1Q2020 CONSOLIDATED EARNINGS RESULTS CALL TRANSCRIPT

GRUPO AVAL ACCIONES Y VALORES S.A.

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Operator: Welcome to Grupo Aval's first quarter 2020 consolidated results conference call. My name is Hilda and I will be your operator for today.

Grupo Aval Acciones y Valores S.A. ("Grupo Aval") is an issuer of securities in Colombia and in the United States. As such, it is subject to compliance with securities regulation in Colombia and applicable U.S. securities regulation.

Grupo Aval is also subject to the inspection and supervision of the Superintendency of Finance, as holding company of the Aval financial conglomerate.

The consolidated financial information included in this document is presented in accordance with IFRS, as currently issued by the IASB. Details of the calculations of non-GAAP measures such as ROAA and ROAE, among others, are explained when required in this report.

This report includes forward-looking statements. In some cases, you can identify these forward-looking statements by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these and other comparable words.

Actual results and events may differ materially from those anticipated herein as a consequence of changes in general, economic and business conditions, changes in interest and currency rates and other risks described from time to time in our filings with the Registro Nacional de Valores y Emisores and the SEC.

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The content of this document and the figures included herein are intended to provide a summary of the subjects discussed rather than a comprehensive description.

When applicable, in this document we refer to billions as thousands of millions.

At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session.

I will now turn the call over to Mr. Luis Carlos Sarmiento Gutiérrez, Chief Executive Officer. Mr. Sarmiento Gutiérrez, you may begin.

Luis Carlos Sarmiento Gutiérrez: Thank you, Hilda. Good morning and thank you all for joining our first quarter 2020 conference call.

Allow me to start by expressing my sincere hope for the wellbeing of all of you and your friends and families.

The first quarter of this year can be divided in two. January and February were months filled with optimism that pointed towards a strong performing year, a year of economic consolidation and growth. However, two events marred the month of March: The oil war between Russia and Saudi Arabia and the globalization of the coronavirus pandemic. These events became evident to the world in the last few weeks of March, and since, most of the countries in the world and Colombia has not been the exception have been experiencing the pain of overwhelmed health systems, collapsed markets, and economies grinding to a halt. I must say that in contrast, it appears that Colombia has fared comparatively well up to know both in Covid-19 contagions, as well as in the economic downturn.

Today, I would like to invest our time in the following points: a macro review of the economy during the first quarter and some reflections for the remainder of 2020, a review of the actions that we have implemented to conduct our business during this juncture, the actions we've taken to support our stakeholders, and our contributions to the countries in which we operate, a review of the government's public policy actions implemented during the pandemic, the main highlights of our own performance in the first quarter of 2020, an update regarding the legal processes of Ruta del Sol, and finally, an update on the status of the acquisition of the Panamanian bank Multibank.

As I said before, up until the end of February the fundamentals of Colombia's economy, where almost 70% of our consolidated business resides, were strong. Data showed a positive momentum in consumer spending and private investment. Retail sales had been growing at an annual rate of 10.3% and the industrial production at 4.2%.

And then came March. Although the oil war only started early in March and the pandemic was only really felt in the last two weeks of the quarter, the impact in the economy was such that GDP growth for the full quarter was only 0.4% (adjusted for seasonality), down from 2.8% a year earlier.

Annual inflation softened to 3.5% by the end of April 2020, as weakening consumer demand pressed prices downward after rising to 3.8% at the end of 2019 and to 3.9% in March 2020, as food prices temporarily rose due to disruptions in supply chains.

The Central Bank has taken several measures to continue with its expansionary monetary policy. So far this year, it has reduced its interest rate by 100 basis points, taking it from 4.25% to 3.25%, the lowest levels since 2014. To further irrigate liquidity into the economy, the Central Bank has also announced its intention to purchase government securities and private debt from the financial sector for a total of up to COP 14 trillion.

As expected, employment has been one of the most affected variables by the current juncture. The average unemployment rate for the last 12 months ending on March was 10.7%, up from 10% a year earlier, and from 10.5% yearend 2019. The unemployment figure for the month of March 2020 was 12.6%, 180 basis points higher than in March 2019. This is one of the first palpable consequences of the mandatory quarantine.

In 2020, the exchange rate has depreciated by approximately 20%, mainly driven by the effects of the decrease in oil prices and the consequent trade imbalance. In fact, the exchange rate at year-end 2019 was COP 3,277 per dollar and had increased to a maximum of COP 4,154 per dollar by mid-March. During the last weeks, the exchange rate has somewhat recovered and has hovered around COP 3,900 per dollar.

As we look towards the rest of the year, some dark clouds are already apparent. Energy demand declined 11% year-on-year in April, and consumer confidence fell to -41% from -24% in March. The Purchasing Manager's Index (PMI) dropped to 27 in April from 49 in March, showing a sharp contraction in manufacturing activity. However, I will say that there are so many different economic predictions for 2020 from analysts and economists and such divergence between them that it is truly hard to provide a macro guidance with any degree of certainty. It now seems obvious that the economy will not grow this year. But predictions range between 0% growth and a 7% contraction.

There is, however, an emerging consensus around a restart of the economy during the latter part of 2020 consolidating in 2021. The IMF, for example, expects a contraction of the economy close to 2.5% in 2020 and a recovery of 3.8% in 2021. Some of the most negative views have come from the Central Bank, which provided different scenarios with GDP growth ranging between -2% to -7% for 2020.

Inflation will be lower than last year's, but it is unclear whether it will be closer to 2% than 3%. Most analysts have cut their year-end inflation forecast below 3%. The Central Bank will probably lower its repo rate again, but even they are waiting to see how the economy reacts to what they have already done before moving further. With growth expectations deteriorating and inflation forecasts falling, the market expects that the Central Bank will cut interest rates further to a 2.25% to 2% range before year end.

Unemployment is a key variable going forward. We know that it will rise materially, but it is hard to predict whether it will reach 20%, where some analysts are placing it before year end.

Under the current scenario, the government has eased the fiscal deficit goal for 2020 in order to secure resources to: one, contain the social impact of the crisis; two, increase the capacity of the health system to provide care for people affected by Covid-19, and three, stimulate the economy.

Fiscal deficit is expected to widen from 2.5% in 2019 to 6.1% in 2020, consistent with the initial target of 2.2% of GDP plus an expected decline in tax revenues of 1.3% of GDP, and higher spending up 2.7% of GDP. We consider that this is an appropriate time to run a higher fiscal deficit in order to provide support to the private sector and speed up recovery.

The current juncture is putting additional pressure on the country's current account, driven by a decrease in exports, lower remittances and a deterioration of the dollar-denominated component of GDP. According to the IMF, Colombia's current account deficit could reach 4.7% of GDP this year. The exchange rate seems to have found a new comfort range between COP 3,900 and COP 4,100 per dollar, at the same time that the price of oil seems more comfortable in the 30s than the 20s. But only time will tell what oil demand will look like once countries go back to work and vehicular mobilization resumes.

In conclusion, the success of public policy to decipher the delicate balance between containment of contagion and a progressive lifting of the quarantine and the effectiveness of monetary, fiscal and regulatory stimuli will determine the country's growth for 2020.

Moving on to Central America, we expect that the contraction for the region in 2020 will be driven by the contraction in the United States and the consequent decrease in remittances. According to the IMF, the region should contract 3% in 2020, motivated by contractions in all countries, including Nicaragua, contracting 6%; El Salvador 5.4%; Costa Rica 3.3%; Honduras 2.4%; Panama 2.1%, and Guatemala 2%.

In the meantime, we have been working hard on different fronts. The health of our employees, the execution of our contingency plans to assure the continuity of our operations, the design and offering of opportune and sensible debt relief packages for our clients, the protection of other key stakeholders like our suppliers, and several other corporate and personal contributions in the countries where we operate.

Allow me to refer in little detail to some of these. Since the beginning of the crisis, we have put forth all possible and necessary efforts to protect the health of our employees via home office programs and online health advice. In fact, 94% of our administrative employees are currently working from home. Those that support our branch network are following strict social distancing and sanitary protocols.

We have proven the effectiveness of our contingent plans for business continuity. Periodic digital meetings with our CEOs and key executives have allowed me to keep informed, on a day-to-day basis, of the company's operations, have also been conducive to obtain consensus around the design and implementation of action plans in response to different situations that arise as a result of the current juncture, and also have proven helpful in jointly assessing the challenges that our businesses are facing.

In turn, each one of our corporate functions is constantly cooperating with our business units. As part of this activity, our CRO and her team, together with our subs, have strengthened the risk-monitoring routines, focusing on those that could affect our operations during the current juncture. For example, we measured, consolidated and individual market risks and liquidity risks on a daily basis.

Regarding our customers, starting in March we launched a relief program for companies and individuals affected by the crisis, including deferral of instalments, credit lines at preferential rates for companies to effect payroll payment and protect employment, reduction of fees charged on electronic channels, and others. As of last week, we had granted reliefs in Colombia for approximately Ps. 32.5 trillion, representing 26% of the total aggregated portfolio of our four banks. 89% of those reliefs were requested by customers, and 11% were granted automatically.

In Central America, we have granted reliefs for approximately US 7.8 billion, representing 46% of the total aggregated portfolio of the region. 71% of those reliefs have been made automatically and 29% have been requested by customers.

95,000 retirees who are accustomed to collecting their pension payments physically at our branches have opened digital savings accounts and have started to use alternative channels where physical proximity is minimized.

Aval Pay Center our digital platform through which customers pay utilities, loans and others, experienced a 73% increase in transactions. Our web pages and mobile banking apps experienced 50% and 24% increases in transactions respectively. We have temporarily waived fees on funds transfers originated from our mobile banking or virtual banking.

Handling the increasing activity while implementing social distancing has been a challenge for our call centers. Monthly average calls to our banks have grown by close to 70%, tripling in certain days compared to pre-Covid levels.

So social distancing in turn implied reducing 35% our installed capacity. To deal with this challenge, we enabled additional operator desks in temporary locations, relocated some to work from home, and outsourced others.

To support our SME suppliers, we are paying five days or less in order to provide them with fast liquidity and to protect their businesses and their employees.

We have also tried to contribute on a national scale. A COP 80 billion donation by our controlling shareholder, Mr. Sarmiento Angulo is being used in Colombia to purchase groceries for 400,000 families in need, 300,000 diagnostic tests for Covid-19 and ventilators and other medical equipment. Through Promigas, a COP 22 billion donation was made to benefit the most vulnerable population in the Caribbean region. Additionally, through our banks, we donated to the cities of Bogota and Cali. In my case, as a pilot, I have offered my services to the government and to the Civil Air Patrol, a non-for-profit organization to which I've belonged for the last 15 years to fly testing kits and fly back samples, and to transport groceries to remote places not currently being serviced by airlines, while the skies remain closed for commercial traffic.

Public policy will be key to mitigate the effects of Covid-19 on the economy. The full impact of this crisis will depend mainly on two factors. One, how long do health-driven restrictions, mainly the current mandatory quarantine, constrain the normal functioning of the economies; and two, the effectiveness of public policies intended to mitigate the impact of the crisis, such as the flexibilization of fiscal policy, increase and redirection of government spending, a more expansionary monetary policy, and banking regulation.

Obviously, the success of a few of these policies depends on similar decisions made in the world and by our trading partners.

With respect to the first factor, Colombia has already begun to reopen certain sectors of the economy and hopefully the country will be open for a significant portion of its business by the end of June.

As for the second factor, we believe that the actions taken by the government and the Central Bank are on the right track. As of now, some of the most relevant actions are the declaration of an economic state of emergency, which allows the national government to adopt through legislative decrees measures necessary to face the crisis and prevent the extension of its effects. Secondly, allocating resources to: one, increase the capacity of our health system; two, directly subsidize those who lost their sources of income, three, provide guarantees for up to 90% of loans extended by banks to companies, SMEs and independent workers for payroll payments and working capital loans; four, grant agri-business credit lines through Banco Agrario and loans to other sectors through Bancoldex; five, temporarily suspend pension contributions; and six, postpone tax returns and tax payments.

The Central Bank has taken several measures to support the economy, such as the reduction of its intervention rate, injections of liquidity to the economy by: one, decreasing the reserve requirement on deposits; two, extending the liquidity auctions, repos and granting access to various participants of the financial system; three, extending the maturities of repos on public and private debt instruments; four, direct purchases of private debt instruments issued by credit institutions; and five, authorizing direct purchases of Colombian sovereign debt (TES).

Central American governments, excluding Nicaragua, have also adopted measures aimed to mitigate the negative effect of coronavirus in their local economies, including the postponement of tax payment dates, enabling banks to temporarily defer loan payments without negative consequences on credit scores or payment records, and in some cases, direct financial aid to individuals.

Although Diego will refer in detail to our financial performance, these are a few highlights for the quarter. Our consolidated assets grew by 24.1% versus the first quarter of 2019 and 14.9% versus the fourth quarter of 2019.

Consolidated gross loans grew by 19% versus the first quarter of '19 and 11.8% versus the fourth quarter of '19. And consolidated deposits grew by 24.5% versus the first quarter of '19 and 15.8% versus the fourth quarter of '19.

The quality of our loan portfolio improved slightly to 3.14%, albeit aided by the Superintendence of Finance regulation, mandating banks to classify refinance loans due to the pandemic, as current.

Cost of risk increased slightly to 2.15% from 2.07% in the last quarter of last year. Total NIM decreased to 4.78% versus 5.63% in the fourth quarter of '19, driven mostly by a 364 basis points drop in NIM on investments.

Corficolombiana´s non-financial sector investments contributed strongly to the quarter's result, especially from its toll road concessions and Promigas.

Aval's consolidated cost to income efficiency ratio improved to 47.1% from 52.1% a quarter earlier, and the cost to assets ratio improved to 3.4% from 4.1%.

The quarter ended with strong funding and liquidity positions, as evidenced by the deposits to net loans ratio of 1.04 times and the cash to deposits ratio of almost 20%.

Net income for the quarter was COP 700.2 billion or COP 31.4 per share, and our return on average equity was 14.2%.

The negative impacts to our banks during 2020 will come mainly from an increase in cost of risk and a deceleration of growth. Additionally, for the next few months, we expect lower fee income and lower income from a couple of our non-financial businesses, such as toll roads and hotels.

Starting in March, we have conducted a review of all economic sectors and how each might be affected by the present juncture. Furthermore, we have analyzed our exposure to each of these sectors and classified our loans according to incremental risk.

Regarding our consumer portfolios, we're running predictive models to try to quantify additional provisions necessary according to different economic scenarios. Because we opted to offer refinancing mostly to clients who requested it, rather than automatically, we are using client feedback to better estimate the possible deterioration in the quality of our consumer loan portfolios once the reliefs granted come to an end.

We booked some additional provisions in March, but a noticeable increase in cost of risk will only be apparent in the second quarter results. A first estimate shows the potential for additional cost of risk of up to 35% this year versus last year's.

We have started to book provisions for our exposure to Avianca, which, as I'm sure you know, filed for Chapter 11. Our current gross exposure to Avianca is approximately US 185 million and our net exposure is approximately US 160 million, after already having booked provisions for approximately US 25 million dollars. 73% of this debt is secured by dollar credit card receivables. 20% is secured by the company's headquarters in Bogota, and 7% is unsecured. We will continue making provisions as Avianca's legal and financial situation unfolds.

As part of the Covid-19 related measures, subject to very limited exceptions, Colombia's Supreme Court of the Judiciary, el *Consejo Superior de la Judicatura,* declared the suspension of judicial terms and the cancellation of public hearings from mid-March until May 24. The suspension has been extended on multiple occasions, consistently with the extension of the quarantine. Accordingly, there is no certainty on whether terms will resume after May 24. As a result of the foregoing, there are no relevant developments to report regarding ongoing legal matters related to Ruta del Sol.

We recently announced that Banco de Bogotá, through its sub Leasing Bogotá S.A. Panamá and MFG, Multibank's parent company, there is controlling shareholders, had mutually agreed to amend the purchase agreement for up to 100% of the outstanding common shares of MFG, signed last October, after certain conditions precedent were not met in a timely manner before the originally scheduled closing on April 28, 2020. The most important amendments consisted in an extension of the closing deadline and a reduction in purchase price from US 732 million to US 449 million. Total shareholders' equity at closing, including US 110 million, represented in preferred shares, is estimated at US 520 million. The transaction has obtained the required regulatory approvals and is now expected to close next week.

And now Diego will explain in more detail our business results.

Diego Solano: Thank you, Luis Carlos. I will now move to the consolidated results of Grupo Aval under IFRS.

Grupo Aval's first quarter results were overall positive. Although the current scenario is challenging worldwide, we believe we have a strong starting point to face the upcoming challenges derived from it.

Our solid ROAA relative to our peers, the positive trend in the quality of our loan portfolio over the past quarters, our liquidity position, the regional and business line diversification of our income, and our historic bias towards lower risk consumer banking products in our portfolio, could give us an advantage relative to other financial institutions under the current scenario. Even though, we will not provide guidance on this call, I will highlight some of the effects that the current juncture can have on our key drivers.

Starting on page 13, asset growth was strong during the quarter, driven by an increase in cash and fixed income investments, strong loan growth, and the effect of U.S. dollar appreciation against the Colombian peso. Assets grew 24.1% over the year and 14.9% during the quarter, with a strong increase in cash in both regions as a result of our strengthening liquidity profile and the proceeds from the 2030 U.S. dollar-denominated bond issuance.

Colombian assets grew 19% over the year and 10.1% during the quarter, while Central America delivered 6.4% and 2.1% growths in dollar terms over the same periods.

Annual and quarterly end of period depreciations of 27% and 24% raise annual and quarterly growths of Central America to 36% and 26% when translated into Colombian pesos. This explains as well the increase of the weight of this region from 30% to 33% of our book.

Moving to page 14, loans, excluding repos, grew 19% over the year and 12% during the quarter. Growth during the quarter was strong in both geographies. And in addition, the depreciation of the Colombian peso and its effect on our dollar denominated loans further contributed to growth.

Lockdowns established by the governments to mitigate the Covid pandemic were put in place during the second half of March, with low impact on our overall loan portfolio growth during the quarter.

Even though we experienced a slowdown in consumer loan growth in March, this was compensated by a strong performance of our commercial loan portfolio throughout the quarter. Our Colombian gross loan portfolio grew 12% over the year and close to 6%

during the quarter. This reflected a strong performance of our Colombian corporate loan portfolio, which had the best dynamics in recent quarters. Its growth, excluding repos, reached 8% over the quarter and over 12% over the year.

Consumer and mortgage businesses continue to be dynamic in Colombia, expanding 10.3% and 14.5% respectively over twelve months. Quarterly growth was consistent with this performance at 2.6% and 3.2%, respectively.

Our gross loans portfolio in Central America increased 6.2% in dollar terms over the year and 1.3% during the quarter. Nicaragua, that weighs 5.8% of our Central American assets, dampened the 12-month performance, contracting close to 12% while of the rest of the region, expanded at over 7%. Loan growth in Central America incorporated a 4.6% growth of commercial loans and a 2% contraction of our consumer loan portfolio, reflecting a seasonal credit card use and the effect of lockdowns throughout the region. We expect the lockdowns and their effects to reduce loan growth over the following quarters.

On pages 15 and 16, we present several loan portfolio quality ratios. As mentioned on this call, Covid-19 had a mild effect on first quarter 2020 results, given the late timing of its arrival to the regions in which we operate.

Even though the magnitude is still uncertain, we expect a pickup in delinquency once the effect of lockdowns unfolds and reliefs expire. Provision expenses could increase as well, as our forward-looking macroeconomic components on expected credit losses are adjusted over the following quarters.

Delinquency metrics continued to improve during the quarter, driven by our consumer loan portfolio, reflecting the positive trend that had been established over the previous quarters. Loan reliefs applied during March added to this trend.

Delinquency ratios for consumer loans showed an improvement over the quarter.

In Colombia, 30-days consumer PDLs improved by 56 basis points to 4.3%, while 90-day PDLs improved five basis points to 3.1%.

In Central America, 30-days consumer PDLs improved by 87 basis points to 3.8%, while 90-day PDLs improved 23 basis points to 2.1%.

Our commercial loans portfolios showed an improvement of 12 basis points to 3.5% on a 90-day PDL basis and deteriorated 16 basis points to 4.1% on a 30-day PDL basis over the quarter.

In Colombia, our 90-day commercial PDLs were materially stable at 4.5% and deteriorated 33 basis points to 5.2% on a 30-day basis. CDRS which is yet to be charged-off, weighs 97 basis points on these ratios.

In Central America, 90-day commercial PDLs remained flat at 0.6% while 30-day PDLs deteriorated 23 basis points to 1.2%.

Finally, mortgage PDLs were stable on 90-days basis and improved on a 30-days basis.

Quarterly past due loan formation incorporates FX components of COP 407 billion on a 30-day basis and COP 210 billion on a 90-day basis.

Our cost of risk deteriorated eight basis points over the quarter. For comparison purposes, I will remind you that Ruta del Sol accounted for 19 basis points of fourth quarter 2019 cost of risk.

Our overall cost of risk benefited from a lower cost of risk in Central America, partially explained by the seasonal contraction of credit cards.

As mentioned by Luis Carlos, provisions for Avianca were one of the initial impacts of Covid-19 on cost of risk. Our Consolidated exposure to the Avianca Group is US 185 million, equivalent to Ps 750 billion as of March 31st, 2020. 73% of this exposure is secured with international billings and 20% is secured with Avianca's headquarter buildings in Bogota. Provision coverage exceeds at this point over 10% of our total exposure.

Recoveries of charged-off assets were lower during the quarter, as collection efforts have been negatively impacted by the lockdowns. Our PDL coverage of 90-day PDLs remain at 1.4x.

Moving to page 17, we present funding and deposit evolution. Funding growth during the quarter reflects a higher liquidity strategy associated with strengthening our balance sheet under the Covid-19 environment. Part of this funding has been deployed in cash and liquid investments with a toll on NIM.

Figures for the quarter also reflect our February 4th, 2020 USD $1 billion dollar international bond issuance with a 10-year maturity and a 4 3/8% coupon.

Our deposits to net loans ratio improved to 104%, while our funding structure remained materially stable, with deposits accounting for 76% of total funding. Our liquidity position, measured as cash to deposits, was 20%.

Deposits grew close to 16% in the quarter, accumulating 24.5% over 12 months.

Colombia grew at 10.6% and Central America at 2.5% in dollar terms during the quarter. Over the 12-month period, Colombia grew at 16% and Central America at 12.7% in dollar terms.

On page 18, we present the evolution of our total capitalization as attributable shareholders equity and the capital adequacy ratio of our banks. During the year, our total equity grew 13.7%, while attributable equity grew 12.3%, mainly driven by our earnings.

Total attributable equity fell during the quarter as dividends were declared. Total equity contracted by COP 318 billion, while attributable equity fell close to COP 378 billion. Dividends of COP 1.3 trillion were declared at the Aval level during the quarter, affecting attributable equity. And in addition, dividends of COP 784 billion were declared by our businesses to their non-controlling interests.

As of first quarter 2020, the banks show appropriate tier one and solvency ratios.

On page 19, we present our yield on loans, cost of funds, spread and net interest margin. Our NIM performance during the quarter was driven by our NIM on investments, as our portfolios priced in the negative performance of global markets.

A positive trend was experienced during April. Even though uncertainty and volatility remain high, further recovery of our investment portfolios is feasible over the remainder of the year as “waters settle down” and an expansionary global monetary policy dominates.

Net interest margin on loans compressed 30 basis points during the quarter, driven by competition under the dynamic environment that prevailed in the initial part of the quarter. In addition, the cost of increased liquidity explains over 10 basis points of this contraction.

On page 20 we present net fees and other income. Gross fee income for the quarter grew 9.2% when compared to first quarter 2019. Gross fees in Colombia increased by 8.2% and decreased by 1.3% in dollar terms in Central America. Growth in Colombia was driven by pension fund management fees that still reflect the pre-Covid environment.

In addition, banking fees in both geographies reflect an initial impact of the lockdown and fee reliefs granted to customers during March that add to a seasonal contraction during the first quarter. The second quarter fees will reflect the full effect of the lockdowns and the impact on pension fees of Porvenir's poor performance of its investment portfolios during March.

Performance of the non-financial sector was driven by strong results in our infrastructure and gas sectors, our two main non-financial businesses. Our infrastructure income was strong during the quarter as construction advanced, and the appreciation of dollar-denominated future guaranteed payments increased margins.

Energy and gas income benefited from the initiation of operation of additional gas pipelines completed by Promigas during 2019, and the high revenues from the dollar-denominated component of regulated prices.

Hotels, the most affected sector in which we participate, is immaterial to our results, as it contributes with less than 2% of our income from the non-financial sector.

Moving forward, both the infrastructure and gas sectors could fair better than the rest of the economies. Although the lockdown in Colombia initially halted construction in our 4G concessions, the government has already lifted most restrictions on this sector, allowing us to be optimistic on construction progress throughout the remainder of the year. We will have to comply with strict biosecurity measures through the duration of the pandemic.

Regarding gas, Promigas derives its profits from various lines of businesses, including some that have been insensitive or countercyclical to the lockdown, such as gas transportation and residential gas distribution. In addition, the industrial gas sales are picking up as the lockdown is raised in more productive sectors.

Finally, on the bottom of the page, other income benefited from: one, seasonal contribution of dividends from unconsolidated investments; two, OCI gains and investments in debt securities were realized; and three, sale of property, plant and equipment carried out by Banco de Occidente contributed COP 25 billion to gains on non-current assets held for sale, and a 40 billion positive effect on attributable income when incorporating deferred tax benefits.

On page 21 we present some efficiency ratios. Cost to income improved during the quarter to 47% despite the drag of the contraction in net interest margin discussed before. Cost to assets continued to improve to 3.4%.

Finally, on page 22, we present our net income and profitability ratios. Attributable net income for 1Q20 was COP 700 billion or COP 31 per share. Our ROAA and ROAE for the quarter were 1.8% and 14.2% respectively.

We are now available to address your questions.

Operator: Thank you. We will now begin the question and answer session. If you have a question, please press * and then 1 on your touchtone phone. If you wish to be removed from the question queue, please press the # sign or the hash key. If you are 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 * and then 1 on your touchtone phone.

We have a question from Andres Soto, from Santander.

Andres Soto: Good morning, Luis Carlos, Diego. Thank you for the presentation. I understand the challenges of making macro predictions at this point. However, I was curious about your comment about the expected increase in cost of risk of 35%, which implies a cost of risk of 3% for 2020. So I would like to understand first if this is what you are seeing at this point and second, what will be the GDP assumption that underpins this estimate. Thank you.

Luis Carlos Sarmiento: Hi, Andres. Well, let me cover the cost of risk. This is a first estimate. And what we've done is, as I've said, we've gone through all our commercial loan portfolio and we've classified the portfolio, as you know we always do, into the sectors that it's loaned to. Then we've taken the sectors and we've classified those into which will be more affected by the current juncture. And then thirdly, we've taken the companies to which we've loaned money within those sectors to see which of them are stronger or better equipped to handle what's going to happen to their sectors.

As you can imagine, there are right now at least nine variables in play. But we've done that and we're in the process of trying to come up with a firm number of cost of risk.

In terms of the consumer loan portfolio, there are also various variables at play. Most importantly, unemployment, obviously. But unemployment is really hard to measure because we don't know what it's going to look like in a couple of months. So, again, it's very tough to predict. But we've gone ahead and make initial predictions. And with that, with those and, you know, and I had to caveat everything that I'm saying because there are so many variables at play, that we have come up to—yes, as you say, a cost of risk of about 2.9% for the year. But it's hard to say that that's a firm number, but it's the number that we have at this point.

Additional, with regards to the GDP assumption, well, again, what we do is we follow--we have our own economists, obviously, and we follow everybody else's predictions. And today they oscillate between zero and contraction of 7%. And not to sound very negotiating, if you will, but we feel that it's going to be somewhere around between 2.5 and 3%, it may be closer to a 3% contraction. But again, we will have a better number, as we move on through this quarter.

For now, that seems to be where we stand, and we'll see how we come out at the end of this quarter especially. We'll see what happens when all the refinancing comes to an end, which will happen in the next two or three months. And then we'll see what the credit quality looks like when people are confronted with having to pay the loans that they haven't been paying for the last three or four months.

Diego Solano: If I may add to what Luis Carlos mentioned, as he described, this has been much more of a bottom-up approach rather than a top-down GDP-based approach. And the reason why, it has become apparent that that's perhaps the best way to operate, is not all of our businesses, meaning different regions, are exposed to the same GDP dynamics.

And in addition, the product elasticity to GDP varies substantially. Just to give you some color on why we mentioned throughout the call that we believe our structure does help us to weather what is happening currently, when you look at our consumer portfolio, we have about 45% of that in payroll loans. And if you zoom in to those in Colombia, only around 12% of those are payroll loans given out to the private sector. Therefore, if you break down the rest of that, around half of the remainder is based on retirees that are insensitive to what's going on. And the other half is government employees, who are less sensitive to what is going to happen with unemployment into the future.

So that's only to give you some color on why even though GDP is key, the structure of different portfolios will react differently to what's going to happen.

Operator: Thank you. Our next question comes from Adriana de Lozada from Scotiabank.

Adriana de Lozada: Good morning and thank you very much for a very detailed presentation. I guess a follow-up to the provisions question on the 35% year-on-year increase. Can you give us a little bit of color on the breakdown? I know you mentioned that when you looked at companies you segregated into different sectors. When it comes to consumer, I mean, maybe you can explain a little bit more how you looked at that. But if you can just give us a sense of where do you see deterioration by segment. Thank you.

Luis Carlos Sarmiento: Thanks for your question, Adriana. I don't think we're at this point prepared to share that with you because it's not firm. And so I think the moment that we have it all figured out, we'll be more than happy to share it with you. But right now, we would just be speculating. So I think that for now we will have to live with the fact that we will have an increase in cost of risk. But I don't want to go as far as saying what the different costs of risks are going to look like between consumer and commercial and then within commercial, how much cost of risk we'll get from each sector. We do know and obviously everybody knows that entertainment, tourism and airlines will be drastically affected.

Our exposure, as we've said, to the airline industry, consists of the Avianca loan, and we will keep provisioning that loan. Obviously, we'll make different provisions to different types of loans that we made to Avianca. The unsecured loans—we'll probably want to provision 100% by year end and then the real estate loan is adequately guaranteed and covered. And then loan secured by credit card receivables, we will have to figure out exactly how much provisions to make.

For now, I think I would--Sorry I'm not addressing your question entirely. But for now, I think I'll leave it at that. And the moment that we have a better grip on it, we'll share it with all of you.

Operator: Thank you. The next question comes from Gabriel Nobrega from City.

Gabriel Nobrega: Hi everyone. Good morning and thank you for the opportunity to ask questions. I'm still going to ask a question about provisions, mainly because you're guiding for maybe a 3.4%. Even though this is not going to be--this is a moving target, as you already have explained, but being down to--you were starting to give grace periods and also you mentioned that it could still take maybe three or four months until we see the true nature—as the quality and delinquency measures. How are you looking at the peak of provision? Do you think it could still happen this year or maybe it could have a spillover effect in 2021?

And as for my second question, I'd actually like to talk a bit about capital. Looking at your tier one capital of your subsidiaries, we see that they're relatively well controlled, with the exception of Banco Popular, which is at around 8%. I understand that with the adoption of Basel III weightings of risk weighted assets will actually decrease so this helps some prop up in capital levels. However, with a very challenging year, which will probably threaten the organic generation of capital, do you expect to maybe have to capitalize one of your subsidiaries? Thank you.

Luis Carlos Sarmiento: Ok. Regarding your first question, again, in provisions, there's not that much more we can say, but I will say one thing. It's been very advantageous to us to have not done automatically all the refinancings that we did. And the reason that it's been advantageous is because, one, what we have seen is those clients that have called, we've tried to obtain and, in most cases, have obtained information regarding why they request the refinancings.

Secondly, we now know which, at least for now, do not require refinancings. And then it's probably one of the reasons that when you look at the percentage of our total loan portfolio that has been refinanced in one way or another, it amounts to 25%, while the rest of the financial system here amounts to 37.5%. So we have a bit of control over what's happening. But I emphasize this bit, because that's what we know for now.

Regarding whether it should peak in 2020 or 2021, it's very tough to say. I would say that it should peak during 2020. But I think that there are different opinions with regards to that. I've heard people saying that 2021 will be much worse than this year. But then I read the IMF's explanation as to why they think that, on the contrary, 2021 is going to be a rebound year, and at this point, I tend to agree more with the IMF.

Regarding capital, well, I think that you answered the question that you asked. And it's true. Yes. The banks look adequately capitalized. Banco Popular looks a little bit less capitalized, but Banco Popular will be one of the most benefited by moving to Basel III. The movement into Basel III will not only decrease, as you all know, the weights of our risk assets, but it will also add components to regulatory capital. So we will be benefited both on the numerator and the denominator of the equation.

The three banks, and that is, regardless of this year's result, three of the four banks, Occidente, Popular and Villas, will be greatly benefited by switching to Basel III, and then Banco de Bogotá at this point we're still under negotiations, for the treatment of certain components of capital. And with the Superintendence, we hope that by the next month or so we will know exactly where we stand. But I think that Banco de Bogotá, as we've said in the past, what might happen after everything is said and done, is that their capital ratio will remain as it is after switching to Basel III.

I think it's important, and also to address your question. Do we foresee the need to capitalize any of our banks right now? And the answer is no, absolutely not. We do not foresee having to capitalize any of our banks at this point.

Operator: Thank you. The next question comes from Nicolas Riva, from Bank of America.

Nicolas Riva: Yes. Thanks very much for taking my questions, Luis Carlos and Diego. I've got three topics in which I wanted to hear your thoughts. The first one on Multibank. Can you tell us why you revised down the acquisition price to 0.85 times book. If it was related to the crisis triggered by Covid-19. And also, if you can remind us, I believe that the transaction was already funded with the issuance of one billion dollars in the senior bond, the 2030, by Aval and some excess capital of Bank Credomatic. But if you can confirm if the transaction has already been fully funded.

The second one on the Avianca exposure. You already gave the numbers. Is all of this exposure through Banco de Bogotá? And also, what I basically wrote down was US 185 million gross exposure, net exposure of the loan on reserves around 160 million. But if you can say one more time how much of that is secured the credit card receivables, by the building owned by Avianca, and how much is the working capital loans unsecured.

And finally, on asset quality, in the earnings report you mentioned that the improvement in the NPL ratio of a bit more than 10 basis points quarter-on-quarter was helped by the fact that the regulator allows you or mandates that the restructure loans because of Covid-19 continue to be part of performing loans. Can you tell us what percentage of your loan book has been restructured as a result of the crisis driven by Covid-19? Or if I should use that number that you give in the relief program? I think it's 26% that you said of your loan book in Colombia. Thank you very much.

Luis Carlos Sarmiento: Sure, Nicolas. I'll be happy to answer. With regards to Multibank. Yeah. I think the reduction in price is just the reflection of what has happened in the world. For comparison, if you take the decrease in market cap of, for example, banks like JP Morgan and like Wells Fargo, our own, Banco de Crédito del Perú, Itaú, etc., what you'll see is that they, on average, at least for the period of time that we considered when we were renegotiating the price, have dropped in market capitalization about 35%.

We were able to negotiate down the price about 40%. So, yeah, it is just basically a reflection on what was going on. I think the controlling shareholders realized that really the situation changed dramatically from October of last year and they were still willing to sell, and we were still willing to buy. So that's how we came about to that number.

Obviously, our projections of the bank's results changed also. I mean, this year's results of the bank will not be what we had originally forecasted or estimated when we put forth the original price. So I think we had a fair price back in October and I think we have a fair price now.

With regards to Avianca, to answer your questions, no, it's not all Banco de Bogotá. The loans are distributed between banco de Bogotá, BAC, and Banco de Occidente. In terms of the amounts, most of the loan is through Banco de Bogotá, about US 8.25 million was loaned through Banco de Occidente, and BAC has about a US 30 million loan. So it's about, if you wanted to, more or less, it's about US 147 million directly through Banco de Bogotá, about 30 through BAC, and about 8.25 through Banco de Occidente, for a total of 185 million.

Then to remind you of the way those loans are guaranteed, about 73 %, and let me look it up. 73% of the total loans are secured by dollar-denominated credit card receivables. About 20% by the company's headquarters in Bogotá, the building that everybody--most people know here. It's a very good building. And then the rest, about 8%, is unsecured. And so that's the way that company has been provisioned and that's the way those loans are allocated between different securities or different guarantees.

In terms of asset quality, yeah. What happened was that when it became evident that all banks were putting forth refinancing plans for their customers, the Superintendence issued two, what they call, "circulars". And I think one of them is 47 and the other one is 14, if my memory doesn't fail me. And basically, what those regulations said was that refinancings need not be accounted for as deteriorated loans. But on the contrary, they were given a free pass, if you will, I would imagine for the time that the quarantine lasts. In other words, once the current thing is over and the refinancings come to an end, which will be, as I said before, in months, not years, especially with what refers to the grace periods that were granted, then that game is off, and when it doesn't pay well, basically becomes a deteriorated loan. So we'll know, we'll know what happens not too many months from now.

That's why I was also saying that it had been, I think, hopefully, a little bit to our advantage, to not have granted all the refinancing automatically, but rather we had customers call us. That didn't mean that we denied refinancings because we did not. We refinanced any loan to anybody who'd requested one, but at least we got a little bit of information as to one, why they needed a refinancing, and two, if they needed a refinancing because obviously people who didn't need one did not call.

And that, to address your third question, that is why of our total portfolio, we refinanced about 25 - 26% as compared to the rest of the market that refinanced on average about 37 to 37.5%.

Diego Solano: You have also asked on the funding of Multibank and I can confirm you, as it was announced, we are days away from closing that transaction and it is fully funded.

Operator: Thank you. The next question comes from Yuri Fernandes from JP Morgan.

Yuri Fernandes: Thank you, Luis Carlos and Diego. Thank you for the very good and comprehensive presentation. I have two questions. The first one is regarding revenues. If you can elaborate a little bit more on what to expect for fee impact and also NII, we are going to see lower rates in Colombia, as Luis Carlos mentioned, something close to 2% by year end. But I would also like to explore a little bit if the grace periods you are giving could impact somehow NII - I understand it will not because you are still accruing interest you are going to charge and the end of the loan. But just double checking. And also because I saw some promotions, some kind of discount to interest rates, especially on the credit cards about half of what the interest rate used to be. So just checking if NII should be much weaker we should see like a big decrease on those lines and what is the message there?

And my second question is regarding the non-financial sector. It has been a very strong line Corficolombiana and the infrastructure project. But my concern here is if given the social distance, the country deceleration, we could see lower revenues recognition from that front. Thank you.

Diego Solano: So I'm going to take the net interest income question and then Luis Carlos will take the non-financial side. On the net interest income side, there is a few things working here. One that was particularly negative during the period and then what might be happening moving forward. And on the negative side, we had a very rough March and part of February on our fixed income portfolio. And in addition, given that Porvenir invests its funds, part of its money, in the funds that it manages, we also got exactly the same kind of hit that our customers did. Therefore, as you might have seen in the presentation, something that is unusual for our numbers, that we got a negative net interest margin during this quarter.

If you move forward, even though as we've mentioned many times there is a lot of volatility, a lot of uncertainty, the grounds for a better performance over the remainder of the year are in place. Number one, because we're coming from a low base. So there is some room for recovery. And then something that we can't ignore is that we're going to have a lot of global liquidity and an expansionary monetary policy throughout the world that, in the case of Colombia, if we perform better than how the region performs as a country, will benefit on the spreads. Therefore, even though this is quite speculative, there's many reasons to believe that we might have positives there in the future.

Then if we think of our intermediation business, I have to break it down into two pieces, one, the consumer, and the other is the corporate side of our loan, our NIM on loans. On the corporate side, we do get the pressure from loans repricing based on what is happening with the Central Bank that as you might have seen, we're still looking into its quite substantial further reductions in the repo rate. However, and this links to a previous question on Banco Popular, you think of what has happened in the past cycles with the consumer portfolios that they end up benefiting under their net interest income from lower interest rates. So when you add all those up, there is some positives that can help us in the net interest income side. The obvious negative will come from a lower volume of our loan portfolios than what we would have expected. And all of those will end up balancing. So monetary policy will help us in a very substantial way in some of these businesses. This is our consumer intermediation business, plus our investment portfolios, and we will get the impact on the corporate side of the business.

Luis Carlos Sarmiento: Ok. And regarding the non-financial sector, well, let's examine really quickly what elements compose our non-financial sector. We have the hotel business and obviously we are expecting a lot of affection regarding the a lot of negative to the hotel business, as they are affected by this pandemic. As of now, of the 37 or so hotels, 27 are closed and Hoteles Estelar, which is the owner of the hotels, is now, at this point, it's losing about US 2 million per month. We have plans to take it to breakeven. But there will be no contribution from hotels in 2020.

I must say that the contribution from the hotel business wasn't all that great to the final end results of Corficolombiana. We have the agri-business. And that's basically soybean and rubber. And those sectors are open for business. And so those have not been affected. In fact, they've been somewhat aided by, in some cases, by world prices. For example, rice, which is an important component, the price of rice has increased. And secondly, consumption has actually gone up.

Thirdly, we have energy and in energy, as you know, we have two different investments. On the one hand, in Promigas, the gas transportation and distribution company, and we saw some decrease in gas consumption on the industrial side as plants closed down for the time of the quarantine. We expect that to come right back up when those plants are turned on again. And we've seen increase in the residential consumption, as people are spending much more time at home. We expect that residential consumption will probably drop a bit when the quarantine is over, and we'll see the industrial consumption going up.

And then there's infrastructure. Infrastructure obviously was one of our main concerns. But we're happy to say that that's one of the sectors that the government has chosen to reactivate and in fact, has already been reactivated. And we hope to get back to normal operation in our infrastructure and in the construction of the roads as quickly as a month from now. Tolls, on the other hand, which are a component of the ways that we are remunerated for paying, those roads will drop and will remain low for some for some time. But we have to remember that the 4G projects that we're constructing, with the exception of one, have guaranteed toll road collections, not on a monthly basis, but every certain number of years. Any toll roads and any tolls that are not collected are remunerated by the government. So in terms of the non-financial sector, we will see for the next couple of months, until things go back to normal, we'll see a decrease. But still, the numbers of Corficolombiana for the year really do not look all that bad. I think that that will come out of it ok as long as the reactivation of all the sectors continues according to the plan that the government has exposed. So that'll be the non-financial sector.

Operator: Thank you. Our next question comes from Lemer Salah from Barings.

Mr. Salah. Your line is open. Go ahead with your question.

Lemer Salah: Thank you very much. Thank you for taking my questions. I've got three questions. The first one is on asset quality. I think when you look at your book, could please give us a breakdown in upstream and midstream and downstream? And I think your global [inaudible] have written off [audio problems] 1:17:54.9 collateral party. I just want to understand what the group has done in that sphere. And also, with respect to Promigas, I'm just wondering how much Promigas accounts for that in the total energy exposure, because it's quite chunky.

The second question is with regards to consumer business. Could you please give us [inaudible] 1:18:20.5 on personal loans and perhaps, you know, the PTI on credit cards.

And the other question of course is also with respect to the capital levels. The capital level looks ok for now. In terms of risk weighted assets for the energy sector, where do you think this will land towards the end of the year? Do you think it is probably going to go down?

And final question on infrastructure, which I think is also another chunky part of your loan book on the commercial side. I think it really doesn't rhyme from the answer which the gentleman ahead of me. How do you think the government can activate the sector when there are no toll collections being collected for the next probably two months, economy is closed, and unemployment is at 12%, and probably unemployment might go up towards the 2000 level, which was 20%. And yet, the inefficient capacity for the Colombian government to balance, to manage its own balance sheet, I mean, that that sector, to my knowledge, seems to be dented for quite some long time. If you can elaborate on that as well. Thank you.

Luis Carlos Sarmiento: Alright. Let me—Diego might be able to help me. And I'm very sorry to say this, but I really didn't catch some of your questions, but I will probably try to refer to some of these. And please forgive me if the ones that I answer, I'm not answering exactly what your question was.

Regarding capital—Let me start with one of these. Regarding Promigas, you talked about as a percentage of our total exposure. Promigas is really not--does not represent a material amount of our total loan exposure. Our banks really have just about no loans to Promigas. So we are not exposed in that sense to Promigas. Obviously, Corficolombiana's results are without a doubt aided by Promigas' results.

In that respect, as you might recall, Corficolombiana owns about 50% of Promigas and about 30 something, 38%, I believe of Corficolombiana's results load up to Aval. So as you can see, Promigas at the end of the day does not constitute a very significant portion of our results at the Aval level.

Having said that, Promigas' results, net income are somewhere between US 200 and 300 million of net income a year. This year, it's not--it's not projected to be very different. It has decreased a little bit, but not to a point that is worrisome because obviously it's an essential service and Promigas is compensated on a take-or-pay basis to transport a lot of its gas.

It will be affected in the final mile, in the distribution. But even so, as I said, distribution to consumers has increased and distribution to the industrials have decreased. But that, I think would be reversed once the quarantine is over. So I don't know exactly if you were referring to do Promigas' exposure as an investment or as a loan. I hope that I've answered both.

And in terms of capital levels, if I understood your question correctly, you referred to risk-weighted assets and what the energy sector represented in the in the risk-weighted assets. Again, if you are referring to our investments in the energy sector, those do not count towards risk-weighted assets when regulatory capital is calculated.

But however, if you were referring to the investments that we have in the energy sector, and I think your term was that it was quite chunky. Yeah, we have important investments in both the Empresa de Energia de Bogotá, the electrical utility in Bogotá, and then in Promigas. And those are, on the one hand, good investments. On the second hand, they are pretty profitable. And this year they were not really expected to be very different, although we have seen a contraction, and I think we mentioned about 11% year-on-year on energy consumption, that will have an effect. But then again, they are not all that significant. They are not all that important, especially the Empresa de Energía de Bogotá to define our result of Corficolombiana. Promigas is but I referred to it already.

In terms--and I think this is the other question that I hope I understood, in terms of infrastructure, I think, one, again, as a percentage of our total loan book, infrastructure is not--In construction, it's about 5% of our total loan book. So, as you can see, it's not all that significant, but it's 5% of our total loan book.

Secondly, I think you addressed tolls, and I think you were wondering how the non-collection of tolls would affect the concessions and how would 12% of unemployment, how tolls would figure going forward. I think the answer is twofold. Again, if we're talking about infrastructure or loans to construction and not as an investment, then it's not very significant. As an investment, it's obviously very significant and it's very important to Corficolombiana. However, during the construction period that our roads are under right now, three of the four toll roads are under construction. The fourth road has yet to start because there has been a myriad of other environmental license problems. So that hadn't started before the pandemic and hasn't started and will not start during the pandemic. But the other three roads are being built.

The way that the 4G contracts work with the government. Every number of years there is an adjustment with the government that is called the DRs. And basically what happens is that the real toll road collections are compared to the toll road collections agreed to with the government. And if there is a deficit, the government will compensate the constructor. If it so happens that, as you say, for three months or four months and even for a little bit longer than that, toll roads drop—The tolls are not being collected right now.

And that's going to be the case for, say, all in all about four months. And then toll roads will be started to be collected again and again, most probably because of everything you said, there will be a decrease in toll road collections. That means that in the first adjustment that we get from the government, the adjustment or the revenue to the concessioners from toll roads will be higher than expected. And the government will have to find a way to honor the contract. And that would--It just means that the liquidity from toll roads will take a little bit longer to arrive at the concessions than originally expected.

Diego Solano: I think you were asking on the structure of our loan portfolio, I'm not sure I understood right what you meant by upstream and downstream. But just to remind you on how the structure of our loan portfolio looks like, we have--around 60% of our book is corporate. Then the remainder is consumer and mortgages. The consumer is likely more than 30% and mortgages is the remainder. And if you zoom in to consumer, payrolls are around 25% of our book, 10% vehicles, 30% credit cards. And it's only around 15% where we have installment loans that are unsecured credit lending. So just a very small portion of our exposure is to those kinds of loans that might be the most sensitive throughout the cycle.

I'm not sure I did address your understanding of what upstream and downstream was.

Luis Carlos Sarmiento: I would propose something, if you will, why don't you send us an email with your questions? Because I am pretty sure we just answered the longest question with the longest answer, and I'm not sure that we answered right the question that you asked, but if you send us an email, we'll be more than happy to address all your points, and you should have our e-mails and if not there at our web site so we can do it that way so we don't really spend too much time or invest too much time in this answer.

Operator: Thank you. The next question comes from Carlos Gomez, from HSBC.

Carlos Gomez: Hello. Good morning. I have two questions for me. First, on the acquisition and the reduction in price. Could you repeat the numbers? If I understood correctly, you have reduced the price to 85% that comes up to about US 490 million. And again, if I understood correctly, that includes both the ordinary and the preferred shares. Is that correct?

Luis Carlos Sarmiento: No, it's not. We had--The original price was US 732 million and we've reduced it to US 449 million. US 449 million is our offer to buy 100% of the common shares.

Carlos Gomez: So will you be paid? You will not be [inaudible] because the market for some reason.

Luis Carlos Sarmiento: The preferred shares, you mean? No, the preferred shares are basically a liability to the bank. And they have an interest expense that they pay, which at this point doesn't really seem all that bad. And there are different periods every three months. You can redeem the preferred shares and we'll wait to see what the liquidity situation of the bank is and depending on the liquidity situation, we'll be redeeming the preferred shares going forward.

Operator: Thank you. Our next question comes from Johanna Castro from Itaú BBA.

Johanna Castro: Hi, good morning. Luis Carlos and Diego, thank you for the time. I have a question, just to clarify some of the comments that you mentioned at the beginning of the call. And just to understand how you are working. Your expected losses--I understand that you are taking a bottom-up approach instead of a top-down approach. Does it mean that you're not including fully an adjustment of the GDP in the probability of this fall and you're working more on the LGD part and the exposure to default? Or Just to clarify how are you working with the model these days. That would be my first question.

And my second question is on the part that you mentioned about Basel III, an approach also. So I had understood that in the Colombian operation we had a kind of a buffer because we had countercyclical provisions but taking into account that the Superintendence of Finance approved the use of some of those countercyclical provisions, do you think that the system is going to have the same buffer as before for up line Basel III?

Diego Solano: Well, Johanna. Let me try to address your question. Basically, the challenge that not only us but all the financial institutions are facing under IFRS 9 is that if you run statistics, all those that you mentioned are very much backward looking. Even though there is a forward-looking component, a lot of the numbers, a lot of those ratios are derived from historic behaviors. First quarter was particularly challenging because if you see it just blindly by the book, you would end up with a very positive scenario because numbers had been improving for a long time. Therefore, all the ratios had been moving in a positive direction. And then, as Luis Carlos mentioned, if you run any sort of model and you run it with zero percent growth and if you run it with 7% contraction, you're absolutely all over the place. So we had to detach somehow from statistics and that's why we said at this point we do expect that in the future, when things become clear, we can do it more mechanically on the statistical side. But at this point, this was much more trying to tell the wheat from the weed, going customer by customer, understanding their business and understanding where they might end up. So this wasn't running a model, if we had run the model, the model might have pointed to reversion of provisions, for example, and then feeding it with a forecast was very much who you want to believe and how subjective do you want to be? So we would end up, as you might say, exactly wrong rather than approximately right. That's why we went through these mechanics.

And then on the Basel III, a lot of what you're mentioning doesn't really affect how the numbers end up coming out. What the Superintendency allowed was temporarily to use some of these buffers. But if you think under full IFRS, that is how consolidated numbers are run, this number is not an input for the equation.

If you run our unconsolidated figures, you end up with some numbers, but actually we pay much more attention on consolidated figures, where the use of these countercyclical buffer is not one of the elements.

Luis Carlos Sarmiento: And in any case, as soon as we have numbers, an estimate or some guidance to share with the market regarding how everybody will look after Basel III, we will definitely share it with everybody.

Operator: Thank you. The next question comes from Carlos Rodriguez from Ultraserfinco.

Carlos Rodriguez: Good morning everyone and thank you for the conference call and also thank you for the donation that you have made so far. I have two questions. The first one, if you could share with us the amount. I mean, taking an average month in terms of cash inflows from repayment of loans and interest and what was the percentage you received in terms of cash during April and also in May so far, and also in terms of cash outflows regarding disbursement for loans.

And my second question is, what is your current exposure to the mass transportation system? How much is provisioned and if the social distancing measures that are talking about running the system at about 35% or 40% could trigger an additional default or restructuring of these loans. Thank you.

Diego Solano: Well, regarding your question on capital inflows and outflows, March was a strange month because, as you might have seen, our deposits grew in a very substantial way. Part of that was deliberate from our strategy. Part of that had to do with monetary policy. And finally, there was also some technical reasons why people moved into our banks and went away from some of the funds that they used before. So liquidity is actually changing a lot over time. And that's the reason why we're monitoring it on a daily basis and also the reason why we have taken some expense on having additional liquidity.

Luis Carlos Sarmiento: Just to interrupt—Sorry, Diego. Our IRLs, the liquidity measure used by the Superintendence, for our banks are now between 135 and 190%. So as you can see, the banks are very liquid. Obviously, to exactly answer your cash inflows would be almost impossible. But because 26% of our loans were refinanced in one way or another, it is perceivable that that those 26% of the loan book did not make payments in those months. And the cash outflows, we have made loans, especially to the larger corporations that we're looking for a to increase their liquidity positions throughout the quarantine. Growth, especially in the month of May, won't be that big. In April it was substantial on the commercial side. And with regard to cash outflows to the consumer loan business, the consumer loan book has been decreasing. So there has been more inflow then than outflows from the consumer business.

Diego Solano: On SITP we have around net US 70 million left of that. And if I might remind you, we already fully provisioned Tranzit and we wrote off last year and that was the company that was actually most in trouble in that sector.

Regarding social distancing, it would only be a guess the way it's going to be altered. I'm aware that SITP operators and not only the SITP, but also the government, the city-run transportation systems are asking the governments for special aid, given that it's not their decision to have social distancing. So there might be some compensation.

Luis Carlos Sarmiento: Hilda, are you there?

Operator: Thank you. Yes, sir, I am here.

Luis Carlos Sarmiento: No because [audio problems]

…that people are not hearing us.

Can you confirm that?

Operator: It seems that the streaming stopped but we have reconnected the line.

[audio problems]

My apologies.

[audio problems]

Luis Carlos Sarmiento: Ok.

A lot of people.

Carlos, did you hear the answers to your questions?

I think Carlos is off.

[audio problems]

Diego Solano: Hilda, could you unmute Carlos, just to check what he was able to hear?

Carlos Rodriguez: Yes, I'm here. I mean. I hear their full answer. Thank you very much. I'm hearing you well.

Luis Carlos Sarmiento: All right, Carlos. Thank you.

Carlos Rodriguez: Ok. Thank you.

Luis Carlos Sarmiento: Go ahead, Hilda.

Operator: Thank you, sir. And our next question comes from Daniel Mora, from Credicorp capital.

Daniel Mora: Hi, good morning. Thank you for the presentation. [audio issues] I have just one question regarding the non-financial system. Can you provide more detail regarding the income, especially the income from Corficol and Promigas [inaudible], considering that it grew by more than 40% on an annual basis? And I would like to have more details regarding this income for this quarter. Thank you so much.

Luis Carlos Sarmiento: For which quarter? For the first quarter of the year? David?

Diego Solano: Daniel.

Luis Carlos Sarmiento: Daniel?

Daniel Mora: For this quarter. For the first quarter.

Diego Solano: Yeah. Well, this quarter was a strong quarter for both businesses, and let me start by the toll roads. The toll roads had a very good couple of months at the beginning, not only in making progress in construction that implies a quite substantial increase compared to one year ago.

And the other piece was part of our profitability comes from dollar-denominated commitments from the government. And then we get a benefit from that. Perhaps the second quarter might be a tighter quarter. But as Luis Carlos mentioned, we should be able to recover a in a substantial way or activity there. And that's why we're positive on what's going to happen there moving forward, at least based on the best information we have at this point.

Regarding Promigas, had a few things going on. As we mentioned, they get a benefit on their transportation business that is not sensitive to what is going on from the dollar-denominated component of regulated payments. Then in addition to that, some pipelines that were put into operation during the fourth quarter are fully adding to revenues on that side of the business, the transportation side.

On the distribution side, you might break it down into two or three pieces. You have residential. Then you have commercial and finally industrial. You take the two first together, commercial plus residential. Those might have been offsetting with residential growing and commercial diminishing. But if you add those up, we would be operating at a normal level.

And then finally, the industrial side was the piece of our business that got affected by the lockdown. That impact was quite substantial during March. I would say, not to give you a precise number but a magnitude, it was proportional to how important the lockdown was. But around half of that has already been [inaudible] during April and starting with the reopening of the Colombian economy that is going on, we are seeing on a weekly basis a better performance on that side. So that's why they were able to have a very good quarter and once again, as mentioned, it was one of those businesses that will be less affected by the pandemic than the average of the economy.

Operator: Thank you. And lastly, we have a question from Piedad Alessandri, from Credicorp.

Piedad Alessandri: Hi. Thank you very much for long questions. I wanted to ask, before you said you classified certain loans according to the risk of the sector. If you could give us a bit more detail regarding, I don't know, the percentage of the portfolio that you believe is in this key segments. And we also saw an increase in the NPL of the market segment. If you could give us a bit more detail on that. Thank you very much.

Diego Solano: Well, I'm not ready to give you a number classified by sectors, but I would direct you to our 20-F, where you can see the breakdown of what we're exposed to. I would say, as a rule of thumb, we are very much representative of how the Colombian economy looks like so our exposure, even though we have under weights and over weights, as we have mentioned before, maps how the Colombian economy looks like.

Regarding mortgages, have had a slight pickup over the past few quarters. However, if you're going to look at those in absolute terms, the numbers were still very positive relative to historic averages. That's about what I can tell you. We have no concern on the mortgage side and actually it might be one of the better performing lines of businesses moving forward.

Operator: Thank you. And I would like to turn the call back to you for any final remarks.

Luis Carlos Sarmiento: Thank you very much, Hilda. Thank you everybody who connected today. I'm sorry. I think some of the people listening through Internet the call failed at some point. And obviously, we'll keep working our numbers. We'll keep estimating how things look going forward. We will, as you all, have to wait and see what happens as the country comes out of quarantine, and we will keep working to produce the numbers that you're accustomed to see from us.

I wanted to thank you all. Please keep safe and thank you, Hilda.

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