CONFERENCE CALL SCRIPT -
BANCOLOMBIA’s 1Q19 RESULTS
FORWARD LOOKING STATEMENT DISCLOSURE; NON-GAAP MEASURES DISCLOSURE
(Slide 2)

JUAN CARLOS MORA:
Good morning and welcome to the conference call for the first quarter of 2019

GENERAL TRENDS OF THE BUSINESS
It is my pleasure to present the results for the first quarter of 2019. We posted 833 billion pesos in Net Income, a figure that was positively impacted by lower provision charges and steady growth of the top line of the business. These trends are in line with the Colombia’s economic cycle and in line with our forecasts.

Additionally, the loans originated in 2018 are generating a higher net interest income and the efficiency levels of the bank continue improving.

I would like to start this presentation talking about the four key topics that are driving our business today:

- Digital Strategy
- Evolution of credit demand
- Credit cycle
- Regulatory Environment

Regarding the status of our DIGITAL STRATEGY, we want to share with you some advances in this front, which has permitted to process transactions in a more efficient way and increase our customer base.

Today we process 97% of the total transactions in channels different from branches and digital sales account for 14% of the total sales as of March 2019.

In particular, I want to stress the acceleration of the number in transactions performed through the mobile application, which is growing 45% year on year and the increasing number of sales of new products through on-line channels.

We have more than 3.5 million active users of our mobile app, and regarding the number of total clients, we have reached 14.5 million.

With respect to CREDIT DEMAND, we experienced a quarter with mixed trends among segments:

On one hand, Consumer continues leading the growth and Bancolombia has gained market share in that segment.

Today we have 17.6% market share in consumer loans in Colombia, which is 300 basis points higher than what we had 3 years ago. This is the result of our strategy to tap our large base of customers and originate loans to the best risk adjusted returns.

On the other hand, commercial loans presented a lower growth during the quarter due to the fact that companies are still cautious executing new projects. This fact causes the overall loan portfolio to grow below our estimations.

In aggregate, our market share by loans in Colombia today is 26.5%, which is the highest in record history. In the other countries, we maintain the market share that we have seen in previous quarters.

Because of the evolution of loan growth in the last months of 2018 and in 1Q19, the Net Interest Income grew 7% year-on-year. We should see a top line evolution in the year driven mainly by volumes, not margins as we expect stability in both asset yields and cost of funding.
Regarding **CREDIT CYCLE**, we had a quarter impacted by seasonal factors. Typically, the first quarter tends to have a higher Past Due Loan formation in consumer and SMEs. This trend was in line with the bank’s forecast.

This quarter, a client related to mass transportation in the city of Bogotá, became past due. Although the client was in the watch list for several months, it was not delinquent yet and we already have 67% coverage for the outstanding balance. This client represents 565 billion, or one third of the New Past Due loans during the quarter.

When we compare the evolution of this quarter versus the same quarter one year ago, we confirm the positive trends.

The amount of new past due loans decreased by 25% versus one year ago, and the result is an improvement in all credit quality indicators, the reduction of the 90-day past due loan and the increase of coverage. We still expect the cost of risk for the full year to be around 2%, presenting a reduction versus 2018 when it was 2.3%.

Now, I would like to elaborate on a recent **REGULATION** that is being discussed by the congress in Colombia. As many of you know, this regulation intends to eliminate some fees associated with debit and credit cards. This bill has passed two out of four sessions required to become a law.

This regulation has several potential outcomes, if approved by congress. Our estimation of the gross potential impact is a reduction of 900 billion in fees for the full year, which represents around 20% of net income.

Currently, we are assessing all the impacts and the measures available to us as well as the changes and implications for the product.

Also, with the bank’s association, we are presenting to congress the potential negative impacts that this regulation could have on the economy.

**Finally**, I must say that this quarter results were according to our forecasts. We see 2019 with a different credit cycle which will be reflected in lower provision charges.

In quality, loan growth, and efficiency we reaffirm our vision for the year. The quarter also confirms the consolidation of the progress in digital banking and cost optimization.

Having said this, I want to ask José Acosta to elaborate on the main topics that are driving the business today.

**JOSE:** Thank you, Juan Carlos. For all of you following the presentation, let me remind you that at the end, you will find additional information that complements the bank’s numbers and that might be useful.

I want to start this presentation making a reference to the performance of the international operations, which you can see in **Slide 3**.

In Colombia, Salvador and Panama, we have seen a positive trend in:

- **Efficiency**, resulting from our cost control initiatives and the moderate growth in expenses. These three operations are below 50% today.
- **Coverage**: which is the result of the improvement in credit quality and provisions charges that we have done over the last year. All of them are above 150%.
• ROEs, which reflects the reduction in the cost of risk in these operations, combined with efficiency gains and growth in revenues.

On Average for the group, the cost of risk for the quarter was 1.7%

The main driver for the overall performance of Bancolombia will be the evolution of the business in Colombia given the relative weight of this operation.

**In slide 4, we present the LOAN GROWTH.**

The portfolio expanded 10% over the last year, mainly driven by consumer loans.

This segment grows more than 22% year on year, as a result of our strategy to tap our base of existing customers in Colombia and acquire new ones.

Commercial loans, on the other hand, are evolving at a moderate pace. We believe that corporations are cautious with their investments programs.

The combination of these trends is a change in the mix of the loan portfolio. Consumer loans already account for 19% of the total loan portfolio. This a very relevant fact because our strategy is to balance the mix, in order to obtain better risk-adjusted returns.

Bancolombia has more than 26% loan market share in Colombia and in consumer we reached 17% market share. That put us as the leader across all segments and reaffirms the competitive position of the bank.

Also, we want to stress the fact that we are deploying our capital in the lending business, with the loan portfolio representing the largest proportion of the assets.

We reaffirm a loan growth around 7% in 2019.

**On slide 5, we see the evolution of MARGINS.**

In 1Q19, we saw a compression in the reported margins versus 4Q18.

This is mainly the result of the non-recurring positive impact in 4Q18 associated to the increase in NII by 120 billion COP, due to adjustments associated to IFRS9.

Isolating that impact, we have seen stability in both, yield on new originations and cost of funding.

We don't forecast big variations in margins during the year and we are expecting a NIM of around 5,8% for 2019. The funding strategy for some geographies will be to replace long term debt with clients' deposits and promote checking and savings accounts.

**In slide 6, we present PROVISION CHARGES.**
The three large corporate cases, the red bar in the chart, represented 94 billion in charges during the quarter, or 20 basis points of the reported cost of risk.

In the blue bar, we can see a normalized provision cost of 649 billion pesos which is an improvement in the credit conditions of our portfolio.

However, we still expect the cost of risk for the full year to be around 2% explained mainly by:

- Additional provisions in some corporate clients
- Update of parameters and historical data in June and December.

The next slide, number 7 shows the QUALITY of the loan portfolio.

In this slide, we can see the improvement in the 90 days PDLs and in the coverage ratios.

The 90-day PDL ratio went down to 3.05%, which is an improvement of the loan portfolio across all segments, particularly in Colombia. Regarding the other countries we do not see major impact in the trends.

The amount of 30 day New Past Due loans of the quarter is mainly explained by one client in the mass transportation business in Bogotá.

The client was in the watch list for several months, but it was not past due yet, although we already have 67% coverage for the outstanding balance of this exposure. This client represents 565 billion the New Past Due loans during the quarter.

Excluding that exposure, the amount of new past due loans decreased by 25% versus one year ago.

We expect to maintain the recovery path in 2019 and, as we mention before, we forecast the cost of credit to be around 2%.

Slide number 8 shows the evolution of EXPENSES AND EFFICIENCY.

Due to seasonal factors, the first quarter of the year tends to have a higher growth in Opex. But when we consider the last twelve months, the growth was 5%.

The main line that explains the growth in the quarter is the salaries and bonuses which grew due to wage increases in Colombia and payments of annual benefits to employees.

The bank has made significant efforts to optimize processes and keep costs under control, and these should yield benefits in 2019.

We reaffirm our forecast of Opex Growth in line with inflation, that is around 4%.

As we can see in slide number 9, the bank continues its strategy to increase capillarity and migrate to low cost CHANNELS.

In line with its cost control strategy, the bank intends to keep growing in low cost channels.
During the first quarter of 2019, monetary transactions are increased at a rate of 16% year on year. The most significant fact is the performance of mobile and banking agents, which have the fastest pace of growth, whereas physical branches are steadily declining.

From this ongoing process, the outcome will be a lower average transaction cost and the capacity to grow and expand its capillarity faster than the market.

The next slide, number 10, shows the outcome of our BUSINESS STRATEGY in the consumer and SME segments in Colombia.

We continue to expand the customer base, adding over 250 thousand new customers during the first quarter of 2019.

We want to highlight the role that our digital bank Nequi has in bringing in new customers at a pace of 60 thousand per month.

It is important to highlight the ongoing growth in Colombia during the past few years, for this period the bank has reached over 17% of market share consolidating its position as the leader in the Consumer segment.

Finally, we emphasize our strategy to continue increasing the consumer portfolio which contributes to the loan mix that we expect to have.

After seeing the result of this quarter, I want to emphasize our expectations for the year:

- Growth will remain in line with our forecast for all geographies, reaching 7% for the year.
- Regarding margins, we will continue optimizing the funding structure and promoting retail loans in the portfolio mix, in order to maintain NIMs around 5.8%.
- Fees should maintain a positive trend given the growing number of transactions in Colombia and the launching of new products in other geographies. We forecast 10% fee growth.
- In 2019, we see a normalization of the cycle, the stock of past due loans is not growing and we forecast a cost of risk of 2%, which includes provision charges for large corporate clients.
- We will keep our cost control initiatives in order to have an annual growth in OpEx of 4% and reach a cost to income of 48.5%.
- With this combination, we forecast an ROE of 12.5%.

After elaborating on these key topics, we want to open the line for questions.

Questions and answers

First question

Ernesto Gabilondo, Analyst at Bank of America Merrill Lynch

Juan Carlos and Jose Humberto, congratulations on your strong bottom line growth. My question is on the potential banking fee regulation. So from my estimates, it could be around 5% of total operating revenues, and I got to your number of 19%, 20% of net earnings in a worst-case scenario. This potential regulation
reminds me of what happened in Mexico last year. I remember some of the banks exploring to separate the rewards of the annual payments of credit cards to reduce the fixed costs or even to think to translate the impact to the client by increasing the interest rates of some products. At the end, no regulation was passed in Mexico. I think Congress understood the competition and believed transformation will have to reduce the banking fees. So from what you have analyzed, how much can this impact could be reduced by this idea that happened in Mexico? And can you share with us what is the time line of Congress? And finally, what is Bancolombia's senior management doing to approach Congress? Or -- I don't know if there is a banking association helping the banks to negotiate this. From my understanding, Colombia has a high deficit compared to the region, so removing the banking fees will imply lower taxes for the government.

Juan Carlos Mora Uribe, CEO at Bancolombia

Thank you, Ernesto. I am glad that you bring the Mexico example because what I think is that we are going through that path. Regarding to the questions you mentioned, we are having a very constructive communication with different members of Congress and government. As you mentioned, this is -- this has an impact on the banking industry results.

But for us, the main impact is -- it's on the economy. And you mentioned one of the impact is on tax collection but also on not promoting new payment methods. So we are confident that in these conversations that we are having, the Congress and government and all the parties involved are going to understand that this is something that could affect not just the growth of Colombia but also the performing of -- the income of the government. So we could say that we are having very constructive conversations, and we believe that the outcome, it's going to be something that is at the end, good for Colombia.

And the time line? I'm sorry. You asked about the time line? There is not any specific time line. It depends on many factors, how these discussions are going to take place in the future.

Ernesto Gabilondo, Analyst at Bank of America Merrill Lynch

Okay. And on this time line, it should happen this year? Or it could go for next year? Just want to understand how long it could take.

Juan Carlos Mora Uribe, CEO at Bancolombia

Ernesto, we don't know. It could happen this year. It could be happening next year. There is not a specific time line for the discussions.

Ernesto Gabilondo, Analyst at Bank of America Merrill Lynch

Okay. Perfect. Understood. And just given that this could be for a short or a long-term period, can you mention some ideas of what you are trying to do to lower the impact of 20% of your bottom line?

Juan Carlos Mora Uribe, CEO at Bancolombia

I mean, we are in the early stages in the conversations, what we are having. And the banking association is leading those conversation. It's at the end, showing the impact on the economy. We will prepare for any
outcome. It depends on how this matter ends. It could range from adjusting our strategy, moving to different products. It depends on how these discussions evolve.

Second question

Jason Mollin, analyst at Scotiabank

First, just a follow-up there. So how are you thinking about potential regulation in general? Is this just one theme -- fee -- credit card or debit and credit card fees? Could there be other potential regulations that could impair your results? And if you can you talk a little bit about how you -- what fees are we talking about in that the 20% worst-case scenario? That's all annual fees that are charged? What is in that calculation? If you can provide some additional color.

Juan Carlos Mora Uribe, CEO at Bancolombia

Thank you. As you know, these are conversations that are happening in several markets, I could say perhaps probably around the world. So what we have to do as an industry and particularly we as a bank, it's being efficient, work on our progress to be the best for our customers. And that's what we have been doing in Bancolombia. The fees that we are talking about is fees around -- for credit cards, for debit cards and some other fees associated with savings accounts. We expect that this, as I said in the last question, that this conversations evolve and at the end, are going to result in regulation that is good for Colombia and promote digital payment methods. That is, at the end, what is good for the economy. So we will move in that line.

Third question

Gabriel da Nobrega, analyst at Citi

Looking at your provisions, it was lower on a quarterly basis as well as on a yearly basis also on your estimates. I saw in the press release that you attribute around 20 bps of the cost of risk to the constitution of provisions for the in-trouble corporate cases. So my question here is how is the current coverage for these troubled corporates? And should we expect this to increase over 2019?

Jose Humberto Acosta Martin, CFO at Bancolombia

Thank you, Gabriel. Yes, in the case of that specific corporate of mass transportation system, the level of coverage that we are having right now is 67% coming from 55% in the previous quarter. And again, the nominal terms of provisions at the end of the year could be at around COP3.5 trillion. So if you do the math, assuming they update of the models in -- twice during the year, that number will be around it. So what we are expecting in terms of the big corporates, right now, we have a strong coverage ratio. Remember that for Electricaribe, we have 91%, for example. So all of them are on the highest level of coverage. So we don't expect a major impact. And on the consumer and commercial side, we are seeing a normalization of the cost of risk. That's the reason why we believe the 2% at the end of the year.

Gabriel da Nobrega, analyst at Citi
All right. And if you just allow me a follow-up here, how could you maybe look at a sustainable cost of risk for the bank going forward being that you are not growing more in retail loans as well as the fact that we may have been reaching the bottom in terms of NPL ratios?

Jose Humberto Acosta Martin, CFO at Bancolombia

Yes. For medium term, the new normalization cost of risk of the bank will be around 1.8% assuming that we will have approximately a slope of 20% for consumer loans. So that will be the new standard for the bank. And we believe that, that will be achievable next year, 2020, 1.8% coming from 2.3% last year. This year, 2%.

Fourth question

Jorge Kuri, analyst at Morgan Stanley

Congrats on the numbers. Two questions if I may. The first one on your loan growth expectation of 7% for the year looks I guess low relative to the expected economic growth. Consensus is expecting around 3.1%, 3.2% GDP growth this year with relatively low inflation. So your 7% loan growth is 1.1x nominal GDP growth, which looks low relative to the penetration of credit in Colombia and the economic recovery. To what extent that 7% is driven by your capital ratio, which with 10% Tier 1 capital and the ROE that you're delivering or expect to deliver this year, you're actually consuming capital and then whether or not you think more capital could allow you to grow the book faster? That's question number one.

Second question is on Panama. Thanks for the transparency on all of the numbers in -- not only Panama but in Central America. I think that's a great addition to your release but needs more -- now with net income of 33%, ROE at 11%, where do you think you are in the process of normalizing that business? How much more can ROE go towards the target? And what is the time line to getting there?

Juan Carlos Mora Uribe, CEO at Bancolombia

Thank you, Jorge. Regarding your first question, let me present a breakdown of the loan growth just to clarify that. For example, in the local operation, the loan growth will be at around 9%. At the international operation, which is 1/3, the loan growth will be 5%. So if you combine those plus the fact that the FX at the end of this year could be COP 3,100 -- beginning this year, it's COP 3,200. So that's basically market conditions as we believe, as we present at the beginning, loan growth in the first quarter was weak on the corporates side. So it all depends on market conditions. We don't foresee a strong recovery of the loans in terms of commercial loans. We are seeing a very good path in consumer. That was the main reason, market conditions and again, the combination of the two different currencies.

Regarding your second question, Banisto did normalize return on equity for this year, could be 12%. So they are, right now, becoming more efficient. Right now, they are below 50%. Loan growth could be at around 3% to 5%. Elections took place a month ago, so we don't foresee any particular concern regarding the political situation. So as we expected, loan growth there will be 4% and return on equity at around 12%, Jorge.

Fifth question
Thiago Bovolenta Batista, analyst at Itau

I'd like to ask about personnel expenses. You had double-digit growth in personnel expenses this quarter in spite of many cost-cutting initiatives that you are undertaking such as closing the number of branches and the higher usage of digital channels. So would appreciate if you could discuss the main reasons behind this increase. And would you expect to deliver efficiency gains in this line anytime soon?

Jose Humberto Acosta Martin, CFO at Bancolombia

Okay, Thiago. Regarding your first question, expenses, labor cost seems high, 10% growth annually. You have to consider three different factors. First, the annual increase of salary, that was in Colombia around 5%. The second one is we have to increase the level of provision for bonuses for the bonus plan for our employees. And third, again, its expansion during the year was almost 14%. That impact all the salaries that we have in U.S. dollars. So those are the three main effects of this increase, but it's only seasonal. At the end, you'll see a 4% expenses growth.

Juan Carlos Mora Uribe, CEO at Bancolombia

Thiago, let me elaborate a little on that. We continue our efforts on optimizing our distribution network, in being more efficient in our channels. We are seeing a very positive trend on digital channels. That's also going to help. So we keep focus on being more efficient, and we are confident that we can deliver what we have said, that it's going to be our expenses growth for the year, which we expect to be around 4%. So it will be different aspects. It will be efficiency. We will keep investing on digital, and we reaffirm our compromise with the [ph]strike.

Sixth question

Julian Felipe Amaya Restrepo, Analyst at Davivienda Corredores

I have one question. Could you please explain us the increase in the income from equity method, please? And lastly, I would like to clarify -- if you could clarify us the impact of the regulatory procedure. This is 20% of net income on the Colombian operation, or the whole operation?

Juan Carlos Mora Uribe, CEO at Bancolombia

Thank you, Julian. I'm going to take your second question. And of course, Humberto will take the first one. What we are talking about, the impact of the regulation, we are talking about that 20% of net income, worse-case scenario for us, at this moment, it's on our consolidated basis.

Jose Humberto Acosta Martin, CFO at Bancolombia

Regarding your first question, Julian, the equity method comes from one of our investment in real estate Viva Mall projects that we have a joint venture with Exito. That explains the number of COP90 billion for this quarter.

Seventh question
Nicolas Riva, analyst at Bank of America

Yes. Just one question, a follow-up on the expansion on fees. So you said worst-case scenario, the impact would be 20% of net earnings. In that worst-case scenario, I mean if I look at the P&L, there is one line, the credit and debit card fees. I understand this applies to annual maintenance fees from credit cards and also use of ATMs. Are we talking about that whole line basically being reduced to 0 in that worst-case scenario? Or what fees would be impacted in that worst-case scenario?

Juan Carlos Mora Uribe, CEO at Bancolombia

What we are talking about is the maintenance fee of credit cards, maintenance fee of debit cards and some fees associated with savings, savings accounts. So in that line, there are other figures. So we are not going -- we are not talking about that complete line. It's some specifics of the line regarding mainly the maintenance fees of debit and credit cards.

Eighth question

Yuri R. Fernandes, analyst at JPMorgan

I had to follow on just on the risk model adjustment information. I got that for the full year, cost of risk would be 2% but provision would be around COP3.5 billion -- COP3.5 trillion. But what would be the impact of this risk model adjustment when we compared to the additional provisions for the corporate cases? Like which one should be bigger? Should we expect more provisions from the corporate case? How relevant can this risk model adjustment be?

Jose Humberto Acosta Martin, CFO at Bancolombia

Thank you, Yuri. Yes. The models that we will run in June and December, on each round we are contemplating an increase on provision of -- at around COP100 billion. And on specific cases, we are contemplating at around COP150 billion extra. So that's the mix, almost half and half. And part of the impact will be because of the two models, COP100 billion each.

Juan Carlos Mora Uribe, CEO at Bancolombia

And just to clarify, when we are talking about 2% cost of risk, we are including those adjustments. So it's not something that is going to be additional. And in that 2%, we also consider the impact of provisions associated with the big customers and our forecast of how the risk of those customers are going to behave. So in the figure that we are giving you, those -- all of those aspects are included.

Ninth question

Sebastian Gallego, analyst at CrediCorp Capital

And I have two follow-ups. In Panama, can you explain whether or not there was a nonrecurring effect on provision expenses as the figure was actually lower, much lower compared to previous quarters? Second
question comes from Guatemala, probably the weakest performance across the board. Can you explain the dynamics or what's going on and what could we expect going forward in Guatemala?

Jose Humberto Acosta Martin, CFO at Bancolombia

Regarding the operation in Panama, Sebastian, what happened is we had an increase in provisions in the previous quarter. So today, they are showing their models a much better performance especially in consumer. So that explains why for this quarter, the number drops. It's because of economic cycle.

Juan Carlos Mora Uribe, CEO at Bancolombia

And regarding Guatemala, as you know, we acquired a majority stake in Guatemala in 2016. And we have been working on that operation to introduce Bancolombia standards. We are confident that the Guatemala operation, it's going -- it's evolving. We still have a lot of work to do. We have a new management team in Guatemala. And we are confident that this new management team, it's going to continue the introduction of those practices. So for us still, 2019, it's a transition year. And we expect 2020 to be the year in which we will deliver much better results in Guatemala.

Tenth question

Juan Chipatecua, analyst at Porvenir

Can you clarify how much from the new PDL formation comes from Colombia and how much from Central America? And if you can, comment a little bit on the lower tax income -- tax rate for the period.

Jose Humberto Acosta Martin, CFO at Bancolombia

Yes. The tax rate for this year will be 31%. That's what we are forecasting right now. On the -- in PDLs, basically, the adjustments and the correction comes from the Colombian book because remember that the big deviation was the last year in which we start receiving [tens] of past-due loans. So right now, we are adjusting basically because of the Colombian operation that caused last year a deviation.

Eleventh question

Carlos Enrique Rodriguez, analyst at Ultraserfinco

Could you give us some detail of the reduction of the loan -- interest margin to 5.9% and which segment dropped this performance and if we should expect this -- the same number for the rest of the year?

Jose Humberto Acosta Martin, CFO at Bancolombia

Thank you, Carlos. The key explanation of the NIM what was happened in the previous quarter. Under IFRS 9, the bucket 3 interest, we have to apply a one-off increase of income of interest of COP 120 billion. That explains. It seems that we dropped the NIM. But at the end of the day, normalizing, isolated the effect of that duration, we compare the NIM only 10 basis points. What we expect this year, we expect the 5.8% based on the assumption that inflation as you probably know, it is on the range of 3.25%. We don't expect a too high
foreign interest rate, maybe one at the end of the year. So based on assumption that we have, the cost of funding will be stable. We are assuming that we will be able to sustain the NIM for the whole year in local currency and also in U.S. dollar.

Twelfth question

Alonso Garcia, analyst at Credit Suisse

My question is regarding the overall impact of IFRS 16 in your P&L. You mentioned an impact that's causing this expense, also an increase in depreciation. But what is the overall impact? I mean (inaudible) also a reduction in your OpEx given the (inaudible) of the expense (inaudible) that means the (inaudible)? Could you elaborate in that sense, please?

Jose Humberto Acosta Martin, CFO at Bancolombia

Yes. Alonso, regarding IFRS 16, it has two impacts. First, at the beginning of the year, they impacted the balance sheet in terms of COP1.7 billion new assets. That is in terms of the balance sheet. In terms of the P&L, it is affecting around COP70,000 billion. That is -- I would consider marginal but it's affecting -- and it's affecting in two different lines. First in interest expenses, it is affecting. And also it's affecting on depreciation. So at the end of the day, IFRS doesn't change the economic reality of the balance sheet but affects NIM, I mean a very low matter and affects also the efficiency level.

Thirteenth question

Andres Jimenez, JB Jimenez

I would like to talk a little bit more color about strategy. Fintechs have been growing considerably during the last couple of years, and they're very strong right now in Colombia and starting to become strong in Central America. I'd like to know a little bit more what's the type of position of the bank in respect of fintechs, if you guys are going to participate or you're participating and where you're participating. And where would we see the future of the bank incorporating with this new development?

Juan Carlos Mora Uribe, CEO at Bancolombia

Thank you, Andres, for your question. As you mentioned, fintechs are very -- are active and are now participants of the market. I would like to highlight that the regulation in Colombia allow us now to invest in fintech -- on fintechs. So that's a very good tool for us, and we are using that capacity, and we are investing -- particularly our focus is going to be around payments. So we announced an investment on a company one month ago, and we continue closely watching what is the evolution of this market. And we are convinced that the joint ventures between fintechs and banks are going to be very powerful. So to your question, we are going to be active. We are continuously looking at the market, who are the participants. And we will be taking the decisions or making the decisions that we need to do to become this trend, something that is going to leverage our strategy.

Fourteenth question
Natalia Corfield, analyst at JPMorgan

My question's with regards to your capitalization. I was looking, this quarter, your Tier 1 capital was slightly down sequentially. And I believe this was due to payment of dividends and also an impact of IFRS 16 on the equity. Nevertheless, I was expecting a positive impact on Tier 1 this quarter because as I understand, that's when Colombian banks have capitalized earnings. So my -- I'd like to know what drove this slight decline. And also your RWAs declined also sequentially, and I was expecting an increase because of IFRS 16. So if you could comment on what exactly happened, that would be great.

Jose Humberto Acosta Martin, CFO at Bancolombia

Thank you, Natalia. Yes, you are right. The line in the balance sheet that grows very consistently in the last 2.5 years is equity. So we have been growing the capital in a very good pace. And again, because of the dividend payout, it drops to 10%. We expect to maintain the level -- the number at the same level. IFRS impacted as well because as you mentioned, IFRS 16 hit us a little bit, and that explains why our revenue's 10%. But if you compare with a year ago, we are having again a very solid Tier 1. So those are the factors that explain. We are -- under Basel III, we are expecting maybe an increase of 100 to 150 basis points. And during the year, at the end of the year, we are expecting to sustain that -- this number at that level, 9.5% to 10%.

Fifteenth question

Nada Oulidi, Vice President, Senior Credit Analyst at Loomis, Sayles & Company

I was wondering if the guidance you provided accounts already for the elimination of fees. And in particular, your guidance for the ROE and the Tier 1 and the total capital adequacy ratios.

Juan Carlos Mora Uribe, CEO at Bancolombia

We are not including the impact of any regulation changes. So what we are doing is we are expecting how the discussions are going to evolve. And when we have a clear understanding of what is going to happen, we will incorporate those forecasts -- those impacts on our guidance. So we don't have -- in the guidance that we are giving in this call, we don't have the impacts of the potential new regulation.

Operator

We have no further questions at this time. Thank you, ladies and gentlemen. I will turn back the presentation to Mr. Mora, Chief Executive Officer for Bancolombia, for final remarks.

Juan Carlos Mora Uribe, CEO at Bancolombia

Thank you, everybody, for your interest on Bancolombia results. We, as mentioned, are happy with the results of the quarter. The bank is performing according to our expectations. So we will continue on this trend, and we hope to see you on our second quarter conference call. Thank you, everybody, and have a good day.