DAVIVIENDA

Davivienda to integrate Scotiabank operations in Colombia, Costa Rica and Panama, evolving into a Latin-Global Bank

Investors and Analysts Call Transcript
January 7, 2025

IR Davivienda: Good morning everyone and thank you for joining us today to discuss yesterday’s announcement. My name is Isabel Pineda and I am a member of the Investor Relations team. Please keep in mind that today's presentation is for investors and analysts only. Therefore, questions from the media will not be addressed.

We have today Javier Suárez, Davivienda’s CEO, Álvaro Cobo our Chief Risk Officer, Alvaro Montero our Legal Vice President, Pedro Bohórquez our Strategic Risk and Planning Vice President and Paula Botía our Head of Investor Relations.

We will begin with some remarks and afterwards, management will be available for a question-and-answer session. We intend to limit the duration of this call to 60 minutes. The presentation material will be available on our Investor Relations website at ir.davivienda.com after this call.

Before we start, and on behalf of those speaking today, I'll refer you to slide 2 of our presentation where we state that forward-looking statements that may be made during this call involve assumptions that have inherent risks and uncertainties, such as macroeconomic conditions, market risks, and other factors beyond our control. Therefore actual results and performance could differ materially from these statements.

Once the question and answer session begins, please raise your hand if you wish to participate, and we will give you the opportunity to open your microphone, so you can proceed with your question. Please do not mute your microphone until you have finished with your intervention.

At this time I would like to turn the call over to our CEO, Javier Suarez Javier. Thank you. The floor is yours.

Javier Suárez - Davivienda CEO: Good morning, everyone, and thank you for joining us in the early days of 2025, and Happy New Year for everyone that is being part of this call. On this morning, we want to discuss the agreement we have signed with Scotiabank to integrate their operations in Colombia, Costa, Rica, and Panama into Davivienda’s operations in each one of those countries. This is a very exciting moment for us and we are very happy to share this news with you.

During more than 50 years of history we've been on an incredible journey, constantly learning and growing, always pushing ourselves to explore new horizons and venturing into new businesses and markets.

We've successfully conducted several acquisitions, capitalizing on effective growth and unlocking value, becoming leaders in several business lines and segments while keeping our own touch. Innovation has always been part of our DNA, and it is one of our most valuable assets, allowing us to differentiate while truly innovating at all levels of our organization.These decisions have extended our capabilities and footprint, supported by strategic partners and allies.

Our vision has always been to play a transforming role that enriches the lives of our stakeholders with integrity. This vision, which actually is our higher purpose, has allowed us to serve today over 24 million customers in 6 countries through innovative and disruptive experiences while growing our assets at an annual rate above 17% during the last 20 years.

We've faced many challenges along the way, and we've emerged stronger thanks to the quality of our team, our risk management practices, and our capital robustness.

Now we're announcing another milestone in our history, one that we are confident will generate positive impacts for all our stakeholders.

Moving forward, we remain committed to continue improving and consolidating our strategy and keep building a profitable and sustainable business.

Let me go to slide 5. In the presentation that you will be accessing, and on the screen, where I will describe the transaction.

We will integrate Scotiabank’s operations in Colombia, Costa, Rica, and Panama into our own. Scotia businesses in these countries include a range of banking, leasing, brokerage, trusting, asset management and insurance operations amounting to around 16.8 billion dollars in Assets, 12.4 billion dollars in Gross Loans, 12.8 billion dollars in Deposits, and 1.5 billion dollars in Equity.

As part of the agreement, BNS will receive newly issued shares for an approximately 20% ownership stake in the new combined operations and will participate in the Board of Directors proportionate with this share.

As of now, we have received approval to enter into this agreement from both Davivienda's and BNS' Boards. However, we expect the transaction to close by the second half of this year since it is subject to other corporate and regulatory approvals in the countries where we operate.

As for our accounting records, impacts will be observed at closing.

I will mention the main reasons why this transaction makes sense for us, which I will elaborate on during this presentation. This is what we're looking at on slide 7.

First, this agreement strengthens our presence in Colombia, Costa Rica and Panama in a significant way.

Second, it allows us to complement our value, offering and provide us with new lines of businesses and opportunities to capitalize on.

Third, it will allow us to improve financial results by further asset diversification, and by providing important efficiency potentials.

Fourth, it generates value for our shareholders, while maintaining healthy capital ratios.

And finally, it brings on board a renowned partner to continue exploring business opportunities.

You can get a sense of Davivienda's new size when combining these operations in Slide 8.

The assets to be integrated amount to 16.9 billion dollars, of which 54% are in Colombia, 23% in Costa Rica and 23% in Panama.

In this sense, on a pro forma basis and on their current figures, the combined operation would reach assets close to 60 billion dollars, enabling us to become a 40% bigger company positioning us within the top 20 of the largest banks in LATAM.

I want to highlight how we will strengthen the position of our banking operations in each country:

In Colombia our loan portfolio is expected to grow by around 30%, allowing us to reach a market share of around 19%. This would move us in the right direction in terms of consumer exposure since 40% of the Scotia's operation in Colombia are consumer loan.

In Costa Rica we will more than double our size and market share. While increasing our exposure to consumer and mortgage loans. And in Panama, we will be integrating a much bigger operation than ours, with an increase in loans of around 220%. Although we have historically focused on commercial banking in Panama, with this integration we will further develop the personal banking business.

On the following slides, slides 9 and 10. I want to share some details on how this agreement strengthens our value offering and generates new business opportunities for us.

Over the years, we have built a comprehensive service offering for individuals and businesses and with this agreement, we will be able to strengthen not only our banking services but also our Wealth Management arm, and the insurance and leasing businesses in Central America.

Let me give you a summary of the main companies to be integrated and how they complement ours:

Scotiabank Colpatria is the 6th largest bank by loans in Colombia, with a strong presence in consumer credit, recognized for its very competitive customer service. It is also the 3rd largest credit card issuer in Colombia, and has important co-branding origination capabilities with leading allies. Here we see interesting opportunities to scale and learn.

It is also a strong player in corporate, investment banking, and capital markets with developed and tested capabilities in the Debt Capital Markets, syndicated loans, M&A, and Market Maker programs. Here, we see that we can add this expertise to our own, becoming a stronger player in these lines of business and enriching our cash management services for corporates and SMEs.

On the wealth management side, we will also integrate Scotia Securities and Fiduciaria Scotiabank Colpatria (a trusting business) in Colombia. These operations are characterized

by a successful development of relationship banking, with over 1.1 trillion pesos in Assets Under Management, and interesting deepening opportunities.
In Costa Rica and Panama, the operations to be integrated include banking, leasing, insurance, asset management, brokerage, trust, and real estate.

The banking operations in the region are well positioned in personal credit, and have a strong reputation among large commercial clients. They've built a stable deposit base and are increasing in terms of digital transactionality.

Scotiabank de Costa Rica is the 3rd largest private bank in the country, and the second in mortgages among private banks, with over 25 years of operation.

Scotia Panama, with over 50 years, has also a strong presence in the country, ranking as the 6th largest private bank.
We see these banking operations providing us with opportunities to complement our asset management services in Costa Rica, and our value offering in retail banking in Panama.

Additionally, and through the partnership with Scotiabank, we will be able to provide our customers with access to an enriched portfolio of global services through a referral program. This means that we will be bringing to the countries in which we operate, an added set of Scotia expertise, greater financing capacities, advanced tools in cash management, strategic advisory for big projects and investment banking services.

On Slide 11, I want to give you a brief overview of how this transaction allows us to further diversify our business structure and supports margin generation in the medium to long term.

As of today, around 3 quarters of our assets are located in Colombia and the remaining in Central America. This strategy has proven to be successful in different ways, such as providing stability to our results during economic cycles, by enabling us to benefit from synergies across our operations, and by allowing us to test and iterate on several business ideas and digital products, among other benefits.

With the integration of BNS operations into ours, we will further benefit from this diversification by increasing the share of our assets abroad, which are expected to reach 30% on a pro forma basis.

Additionally, our loan profile has gone through a temporary shift with the consumer book, losing share amidst the credit cycle in Colombia, and our operations in Central America have always been predominantly focused on commercial banking. In this sense the transaction allows us to restore our business profile in Colombia to a more normalized one and to strengthen our position in personal banking in Central America.

On pro forma figures, our commercial portfolio will account for around 42% of our book, the mortgage portfolio for around 31% and the consumer book to around 27%.

On slide 12, I will cover the efficiencies we expect to capture with this integration, and how we expect them to positively impact financial results.

The integrated operations will have an important installed capacity with potential synergies, but will also enable us to continue growing and managing a larger portfolio with a strong operational and commercial base.

In terms of these synergies at Davivienda we have successfully developed an efficiency program during the last years that has allowed us to keep up expenses, controlled in a high inflation environment, and we believe that we will be able to implement these learnings in the integrated operations.

We see opportunities in automation and process, optimization, budget and supply control, construction of end to end detail flows and salesforce productivity.

As for technology, we see the opportunity to strengthen our operation in Costa Rica and Panama, by adopting a good part of the Scotiabank's existing systems which will facilitate the technological transition; and in Colombia we see opportunities to create synergy between existing platforms.

We have initially estimated, that after the transaction closes, and once the operations are fully integrated, there could be a potential for annual efficiencies close to 220 million dollars before taxes. We estimate that these efficiencies could generate a positive impact of 550 basis points in the Cost to Income ratio about 35 basis points in Cost to Assets and around 230 basis points in Return on Average Equity.

We see additional opportunities in terms of the income generation perspective that are not included in the previous numbers, such as the potential added income from the new services we will be able to offer to our current customers, as well as deepening the relationship with the customer that Scotia brings, benefits from the referral agreements, among others.

Moving on to slide 13. I'd like to share other perspectives on how this transaction generates value for our current shareholders and bondholders.

On the left side of the slide, you can observe that on a pro forma basis, the combined operations amount to an equity of around 5.3 billion dollars, which represents an increase of 41% over Davivienda's current equity, or 1.41 times.

Scotiabank will receive an approximate 20% stake in the combined operations, and the foreign shareholders will own the remaining close to 80%.

That means, that they will own 79.8% of a company of 5.3 billion dollars worth in equity, which is equivalent to around 4.2 billion dollars of equity reflecting an increase about 11% of the value of the equity held.

Additionally in terms of capital, the transaction aligns with our appetite and allows us to maintain healthy levels to continue leveraging growth.

In this sense and based on pro forma figures as of September, our estimates point to an increase of CET1 of around 30 basis points, after some changes we're expecting to occur before the transaction closes.

Finally, this agreement allows us to bring aboard the Scotiabank a renowned and experienced partner, with whom we will be able to explore additional business possibilities.

Scotiabank is the Canadian Bank with the largest international presence, with over 190 years of experience and a significant footprint worldwide. It operates in over 25 countries across North America, Central and South America, the Caribbean, Europe, the Middle East, and the Asia Pacific region.

Scotia's robust financial profile and risk management framework are valuable assets that will positively impact the partnership and support Davivienda's further growth and evolution.

Additionally, we share several core principles and values with Scotia, and deeply believe that our businesses must be run with integrity, make the right decisions, and focus on people and our clients while building a sustainable business.

We've always believed in the power of partnerships, and we are confident that this will be no exception. We're definitely thrilled to have a Scotia as part of the Davivenda operation.

With that we are happy to take any questions.

Question and Answer

IR Davivienda: Thank you. With that we will begin the question and answer session.

Please remember to raise your hand if you wish to participate, and we will give you the opportunity to open your microphone so that you can proceed with your question.

Please do not mute your microphone until you have finished with your intervention.

Now we are standing by for questions. We have Nicolas Riva from Bank of America. Nicolas, please go ahead.

Nicolas Riva - Bank of America: Okay. Thanks very much, Javier and team for this call and for the possibility to ask questions. I have a number of questions that I'm gonna make them all at once in case I get disconnected. But then we can go also, one by one.

So the first one is, I think the most important number in your press release is you are saying that you expect an increase in the CET1 ratio of up to or around 30 basis points. We know that you're gonna be issuing shares to be subscribed by Scotiabank in order to pay for this acquisition. My question is, besides those shares to be subscribed by Scotiabank, do you also plan to raise equity from the existing shareholders of Davivienda, from Grupo Bolívar and minorities? So that's my first question. If you expect to raise also equity from the existing shareholders.

Second question. Besides the payment in Davivienda shares, is there also a cash payment? Do you also plan to raise either senior or subordinated debt to pay for this acquisition? Second question.

The third question; in my view, one of the things that I found a bit odd or interesting was that in your press release, and also in the Scotiabank Press release, there is no mention of what was the value assigned to the target -to Scotiabank, Colombia, Costa, Rica, and Panama - in this transaction. I mean, we know that the target has a book value of 1.5 billion dollars.

What was the value assigned to that target book value in this transaction? That's my third question.

My fourth question is, besides your announcement, of course, Scotiabank -the seller- also put out their own announcement and in their announcement they mentioned that they are gonna be booking an impairment loss of USD 1 billion. Right? They say, CAD 1.4 billion, or, roughly, USD 1 billion. My question is given that the target has a book value of USD 1.5 billion dollars. How do I reconcile the seller booking a USD 1 billion after tax impairment charge when the book value of the target is USD 1.5 billion, it looks like too large of an impairment charge.

And then my last question, given that Scotiabank, if all approvals are obtained, Scotiabank is going to have 20% of the shares of Davivienda, my question is, and I know I should probably address this to Scotiabank, but given that in this case you are hosting the call; my question to you is, in your view, does Scotiabank plan to be a long-term shareholder in Davivienda? Those are all my questions. Thanks very much.

Javier Suárez - Davivienda CEO: Thank you, Nicolas, for your questions. I think you are also helping some of the other callers with a comprehensive list of issues that you're raising. Let's go one by one.

Equity raising, this is fundamentally a transaction in which where we will be merging the operations, so the capital that will be included in the Davivienda's operation, as we mentioned during the initial remarks, it is just what is funding the operation. In other words, each one of the operations today is a self-funded, each one has the capital needed to sustain the level of business that each one has, so when you put the 2 operations together the capital is enough to maintain those levels.

Why those numbers might go a little bit up or down? It depends, you have to take into consideration that these are pro formas so some of the loans in one of the books are loans that eventually may not be part of the transaction, because they are international loans. So eventually when you look into more details, the portfolios that we're presenting here are the portfolios that we estimate will be there at the time of closing.

So, and I guess the concrete answer is: we don't expect to raise capital to fund this acquisition, just the merger of the operations and there might be some capitalizations along the process internally, but not by raising equity from the existing Davivienda's shareholders.

Nicolas Riva - Bank of America: Javier, thanks very much for that if I can interrupt one second, so what you are saying is: to get to your pro forma CET1 of 10.7%, all you did was just add up the common-equity-tier one of each of the Scotiabank operations in Colombia,

Costa Rica and Panama -the risk weighted assets of each operation- but you're not planning to raise equity from the shareholders of Davivienda, and also then, my question would be in that case, did you factor in into the CET1 of Scotiabank subsidiaries the impairment charge that Scotiabank is saying that they will take of the roughly 1 billion US dollars?

Javier Suárez - Davivienda CEO: The answer is no because that impairment is not in this operation, that's something that is not part of these books and I will not discuss the accounting issues of Scotia in Canada. Of course, that's not a part of this call.

Nicolas Riva - Bank of America: So it doesn't affect the CET1 that you are showing in this presentation; the CET1 that are showing of Scotia and Colombia, Costa, Rica and Panama.

Javier Suárez - CEO: That's correct.

Nicolas Riva - Bank of America: Okay. Fair enough.

Javier Suárez - CEO: On the second question about raising debt to pay? No, and and the answer is the same one, when you put together the operations, you don't need to raise any debt to pay. Of course, as long as we continue in this process we might look at opportunities to optimize the transaction with additional transactions. But fundamentally, we don't need to raise debt to finance the acquisition, because it's a hundred percent share-based.

For the third question, since there's no cash payment, and it's just a matter of combining the operations, you could argue that the value can be calculated in several different ways because at the end of the day, what we're doing is exchanging the shares that Scotia has on Scotiabank operations in the region today for shares of Davivienda. So you can put a value on that by taking the market value of Davivienda, for example, and doing your math to come up with a value for the transaction, or you could do it the other way around based on how Scotia looks at this investment.

But I guess that's a matter of how you do the internal valuation. What is important here, is that we got to an agreement in which the value of the operation that Scotia brings into the combined organization is 20% of this combined operation.

Nicolas Riva - Bank of America: Okay, perfect. And then the last question that I had and, I know you said we are not gonna comment on impairment charge to be booked by Scotiabank, but Scotiabank now is gonna be a relevant shareholder in Davivienda and they're gonna have about 20% of the shares. So if you can comment on what you know about the plans of Scotiabank, if they plan to be a long term shareholder in Davivienda?

Javier Suárez - Davivienda CEO: Well, I think this has been a process that has been for more than one year, in which we have as you could imagine, several opportunities to meet the Scotia team and we're delighted. We believe that they are a great organization and that, for them, we assume that this is a very interesting operation, we heard that from them that it fits with their strategy. Of course that's something that would have to come from their words. But from our side we believe that this partnership is, we expect this to be a long term partnership in which Scotia brings to the table, as I mentioned before, a lot of capabilities on the international markets, and that we can bring to our customers in the region, not only in Colombia, Panama, and Costa Rica, but also in the other countries in which Davivienda has an operation.

So we believe that we will be the operator for this region of the Americas, in which Davivienda has a strong presence as representing opportunities also for Scotiabank for their markets. So we expect this to be a long term transition, of course there might be moments in which those decisions may change, but our expectation is that we are delighted to have Scotia as part of the shareholders of Davivienda, because we believe that they bring to the table a lot of value. We think greatly of the Scotia organization, and there's a cultural fit that is important also. So we expect this to be a long term partnership.

Nicolas Riva - Bank of America: Thanks very much for your responses, Javier. Thanks.

Javier Suárez - Davivienda CEO: Thank you, Nicolas.

IR Davivienda: Thank you very much, Nicolas. We now have Carlos Gomez Lopez from HSBC - US. Carlos, please go ahead.

Carlos Gomez Lopez - HSBC US: Yes. Hello! Can you hear me?

IR Davivienda: Yes.

Carlos Gomez Lopez - HSBC US: Thank you very much, and thank you for the call. Now Nicolas has already asked all the questions, so I have nothing to add, but perhaps can you give us some details about how this transaction came about? Whether it was a contested process with other bidders, or it was a bilateral transaction between the two of you from the beginning. And second, is there a formal lockup in the 20% ownership that the Scotia Bank is going to have in Davivienda.

Javier Suárez - Davivienda CEO: Well, first, thank you Nicolas again for having all the questions in front of us, that made the life simpler for us. If the transaction was a competitive bidding or a bilateral, I would say both, which is the nature of this process. You have to remember that there was initially a process for the assets in Panama and Costa Rica, which gave us the opportunity to get to know the Scotia's team and look for other opportunities

Those opportunities are opportunities that we believe that we can take advantage together and we started working on this transaction for several months looking at whether there was an opportunity for building a better organization out of the two existing organizations and that gave us also a way to understand that we could together be a better organization. So it started as a competitive process, and of course, as is normal in this process is entering to a bilateral stage in which we believe this is very important.

In terms of the relationship, as I mentioned before, we expect Scotia to be part of Davivienda for a long term and contractually we expect it to be at least for a few years, and in these few years that Scotia will be part of the operation as part of a lot, but beyond that we believe that the benefit of this will be on the long term, Carlos.

Carlos Gomez Lopez - HSBC US: Yeah, alright. But I mean there was a specific question about, is there a lock up? I understand that I think the answer is yes, but you're not disclosing the term. Is that correct?

Javier Suárez - Davivienda CEO: That's correct.

Carlos Gomez Lopez - HSBC US: But it's fair to say that is is a multi-year lock up, not a six-month lock up.

Javier Suárez - Davivienda CEO: It is, and thank you because I can clarify, that it's a several years of lockup which reflects the spirit of the transaction, which is a long term relationship. This is not a lock up period for 6 months and this is not a way-out transaction, no. This is a several years project that we are building together with Scotia.

Carlos Gomez Lopez - HSBC US: Okay, that's very clear. Again, you will be their partner in the countries in which they are merging operations with yours, which is Panama, Costa Rica, and Colombia. And, I understand this is way too preliminary, but have there been any conversations, or are you in any way knowledgeable about what Scotia thinks about their other important operations in Latin America, namely, Mexico, Peru, and Chile.

Javier Suárez - Davivienda CEO: Well, Carlos, I'm afraid that's a question that you would have to direct to Scotia, because, of course, we are not in a position to discuss those topics, because we don't know. That's the privilege of Scotia to have comments on their operations that go beyond the operations in this transaction. So we're just thrilled to have them in the operations in this transaction in Panama, Costa Rica, and Colombia.

Carlos Gomez Lopez - HSBC US: Okay, fair enough. And finally, is there anything else in the region, let's say, in the Caribbean or in other Central American countries? I think they sold operations early, but is there anything else that could be the subject of negotiation down the line.

Javier Suárez - Davivienda CEO: No. We're thrilled with the operation we're announcing today and, Carlos, let us digest this operation but we're not having any conversations on any other operations with Scotia. We have our hands full, and we will be focusing on extracting value from this operation.

Carlos Gomez Lopez - HSBC US: Good enough. Thank you so much.

Javier Suárez - Davivienda CEO:Thank you Carlos.

IR Davivienda: Thank you. We now have Daniel Mora from Credicorp Capital, Daniel, please go ahead.

Daniel Mora - Credicorp Capital: Hi, good morning, and thank you for the presentation. I just have three questions. The first one, considering that this is an exchange of a 20% stake in Davivivienda for the combination of the operation of Scotia in Colombia, Panama, Costa

Rica, will this transaction/operation generate a goodwill? Or can we expect a one-off impact in Davivienda in any quarter going forward?That will be my 1st question.

The second one is given that Scotiabank operations in Colombia recently have been impacted by the banking cycle in the country, what is the strategy to see a turnaround in the operations in the short term? Because you are mentioning that it could give you 230 basic points increase in ROE, but I would like to understand if this will be in the long term.

And considering this, my third question will be, what will be the ROE target that you plan to get when you combine all the operations, and you have all the benefits coming from the synergies and the combined operation as well. Thank you so much.

Javier Suárez - Davivienda CEO: Thank you, Daniel, for your questions. No, there will be no goodwill generated from the transaction. The impact on Davivienda's shareholders will be the impact that I mentioned before, in which, by virtue of the transaction, the equity of the combined entity grows by around 40% so the existing shareholders of the Davivienda will go from having a 100% of an entity to having 80% of an entity that is 1.4 times larger in equity.

So that math brings you an increase in around a little bit more than 11% of value to existing Davivienda shareholders. And that's because of the relative valuations of the Davivienda and the Scotia operations, so there's a benefit in that sense that will be consolidated for the Davivienda shareholders at the time of closing.

In terms of the short term, we are not entering to this transaction because of the cycle, or the specifics of the cycle in Colombia.

We're entering to this transaction because of the capabilities of the combined operations in the long term with the efficiencies, with the ability to deliver new and better services to our customers. And in the meantime, we are expecting that there's a turnaround in the cycle, as as you can see, Davivienda has already gone through a turnaround on the cycle. We have expectations that that will be the case also for the Scotiabank Colpatria operation in Colombia, and in that sense, what we'll see is that for a pro forma of 2025, the benefit from the operation will be limited because of the fact that the ROEs for the short term are depressed. But the overall benefit of the operation will be seen from 2026 onwards, and we saw numbers during the presentation of increase on our expected return on equity. Those numbers, in terms of return on equity are around 230 basis points higher than what we would be expecting without the transaction.

We haven't given any guidance on long-term ROEs during our results calls but of course we expect an improvement in the current ROEs, and expect to go to double digits in the mid term.

Daniel Mora - Credicorp Capital: Perfect. Thank you so much. But just to clarify, even though you don't provide a long term guidance. When we in the past, when we talk about Davivienda, and the long term ROE that Davivienda was capable to report, we considered a figure between 14 and 15%. So when we talk about the operation and the 230 basic points increase in ROE, I can add that to the previous long term ROE that we were considering for Davivienda? So reaching, for example, 15 to 17% ROE?

Javier Suárez - Davivienda CEO: Well that, this operation brings us value, in which, in the sense that when you compare Davivienda with and without this operation, there will be an increase in 230 basis points of course, looking into those ROEs that you're mentioning, that will depend also on the dynamics of the market, the dynamics of the market.

But we expect to be around those numbers that you mentioned in a few years from now, of course. Assuming that the competitive dynamics of the market allow us to be there. But of course, we're going step by step. The first step will be going about 10%, and that's something that we will be expecting, we will be getting close, probably on 2025. But then, after that, we expect to keep improving our ROEs, and that includes the 230 basis points that I just mentioned.

Daniel Mora Credicorp Capital: Perfect. Thank you so much. Very clear.

Javier Suárez - Davivienda CEO: Thank you Daniel.

IR Davivienda: Thank you. We now have Michael Shepherd from Allianza Capital Partners. Michael, please go ahead.

Michael Shepherd - Allianz Capital Partners: Hi, thanks for the call. I have a few questions, First, on the branding are all of Scotiabank's operations in these 3 countries currently under Scotiabank branding, and then somewhat related is, can you help us understand what you're not buying? It seems like, if I look at their disclosure, there's about a billion dollars in loans that look like they're in Colombia that you're not buying in the business and government segment.

But if you could talk about that a little bit, and then also, if there's other any other capabilities that you're not getting in these countries like wealth, for example, or anything else.

Javier Suárez - Davivienda CEO: Of course, until there's an integration of the operations each one of the operations will continue with their current branding. And eventually, when the operation closes and the transactional issues are sorted out, they will move into the Davivienda brand.

In terms of what we're not buying. Basically, we're buying the full set of operations in these countries. In the case of Colombia, we're buying the bank, the securities company, and the trust company, with all the businesses there might be. As you understand, this is a dynamic business, so a loan portfolio that will be there for closing will be the one that comes from the operation during this year. There are some loans that are booked outside the Colombia operation that are not part of the numbers that we are showing.

Of course, those loans are in the Scotiabank's books outside of Colombia, so those are not part of the transaction, but the numbers that we're showing are the numbers that reflect the operation that we're buying.

In the case of Panama is a branch of the Bank of Nova Scotia in Canada, so where what we are will be incorporating are the assets and liabilities of that branch. There's no separate legal entity in Panama, and that of course, implies that we will be transferring those assets and liabilities. Of course, the specifics of loans that may be outside of the scope is something that we will be discussing as part of the closing of the operation, because, as you can imagine, there's a dynamic on the book of loans that will be happening during this year.

But fundamentally, we're not excluding assets or liabilities of the operations of the three countries. What they have on the private banking operation that is not being booked at the local entities, is not being part of the transaction, and of course it will not be included.

Michael Shepherd - Allianz Capital Partners: Okay, that's helpful. Thank you. My second question was on the cost savings. You mentioned the USD 220 million cost savings. Can you help us understand exactly where that's coming from? You know what portion is technology, what portion of it is people? And then, what portion of the cost base of the operations you're taking on is that in percentage terms.

Javier Suárez - Davivienda CEO: Of course, they are similar operations, particularly in Colombia and Costa Rica, Panama is a different story because of the relative size of the operations.

In those countries what we see is that the platforms that we're using can grow without having to incurring the cost of the two platforms, so in terms of technology there's a sizeable opportunity in terms of cost and, in terms of people, we'll see first of all where we see opportunities by bringing talent, the good talent in Scotia to Davivienda team.

And, as is happening with the operation -banking operations- when we see opportunities also to be more efficient, we will look at those opportunities, also take into account how we manage our relationship with our teams, a very constructive relationship with them. But I would say that most of the benefits come from technology, there's a redundancy in platforms that we believe that can be somehow improved or just eliminated, some of those platforms that make up for a much efficient operations, and it's not only a fact of redundancies, but also the fact that some operations are better than others in terms of the streamlining of those operations and that's where we believe that there are opportunities also.

Michael Shepherd - Allianz Capital Partners: Okay, and the USD 220 millions is that 20% of the cost base of the entities that you're taking on? Or can you help to size that in terms of portion of that?

Javier Suárez - Davivienda CEO: Yes, more or less, that's an an appropriate number.

Michael Shepherd - Allianz Capital Partners: Okay, got it and, thanks. And my last question is just: can you talk a little bit about once the deal closes your expectations in terms of cost of risk and net interest margin for the combined entity versus Davivienda on a standalone basis.

Javier Suárez - Davivienda CEO: In terms of cost of risk and net interest margin it varies country by country, but in the in the overall the portfolios are a little bit more to the consumer side, as I've mentioned during the presentation, so the relative size of the consumer book will increase a a little bit, so that implies that, in terms of NIM, there will be a NIM for 2026 very much similar to the actual NIM of Davivienda and that's because you have to consider that it's a little bit more consumer, but also the geographical presence of Scotia is more leaned towards Costa Rica and Panama, where NIMs are lower, so when you factor all those elements into account, you end up with a NIM very similar to the actual NIM that you have in Davivienda.

And in terms of cost of risk, the answer is basically the same. The NIM is very similar because there's a lower NIM in the operations in Costa Rica and Panama because of the dynamics of those markets; I'm sorry, lower cost of risk for Costa Rica and Panama, because that's what the market allows on those countries and, in Colombia the CoR is higher, but when you factor in the relative sizes of the consumer book against the others, as well as the relative geographical presence, you end up with a cost of risk that is very similar. So, at the end of the day, both numbers -NIM and cost of risk- will be similar. They might be a little bit smaller on the inside, but about 5 to 10 basis points, and in the cost of risk around 5 basis points going up, but that's more than fully offset by the efficiency gains.

Michael Shepherd - Allianz Capital Partners: Okay, thank you very much. Very helpful.

IR Davivienda: Thank you very much Michael. We have now Elizabeth Gunning from PGIM Investments. Elizabeth, please go ahead.

Elizabeth Gunning - PGIM Investments: Hi, can you hear me?

IR Davivienda: Yes, we can.

Elizabeth Gunning - PGIM Investments: Great. Thank you. Thank you for this call. I had also wondered about cost of risk, but perhaps you could comment a little more on asset quality. It sounds like asset quality, maybe won't change all that much. But could you just flesh that out a bit? And I also wondered if you could comment specifically on NPLs as well as stage 1, 2, and 3 loans. Will you be reporting all of that for the combined entity?

And then my second question had to do with the FX impact on the income statement as well as capital. We've seen other Colombian banks like Banco de Bogota and Bancolombia move away from operations in Central America because they were dollar based and because of the FX translation impact on capital specifically. So, I wondered if you could comment, why, you're moving in a different direction than some of your competitors. Thank you.

Javier Suárez - Davivienda CEO: In terms of FX, starting by the last question, in terms of FX, we already have a presence in these markets. So we are already used to managing the FX risk. We have a structure, our coverage to maintain our solvency, to immunize our solvency to changes in the exchange rate that provide us with some volatility on our P&L but that's part of the business that we're willing to accept.

What happens here is that it increases a little bit more. You have to take into account that that is a little bit more lean towards Central American operations because of the relative sizes of the Panama and Costa Rica operations that are integrating, but we are also integrating the Scotiabank operation in Colombia. So at the end of the day that changes, but is not a significant change in the way we will run the business, which will be basically the same that what we're doing which is managing our solvency levels with the coverage and allowing some volatility on our P&L based on the exchange rates.

And in terms of the questions on asset quality, I would say, if you look at the Colombian operations, if you look at the Central Americans who started there, they are very similar to the asset qualities that we have in our operations. So we wouldn't be expecting changes, significant changes on the numbers on those countries.

And in Colombia, Scotia is kind of at the 2 ends of the spectrum. They have a strong presence in the corporate business with very low cost of risk, very good asset quality, and they are the other end of the spectrum, with consumer loans to some segments of low income segments in which the asset quality has been hit during the couple of years, the last couple of years in which the credit cycle has been a difficult one. So when you combine them, the asset quality in Colombia the numbers are a little bit higher than the ones we have, but we believe that that's also part of the cycle, and the trend is a very good trend, and the numbers are improving, and for the time of closing of this operation, and by the end of this year they should be converging to the numbers that we have in Davivienda, so eventually we will be close to the numbers that that you're are used to to see in our presentations.

Elizabeth Gunning - PGIM Investments: Okay. Thank you.

IR Davivienda: Thank you. We now have Andres Soto from Santander, Andres. Please go ahead.

Andres Soto - Santander: Good morning to all. And Javier, congratulations on this transaction. My first question is regarding the shares that you are going to issue to pay Scotia. Are those voting or non-voting shares? And if it is both, what is going to be the mix, or how the mix is going to be defined?

Javier Suárez - Davivienda CEO: There's a mix of voting and non voting shares which we believe that there's a good benefit. We like the idea of having Scotia with voting shares because they will be part of the Board of Directors, and that's one of the ways in which they

can enhance value to our organization. So we like them to be a committed partner and that goes back to the question from Carlos on whether this is a, there's an expectation that Scotia will be adding value not only as a passive investor, and we believe that the fact that they have common shares, voting shares, and representation in our Board of Director is important.

But at the same time they will have also preferred shares and we believe that that's also important. They will have a significant proportion of the existing and the new issued, preferred shares which we believe that will add to the liquidity of the shares. The pool of shares on the preferred side will increase, and they will be the largest shareholder by far, the largest shareholder on the preferred side. So the increase on the liquidity pool will be significant. We're not disclosing at this time the relative proportions, but I would say that they are meaningful on both the common and the preferred shares.

Andres Soto - Santander: Perfect. And connecting this with the previous question on the lockup period. Does the lockup period apply to both prefer non-voting and voting shares?, or it is only for the voting shares?

Javier Suárez - Davivienda CEO: It's only for the voting shares, which goes back to the benefit of having a better liquidity on the preferred shares from day one.

Andres Soto - Santander: That's clear. Yep. My second question is on the synergies. So I see the numbers that you are presenting. I would like to understand what is the timeframe for those synergies to materialize? How long is going to take you to extract these 550 basis points of cost to income improvement?

Javier Suárez - Davivienda CEO: Well, first you have to consider that the transaction, we're having expectations for the closing of this transaction the second half of this year, let's say, the 3th / 4th quarter of this year. That would imply that the actual integration of the operation would start happening next year, and it will take us at least a couple of years to extract the full benefit of the integration of the operation.
That doesn't mean that we won't see any benefits at all for the three years. We believe that with today's technologies, with the technology that Davivienda has, and with the existing

regulations on open banking and open finance, there will be opportunities to capture synergies on a shorter timeframe than what would be usually the case on a traditional transaction. So I wouldn't expect the full set of synergies to be captured before 2027. But we will, of course, start working, since day one.

Andres Soto - Santander: Absolutely because in my numbers, when I look at the historical results for the Scotia operations in Colombia, Panama, and Costa Rica, my conclusion is that in time zero, this transaction is dilutive for investors from an EPS perspective. Would you agree with that assessment? that at the beginning, basically, what we are going to see is lower earnings per share, based on the new shares that you are going to issue.

Javier Suárez - Davivienda CEO: Well, it all depends on the results. Specifically, the results in Colombia, based on the cycle that has an impact that is important. If the turnaround of the cycle in Colombia is, as we expect, that may offset those cases. Eventually, we won't see benefits in terms of earnings per share. We won't see an accretive transition from day one. There might be some diluting effect at the start. But we believe that we will be relatively quick to turn around that and get those benefits relatively shortly. The full set will be two years after signing but we expect to see some of the benefits in a shorter timeframe.

Andres Soto - Santander: Perfect and thank you, Javier, and congratulations again.

Javier Suárez - Davivienda CEO: Thank you.

IR Davivienda: Thank you. We now have Joaquin Posada from Citi. Joaquin please, the floor is yours.

Joaquin Posada - Citi: Thank you and good morning to all. My question Javier is regarding the Colombia combined operation. Currently, Colpatria has approximately 45% stake ownership in Scotiabank-Colpatria. My question is, once the operations are merged, how will this play out for Colpatria specifically in terms of ownership and decision making; will it be a pro-rata cascade, or how will that play out? Thank you.

Javier Suárez - Davivienda CEO: I assumme Joaquin you are referring to Mercantil Colpatria as the minority shareholder of the bank in Colombia.

Joaquin Posada - Citi: Correct.

Javier Suárez - Davivienda CEO: Yeah, I believe that they've issued their own press release, stating that they are selling their position to Bank of Nova Scotia, Scotiabank before the transaction closes, so in the presentation that I've given, we don't have the expectation of having Mercantil Colpatria as a shareholder in Davivienda at the time.

Joaquin Posada - Citi: Thank you very much.

Javier Suárez - Davivienda CEO: You're welcome Joaquin.

Joaquin Posada - Citi: That was it, that's clear.

IR Davivienda: Thank you. We now have David Castillo from Citi. David, please go ahead.

Cristian Gacho - Citi: Sorry. I guess it is not David Castillo, it is Cristian Gacho from Citi. My question is, if after the consolidation of this merger, it is expected that Scotia will disappear as bank in those three countries? I mean, my question is because in the media it's been said that the bank wants to keep its corporate portfolio or its corporate clients. I mean, to keep its operation with its corporate clients. So I just want to know if, or if you could clarify if Scotiabank, as a bank, will disappear in those three countries.

Javier Suárez - Davivienda CEO: If I follow your question, if the corporate customers that are being served by Scotiabank today, will they still be served by Scotiabank after the merge of the of the operations. The answer is: Davivienda in entering into a referral agreement with Scotia for the international operations for those customers, and Davivienda will be the conduit through which Scotiabank Canada will offer these transactions to the corporate customers, and the knowledge and the capabilities that Scotiabank has up to the time of closing the transaction, and the relationship with those customers will be part of Davivienda's operation. So we are very committed to having those teams -very experienced teams- on the corporate side, continue serving those customers with the benefit of the capabilities that Davivienda has on the corporate side and the transactional side, but also with the capabilities of the Scotiabank Canada that will be also offered to these corporate customers.

So, I guess the short answer is, the Scotiabank brand directly won't be there but the capabilities of the Scotiabank, the Global Scotiabank, and Davivienda combined will be there serving those customers with an enhanced value proposition.

IR Davivienda: Thank you. We now have Alberto Carrizosa from IC Inversiones. Alberto, Please go ahead.

Alberto Carrizosa - IC Inversiones: Hello! Congratulations on the transaction, and hopefully you reached a earlier settlement. My question was regarding market share in the three different countries. What do you believe it would be an approximate market share after closing the transaction in each of the three countries?

Javier Suárez - Davivienda CEO: This 40% increase on the size of Davivienda bring us to, in terms of loans, in the case of Colombia, our market share will go from 14.9% a little below 15% to 18.8% on a pro forma basis or close roughly from 15% to 19% in Colombia, in Costa Rica it will double from 6.5% to 13%. And in Panama it will much more than double, it will go from 1.3% to 4.8%. So actually, we're improving the competitive position of Davivienda in the three markets.

Alberto Carrizosa - IC Inversiones: Oh, great thank you. That was all.

Javier Suárez - Davivienda CEO: Thank you, Alberto.

IR Davivienda: Thank you. We now have a question from Juan Dominguez, from Onyx. Juan, please go ahead.

Juan Dominguez - Onyx: Hi, can you guys hear me?

IR Davivienda: Yes.

Juan Dominguez - Onyx: Perfect. Javier, thank you so much for your time. I have a couple of questions, one regarding your expected pro forma market share. As you mentioned you are just adding the market share between the two operations but I'm just wondering how relevant is the overlapping between the segments in each of the geographies, especially in Colombia and Costa Rica. I know in Colombia that you, both of you guys are quite strong in credit cards for instance. So I wonder if you will be losing some market share in the integration process, because you will have overlapping of clients?

And the second question is pretty much regarding bandwidth, and what should we expect in the next couple of years? This is not a merger of equals, but it's a pretty transformational acquisition. So I'm just wondering what should we expect in terms of the integration process in terms of systems, culture integration, and what will happen with the rest of the strategy right? Because, but with somehow limited, and you are also facing the competition from new entrants. I mean you have to keep accelerating your digital strategy as well as now dealing with this integration.

Javier Suárez - Davivienda CEO: Juan, very good questions. In terms of the market share and the overlap this is not the first time we go through an integration process like this. We understand that in order to keep the market share of the combined operations we need to do a very good job in terms of service and the value proposition for our customers.

Definitely, there will be overlap and there has been overlapping on the previous mergers that we've gone through, and for us the answer is making sure that our clients are better served than what they are now on with the separate entities. Our experience is that if we do a good job, we will be able to keep those market shares.

In terms of the, let me look at the second question. The second question was based on the limitation with the strategy, limitation with the current strategy. I think this is a very important question Juan and let me put it this way: we wouldn't enter into this transaction if we didn't feel that we have the capabilities to continue moving forward with the strategy with Davivienda, and actually our thought process goes by understanding that the success of this integration depends on how Davivienda keeps moving forward with the leading capabilities that has in the market.

For example, we have our digital offerings in the Davivienda platforms in both in Daviplata and Davivienda Super App are one of the leading platforms in the market with capabilities that go beyond what you would do on a traditional banking platform. You don't need to go to branch office almost for anything nowadays, with exception of some mortgage loans that need to be settled because of regulations, but in terms of open new products in terms of services, in terms of course transactional services, the offer that we have with the platform is very robust offer and that's already out in the market.

We have a roadmap to continue strengthening that platform and that's one of the reasons that makes us believe that there's an opportunity to capture synergies, because on the digital front we will keep working and for this months before the integration we will keep enhancing our digital platform so that we can have an onboarding of the Scotia customers into our platform and have all the platform ready. The fact that the bank is a very digital bank today is very important to the strategy. If we didn't have those capabilities, I would be worried in the sense of your question.

On the contrary, I believe that we have to keep working very very focused on moving forward on our digital capabilities so that will make a lot easier the transition from the Scotiabank platforms to the Davivienda platforms that are leading platforms.

So the short answer is: definitely we will be focused on maintaining the competitive advantage that Davivienda has on many of the fronts, particularly in retail banking, in which there are things moving fast and of course we want to be there and actually improve the experience by offering this experience to the Scotiabank customer. But definitely we are fully committed to the Davivienda strategy. Is a merger of not equals but a sizeable merger as you say. This is not the first time we've gone through a process like this. We went through a merger of equals already a few years ago with Bancafe, and it was very successful merger, and we expect this to be the case also.

Juan Dominguez - Onyx: Perfect, thank you so much for your time again.

Javier Suárez - Davivienda CEO: Thank you Juan.

IR Davivienda: Thank you. As there are no further questions at this time, I would like to turn the floor back to Javier Suárez for any closing remarks. Please Javier go ahead once again.

Javier Suárez - Davivienda CEO: Well, thank you very much all for attending this call. We're excited, we see a lot of opportunities here. We will be working very hard, we've been working hard during the last couple of years with the turnaround of the cycle. We believe that this is the right timing.

A few months ago, almost one year ago, when we disclosed to the market our expectation of a capital raise, we mentioned that we wanted to be ready to take advantage of opportunities because when these cycles turn around there are opportunities. Luckily, one year after, that is the case, we are having a very interesting opportunity and we will seize it, and we are thrilled to have this call today, and of course we will be updating you as long as the process continues with the good news that we believe will come from this integration. Thank you very much to all of you for attending the call.

IR Davivienda: Thank you, everyone. This concludes today's call. Thank you for your participation. You may now disconnect.