# 4Q24
# Results Presentation Transcript

## BBVA Colombia

# 1. Audio Conference 4Q24

**Intro [Juan Sebastian Fabregas]:** Good morning everyone, and thank you for joining BBVA Colombia's fourth quarter 2024 earnings call. I'm Juan Fábregas, representing the Investor relations department of BBVA Colombia. Joining us today are Alejandro Reyes, our chief economist from the Economic Research team, Carlos Gabriel Garcia who is our financial planning and performance country leader, along with Nicolas Tripodi from the Risk Department, and Mario Sanchez, our leader in ALM and Investor Relations.

As a reminder, today's presentation will be accessible for download on our website under the 'Investor Relations' section at the link labeled 'Agenda'. Please be informed that this call is being recorded.

To participate in the discussion, you can utilize the chat feature or simply raise your hand using the button located at the bottom right section of your screen.

Our agenda for today includes key highlights from the quarter, a brief overview of the macroeconomic landscape, insights into our financial performance, and a discussion on recent achievements.

Without further delay, I'll now hand over the call to Mario Sanchez.

**Slide 2 [Mario Sanchez]:** Thank you, Juan Sebastian. Good morning, everyone. As Juan Sebastián mentioned, my name is Mario Sánchez, and I am the Head of ALM and Investor Relations at BBVA Colombia. I'm delighted to welcome you to our earnings results call, where we'll review the key developments of this third quarter of 2024. Throughout the session, I'll also invite members of our panel to share their insights on specific topics.

Let's begin with slide 2, where we summarize the key takeaways for the fourth quarter. These points will be covered in more detail as we progress through the presentation.

This quarter, we reported a net loss of 292 billion COP, primarily due to deterioration in asset quality and higher provisions. Despite these challenges, we had a 0.69% growth in loans compared to 4Q23.

In terms of operational performance, our efficiency ratio stood at 57.5%, reflecting a slight year-over-year decline of 1 basis points. However, BBVA's focus on cost management and operational discipline enabled us to achieve a 16.33% increase in Gross income compared to the same period last year.

While our asset quality faced challenges, it remains significantly better than the industry average. Additionally, we kept our capital position strong, with 180 basis points above the minimum regulatory requirement, further reinforcing our financial resilience.

With that overview of the quarter's highlights, I'll now hand the call over to Alejandro Reyes, our chief economist, who will provide an analysis of the economic outlook. Alejandro, over to you.

**Slide 3 y 4 [Alejandro Reyes]:** Thank you Mario, and good morning to everyone. The Colombian economy experienced a recovery in **activity** in 2024 due to an improvement in domestic demand and exports, growing by 1.7% YoY in 2024 (vs +0.7% in 2023). This growth trend is expected to accelerate (2.5% in 2025 and 2.9% in 2026), backed by private consumption and investment, in a context of improved financial conditions (lower inflation and interest rates). **Inflation** has interrupted its downward trend and stabilized slightly above 5%. This has sprouted some concern on the capacity of inflation to moderate and the different potential pressures that it will endure. We expect some additional moderation in the next months and headline inflation should close 2025 at 4.4%, slightly above the target's ceiling. For 2026, inflation should continue the path, closing at 3.7%, within the target range. In this context, and due to a significant deterioration in the fiscal front, **BanRep** has paused its rate reductions in the first quarter of 2025, leaving the benchmark rate at 9.5% with a real rate well above its historical levels, into contractive territory. We expect BanRep, once inflation regains its moderation path and the noise attributed to the fiscal front reduces, to restart its reduction cycle and rates should close 2025 around 7.75% and 2026 around 7.25%. Levels that are above historical averages, which points to the added pressures on the fiscal front, and to a higher inflation and interest rate new normal worldwide.

One of the main developments in the past couple of months has been the deterioration on the **fiscal** front. The fiscal deficit closed 2024 at 6.7% of GDP, well above expectations and prior numbers. This was driven mainly by a steep fall in revenue (both against the prior year and mainly against the budget). In the end, the Government managed to reduce expenditure but it was not enough and thus ended with a higher deficit. Despite this, the fiscal rule was fulfilled due to a provision that allows to classify some shocks as one-time-events and thus are allowed to be compensated in the fiscal target. For 2025, the budgeted revenue and expenses are again high and the fiscal pressure is expected to continue with some mild moderation in 2026. The government has announced they are evaluating a tax reform but its capacity to approve the bill is limited in Congress at the moment. The **FX** had a strong start of the year, reversing its trend observed in the second half of 2024, backed by a more favorable external context and by capital inflows (portfolio investments and tax payments). We expect the second quarter to show some deterioration of the Peso driven mainly by global noise on tariffs, some increase in

demand for import purchases and the fiscal noise. The peso should stabilize above 4350 per dollar at the year end and in the beginning of 2026, but could have a better performance in late 2026 when there is less external and internal noise. Mario, back to you.

**Slide 5 [Mario Sanchez]**:Now turning to slide 5, we can clearly see the continued momentum in our digital transformation efforts. Throughout 2024, our digital and mobile platforms have remained central to how we deliver a seamless financial experience to our customers.

At the bottom of the chart, we see that we closed the year with 2.17 million digital active clients and 2.08 million mobile active users, demonstrating stable engagement and reinforcing our leadership in digital banking across Colombia.

What's especially encouraging is the consistency in digital sales, shown in the top half of the slide. Our monthly digital sales remained solid throughout the year, reaching a peak of 43.8% in November and closing December at a healthy 37.5%. Cumulatively, digital sales accounted for 34.65% of total sales, underscoring the continued and steady adoption of our platforms as a preferred channel for everyday banking needs.

This performance highlights not only the trust our customers place in our digital channels, but also the value and simplicity our platforms bring to their daily lives.

Looking ahead, we remain focused on further enhancing functionality, expanding adoption, and delivering an increasingly intuitive and efficient user experience — all while supporting inclusive and sustainable growth.

With that, let's move on to our financial highlights. Carlos will now walk us through the key performance indicators and their strategic implications. Carlos, over to you.

**Slide 6 y 7[Carlos Gabriel]:**

Thank you, Mario, and good morning everyone.

Let's move to slide 6 and begin with business activity. The environment of declining interest rates has supported continued growth in our loan portfolio—particularly in the mortgage segment, which grew 2% year-over-year. However, the consumer loan portfolio

was negatively impacted this quarter by write-offs in personal loans, resulting in a 3% year-over-year decline.

In contrast, the commercial portfolio showed modest growth of 4% year-over-year. As a result, total net loan portfolio growth stands at approximately 0.2% year-over-year. This shift in the portfolio mix aligns with BBVA's strategic objective to increase our presence in the commercial and corporate segment.

Now turning to profits on slide 7. Net interest income has recovered, posting strong growth of 18% year-over-year. This performance reflects the success of our ongoing liability management strategy, which has enabled us to fully capitalize on favorable liquidity conditions and interest rate reductions.

Provisions, however, remain a key challenge this quarter. We observed significant deterioration in the personal loan segment, which led to a 75% year-over-year increase in provisions, resulting in a negative net income for the period.

Expenses have increased as expected, driven by salary adjustments at the start of the year and our continued investments in CAPEX and digital transformation initiatives. These efforts underscore our ongoing commitment to innovation and enhancing our clients' digital experience.

In summary, the bank recorded a negative result this quarter, primarily due to elevated provision expenses. However, we believe we've reached the peak in impairments, and with the strong upward trend in net interest income, we are confident that BBVA will return to profitability in 2025.

**Slide 8 [Mario Sanchez]:** Thank you, Carlos. Moving to slide 8, let's delve into the highlights of our funding strategy.

This quarter, our total funding increased by 0.9% compared to the previous quarter and posted a solid 2.1% increase year-over-year. Our funding mix has remained stable, with minimal changes observed in checking accounts and term deposits, reflecting consistent trends in resource allocation.

While there have been some quarterly fluctuations, the overall composition of our funding aligns closely with where we stood a year ago. We've managed to grow our liabilities while preserving a balanced funding structure. This stability reinforces our financial

resilience, enabling us to meet both internal and regulatory requirements effectively while continuing to support sustainable growth.

**Slide 9 [Mario Sanchez]:** On slide 9, it's worth highlighting that credit spreads have shown a consistent downward trend since September 2023, with this decline becoming more pronounced throughout 2024.

BBVA's funding strategy has played a key role in adapting to and capitalizing on this trend. By leveraging a detailed analysis of the interest rate curve and aligning it with the tightening credit spreads, we have been able to achieve notable reductions in our funding costs. This strategic focus has not only enhanced cost efficiency but has also driven a meaningful increase in Net Interest Income (NII).

Through a proactive approach to market conditions and a focus on optimizing the balance between credit spreads and interest rate movements, BBVA has delivered strong financial performance. These efforts position us to continue taking advantage of favorable market dynamics, further strengthening our path toward sustainable growth and profitability.

With that, let me hand it over to Nicolás Tripodi, who will provide further insights into BBVA's credit portfolio.

**Slide 10 [Nicolas Tripodi]:** Good morning, everyone. My name is Nicolás, and I am the Director of Individuals Credit Risk.

The Year-to-Date Cost of Risk stands at 3.42%, confirming a clear trend of improvement in recoveries, which is now becoming more evident. It's worth highlighting that the standalone figure for December 2024 is 2.83%, reinforcing the positive performance and giving us an early indication that this favorable trend will continue into early 2025.

In consumer lending, the NPL ratio has reached 8.39%, above the sector's ratio. However, when including write-offs, our combined ratio stands at 13.1%, compared to 17.5% for the sector. This highlights not only our charge-off strategy but also the deterioration observed in this segment.

One of our key monitoring metrics is the flow of credits entering delinquency over 30 days. At its worst point — in Q1 2024 — this entry rate peaked at 1.5%. By year-end, it dropped to 1.0%, returning to levels last seen in Q4 2022, largely driven by improvements in the consumer loans portfolio. As mentioned earlier, this is already

reflected in the trend of monthly provisions, which have improved significantly: from June to December, monthly net provisioning flow have declined by 35%.

We continue to strengthen recovery efforts through new management models and improved technology. Mortgage and commercial portfolios maintain healthy growth, with risk indicators outperforming sector averages. In the commercial segment, we are maintaining close monitoring and policy adjustments in vulnerable sectors such as healthcare, government contractors, housing developers, energy distributors, and telecommunications.

That would be all from my side. Thank you for your attention.

**Intro a Capital [Mario Sanchez]:** Gracias, Nicolás, por tu análisis y explicación sobre la calidad de los activos. Ahora, pasemos a la diapositiva 11, donde Carlos García nos explicará nuestra posición de capital.

**Slide 11[Carlos Gabriel]:** Regarding our capital position, we closed 2024 with a total capital ratio of 13.09%, which is 159 basis points above the regulatory requirement. Our CET1 ratio also remains strong, standing 180 basis points above the minimum threshold.

Quarter-over-quarter, we saw a positive movement in both indicators: the total capital ratio increased by 18 basis points, while the CET1 ratio rose by 30 basis points compared to the third quarter.

We remain firmly committed to protecting our capital base and ensuring its optimal allocation. Our strategy is centered on investing in high-quality assets and prioritizing opportunities that deliver attractive risk-adjusted returns and support long-term value creation. This disciplined approach underlines our continued focus on sustainable growth and prudent capital management.

**Slide 12[Mario Sanchez]:** Thank you Carlos It’s a privilege to share the meaningful progress BBVA has made in Colombia throughout 2024. Our strong commitment to social investment continues to generate positive transformation in the lives of thousands of Colombians through impactful actions focused on education, entrepreneurship, humanitarian aid, and inclusive sustainability.

Education remains the cornerstone of our efforts. This year, we supported over 465,000 students through the “Connected for Education” program, bringing free internet, tablets, and digital training to more than 318 schools nationwide. We also awarded 222 university

scholarships and delivered more than 8,800 school kits to children in vulnerable areas, reaffirming our mission to empower future generations through equal access to education.

Through our corporate volunteer program, more than 770 employees and their families donated over 6,400 hours of their time in activities related to education, environmental conservation, and humanitarian aid—benefiting more than 20,000 people.

In the field of humanitarian assistance, we responded to climate emergencies by delivering over 14,000 aid packages across 12 departments, directly supporting more than 56,000 individuals. Our support extended to members of the armed forces and their families, where we enabled over 340 beneficiaries through higher education programs, technical diplomas, and digital literacy training.

We also mobilized $5.9 trillion COP in inclusive finance, supporting women-led businesses, rural entrepreneurs, and projects aimed at social development and territorial equity. This included microloans, specialized training, and strengthening of regional economies through digitalization and sustainability.

These efforts speak to BBVA's long-term commitment to inclusive growth and environmental protection. Through initiatives such as the Biodiversity Bond and Blue Bond, and strategic partnerships with local organizations, we are aligning financial operations with social and ecological impact.

The results of 2024 are clear: we are building a resilient, equitable, and sustainable future for Colombia. At BBVA, we believe that financial success must walk hand-in-hand with social responsibility. Thank you for your attention. We now welcome your questions.

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**[Juan Sebastián]**: Since there are no questions we conclude our event. Thank you

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