CONFERENCE CALL SCRIPT
BANCOLOMBIA’s 3Q17 RESULTS

FORWARD LOOKING STATEMENT DISCLOSURE; NON-GAAP MEASURES DISCLOSURE

OPENING REMARKS

RESULTS SUMMARY

JUAN CARLOS MORA: Good morning everyone. Welcome to our conference for the third quarter of 2017.

INTRO AND MACRO VIEW

Given the current circumstances in the Colombian economy, is it necessary to start this presentation mentioning the economic situation and its impact on our business.

- Along the year, the forecast for the Colombian GDP has been reduced towards 1.6%. This trend has had an impact on the credit demand as we continued seeing a moderation in loan growth and a challenging environment in the quality front.

- Coupled with the slower pace of growth of the economy, we have found a reduction in the payment capacity of clients, affected by the fiscal reform, which is affecting the quality of the loan portfolio.

On the other hand, we have seen:

- Inflation converging within the range set by the central bank. This fact has permitted the rates cuts in order to promote economic activity; probably in 2018 we will see the positive impacts of these decisions.

- Also, in the external front, we have seen a consistent improvement in the current account deficit, which has been also reflected in the stability of the exchange rate.

LOAN GROWTH

- The loan portfolio growth is converging to our estimation of 7% for the year. This has been a slow year in terms of credit demand, in particular from the corporate side where we see companies acting in a prudent way. Our commercial loan book is growing 4.7% year over year.

- In the retail side, we have achieved growth of 17% year over year. We have concentrated our efforts in originating loans to our own clients, mainly from the deposit side which present lower levels of risk and low levels of indebtedness. Additionally, these new vintages present higher yields, which contribute to defend the NIM.

- In Colombia, the loans are growing at a pace of 10% year over year, and 2.5% in the last quarter.

- In the international business, loans grew 4.8% year over year, in both corporate and consumer loans.
FUNDING AND NIM EVOLUTION

- Coupled with moderate credit demand, we are also experiencing the impact of the interest rate cuts, which have caused the yield on securities and loans to come down over the last three months.

- Our strategy has been focused in managing the liabilities of the bank, in particular CDs and institutional funding, where we see opportunities to reduce the cost. As a matter of fact, deposit cost has come down 18 basis points in the last three months, offsetting the pressures in the asset side.

- During this quarter, we successfully issued 500 million dollars through Banistmo. With this transaction, we completed the funding strategy designed for our subsidiaries, with capital markets supporting the growth. This way, we have raised 1.2 billion dollars for our subsidiaries in order to directly fund their balance sheet structure.

ASSET QUALITY

The third most relevant topic for today’s results is the evolution of quality and new Past Due Loan formation.

Since 2016, we have had deterioration in three main fronts:

1) First, the corporate clients, which have contributed with 31% of the new PDLs. Here, we have three cases:
   - In Electricaribe, we have an exposure of 600 billion pesos, a coverage ratio of 53% and we expect to reach 75% coverage by year end.
   - In Ruta del Sol 2, we have a total exposure of 690 billion pesos, a coverage ratio of 14% and expect to maintain those provisions, and get back 50% of the loan over the next weeks.
   - Finally, regarding mass transportation systems in certain cities in Colombia, we have a combined exposure of 1.8 trillion pesos and a coverage ratio of 33%.

2) Second, SME, which are mainly associated to the economic cycle and have contributed with 25% deterioration.

3) And finally, consumer loans, which have contributed with 34% new PDLs and mortgages contributed with 10%

As a result of the deterioration of the loan portfolio, we have accelerated the pace of provisioning. This is a measure to maintain high coverage ratios and defend the quality of our balance sheet. So far, we have had a cost of risk of 2.1% for the year.

- All and all, today we have a 90-day PDLs coverage ratio of 161% of, which we believe is a conservative buffer in this part of the cycle. Our intention is to keep such coverage ratios above 150% and in order to do so, we forecast a cost of risk to around 2.2% for the whole year. We prefer to act early and maintain a well-protected portfolio instead of taking a wait-and-see approach to provisions

EFFICIENCY

- Today, we continue our efforts in gaining efficiencies and enhancing the operational leverage of the bank to face the future growth cycle. As we have share with you in previous calls, the optimization of the network of branches and the simplification or automation of several processes are key to obtaining these gains.
During this quarter, we reached more 97 hundred (9700) banking agents, which conduct a growing number of transactions, releasing pressure from the network of branches. Additionally, we reached more than 55 hundred ATMs.

It’s important to highlight that the evolution of expenses has been in line with our forecast, which presents a faster growth in the 2nd and 3rd quarters of the year and the converges to 7% for the full year.

**CENTRAL AMERICA**

Finally, I would like to recall our plans in Central America.

- Today, the stand alone operations are delivering ROEs in the high single digits, still below the targets. Therefore, all our actions aim to enhance the profitability levels. In particular, efficiency gains and revenue expansion are the main goals to do so.

- In Banistmo, we are concentrating of efforts on loan growth and fee generation.
- In Banco Agrícola, the main goal is protecting the quality of the loan portfolio.
- And similarly, in BAM, we are focus aiming to increase the coverage ratio and maintain PDLs under control.

Having said this, I would like to continue with the presentation of Bancolombia’s financial results for the third quarter of 2017. Now, I will turn the presentation over to our Chief Economist Juan Pablo Espinosa, who will elaborate on the main economic topics, Juan Pablo.

**JUAN PABLO ESPIÑOSA:** Thank you Juan Carlos. Now, I will ask you to go to slide number three (3) in the presentation.

We think that in the first half of this year the Colombian economy finally bottomed. In fact, during the third quarter of 2017 economic activity picked up slightly. We estimate a YoY GDP variation of 1.9%, 0.6% higher than 2Q17’s reading, mainly due to a positive contribution of net exports and government expenditures, as well as an incipient recovery of private investment. However, private consumption -which is the main component of the country’s GDP- is still performing weakly due to low consumer confidence and tepid job creation.

Going forward, we continue to predict that productive activity will gradually gain traction. This cyclical shift will be driven by increasing terms of trade, improving global demand and further cuts in monetary policy rate. Hence, by the second half of next year the negative output will reduce significantly. Our FY growth forecast for 2017 is 1.6% and for 2018 is 2.5%.

In terms of prices, we foresee that in the next few months inflation pressures will remain muted and the headline reading will benefit from a benign performance of food prices. As a consequence, we foresee that inflation will close the year at 4%, which is the ceiling of the target range. Moreover, in the first half of 2018 12-month inflation will continue to correct thanks again to food prices and a positive base effect. Eventually core inflation will also recede, so by the end of 2018 the variation of consumer prices will be 3.5%.

As a result of these sanguine inflation prospects, and given that in the short term the economy will still be operating with negative output, the scope for the Central Bank to accommodate its monetary policy stance
is now more ample. We anticipate a 25 pbs rate cut before year end and 3 more cuts in 2018, so by December 2018 reference rate will be 4.25%.

With respect to the external sector, we expect exports to grow 20% in 2017 and 5% in 2018 as a result of a robust external demand and a competitive exchange rate. This will lead the current account deficit to reduce from 3.9% of GDP this year to 3.7% next year.

Finally, regarding public finances we think that the Central Government will comply with its 3.6% of GDP deficit target for this year, and will need some additional austerity measures in order to meet next year’s target. For 2019 onwards structural reforms will be required in order to guarantee a sustained correction of the Central Government deficit.

[JUAN PABLO ESPINOSA: After this overview of the economic environment, let me turn the presentation to Jose Humberto Acosta, who will discuss the Bank’s results.]

JOSE: Thank you, Juan Pablo.

JOSE: Before entering the numbers for this quarter I would like to give you a brief overview of the status of our operations across the region.

Please go to slide number 4 where we can see a snapshot of the four main business, including Colombia,

Please be aware that this numbers are reported under full IFRS and differ from the numbers filed with regulators, they present cumulative numbers as of September 2016 and 2017.

Also note that these numbers do not include our offshore Operation Bancolombia Panamá, Puerto Rico and Peru, as a result, the sum of the operations presented in this slide account for 95% of the loan portfolio.

It is important to highlight:

- In Colombia:
  - Net loans grew 10% over the last twelve months, driven by consumer loans, which grew 25% in this period.
  - We saw a slight compression of NIMs as a result of recent interest rate cuts and lower revenues from the securities portfolio.
  - Fees growing 6%, affected by the slow economic activity.

- In Banistmo:
  - Loan growth at 7.5%. The focus of the year has been on corporate clients.
  - Deposits growing at 6%, which allows us to build a solid funding base originated by clients.
  - The 7% growth in fees originated by the bancassurance and credit card business.
  - ROE of 13% for the first nine months.

- In Banco Agrícola in El Salvador:
  - We started seeing more stability on the macro front, which has led to agencies to upgrade the rating.
  - A 4.5% loan growth focused on consumer loans and 9% in deposit growth.
  - Stability in operational costs, with a reduction of 9% YoY, as a result of a strict expenses execution.

- In Banco Agromercantil, a loan growth of 9%, mainly driven by corporate clients, coupled with higher coverage ratios.

Having said this; I would like to move now to slide 5 of the presentation, where we can see the evolution of assets and their composition.
We continue seeing a moderate demand of credit across the sectors and regions. This trend is highly correlated with the pace of economic activity and outlook for growth in the private sector.

The loan growth reached 7% and is in line with our expectations.

In retail, we continue with our strategy to focus in medium and high income individuals with low indebtedness. This segment in particular grew 17% over the last year.

In the corporate side of the business, we also saw moderate demand. Corporate loans have grown 4.7% over the last year and our expectation is that for year end, we will experience an expansion of mid single digits.

Mortgages, excluding mortgage leases, grew 3.8% year on year.

Regarding the outlook for the rest of the year, we remain with strict underwriting standards and do not expect to see a significant acceleration of loan grown. Our expectation is to grow 6 to 8% in 2017.

Moving on to slide 6, we present the situation of the credit quality as of September.

Vintages that deteriorated in the first months of the year continue running off and as a result the 90 day PDL ratio increased to 2.9%. As a result of this trend, we have accelerated the pace of provision, with the goal of maintaining an adequate coverage ratio of 161%.

Consumer loan deterioration is mainly correlated to the economic cycle and to some extend, to the reduced payment capacity of some buckets of individuals, presumably impacted by the higher tax burden. This is an trend that we were expecting according to our forecast and the 3% PDL ratio for consumer loans is very much in line with our risk appetite and projections.

In the commercial business, though, we have had a deviation from our initial forecast. Deterioration of big clients has caused the provisions to accelerate above our estimations. Also, the SMEs have deteriorated impacted by the current macroeconomic environment. This way, we saw an increase from 1.69 to 2.69% on 90-day PDLs.

We believe that right now, we are probably in worst part of the PDL cycle.

We continue making provisions in order to sustain the pace of charge off and keep a 90 day coverage ratio above 150%.

The next slide, number 7, presents the provision charges of the quarter. As we can see in the blue bars, the provisions for the quarter accelerated to 2.4% cost of risk. These charges are mainly explained by the run off of old past due loans, rather than the new PDL formation.

So far, the cost of risk for the first nine months has been 2.1%.

As we just mentioned, the 912 billion pesos in new past due loans are mainly explained by SMEs and consumer loans that deteriorated in Colombia.

The vintages originated in the last three quarter presents a better performance.

As loans reach the threshold necessary to be written off, we have seen acceleration in these charges, which were 560 billion for the quarter.

Again, we should see a sustained level of provisions during the rest of the year, probably 2.1 to 2.2% and it should permit to keep cleaning the balance sheet.
Moving on to slide number 8, we see the evolution of Net Interest Income and the funding cost.

During the quarter, we saw a reduction in net interest revenues as loan growth moderated and repricing of existing loans reduced the yield of assets. The mild loan growth that we experienced in the period was offset by the NIM compression, specially NIM from investments.

As we were expecting during the first half of the year, the cost of funds continues declining. In particular, time deposits are maturing and repricing, which allows us to bring down the cost at a faster pace. Similarly, we highlight the reduction in funding with financial institutions to only 11%, down from 14% one year ago.

In savings accounts we have been able to cut cost as well, in particular, institutional accounts. At the same time, we are doing efforts changing the composition of funding. For instance, the proportion of savings accounts has increased from 28% one year ago to 30% today, which contributes to reduce the overall funding cost.

In the structure of funding we have:
- Time deposits with less than a year to maturity will reexpress at a lower interest rates
- Time deposits with more than one year to maturity are typically indexed, and therefore, their cost should decrease along with CPI and DTF
- Most of our bonds in pesos are also at variable rate and they should also reprice, helping the funding cost to come down as well.

This is a combination of tools that we have to reduce the total funding cost and to offset the impact of interest rate cuts by the Colombian central bank and its impact on NIM.

In the next slide, number 9, we present the NIM, which was impacted by the conditions we just described.

NIMs in Colombia, have shown a compression trend as the central bank continues cutting rates.

As we can see on the chart, most of the 40 basis point reduction in the overall NIM is explained by the compression on securities NIM. The lending NIM is pretty much in line with our expectations.

Nevertheless, in our operations in Panamá, both offshore and in Banistmo, we continue seeing NIM expansion as a result of three facts:

1) First, the repricing of the loan portfolio, specially the mortgages and corporate loans indexed to LIBOR,
2) Second higher spreads on new originations.
3) The use of the liquidity in the offshore operation in Panama and Puerto Rico to fund the other operations in Central America that originate loans to clients.

Altogether, we estimate the NIM to be between around 5.7% at the end of the year.
We estimate Loan portfolio NIM between 6.1 to 6.3%.

On slide 10, we can see the evolution of fees.

During 3Q17, we saw stability on the fee front as total fees amounted 607 billion pesos.

Credit and debit cards, in particular, show a moderation in the pace of growth, as we have accelerated the redemption of rewards of our loyalty program and therefore, increasing the expenses associated with that program. Additionally, the level of transactions has come down as the economy decelerates.

Asset Management fees are growing 25% year on year, as assets under management have increased.
Today, our Asset Management business oversees 18 trillion Colombian pesos, the largest money manager in the country.

In the Bancasurance business, we continue making progress and we already have more than 3 million policies outstanding. The Year on Year growth on this product is 41%.

In the international operation, the growth in cumulative fees in Banistmo is 7% and for Banco Agrícola it is 4%.

Our forecast for fee growth is 8% for the year.

Now, moving to slide 11, we present the evolution of expenses, which declined 1% during the quarter.

As we explained in the previous call, some adjustments were made intentionally in order to reduce the volatility in the fourth quarter regarding administrative expenses.

That means we are not experiencing any particular increase in expenses out of the budget.

For year end, we reaffirm our target of expense growth of 7% and an efficiency level of 51%.

In slide 12, we present the evolution of the main channels.

We continue optimizing the size of the network of physical branches and gradually migrating to digital channels. In particular, we stress the fact that 72% of our total transaction are conducted through online and mobile platforms. At the same time, the size of the network of branches has declined during 2017.

We are going to continue enhancing the offer of digital services to our clients, maintaining an strict cost control, continue rebalancing the existing network and focusing in optimization.

Now, let’s move to slide 13 where we present the evolution of the capital position of the bank.

In line with the trend that we have seen during the first half of the year, the bank has operated above 10% Tier 1, and is in the process of accumulating capital.

Our strategy in the capital front is to build up equity that will be deployed in organic growth when credit demand recovers, which we estimate, should happen in 2018.

Additionally, we just conducted a liability management transaction by issuing 750 million dollars of Basel 3 compliant subordinated bonds; this will enhance our Tier 2 for at least the next 5 years.

As we have shared with you, we feel comfortable with the current levels of capital and consider them optimal for the business plan that we have set for the bank.

Finally, we present the ROE for the period, which was 8.2%.

We have fine-tuned our estimation of ROE for the year with the recent evolution of provisions and NIMs. We estimate now a ROE of 10.5 to 11%.

**RECAP AND FINAL MESSAGE:**

As a conclusion we want to highlight:

On the balance sheet
- Loan growth according to our forecast (6% to 8%)
- Strong growth in deposits, faster than loan growth.
- Growth in the capital base with Tier 1 above 10 % and Tier 2 around 4%
On the Income Statement
- A slight compression of the NIM coming down to 5.6 to 5.8%
- Cost of credit around 2.2 % for the whole year, and,
- Efficiency levels according to our expectations, finishing the year around 51%

After presenting these slides and discussing our third quarter results, I would like to invite our audience to ask any questions you might have and we’ll gladly take it from there.

Questions And Answers

Operator
Thank you. We will now begin the question-and-answer session. (Operator instruction) and a first question comes from:

First question
Ernesto Gabilondo from Bank of America, Merrill Lynch.
Good morning Juan Carlos and good morning to all your team and thanks for taking my call. My first question is on the asset quality. We saw a big jump in provision charges during the quarter, and the cost of risk of 2.4% of our assets loan. So can you elaborate on how much of the provisions is coming from corporate, and if you can mention which of them and how much from SMEs and consumer loans. My second question is regarding given the softer loan growth and lower interest rates, how you are seeing the need for the next year. And finally following IFRS9 next year, are you expecting to create additional provisions by moving to an expected loss model. Thank you.

Juan Carlos Mora Uribe, Chief Executive Officer and President
Okay, thank you Ernesto. This quarter as we mentioned was -- challenging in terms of risk and provisions came around 30% from corporate clients. In this corporate clients, we have some corporate that are the main cause of these provisions mainly Electricaribe as I mentioned, it's a big one and we are expecting to cover 600 billion pesos exposure of around 75% of the end of the year. Others were to mention exposure -- it's also accounting for some of the provisions, but we are expecting that a particular case evolves positively during the 4th quarter. Also we have corporate clients will led you to massive transportation systems in Colombia, and we have a coverage of 33 % of that exposure so that's main clients and exposure for around corporates and also SMEs had some deterioration and they account for around 25% of the of the provisions and consumers loans are around 33%. So overall, you see the distribution of the provision are on the hall of the loan portfolio classes, and what we expect for --the 4th quarter, it's that the behavior of the economy, it's allowing us forecast probably similar behavior of what we had during the last quarter.
Regarding the NIM, we are forecasting a NIM between 5.6 %to 5.8%. The net margin loans is around 6.3% and we will continue seeing some pressure on NIM but we think that we have the tools to manage the pressure and defend NIM and you expect to get the number that I mentioned in that we will have NIMs around 5.6% to 5.8% regarding IFRS9 I will pass that question to Jose Humberto.

Jose Humberto Acosta, Chief Financial Officer
Thank you Juan. Just a complement the provision chapter, we have to divide the provisions into different chapters that we are managing with the collection division, but the new clients are much better. So they are not increasing the level of the provision. So we expect that probably we will get the same level of past due loans and provisions for the 4th quarter of this year. Regarding IFRS 9 where we -- implement IFRS three years ago we had to create on the equity side and a special research regarding IFRS. On their IFRS 9 next year probably will have to increase the level of provisions, and that would be, against their equity and that would be against those reserves, which means that we will not be affected by our solvency ratio because those reserves are currently not accounting right now as a part of the solvency ratio. So just to make you clear IFRS is not impacted the level of solvency, its impacted the level of equity next year.

Second question
Carlos Macedo, Analyst from Goldman Sachs.
Thanks. Good morning gentlemen. The couple of questions, first question on expenses, you guys have talked a lot about curbing expenses and controlling expenses, particularly in face of the declining rate and you talked a little about next year. Can you give us some color where we expect cuts if it's Colombia and where in Colombia or if it's – you talked about efficiency and improving efficiency in your operations at Central America if you give us some color there.

The second thing, I think we talk a little bit cost of risk of next year. Could you give us some color if you do really expect that I mean in the past it was well below 2. Should be expected to fall below 2 again and is going to be a gradual process or something more abrupt as some of these loans that you were talking about right now start being written off. Thanks.

Jose Humberto Acosta, Chief Financial Officer
Thank you Carlos. Regarding expenses as you pointed, yes 7% would be achievable this year. Basically, the operation in Colombia is growing below that, what we expect this year the outside or the efficiency levels will be provided by the international operation. If you double check the numbers we have still room to reduce the level of efficiency, that's the reason why we are forecasting that the efficiency next year would be at the area of 50% assuming the expenses will grow 6 to 6.5 next year. And the upside will be basically the international operation how because of the Guatemala operation we are expecting to optimize the size of the branches because of Banistmo where now we have a better cost control and also in El Salvador.

Regarding your second question, the cost of risk that we are planning for 2018 would be at around 1.8 because of combination of two factors. First, loan growth next year we are expecting at around 9% that we have to dilute the past due loans. And second, because the economic cycle that explained from Pablos and Juan Carlos, we are seeing a better conditions, interest rates below 5% inflation in the range of 3% to 4% that suggest that the performance of the loan portfolio, especially in consumer will behave much better.

Third question
Thiago Batista, Analyst from ITAU BBA
Yeah, hi guys, thanks for the opportunity. I have just one question regarding the number of branch and employees. We saw in the last quarters let's say, a big decline in the number of employees and some contraction in the number of branches could if possible say that this trend will continue going forward the reduction in number of branch and also the headcount?

Jose Humberto Acosta, Chief Financial Officer
Thank you Thiago for your question. As you mentioned we made an effort on the front of the headcount and number of branches. We will continue working on that front but what you see broadly now it's marginal. We inspect expect a big numbers there but the effect of what we have done so far is going to be seen in next year because now we have the investment in our balance sheet of those strategies. But we will collect the benefits in the coming years. So now as I mentioned, we will have all the cost this year but the benefits will come in the future.

Fourth question
Tito Labarta, Analyst from Deutsche Bank
Good morning and thanks for the call. My question is, Jose Humberto you mentioned you expect ROE next year of 13% to 14%. I understand the cost of risk, you expect to come down. But how confident can you be with that number? I mean, I think you're expecting a similar levels for this year. I understand you know the economy has been a bit tougher than expected, but with the cost of risk coming down a bit, is that going to be an offset the pressure on margins, might be the economy should improve next year, but still growing below 3%. I just want to get a sense I guess in your confidence level of being able to reach that 13% to 14% next year. Thank you.

Jose Humberto Acosta, Chief Financial Officer
Thank you Tito. Yes, we expect that to get that level, not only because of cost of risk, also because of combination of several factors. The first one is efficiency, if you do the math coming from 51% to 50% efficiency, that will we have. The second thing is -- to sustain the NIM we are expecting to sustain the NIM in the loan portfolio at a level of – as Juan mentioned to 5.9 to 6.1 the loan portfolio NIM that will also helps a lot. And the fee income growth also, because again the international operation by now it's moving on that
direction. We are increasing the level of fee income in those countries. So if you -- if your loan portfolio grow 9% your NII will also grow as well.

And Tito, let me emphasize that, we are very confident that we can achieve those numbers, because we think that next year will be first in Colombia, which is around 70% of our operation. The economy is going to be a much better 2.5 will allow us to do -- to have much better performance in Colombia. And on top of that, the strategy that we have been implementing during this year are going to have positive effects next year. Of course if the Colombian economy will not behave as we expect that will affect our level of confidence, but we think that the Colombian economy has the potential to grow around 2.5% and on top of that the Central American operations are going to positively contribute to that number. So we think that that number that 13% around 13% ROE is achievable.

Fifth question
George Friedman, Analyst
Thank you very much for taking my call. I'd like to follow-up on the question of margins. I know that you're confident that you could maintain and I mean just margin between 5.6%, 5.8% next year. But when I look back in time and see levels of interest rates are expected for Columbia next year below 5%. In those times back you were also working with margins below 5%. So could you elaborate a bit more where you believe you could offset pressure of lower rates to continue supporting margins above 5%? Thank you.

Jose Humberto Acosta, Chief Financial Officer
Thank you, George. Yes. Our facility is basically supporting two different tracks again. The first is remember down that one-third of our loan portfolio is denominated in US dollars. And in those context we see interest rate are going up. So we will be benefit and we are lending better interest rates, if you double check the numbers in Banistmo and El Salvador. So we believe that the need in US dollars will increase a little bit because of that because interest rates and because the market conditions in those countries. On the Colombian operation yes, we believe that the interest rates will go down, but we have been prepared to sustain that means basically moving to savings accounts, which is one of the cheapest way to get funding. We have our time deposits, right now as we explained, during our speech. It's almost floating as well because all time deposits are more than one year obviously with pricing. And most important on the asset side on the loan side, you will see an increase in consumer loans, those loans have better deals. So that's the reason why we are supporting that. We are able to sustain the new of that level.

Sixth question
Nicolas Riva, Analyst from Citi.
Yeah, thanks for taking my question. I guess it's a follow-up on the previous question. What you are mentioning about consumer lending probably helping support net interest margins going forward. When I look at loan growth on a consolidated level you’re growing about 6% year-on-Year in nominal terms, which is more, and that's clearly explained what's going on with the economy, but specifically in the Consumer Lending Segment you're growing 17% year-on-Year. So the question there is, what strategies you're going to pursuing to achieve these fast growth in consumer lending. And also how much confidence you have that this is going to translate into higher NPLs its down the road given the situation of the economy right now? And then a second question a bit little more specific on El Salvador- be you mentioned already the exposure is about $200 million and you are 53% covered and you are going to increase our coverage by year-end. The only thing, in the third quarter can you disclose how much you booked in provisions for El Salvador. Thanks.

Jose Humberto Acosta, Chief Financial Officer
Thank you, Nicolas. Regarding the consumer lending, why we are confident regarding consumer lending. If you got to check the numbers so far the economy as a whole. The consumer lending in the system is touching the lowest level. And with the combination of better condition of the macro economy, you will probably see a potential for the next year.

That we are doing our job internally we are approving into -- within our own customer base, we are able to achieve same growth in consumer around 15% to 20% again, because of market conditions, because the lowest level of consumer loans -- in a whole today and because we are doing mining growing with our own customer base. This is regarding your first question. Regarding your second question, again the new
origination of consumer loans, delivering such as and the - suggest that the worst happened in the previous quarters. So we are not foreseeing for the future looking forward that the provision is behaving in a different way. The problem as we mentioned is that provisioning that we are having today is because there is stock of the loans that we originated a year year-ago. So that's a combination of factors again, that is why we expect that this cost of credit can touch the level of 1.8. Regarding the electrical event Carlos we say provision on this credit around 70 billion -- 70 billion during the quarter.

Eight question
Sebastian Gallego Analyst from Credit Corp
Hi, good morning. Thank you for the presentation. I have two questions, the first one is could you comment on the coverage on 90-day NPL in Banistmo and in Guatemala below 80% if you feel confident with those levels. And then the second question, could you provide more color on Guatemala. On a consistent basis we're seeing profitability lagging and also efficiency not coming down. I know your comments some initiatives but can you go a little bit further on those initiatives in Guatemala. Thank you.

Jose Humberto Acosta, Chief Financial Officer
Thank you. Regarding the coverage of the 90-days past due and the coverage. Yes, we have to divided between Colombia and the international operation regarding the provisioning. There are some operations, in which its still below our standards. But again the condition -- the market condition is increasing the level of provisions in those operations that would be setting off with a different base of growing in consumer, in provisions in Colombia. So at the end of the day, we are confident that, first we have to increase a little bit the provision side on international provisions. But as a whole we are seeing -- we have seen a better conditions basically on the Colombian market.

Juan Carlos Mora Uribe, Chief Executive Officer and President
Let me clarify a little bit in on that. This is a process that it takes some time as if you feel our operation in the Salvador which we brought almost 10 year ago and we work with the level of coverage, a very low level of coverage, today it's on a very good standards. Banistmo which we bought around three years ago and we bought it with the coverage ratio - at a very low coverage ratio which as December of the all owner. Now we have more or having a better coverage we will continue moving on that direction but it's going to take some time. I also think that I want to mention on the case of Banistmo, that the percentage of mortgages on the assets on the loan portfolio, it's high. So that loans require a level - a lower level of coverage because of the risk that they have. But we will continue improving on the mid-term the coverage of those operations.

Jose Humberto Acosta, Chief Financial Officer
Remembers Banistmo 25% of the loans are mortgages. Regarding your question Guatemala. Guatemala is still a very small operation in total - 75% assets and the task here is to get a better level of efficiency because of branches and Guatemala is offering us possibility of loan growth. Because of the economy, so with those factors improving efficiency level and loan growth around 5% to 6%. We are also confident that the operations will give us more upside in the medium term loan.

Ninth question
Carlos Gomez, Analyst from HSBC
Hi, good morning. Two questions, first, I would like to know what you expect to your tax rate to be for the next two or three years, your effective tax rate. Second, you mentioned that you expect better asset quality, but again we look at the corporate portfolio you are having for more provisions. Do you see any evidence whatsoever that corporate asset quality is getting better in Colombia. One, doesn't not get that impression, but we could be wrong. Can you tell us where you see that there is an improvement? Thank you.

Jose Humberto Acosta, Chief Financial Officer
Thank you, Carlos. Regarding your first question, our tax rate for this year will be at around 32% to 34% and for next year we are anticipating at a level of 33% to 35% tax rate for 2018 and this year again, sorry. This year it would be 33% to 35% as well same level of taxation. And regarding corporates as we mentioned, we see deterioration in very specific corporate clients and we are working on how to solve the situation of those customers but that's going to take some time. So that improvement, you will see at on
over time. And we don't foresee a deterioration -- a massive deterioration on corporate, we will, what we have some specific sector some customers, big ones that have had a difficult situation and where we are working on how to solve those issues, but we don't expect additional deterioration on corporates.

**Tenth question**  
**Juan Pablo Berrios Analyst from Sagil**  
Hello guys. Thank you for attending my question. I would like to turn this question for next year considered the potential impact of an increase because of risk regarding the change in the methodology of IFRS 9? Thank you.

**Jose Humberto Acosta, Chief Financial Officer**  
We don’t have the numbers yet about how that will impact our P&L, but again as I mentioned at the beginning in terms of solvency we will not have an impact regarding a solvency ratio. But again when we have the calculation about how it will be impacted in terms of provisions, we would let you know.

**Operator**  
We have no further questions at this time. I'd like to turn the presentation back over to Mr. Mora.

**Juan Carlos Mora Uribe, Chief Executive Officer**  
Thank you everybody for your interest and for you participation in this conference call. We'll see -- we'll be together next time on our conference call and in which we will present the results for the full year 2017. Again, thank you so much and have a good day.