telephone can become useless. It will be blocked and cannot be used with any service provider, so we implemented those alliances.

The developments are done. The implementation process is done, and we expect to see some results during the first half of this year.

It's a platform that was developed by the manufacturers. It has been working in some Asian countries with very positive results.

Juan Pardo: Thank you. Finally, taking into account that the first quarter of 2019 is done, perhaps you can provide us with some of your perspective from the macroeconomic aspect on how the year is doing, so far how the business is going.

Patricia Moreno: We are seeing a steady increase in demand. The first quarter, in terms of new loans issued, we did well, as expected in our budget.

In terms of results, we will have the conference call probably in a month from today and we'll give you complete details on the results. But in terms of macroeconomics, we are expecting performance is under budget, and we expect we have developed the strategy to continue growing in payroll loans, and the pensioners market is doing well.

>> Fantastic. Thank you.

Operator: I'm showing we have no questions in queue for the audio.

Do we have any web questions at this time?

Patricia Moreno: There's one coming from the website. Do we have any other funding alternative initiative plan for 2019 in spite of the funding for this year is done, is there any prepared funding source from the capital market?

In our financial plan for 2019 we are considering specifically domestic sources of funding, the main ones are the committed lines that we were able to execute during 2019, and that we are able to disburse during the following three years as revolving. That's one of the main sources.

We have another source that we have worked in the past with BTG Pactual. It's a mutual fund in which we get access to retail investors through the mutual fund that BTG has set up in the past, the underlying asset of these mutual fund is the payroll loan portfolio from Credivalores. That's also one of the main sources of funding for us this year.

We of course have the alternative to eventually issue by the end of the year something probably under the ECP program. We have a maturity in May 2020 for about US$35 million that we will try to refinance ahead of time, but for now we have no plans to access the capital market internationally for 2019 to fund growth or to fund anything.

Actually, the amortizations that we have this year, which are about COP$140 billion, are all local sources, especially revolving, that we can assume easily with other peso sources that we have available, so no plans to access the international capital market this year, except for probably a liability management transaction that we might do at the end of this year to refinance the maturity due next year.

Ok, well, we have no more questions here from the website.

Operator, I guess we can conclude the conference call now.

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