CREDIVALORES-CREDISERVICIOS QUARTERLY RESULTS REPORT[1]

AS OF MARCH 31, 2021

Operator: Welcome to the Credivalores first quarter 2021 results conference call. My name is Yenny 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 Mrs. Patricia Moreno. Mrs. Moreno, you may begin.

Patricia Moreno (Funding and Investor Relations Officer):

Good morning and thank you for joining us today in our investor conference call to present our results for the 1Q 2021.

My name is Patricia Moreno, and I am the Funding and Investor Relations Officer and here with me are Juan Guillermo Barrera, our COO, Héctor Cháves our CFO and Juan Camilo Mesa, our CRO. 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.

As many of you, we are working from home so please be patient in case we have any technical difficulties with the call.

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

Largest non-bank lender in Colombia providing access to consumer credit to underserved segments of the population…

We have consolidated our competitive position as the largest non-bank lender in Colombia providing access to consumer credit to underserved segments of the population. We have a broad geographic footprint in Colombia covering 97.7% of the population. The Company has a successful track record of over 17 years having disbursed more than US$3.0 billion in loans, reaching a loan portfolio of about US$470 million.

We have developed strong digital origination capabilities in the recent years and currently 69% of total origination is done through digital channels and 80% of the payroll loan origination is digitally integrated through APIs.

We have a portfolio of high yielding products that drive our superior margins operating under an environment of capped interest rates.

[1] The following transcript should be read in conjunction with our unaudited Financial Statements as of March 30, 2021. Our Annual Financial Statements have been prepared in accordance with IFRS for non-financial entities.

We have developed a significant client base of more than 847,000 clients, equivalent to 6.5% of the adult population with a loan outstanding in Colombia.

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 and 90% of our credit cards are delivered under 12 minutes.

Continued success for over 17 years, accessing new sources of funding…

During our 17-year track record we have achieved many significant milestones:

I founded the company in 2003 with capital from friends and family and since then we have continuously grown and successfully expanded the reach of our business:

1. On the equity front:

a. We have seen continuous capital injections from our shareholders throughout the last 10 years, with aggregate capital injections of about US$50 million

2. 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 capital markets. Since inception, we have raised over US$1.3 billion through our multiple funding sources.

a. We secured our first loan from the IFC in 2009, which we then managed to upsize in 2015, reaffirming IFC's commitment to our business. This loan was completely amortized in January 2021.

b. In 2013, we launched our Euro Commercial Paper (or ECP) program in the international capital markets, through which we have completed 17 successful issuances for a cumulative amount raised of US$392 million.

c. We then issued our debut 144A / Reg S senior unsecured dollar denominated bond in 2017, which we then reopened the next year.

d. In 2020, just before the COVID-19 outbreak, we launched a tender offer to repurchase the 2022 bonds and we issued a new US$300 million bond due 2025. We managed to repurchase almost 50% of the outstanding amount of the 2022s and raised funds that allowed us to fund our operation. Also, during this very challenging year, we increased the amount of a local syndicated loan for payroll loan origination by the equivalent in pesos to US$25 million and we issued a new US$20 million note under the ECP Program.

e. When the prices of our 144A / Reg S notes declined to levels below 60% in April and May 2020, we conducted Open Market Repurchases to further cancel the bonds. We repurchased and cancelled US$32 million of principal of the 2025 bonds and US$6.2 million of principal of the 2022 bonds.

f. Finally, in April 2021 we issued a new US$50 million note under the ECP Program to refinance 67% of the total amortizations due under this program in 2021.

Unique business model that supports a strong credit story…

These are the key factors that we believe distinguish our Company as a highly successful business:

1. Our leading position as a multi-product consumer lender in Colombia's underserved, attractive financial market.

2. Our focus on high quality products with stable sources of payment and attractive risk-adjusted returns.

3. The proven results from our digital transformation strategy to support growth and profitability objectives.

4. A sound balance sheet to support future growth while prioritizing asset quality.

5. Our continuously improving funding profile with access to increasingly diversified sources.

6. Finally, our institutional shareholder base, which supported by our strong management team, promotes best-in-class corporate governance practices.

Favorable payroll lending market in Colombia to that of regional peers…

Colombia remains a highly attractive consumer lending market, offering an attractive macroeconomic and fundamental backdrop, coupled with a sound regulatory framework for consumer lending.

1. 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.

2. On the market potential front, Colombia's consumer loan growth in the region has improved consumer loan penetration as percentage of GDP to 13.6%, but still provides local lenders with significant room for sustainable growth.

3. The consumer loan portfolio in Colombia grew 0.2% year over year as of February 2021, amid the COVID-19 crisis. Payroll loans represented 37% and credit cards 18%. The payroll loans market grew by more than 6% year over year while the credit card market contracted by almost 10%. NPLs in the Colombian financial system and in consumer loans remained at 4.9% and 6.1%, respectively, in line with the 2020 results due to the macroeconomic impact of the pandemic.

Focus on a large underserved market segment with high potential growth…

Although commercial banks are present in the payroll lending space, they are traditionally focused on the upper-income segment of the population working for private companies, while most of Colombia's population remains concentrated in the mid- to low-income segments.

1. Credivalores' strategy is based on reaching clients located in the segments 1 through 3, which represent nearly 40 million people or about 80% of the country's population.

2. We also focus on small- and mid-sized cities, in addition to rural areas where banking penetration is considerably low.

3. In the payroll loan product we focus on pensioners, who have a low access to consumer loans. In the credit card we focus on low-income individuals underserved by the traditional commercial banks leveraged on specialized and seasoned credit analytics to address the credit profile of our target population and their financial needs, based on non-conventional data from our alliances.

Strong origination capabilities and diversified product platform…

1. Credivalores currently manages a $1.7 trillion pesos portfolio that has grown at a 12.7% average rate in the last 4 years. On a YoY basis as of March 2021 we had a 6.8% growth rate in our managed portfolio, basically as a result of a 30% growth of our credit card loan portfolio and a 6.5% decrease in our payroll loan portfolio due to loan portfolio sales to local financial institutions. From time to time, we sell our payroll loan portfolio to financial institutions in Colombia as an additional source of funding. During the first quarter of 2021 we sold about $100 billion pesos of payroll loan portfolio to Banco Credifinanciera, a Colombian Bank with the same shareholder structure as Credivalores, with a total loan portfolio comprised of payroll loans, micro finance loans and SME loans totaling $1.3 trillion pesos. Payroll loan portfolio purchases from local loan originators, such as Credivalores, are part of the growth strategy of Banco Credifinanciera, these transactions are done on an arms length basis and are part of a recurrent program.

2. Our origination capabilities remained strong during the first quarter of 2021, growing at a 14.5% on year over year basis, as a result of the increase in the use of digital channels to maintain loan origination even under lockdowns and curfews that were put in place during the second wave of covid-19 cases in Colombia between January and February 2021 .

3. Our managed portfolio, which includes our owned portfolio and the payroll loan portfolio transfers, is mainly comprised of payroll loans which represent 50%, credit cards which account for 47% and insurance premium financing which represents less than 3%.

4. As we discussed in our 4Q 2020 conference call, during last quarter of 2020 the board of directors approved the decision to suspend the origination of insurance premium financing. This decision was taken after considering the difficulties to maintain the balance of this portfolio, given the short duration of less than 10 months, the new competitive environment of this segment, in which insurance companies have become important players and the need to optimize capital allocation. This loan portfolio will fade away in the following months.

5. The average life of the managed loan portfolio is 3.2 years, with an average interest rate of 39.5%, including fees and commissions and an average loan size of around US$600.

6. Our more than 847,000 clients, which account for 6.5% of the adult population with a loan outstanding in Colombia, are mainly concentrated in our credit card product, with more than 670,000 clients.

Innovative products designed to appeal to target clients…

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

1. For payroll loans, we have over 560 operating agreements with pensions funds and private and public employers mainly in small and medium cities. The average term at origination of this portfolio is 125 months, although the average duration is only 48 months. The US$5,150 average loan size is considerable inferior to that of the financial system. The average interest rate increases from 22% to 28%, when including commissions and fees.

About 86% of our payroll loan portfolio is placed among pensioners and government employees, with a single client exposure of less than 0.1%.

2. 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 83% 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$1,100. 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 43.6% average yield, including fees.

Our credit card portfolio targets low-and middle-income individuals, also maintaining a very low single client exposure of less than 0.1%.

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:

1.For payroll loans, we have over 560 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 29 agreements, which represent 80% of total new loans issued, are digitally integrated today to our origination and operational systems improving the response time and lowering our operational risk.

2. For our credit cards, we have origination agreements for digital onboarding of our clients at the major retailers and at more than 280 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 1.9 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.

Now I will turn the call to Juan Camilo Mesa, our CRO.

Juan Camilo Mesa: Thank you Patricia.

Deployment of digital transformation strategy to enhance operational results…

Between 2017 and 2018 we started a digital innovation of our business model. We began by upgrading our core systems and working on process automation, and then in 2019 we launched client-focus digitalization initiatives to improve agility in our origination process. These efforts allowed us to simplify the origination process bringing our value offering closer to our client during the purchase decision-making process. The result was a rapid growth of the origination through digital channels, which after only two years stands at 69% of total origination as of March 2021.

Along with the innovations in the front-end, we improved our operational capacity to process the increasing number of loan applications coming from new origination alliances. The number of monthly loan applications processed has grown by almost 51% since 2018. Alongside, we have been able to control our risk appetite by reducing or increasing our approval rate according to the macro conditions and available funding.

We are working with Bain & Company to reshape our digital transformation strategy based on our strengths, which include Credivalores' successful track record of over 17 years, our long-lasting partnerships and alliances, our proven access to local and international funding, and our client base and national presence. We will profit from opportunities arising from strategic alliances with FinTech's and world leading players, allowing us to attract the right talent and to develop new skills for the new competitive environment.

Sound balance sheet ready to support future growth…

Maintaining a sound balance sheet has always been a key operational focus for Credivalores.

− Our equity base has consistently grown, with an almost 9% CAGR between 2018 and March 2021, driven by organic growth from retained earnings and our shareholders' capital commitments to the business. Between December 2020 and March 2021 our shareholders' equity declined 11.5% to $273 billion pesos due to a reduction in the valuation of the derivative instruments specifically related to the change in the value of the options from the call spreads we have in place to hedge the principal of the 2022 and 2025 USD bonds.

- Shareholders' commitment is also demonstrated by its consistent policy of reinvesting 100% of the profits earned by Credivalores.

− Our total sources of capitalization grew at almost 26% CAGR between 2018 and March 2021, with total capitalization reaching $2.5 trillion pesos in March 2021, with a 2.6% year to date growth, which represents a solid funding base to support Credivalores' business.

− In addition, the NPLs coverage ratio remains robust and compliant with IFRS 9 further enhancing the strength of our balance sheet. The coverage ratio of the managed loan portfolio returned to pre pandemic levels during the first quarter of 2021.

− Finally, our leverage and solvency ratio stood at 6.8 times and 0.11 times due to the reduction in the shareholders' equity.

Improving core financial results underpinning long-term profitability

Credivalores' top-line growth has been in line with that of the loan portfolio since 2018, growing at a 7% CAGR. YoY in March 2021 the interest and similar income grew 23.7% to reach $84 billion pesos, while the commissions and fees increased 11.5% totaling $26 billion pesos. This was the result of an increasing pricing power among our niche market in different regions, resulting in a 28% growth in interest income and an 11.5% growth in commissions and fees in the credit card business. As a result, the yield of our loan portfolio increased to 23% in March 2021.

The cost-of-funding has remained under control driven by:

1. Increased participation of domestic debt at lower rates.

2. Lower local reference rate from the Central Bank.

3. Lower cost of hedging in cross currency swaps indexed to IBR.

− These funding costs improvements have translated to enhanced margins, as our net interest income has continued to increase since 2018 at a 10.2% CAGR. The net interest income reached $199 billion pesos in March 2021, exhibiting an almost 53% year over year growth due to the positive top line growth. During the same period, the Net Interest Margin increased from 10% to 12% but the Net Interest Margin after provisions decreased from 6.2% to 5%. This was the result of higher net impairment expenses, which increased by 35% year over year due to the IFRS 9 provisions model and to our internal policy to maintain high coverage ratios over the total portfolio to face the potential negative impact of current macroeconomic conditions.

− The efforts to optimize SG&A expenses through process automation and controls has improved efficiency ratios reaching a 42% in March 2021.

− These top-line improvements are expected to continue to translate more directly into Credivalores' bottom line in the following years to recover profitability. As of March 2021, net income was $0.4 billion pesos, exhibiting a 108% growth on year over year basis.

Asset quality in line with peer performance in Colombia…

Regarding our asset quality, total NPLs stood at 5.9% in March 2021, below the 6.1% average level of the consumer loans in the financial system. In terms of NPLs by product, payroll loans and credit cards stood 4.2% and 5.9%, respectively, at similar levels to those of the pre pandemic period. These results are due to payroll loan portfolio sales during the first quarter of the year, which reduced the total managed loan portfolio, and to the end of forbearance measures specially in the credit card business. As of March 2021, NPLs of payroll loans among pensioners and government officials totaled 2.7%, substantially below the 6.1% NPL ratio for private companies, which confirms the success our commercial strategy.

For 2021 we expect total NPLs to end the year between 6.5% and 7.0% maintaining our last year's guidance, as no additional forbearances will be granted, and the credit card loan portfolio will reveal additional deterioration of credit risk arising from the impact of higher unemployment and slow economic recovery. We do not expect additional impacts in our P&L, since our IFRS 9 model for the calculation of impairment expenses already includes the expected loss of our loan portfolio under current macroeconomic conditions. 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, new digital collection channels that improve contactability at a lower costs, new scoring models for collections and portfolio management and suspension of credit card origination in the regions most affected by the current political situation and higher unemployment.

After the declaration of the COVID-19 as a pandemic in March 2020, we imposed tighter underwriting policies and we offered forbearance measures to our clients across all three products on a case-by-case basis, following the guidelines of the regulation for financial institutions in Colombia. We granted forbearance measures to loans totaling $516 billion pesos in 2020, equivalent to almost 30% of the managed loan portfolio. As of December 2020, only $23 billion pesos remained under forbearance, equivalent to 1.4% of the managed loan portfolio and as of March 2021, $3.4 billion pesos of the total loan portfolio remained under forbearance, equivalent to 0.2% of the total managed loan portfolio.

The more restrictive underwriting policies resulted in a 96% concentration of the payroll loan origination among pensioners and government officials and in an 86% concentration among new clients with better credit profiles, including prime and super prime segments, in the credit card business.

I will now pass the conference call back to Patricia Moreno.

Diversified funding base with extended debt profile…

Patricia Moreno: Thank you Juan Camilo.

We have cultivated long-standing relationships with local and global financial institutions, as well as 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$1.4 billion of funding in the past ten years to support growth.

As of March 2021, 73% of the financial obligations were the unsecured 144 A / Reg S bonds, 13% were notes under the ECP Program, 12% secured domestic sources and 2% unsecured domestic sources. Our current sources of funding include a local syndicated loan for payroll loan origination, a financing structure through a mutual fund with BTG Pactual, working capital lines with local financial institutions, overdraft lines and Reg S Notes under our ECP Program. These sources and the cash at hand we maintain, add up to $1.3 trillion pesos, out of which $439 billion pesos remained available.

The average life of our debt stood at 2.4 years in March 2021. The secured debt amortizations in 2021 include the local syndicated loan for payroll loans, which is revolving for the following 18 months. About 67% of the $276 billion pesos amortizations of the notes under the ECP Program or about $184 billion pesos were already refinanced in April 2021, with the issuance of a US$50 million note, and we have the funds available to pay for the remaining amortizations in June and September 2021.

We are structuring new sources of funding in 2021 for an aggregate amount of more than $950 billion pesos, including structured financing for credit card origination through a mutual fund for $100 billion pesos, domestic guaranteed bonds for $160 billion pesos, a secured loan backed by payroll loans for up to $260 billion pesos and loans from multilateral agencies for up to $260 billion pesos. With regards to the structured financing for credit card origination through a mutual fund stablished by BTG Pactual, we have already obtained the approval from the credit committee, and we expect to complete the first disbursement during the third quarter of the year. On the domestic guaranteed bonds front, in May 2021 we signed the guarantee agreement and the promissory notes with the FNG, and we expect to issue the bonds during the third quarter of the year.

During the first half of 2020 the rating agencies, S&P and Fitch Ratings, announced a negative outlook and a negative credit watch, respectively, on our long-term debt international rating due to concerns on the macroeconomic impact of the COVID-19 on the quality of our loan portfolio and our profitability. However, the 2020 results confirmed the resilience of our business model under challenging macro conditions. In April 2021 S&P confirmed the 'B' rating with a negative outlook and in May 2021 Fitch Ratings removed the negative watch on our rating confirming the 'B+' rating with a negative outlook.

…an increasingly robust credit profile…

Total financial obligations, net of the FX impact, increased 3.0% to $1.8 trillion pesos between December 2020 and March 2021. During the first quarter of 2021 we used funds from our own collections and from the loan portfolio sales to fund loan portfolio growth. By March 2021, 88% of our total debt was unsecured and 12% was secured and 86% of maturities were due in the long-term as a result of the strategy to extend the average life of debt.

Our ratio of unencumbered assets to unsecured debt, stood close to 136%, above the minimum 110%, required by the covenant. The capitalization ratio, measured as the total shareholders' equity divided by net loan portfolio, totaled 23% remaining above the 13.5% level required by the covenant of the Notes due 2022 and 2025.

… and a resilient business even under challenging macro conditions

Our 2020 results highlighted the resilience of our business model during one of the most uncertain times in recent history. Based on scenario analysis we present our best estimate for the 2021 outlook of our business.

In terms of managed loan portfolio growth, we expect a 22% to 25% growth compared to 2020, especially driven by the credit card business and payroll loans among pensioners and government officials. Since payroll loans will represent the largest portion of the loan portfolio and loan origination, we expect a total loan origination growth between 28% and 32%.

Given the important recovery in our credit card business during 2021, we expect NPLs to increase between 6.5% and 7.0% for our total managed portfolio.

Our Net Interest Margin, including commissions and fees, over the managed loan portfolio is expected to end the year between 10.5% and 11.5%.

Our efficiency ratio will continue to improve to levels between 45% and 47% considering the strong reduction in variable expenses in origination coming from the increase in the use of digital channels for origination.

Our equity to assets ratio will remain at about 11%.

Lastly, we expect our capitalization ratio, which is calculated as the shareholder's equity over the net loan portfolio, to end the year between 20% and 22%.

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 18 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 management, 2 members from Gramercy, 1 representative of the Seinjet family, 1 member from ACON and 1 independent member

− 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, adopting GRI, ISO, SGD Compass and Accountability standards.

− In May 2021 we launched an anonymous on-line and phone line ethics and compliance hotline for employees to report bad commercial practices, frauds, conflicts of interests and misuse of resources.

Globally recognized shareholders, supporting Credivalores' growth

Finally, our globally 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$50 million.

After recovering some stability in the equity market and adapting the financial projections of the Company to the new reality under the COVID-19 restrictions, the Seinjet family will continue to study and proactively present exit alternatives for the private equity funds' analysis. The intention of the Seinjet family has always been to find a suitable partnership to accompany the future growth of Credivalores and to sponsor the efforts to deploy the digital transformation strategy defined.

This concludes our presentation for today. We will now open the conference 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 star (*) then one (1) on your touch-tone phone. If you wish to be removed from the queue, please press the pound sign or the hash key (#). If you're using a speakerphone, you may need to pick up the handset first before pressing the numbers. Once again, if you have a question please press star (*) then one (1) on your touch-tone phone.

And we have no audio questions at this time.

Patricia Moreno: Ok, then we can jump into the questions from the website.

We have a question from Andrew. "Could you please discuss trends in your payroll and credit card NPLs so far in the second quarter 2021?"

I guess David Seinjet, our CEO and founder, has joined us for the Q&A. I don't know if you want to take this one.

David Seinjet: Can you say again the question please?

Patricia Moreno: Sure. Trends in the payroll loan and credit card NPLs for the second quarter 2021. You or Juan Camilo, if you are online.

David Seinjet: Juan Camilo.

Juan Camilo Mesa: If you want, I can take this. Ok. So regarding our NPLs, as we mentioned during our presentation our guidance for the end of the year is between 6.5% and 7%, in line with our last year guidance. What you see is that during the year some of the risk that already our IFRS model detected and absorbed will be materialized in our NPLs, especially because we are not giving additional forbearances. So what we could expect for the second quarter, for payroll loans, as new payrolls are disbursed, we expect this NPL to decrease at around 3.6%-3.5%, and for credit cards we expect to keep it at 5.9% as of March '21 and we expect it to keep rising as this credit risk keeps materializing but it's not that it wasn't already expected and wasn't absorbed by our provisions model.

Patricia Moreno: Ok. We have another question here from Maria Teresa Cruz. David, you can probably take this one. Regarding how has origination been impacted after the social crisis in Colombia.

David Seinjet: Ok. Thank you. Yes. Let's say, for example, the social crisis has impacted mostly the South East of Colombia, which are probably regions of the Cauca, Valle del Cauca, let's say the coffee-growing regions, and that has impacted for the last two weeks. It seems now that we are operating normally but the last two or three weeks of the month of May originations were impacted, mostly in those regions. Besides that, we took some additional restriction measures in terms of underwriting policies until we get a better understanding of the economic impact in those regions.

In terms of payroll loans, basically we are focusing our origination in government employees and pensioners. That's something that we have been doing since the COVID pandemic started and it's something that we have been strengthening in the last months. During the social crisis, we even further increased our efforts to getting market share in pensioners and government employees. We feel that the social crisis has probably ended last week and now everything seems to be going back to normal.

Patricia Moreno: Maria Teresa has several questions that she sent us. That's the first one. The second one is, "Why has been new financing been delayed? And if our growth estimate has changed because of the delay in the funding sources."

Actually, our financing plan for 2021 has not been delayed compared to what we were expecting. Origination during the first quarter was strong for credit cards and for payroll loans. And as we mentioned during the call, we finance the growth of our loan portfolio with our own collections and through the sale of our payroll loan portfolio to financial institutions. We are expecting a lower origination pace during the second quarter of this year given what David just mentioned on the political situation in the country and as you can see in the presentation, page 15, we are expecting to disburse most of the other sources of funding that we are working on, the mutual funds, credit cards, the domestic loan guarantees in Colombia and the payroll loans during the third quarter of this year, in which we expect the recovery of our origination so that's in line with our cash flow projections.

During the second quarter, I forgot to mention that we issued a USD 50 million note. We did mention it during the call but this USD 50 million note under the ECP program allowed us to amortize the USD 40 million that we had due in April and we had extra resources also for the operation of the company. So those are the plans and they are in line with our cash flow expectations.

And there is a last question regarding if there are any plans to inject capital to the company so that we can talk S&P from an additional downgrade. Just to clarify, this is given the RAC ratio estimates. Just to clarify, in our current rating of single B the minimum RAC ratio that S&P considers according to the report is 5% so if our RAC ratio is consistently below 5%, they could eventually make a decision regarding a possible downgrade. That’s not the case right now. So we don't see it as a possible scenario in the following six months or so.

Regarding capital injections, I believe what we mentioned at the end of the call, probably the same as we did in the last call is that the Seinjet family is constantly looking for exit strategies for ACON and Gramercy and that the idea is to find a suitable partnership to accompany the future growth of the company and sponsor the efforts to deploy the digital transformation strategy that we have. And this is something that has been on the table on a constant basis and not just this year or so. I don't know, David, if you want to add something to that question.

David Seinjet: No, I think just to complement what Patricia mentioned, yes, we are in a process basically evaluating alternatives to create a liquidity event for our private equity investors and bring in a strategic investor which will provide the exit strategy for the private equity investors and new capital into the company to support future growth. That's our plan and that's what we are going to work for example during this year, when we just got over the COVID-19 crisis.

Patricia Moreno: There is one additional question from Ivan Felipe Agudelo. We already discussed our refinancing plans for this year. He is asking what progress we have in terms of the debt management for 2022. As we previously discussed also in our other conference call, we are working on several alternatives among the ones that we showed in the presentation and they add up to more than COP 150 billion, not only to address the loan growth of this year but also to start planning to use any of those as possible sources of a partial refinancing on the 2022 notes that are due next year.

Our plan originally also included a possible liability management transaction in the international capital market. This is still a possible transaction for us but we are very conscious of the current market conditions and the current political and macroeconomic situation in Colombia. We are constantly monitoring this and talking to the banks to see if right now that's a transaction that will make sense for us and for the investors. But as I mentioned, we are already working on more than COP 950 billion of new funding that will allow us to use any of those sources as a partial source of refinancing for the 2022 bonds.

And on the other question, "On average, how many credit cards originated monthly before the pandemic and now how many are we originating?" I don't know, David or Juan Camilo, if you have the answer to that one, in terms of origination of credit cards pre-pandemic and after.

David Seinjet: Thank you, Patricia. I can help Juan Guillermo in the question. Let's say, with the development of the digital channels, our credit card requests have increased dramatically so without changing any underwriting policies and keeping very strict underwriting policies focusing on prime and super prime risk profiles, we have been able to issue around 10,000 credit cards per month. We issue around 15,000 credit cards but active credit cards, around 10,000 new credit cards per month. That's the average that we have seen in the last two to three months.

Patricia Moreno: Ok. I will follow up with some of the questions that I'm seeing here on the website regarding questions that we already answered during the call but at this moment we have no additional questions on the website.

Operator: We do have one audio question from Carlos Rivera, from DoubleLine. Please go ahead.

Carlos Rivera: Hi. Good morning. Thank you, Patricia, for the call. I have a follow-up on the capitalization. You have an expectation of the reduction of your capitalization ratios to 20% to 22%. So I was just wondering what is included there. Is that just the growth of the portfolio? Is that also any of the impact of the hedges that we saw that were negative to the capitalizations in this quarter? And is there any number in terms of equity raise in this expectation that you have of 20% to 22% or just the growth of that portfolio? Thanks.

Patricia Moreno: Yes, the capitalization ratio that you see on page 17 and the calculation that we do there is the net loan portfolio, the shareholders' equity over the net loan portfolio. So it's very difficult to project for us any reduction in the equity because of the valuation of the derivatives that we have outstanding. The change is basically given the growth in the assets in the loan portfolio. That's why the ratio changed from 24.6% in 2020 to our expectation between 20% to 22% in this year. That's for the first part.

I'm sorry. Could you repeat the last part of your question?

Carlos Rivera: Yes. Just wondering if there was any assumption about any equity raise on that number or not considered there.

Patricia Moreno: No, there is no assumption regarding that.

Carlos Rivera: Ok. And regarding the rating agencies, you mentioned that for your single B rating on S&P, the minimum is a RAC of 5%. What is your ratio under S&P standards at the moment? And if you can share the same information for Fitch, please. Thank you.

Patricia Moreno: What I can tell you is that Fitch does not calculate exactly a RAC ratio like that. They do look at solvency ratios and they look at the leverage ratios more as the drivers, according to the reports and according to what we have discussed, of course. There are many other indicators that they might look at a company but according to the reports that we receive from them and our talks to them, it's basically leverage, the asset quality, the NPLs 90-days past due, and profitability. Those are the three main concerns for both rating agencies. I'm talking about the RAC ratio specifically as it is discussed in the report from S&P and what they say is that for our single B rating, the minimum RAC ratio should be 5%. And if consistently our RAC ratio is below that number, that's the downsize scenario for the rating that we have outstanding today.

The last time we checked, and I would have to run the numbers with the March figures, but our RAC ratio was below the 7% of a B+ rating that we used to have before the decision of the rating agencies a few years ago. But it should be a little bit below the 7% and then we'll check with the numbers as of March of this year and I will get back to you.

Carlos Rivera: Ok. Sounds good. And regarding Fitch, I know that you said that some time ago, what would be the number for the B+ rating that you have on the latest figure that they publish on their review, if you know?

Patricia Moreno: Yeah. According to the report, there was a positive rating action from Fitch, which was just the removal from the negative watch last May. That was May 14 that we received the news. And remember that this is something that they watch for and that they can change every six months or so but because of the results of 2020, they decided to remove this negative watch. We still maintain the affirmed B+ rating and they also affirmed the negative outlook more of a concern of the macro-economic conditions of the country and to see how things will result.

One of the indicators that they look at Fitch, as I told you, aside of profitability, of course, is the leverage ratio and it should be above 8%. It should be above 8.5 times, and what we have discussed with Fitch is that this is not like a trigger that as soon as you are above that 8.5 times you would receive a downgrade immediately. It's something that will depend on how consistently you are increasing your leverage. This is specifically a discussion that we had with Fitch just a couple of weeks ago, when we were reviewing the report that was published last week regarding this decision that I'm talking to you and so they see this as a condition to maintain the B+ but it's not like a breach of a covenant, you won't have a rating action right away as soon as you are above this 8.5 times.

Carlos Rivera: Ok. Got it. Thanks very much, Patricia.

Operator: No further audio questions at this time.

Patricia Moreno: No further questions from the website either. So we can conclude the conference call for today. Thank you very much for joining us today and have a good day.

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