OPENING REMARKS

RESULTS SUMMARY
(Slide 2)

JUAN CARLOS MORA:

Good morning and welcome to the conference call for the first quarter.

I wish to begin this call, giving you an update of four relevant aspects that materialize our strategy:

1) Ahorro a la mano, our cornerstone channel for offering a simple transactional platform, continues growing exponentially. We already have 900 thousand active accounts, which performed more than 12 million transactions last year. This is a very efficient tool that allows us to extend the capacity to perform transactions, to people who do not have a formal relation with the financial sector.

2) Also, digital sales continue growing and in particular, clients can open products in a 100% digital way. Two of the most relevant products are:
   - Payroll savings account, which allows opening an account in just 7 minutes.
   - Credit card, which can be requested via web of mobile

3) In the digital payments front, we have grown the number of transactions more than 13 times and reached 100 million dollar in contact-less purchases over the last twelve months.

4) In line with the credit cycle that we are going through, we have done some adjustments and improvements to the collection process. The goal is to avoid loans reaching the state of delinquency and maximize the recovery of past due loans. For this, we have supported our strategy in:
   - Implementation of robots that automatically debit accounts of clients with loans in arrears.
   - Early alerts of clients with probabilities to become past due.
   - Increase of alternatives for clients, related with modifications of the payment day.

After these topics, I want to share with you the trends of this beginning of the year

Macro environment and Politics:

- As a remarkable topic, let’s remember that the next 27th of May, the first round of presidential elections will take place. This is a fact that will set the pace for reactivation of private sector investments programs.
- In the economic front we must highlight:
  - Inflation converging towards the 3% goal set by the Central Bank.
During the first months of the year, we have seen some improvement in consumer and private sector confidence. Unemployment has been stable and consumption has left behind the negative impact of taxes of 2017.

The Central Bank has adopted a more expansive policy by cutting rates. Last April, they reached 4.25%. This should create conditions for a GDP acceleration in 2018 towards 2.5%.

Regarding the FX, we saw how the increase in oil prices caused a 6.8% appreciation of the peso during the quarter.

**Credit demand:** We have seen that the performance of our geographies has evolved according to our forecasts.

- In Colombia, despite elections, we perceive a trend in new originations that lead us to re-affirm that we will reach a consolidated growth of 8 to 10% in 2018.
- In Central America, the growth has been in line with our estimations in both corporate and retail banking.
- The appreciation of the peso versus the dollar caused growth in pesos to be negative during the quarter. Year over year, the loan portfolio grows 4.1% despite a 3.6% appreciation of the pesos over that time.

We continue with our strategy of growing faster in consumer loans because this will change the composition of the portfolio and will allow to offset the pressure on margins. We believe that in consumer, we will not grow at the same pace of 2017, but still we will be growing double digits and faster than in corporate loans.

**Credit quality:** This will be one of the most relevant topics for 2018 and we have concentrated our efforts on three aspects:

- Origination
- Increase in coverage for certain corporate clients
- Collection process

As typically happens during low economic growth periods, the deterioration tends to be higher and since the second half of 2017, we have experienced more past due loan formation and as a result, higher cost of risk.

During the quarter, new past due loans were explained by:

- SMEs: 23%
- Consumer loans: 32%
- Corporate loans: 40%

We believe that we are near the peak of deterioration and charged 875 billion in provisions during the quarter, which equates to 2.2% cost of risk. We expect to have a charge of 3.4 trillion in provisions during the year.
Our strategy in this front has consisted in:
- Reduce the risk appetite, being more cautious with the origination and maintaining the focus on low risk segments.
- Stabilizing the situation of corporate clients with problems and move ahead in the restructuring of these clients.
- Reduce the exposure to sectors and SMEs that remain weak and focus on clients with stronger and more liquid balance sheets.

**IFRS 9:** As you know, starting on January 1st, 2018, we must adjust our provisioning models under IFRS 9, which means to use expected loss provisions instead of the current incurred loss approach.
- As a consequence of this adjustment, we increased allowances by 600 billion pesos, or around 8%.
- We also stopped recognizing interest on delinquent loans with very low probability of recovery (classified as bucket 3 loans).
- In a few minutes, Jose Humberto will provide a more detailed explanation of this IFRS 9 implementation.

**Efficiency:** finally, I wish to emphasize the efforts that we are putting on cost control. A strategy that put us in a cost to income of 49% last year and that we believe to be between 48 and 49% this year. The optimization of distribution channels, headcount reduction and automation are the elements that will permit us to achieve that goal.

With these elements in mind, I want to ask Juan Pablo Espinosa, our chief economist to give you an overview of the main macroeconomic topics to consider, Juan Pablo.

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

Slide 3

Economic indicators in the past months point to a mild pickup in activity and a more balanced macroeconomic context. During the first quarter of 2018 GDP grew at an estimated rate of 2.2%, 0.7 higher than 1Q17’s reading. Our expectation reflects a better performance of several leading indicators, such as consumer and business confidence, retail sales, and industrial production.

We believe that this more sanguine performance is the result of a strengthening in private spending, which is the result of a positive variation in real disposable income, low and stable interest rates, and a favorable global context. In addition, more constructive macroeconomic and financial conditions should lead to a recovery of private investment. All this is being accompanied by global tailwinds such as increasing terms of trade and a higher growth of Colombian main trading partners.
As a result, we reaffirm our 2.5% growth forecast for 2018. We expect that after the end of the electoral period the recovery will take full force. Thus, by the end of this year the expansion of productive activity will have accelerated to 3%, and will subsequently head towards 3.2% in 2019 and 3.6% in 2020.

Regarding prices, it is worth noting that headline inflation has showed a sharp moderation, from 4.1% in December 2017 to 3.13% at the end of last month. This correction has been widespread, as both food and core inflation have been trending downwards, thanks to normal weather conditions, a stronger peso and absent demand pressures.

Going forward, we expect that in coming months annual inflation will fall below this target. However, we anticipate that, in the face of an acceleration in the food prices, in the second half of the year inflation will pick up moderately, closing 2018 at 3.3%

Regarding monetary policy, we anticipate that after the 25 bps cuts in January and April the repo rate will remain at 4.25% for the remainder of 2018. Only until 1Q19 the circumstances of the economy will lead the monetary authority to start a mild tightening cycle.

On the external front, we expect the current account deficit to remain in 2018 at the same level as the previous year (3.3% of GDP), which was lower than estimated. This figure implies that the magnitude of the external imbalance is now similar to that observed before the negative shock of oil prices. This implies that the Colombian economy is less vulnerable to external financing conditions today.

On the other hand, recent events reinforce our view that this year the Government will meet the deficit target (-3.1% of GDP), and that the additional effort required to comply with 2019 is less pronounced than calculated three months ago.

In conclusion, recent evidence confirms our view that the Colombian economy has left behind the most critical phase of the adjustment process and is beginning to experience a gradual recovery that will be accompanied by better readings in most macroeconomic indicators.

[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.

INTRODUCCION JOSE ACOSTA: Before starting with the discussion of the results, I would like to call you attention to the fact that this quarter, Bancolombia started reporting numbers under IFRS 9. On slide 4 we summarize these impacts:

- In Balance Sheet
o There is a re-allocation of COP 599 billion from the line of "Accumulated other comprehensive income" in the equity, to the line of "Allowances for loan" in the asset side. This is a one off impact, effective on January 1st, 2018

- In Income Statement:
  o There is a reduction in Net Interest Income by 102 billion, due to the no-recognition of interest attributable to loans in Bucket3, which have a very low probability of recovery.
  o Similarly, there is a reduction, also by 102 billion, in the provision charges.
  o As a result, the net impact in the net Income is zero.

- As a result of these impacts, some metrics and ratios are affected as well.
  o Reported NIM will be lower as a result of loans in bucket 3, which will not accrue interest.
  o OPCIONAL: Cost of credit might be lower due to lower provision of these bucket 3 loans
  o The efficiency level will be affected due to the reduction of Net Interest Income.
  o Fee income as a percentage of revenues will increase as a result of lower NII revenues.

It is important to highlight the fact that during 2018, we continue modeling and fine-tuning these impacts. During the year, we might have changes to the metrics I just mentioned.

Now moving on, I would like to give you a brief overview of the status of our operations across the region.

Please go to slide number 5 where we can see a snapshot of the four main business.

Please be aware that this numbers are reported under full IFRS and differ from the numbers filed with regulators, they present numbers as of March 2018 and 2018.

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.

I would like to highlight two points in particular:

- In Banistmo: a significant improvement of efficiency due to cost controls programs and introduction of new products and services. Also, Banistmo has today the capacity to sell product through digital channels. Credit cards, savings accounts are the main products leading this strategy and are a source of distribution efficiencies.

- In Banco Agrícola, the coverage ratio has increased to 226% and the NIM has also expanded as a result of better allocation of assets and a more efficient strategy in the funding side. Fees have also performed very well for this operation and have grown 13% year over year. The loan portfolio in el Salvador has evolved in a very positive way, as a result a faster pace of the economy.

- In BAM in Guatemala, the increase in the coverage ratio and NIM expansion are the two most remarkable metrics where we have advanced over the last year. Nonetheless, efforts
in digital banking are also paying off and having a very relevant role: today, insurance
distribution through the online platform is the fastest growing product.

- And in Bancolombia Colombia, the efficiency continues improving due to diversification of
channels and cost control.
- In general terms, the international operations are providing an upside to the consolidated
numbers.

Now; I would like to move to slide 6 of the presentation, where we can see the evolution of assets
and their composition.

Slide 6

The composition of the loan portfolio by type of client remained relatively stable during the first
quarter.

Nevertheless, the 7% appreciation of the peso against the dollar, caused the peso denominated
portfolio to represent a greater proportion than what it represented in December. Today, pesos
account for 68% of the loans.

This appreciation caused the growth of loans in the original currencies to look smaller when
converter to pesos. The Year on Year growth as of march 2018 is 4%.

Regarding credit demand, we have seen corporations acting in a cautious way when undertaking
new projects and demanding credit. This is the natural outcome of the uncertainty associated to
election time, and is a trend that we had forecasted in our budgets.

In march, we saw some signals of recovery after a slow start of the year. We anticipate that this
sluggish demand and growth will continue until mid year when we finally know the outcome of the
elections.

We continue seeing a greater growth of consumer loans, although at a lower pace. On the other
hand commercial loans grow, but at a more moderate pace.

Today, we confirm our estimation for loan growth in 2018 between 8 and 10%.

Slide 7

Moving on to slide 7, we present the situation of the credit quality as of March.

In line with our expectations for every first quarter, 30 day Past due loans presented an increase
due to higher formation of NPLs. This is a seasonal effect that we experience every march, and this
year in particular, the slow economic growth and presidential elections, accentuate the trend.

90 day PDLs, also posted a slight increase due to run off of already deteriorated vintages,
nevertheless, the coverage ratio for these loans reached 174%, and we intend to keep it around
that level.
As we mentioned earlier, the adoption of IFRS 9 increased the coverage levels because we reclassified 599 billion from equity to allowances. This is the main reason for the change in coverage in 1Q18.

Slide 8

Connecting with this, slide number 8 presents the provision charges for the quarter, which totaled 875 billion. In general, provision charges maintain a high level as we continue protecting the balance from the new NPLs. These charges are mainly explained by:

- Commercial loans, mainly large corporates, which represented 40% of the New PDLs.
- SMEs that are increasing the number of day in arrears, which represented 23% of New PDLs.

A very important metric of this slide, is the New Past Due Loans of the quarter, which reflects the seasonal effect of the first months of the year.

Again, we had an impact of IFRS 9: Loans classified in bucket 3, with a very low probability of recovery DO NOT require provisions. They do not accrue interest either.

The new IFRS 9 methodology, requires Bancolombia to estimate provisions based on expected losses, which tend to be more conservative, reaching a cost of risk of around 2% for the year.

Slide 9

Moving on to slide number 9, we see the evolution of Net Interest Income and the funding cost.

NII declined 4% compared to 1Q17, impacted by:

- Re pricing of the loan portfolio due to lower interest rates of the central bank
- To some extent, by the appreciation of the Colombia peso against the dollar in the same period.
- Additionally, the IFRS 9 adoption impacted NII by 102 billion pesos due to the No – accrual of loans classified in bucket 3.

Our main strategy to defend NIMs and NII is to reduce the funding cost as fast as possible.

We have concentrated efforts on:

- Reduce the cost of long term debt by rolling over the bonds and the expiration of approximately 300 billion peso denominated bonds during the quarter
- Promote Saving Accounts, which grew 11.5% versus growth of 2.4% in Time Deposits.
- Reducing 7.8% the stock of funding with international banks.
- And finally, perhaps the most important one, the reduction of the duration and cost of the Certificates of Deposits in Colombia.

The combination of these factors has permitted to maintain the Loan to Deposit Ratio to 115%
For 2018:
- Probably, we will see another reduction of interest rates, in case inflation continues declining.
- The repricing of the loan portfolio will continue.
- The reduction of the funding cost will be marginal.

Slide 10

In the next slide, number 10, we present the NIM.

We estimate the impact of IFRS 9 was the reason for the 10 basis point compression in lending NIM during the quarter. So, isolating this effect of this, lending NIM would have been stable during the quarter.

So far, we have contained the impact of the interest rate cuts in Colombia on the lending activities of the bank. This has been a combined effect of the change in mix towards consumer loans and the reduction of funding costs.

In the securities front, we experienced more volatility during the quarter and as a result, NIM came down to 0.5%.

We expect the reference rate in Colombia to come down 25 basis points and an improvement in dollar margins due to higher US rates.

The combination of these effects we will cause margin compression during 2018:
- 20 basis points due to interest rate cuts
- 20 basis points due to the stop of interest recognition and accrual of non-performing loans classified as bucket 3, with little probability of recovery.

As a result of interest rate reduction on Colombia and the impact of IFRS 9 adoption, we estimate the NIM for 2018 to end around 5.6%.

Slide 11

On slide 11, we can see the evolution of fees.

Fees continue presenting a good evolution, despite the seasonal effect of the first quarter. Comparing them to the 1Q17, the 9% growth indicates the good trend.

In particular, credit card fee posted a solid performance due to the promotion of plastic as a method of payment and the marketing campaigns of the first months of the year. The world cup and the fact that Bancolombia is a sponsor of Colombia’s national teams, contributed to these strategies.

In Central America we are also posting positive results, in particular Banco Agrícola in El Salvador, with fees growing 13% year on year.

Bancaassurance and asset management are also relevant components of this strategy, but it is too early in the year to see clearly the trend for 2018.
Our forecast for fee growth in 2018 is 12%.

Slide 12

Now, moving to slide 12, we present the evolution of expenses,

We must keep in mind that the expenses of the fourth quarter last year were unusually low due to certain adjustments for the full year 2017. Here, it is important to focus on the year on year growth in expenses, which declined 2% as compared to 1Q17.

- The FX affects the year on year impact as the peso appreciates 3.6% versus the dollar during the year.
- The personnel expenses are impacted by the reduction of bonuses and the reduction of the headcount.
- The variation of administrative expenses is explained by:
  - Reduction in taxes different than income tax
  - Normalization of payments along the year, instead of a concentration in the latest part of the period

This is the outcome of our strategy to gain efficiencies in labor expenses and Selling, General and Administrative Expenses (SG&A).

For 2018, we expect to grow Operating Expenses between 4 and 5% and the cost to income ratio to be around 49%.

Let’s remember that this new guidance is the result of lower Net Interest Income due to non-performing loans classified as bucket 3.

Slide 13

In slide 13, we present the evolution of the main channels.

We continue increasing the share of online and mobile transactions as a way to gain efficiencies in distribution.

As you can see in the bottom right pie, the interaction with clients has diversified to several channels:

- Today, through the app and online, clients can open savings account without needing to go to the branch.
- We are launching a specially designed online platform for SMEs. This platform will allow us to reach more the 1.3 million clients who will benefit from several developments implemented by Bancolombia and enhance their financial process with the portfolio provided by Bancolombia and other managerial tools that will help them in their business.
- Through ATMs, we continue take more cash deposits and payments, releasing pressure from the branches.
- Through banking agents, we process more than half a million transactions on a daily basis.

We will continue enhancing the offer of digital services to our clients, maintaining a strict cost control, continue rebalancing the existing network and focusing in optimization.
For our international operations:
- We are reducing the number of branches in Guatemala and using more digital channels. In the last year, we have closed 9 branches.
- In Banistmo, we launched the Mobile platform, which today processes more than 200 thousand transactions on a daily basis.
- In Banco Agrícola, the network of agents reached 670 of them.

Slide 14

Now, let's move to slide 14 where we present the evolution of the capital position of the bank, which ended at 10.2%

As soon as we have more clarity on the Basel 3 implementation, we will be providing you with the estimations for:
- Additional capital buffers.
- Treatment of Risk Weighted Assets.

Slide 15

Finally, we present the ROE for the period, which was 9.2%. For the last 12 months it was 11.4%.

Our forecast is to gradually improve ROE towards the 16% target that we have for 2020. In particular, we estimate that in 2018, we should be in the 12 to 13% range.

In summary:
- The economic cycle in Colombia suggests: low interest rates, inflation under control, stable unemployment and a second half of the year with a faster economic activity. This combination impacts our business by:
  - Growth of the loan portfolio according to our expectations.
  - In the funding structure, the bank will be focused in maintaining the cost under control in a low rate environment.
  - We maintain our estimations shared during this call: NIM compression towards 5.6%, cost of risk around 2% and ROE between 12 and 13%.
  - The main efforts will be concentrated in Risk Management, namely:
    o Origination, maintaining the focus on quality clients.
    o Enhancing the collections process in order to reduce the stock of past due loans.

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

Operator
Thank you. We will now begin the question-and-answer session.

Questions and answers

First question

Ernesto Gabilondo Analyst at Bank of America-Merrill Lynch
Hi, good morning, and thanks for taking my call. A couple of questions from my side. The first one is on the elections, can you share with us any insight on the candidates leading the polls? And if you see, it could be a possibility to have only one round. Also if you can share any relevant propositions among the candidates that will help? My second question is on your NII, as you mentioned it was affected by the IFRS implementation. So, should we continue to see NII affected by COP100 billion per quarter through the rest of the year? Thank you.

Jose Humberto Acosta, Chief Financial Officer

Thank you, Ernesto. Let me answer first your second question regarding NII. Yes, correct. You have to taking consideration that every quarter you see a decrease of COP102 billion on NII. The other side of the story is that we are doing our efforts to reduce at the same pace the cost of funding, focusing our efforts on saving accounts and try to reduce more from the lending business activities from international banks. But yes, you'll see in a very often 102 every quarter.

Juan Carlos Mora, Chief Executive Officer

And Ernesto, regarding your question about elections, this has been a very competitive process. Polls at this time shows one leading candidate and others follow by a margin of around 10 points, the percentage points. So, with the results of the polls that we have seen in the last year it is high probability that is going to be a second round that will take place in June.

Second question

Jason Mollin, Analyst at Scotiabank

Hi. Thank you. My question is about the profitability outlook, the return on equity outlook in the 12% to 13% range for this year, maybe you can comment more in the long term. But in -- with this quarter, obviously they were seasonal weakness, I guess, if we isolate the impact of IFRS 9 looking at both the net interest income and the provisions, as you suggested there was no impact on net income, your book value, however, was negatively impacted from the one-time adjustments. So, that actually would help the ROE expectation going forward. So, it seems like by maintaining the ROE expectation and having a lower book value with no impact on net income from IFRS 9 that actually the ROE should look better if we just make the denominator adjustment.

But I also wanted to understand better what you just said about net interest income, because, yes, it was negatively impacted, you suggested by a COP100 billion and that will continue going forward because you won't be accruing interest through the bucket 3, but should we expect provisions going forward, also I mean is this like a recurring event that provisions should also be 100 million lower? Or was that just a one-time income statement impact that we saw now? So, main question is ROE outlook 12% to 13% in longer term. And you did have this, I guess, it was COP500 billion impact on book value?

Jose Humberto Acosta, Chief Financial Officer

Thank you, Jason. Yes. Let me put it on nominal terms, originally our plan were to save COP3.4 billion totally in provisions. As you said, having in consideration IFRS 9 the bucket 3, we will reduce COP400 billion at that number.

So, in regular terms, the final provision that will be COP3 billion at the end of this year. That is correct and your appreciation is right. But what happened is, the margin of provisions for the next
coming quarters are toughest because the requirements of provisions on the expected loss is higher. So, we have to increase another 400 billion in provisions on the provision side. So, if you do the math, yes, you have to deduct the 400 because of IFRS 9, but you have to add up again the 400 because this standard for the next coming quarters will be increasing that number. So, that's the reason why, at the end of the day, the cost of credit is the same 4% because it's a function of the assets of the loan portfolio, but the NII will drop. So, as you say, the net income assuming the next coming quarters that will be reduced because of that. I don't know, this is clear Jason. And in this opportunity, I have to permit them to do another question, or to see if it is clear for you.

Third question

Jorge Kuri, Analyst at Morgan Stanley

Hi, good morning. Jorge Kuri from Morgan Stanley. Can you give us an update on the efficiency program, you delivered very strong year-on-year decline in expenses in nominal and obviously in real terms. Where are we in that process? How much more can we see expenses improve over the next 12 months? Are we mostly gone or we have to wait? Just wanted to get a little bit more clarity on this year and maybe on a multi-year basis, how much more can efficiency improve? Thank you.

Juan Carlos Mora, Chief Executive Officer

Thank you, Jorge. Let's allow us one minute to answer Jason one topic of the question that he had, before we answer your question.

Jose Humberto Acosta, Chief Financial Officer

Okay. Jason, just to clarify, we were talking about what happened this year? How we are going to get 16%, now we are planning for the next three years? Assume that, that the real cost of credit of the bank based on the better economic cycle will be 1.8. So, if you do the math and we adjust the cost of credit for 2019 and 2020 at around 1.8 that will be the best way to reach the 16% of return on equity. Thank you.

Juan Carlos Mora, Chief Executive Officer

And Jorge now going to your question, we keep in our program of efficiency and the program is based in reducing the cost associated with our distribution channels. So, now we have a program of branch reduction in Guatemala. We have consolidated some of the physical branches that we have in Colombia. So, we'll keep moving on that direction. Also we will keep the program of efficiency around having the optimal headcount to run our operation.

To answer your question directly, we expect this year the expenses to grow around between 4% and 5%, which in real terms is around 1% growth. So, we will benefit from the actions that we took last year, but also we will have to do some investments on the programs that we are running this year. Looking to have the benefits towards or in the year ‘19 and ‘20 in which we are looking for an efficiency ratio of 47%. So, this year we will expect an improvement on the efficiency ratio, and we are targeting 48%, and then the programs will consolidate the effects and that will lead us to the 46% that we are looking in the mid-term.

Jose Humberto Acosta, Chief Financial Officer
Complementing the Juan Carlos answer I have to say, just to give you an examples, the corresponding agents, we reached the level of almost 10,000. So, that's the best way to reduce our cost of operation. And we are replicated the same experience in Panama and El Salvador that will help us a lot. The other good example is, how to maintain the headcount under control? We are implementing in the last two years more than 200 robots, that is helping to work 7/24 and it's helping to be more efficient, try to operate in a faster way, in a more efficient way.

Fourth question

**Philip Finch, Analyst at UBS**

Good morning, gentlemen. Thank you for the presentation. Couple of questions from me. First of all, just in terms of Q1 numbers, I mean, our first take was that it was lower than what we're looking for. Given what you just presented, can we say, Q1 was the worst quarter and it get better from here, whether it's a loan growth or in terms of provisions, as you are alluding to? And the second question is that a little bit more specific and that's the tax rate, still bit of volatility in the quarter. What should we consider as a more sort of normalized level for tax rate for the quarter of this year? Thank you.

**Jose Humberto Acosta, Chief Financial Officer**

Okay. Philip, I have to say that usually the first quarter of every year maintain some weak trending in loan growth. This year will be exactly the same. Our expectation is to have a very solid third and fourth quarter in order to reach the 8% loan growth that we are expecting. So yes, as you mentioned, these numbers will be the lowest level of numbers if you compare with the next quarters for this year.

Regarding the tax rate, we are for the year, the whole year, we maintain the guidance that the tax rate will be between 33% and 34% in total. Remember the statutory tax in Colombia is 37%, but the taxes in El Salvador, Guatemala and Panama is 25% and the other offshore operation, which is really wanted to have zero percent of tax. So, if you combine those tax effects the result is 33% to 34% at the end of this year.

Fifth question

**Carlos Macedo, Analyst Goldman Sachs**

Hi, thanks for taking my question. My question is on your medium term guide is 16% target for ROE in 2020. You talked about, responding to Jason's question, the cost of risk improving another 20 basis points from your target this year, 2% to 1.8%. Is there a risk that maybe your margins also reflect a slightly lower number, I mean, that's really the question. You're targeting 5.6% this year, another 20 basis points down from where you are now, is that the steady state margin? Is that what we should expect going forward? Is there a risk that could be lower, if rates don't go up, or if rates come down or mix changes, how should we think about the evolution of margin within the context of evolution of the cost of risk? Thanks.
Jose Humberto Acosta, Chief Financial Officer

Thank you, Carlos. There are many forces that helps the return on equity. And yes, the cost of credit will be one. The second one will be efficiency level. We are foreseeing the future, the efficiency level, reaching the level of 46% in 2020. And the third, it is the NIM as you’re asking right now. We, -- right now we have a compression maybe in 2019, that will be more stable link, but at the end in the long-term view because of the competitiveness, because of many banks trying to reach and to gain market share, we expect a compression of the NIM in the long-term view that will be in the range 5.2 to 5.5 in the next coming three years, again because of the competitive landscape and because obviously the upside is, we are moving through consumer loans that it helping to support the NIM. So, that's the reason why, since 2015, we changed and we are trying to change our mix in between corporate and consumer loan. So, consumer would be one of the main drivers to sustain the NIM.

Sixth question

Jorg Friedemann, Analyst at Citibank

Yes, thank you very much for taking my questions. Actually, I’d like to touch on two points. First, I know coming back to the short-term ROE guidance of 12% to 13%, of course, we also understand that the equity base, as Jason mentioned in his question, has been coming down because of the IFRS. Just wondering, if you believe that additional impact on the equity basis due to the IFRS 9 could take place during the year, or if the 600 billion impact was a one-off? And I'm asking that question, because if doesn't have another impact, I see, I know for you to be able to get into the 12% to 13% target of ROE in 2018. You would have to see a significant acceleration of earnings throughout the year. So, just wondering how comfortable you are with that, or if we should expect additional hit on the equity? This was the first question.

And then my second question is, actually with regards to your credit card franchise. I noted in the release that you highlighted Amex losing ground in the period, both in terms of credit card billings and also in terms of credit card issuance. So, what is going on the Amex? Are you incentivizing the issuance and usage of other labels, or is this just natural competition? Thank you.

Jose Humberto Acosta, Chief Financial Officer

Okay Jorg. Yes, regarding the provisioning that is affecting the equity it is a one-off. And same happens with we implemented the IFRS five years ago, it is happening exactly the same. This is a one-off situation and it's not affecting more the equity level that we are having right now. Regarding how we are going to get 12% to 13%; yes, one of the main drivers will be a loan growth and that will take place, we hope in the third and the fourth quarter that help us to increase the NII in order to reach that level of 12% to 13%, but again the COP600 billion that is affecting equity, it is a one-off situation.

Juan Carlos Mora, Chief Executive Officer

And regarding your question about credit card. Credit card is a very important business for us. We keep growing and pushing the business. We are not leaders in number of plastics, but in any other metric, we are leaders in the usage of the cards. We represents or sell the three main brands of credit cards, Visa, Mastercard, and Amex. Where in the past, we had an exclusivity agreement with Amex and that agreement ended last year. So, now we are pushing the three brands, the three
main brands in equal terms. So, that's why you are seeing a lower growth on Amex. But the credit card business is a very healthy, very dynamic business for us, is providing very good revenues fees and we keep pushing the business at this moment.

Seventh question

Rodrigo Sanchez, Analyst at Ultraserfinco

Good morning, guys. Thanks for the presentation. I just have a question. Could you please provide details and comments about exposure you have on the Colombian transportation system, including both the exposure and coverage you have for the first quarter. What provisions level are you expecting to reach by the end of the year? And also, if you could please repeat the guidance on efficiency for 2018. Thanks.

Jose Humberto Acosta, Chief Financial Officer

Yes, Rodrigo the guidance for efficiency it's to reach a level of 49%. But remember that we are impacted this year because of NII, a drop of COP400 billion, because of IFRS 9. Regarding your first question, in transportation system, we have an exposure in several companies of transportation and we have a wide range of provisions in between 20% to 40%. And the reason, why we are expecting the cost of credit of 2%, it's assuming that probably in the next coming quarters, we have to increase those provisions, basically in some of the companies, but again, today we have a very orthodox' approach in terms of those provisions they are 20% to 40% range of coverage.

Eighth question

Carlos Gomez, Analyst at HSBC

Yes, hi, good morning. The first, in terms of transportation, I don't think you gave the exposure that you have, it will be good to have. Second, a technical thing, the 599 billion charge to equity that presumably after tax. And if you could tell us, which tax rate you use? Was it the corporate that sort of 37%?
Finally, this is not a repeat question. Basel III implementation, you said that you're waiting to hear technicians, what exactly are you waiting to hear? And will be affected by the new regulations on capital for conglomerates, financial conglomerates? Thank you.

Jose Humberto Acosta, Chief Financial Officer

Okay. There are three questions. I'm going to ask -- the second one, very quickly. The definition, why we are saying that the range of the 600 because we are adjusting the model, still we have, right now, we have in conversation with our retailers trying to receive from them the check in terms of those provision. We believe that the 600 billion that we are adjusting on the provisions and on the equity, it's a 90% approach. We don't believe that there will be a huge impact.

Regarding your first question, in transportation system, and specifically the company that you mentioned, our exposure it's around $200 million exposure or even a little bit more $220 million. And the provisions that we are having there it is around 30% of that.
Juan Carlos Mora, Chief Executive Officer

Regarding the conglomerates regulation that law was passed to congress last year and now it's in the implementation process. The process is going forward well. We are having conversations and some comments on the proposed regulation coming from the government and we don't see any material impacts coming forward for Bancolombia related to that regulation.

Andres Duarte, Analyst at Corficolombiana

Hello, it's Andres Duarte. Thank you. The significant decrease in the growth of the consumer loan portfolio, with respect to 4Q implies the bank has reached its acceptable PDL level for the category, or is this explained solely by seasonal effect? Thank you.

Juan Carlos Mora, Chief Executive Officer

Thank you, Andreas. The last quarter you mentioned is just seasonal effect. The consumer loan portfolio is growing at 11% year-on-year. So, it's healthy growth. The portfolio that is growing faster for us. So, it's just seasonal effects.

Jose Humberto Acosta, Chief Financial Officer

And remember that our almost 20%, 30% of that consumer loans are represented in US dollar and because of the appreciation it is reducing to the level of 11%.

Ninth question

Sebastian Gallego, Analyst at CrediCorp Capital

Hi, good morning. Thanks for the presentation. Just a quick question on Electricaribe, could you comment on the total coverage that you reach in first quarter '18? Thank you

Juan Carlos Mora, Chief Executive Officer

Thank you, Sebastian. We reached a coverage of 63% on Electricaribe during the quarter.

Tenth question

Alonso Aramburu, Analyst at BTG Pactual

Hi, good morning, and thank you for the call. A follow-up on Electricaribe. Can you tell us how much of the provisions this quarter were related to Electricaribe or Rutile Solar? [ph] Or this is specific a credit? And second, when you look at your ROE guidance for this year, and just let us know, how you look at this by country, first quarter you had single digit ROE in every country, except El Salvador. Do you expect the recovery in also in Panama and in Guatemala, or the recovery should be mostly in Colombia? Thank you.
Jose Humberto Acosta, Chief Financial Officer

The key driver of the return on equity as you mentioned perfectly will be Colombia, and that will be focused on basically because of efficiency and the loan growth. And the second one recovery of return on equity will be Banistmo, because in Banistmo the loan growth is showing a strong path, so we believe that we will be able to sustain the return on equity on two digits in Banistmo. In the case of Banco Agricola there will be a slight recovery of the return on equity and that will be basically driver or the main driver will be the efficiency. But again, Colombia will be the main driver, and the second one will be Banistmo.

Juan Carlos Mora, Chief Executive Officer

Regarding the provisions and how much we -- that is represent on the total provision we did during the quarter. These big corporates especially Electricaribe were around COP150 billion on provisions that's what they mean on the total of provision we did during the quarter.

Operator

We have no further questions at this time. I would now like to turn the call over to Mr. Mora, Chief Executive Officer, Bancolombia for final remarks.

Juan Carlos Mora, Chief Executive Officer

Thank you everybody for your interest in this conference call. We definitely think that Colombia, especially will improve the economic performance through the year. And that the second semester is going to be better for the economy and that will allow us to take advantage of that better economic environment. So, we will expect the Bancolombia results to improve gradually during the year. Again, thank you for your interest and see you in our next conference call for the second quarter 2018. Thank you very much.

Operator

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