

**May 30, 2018**

**Financiera de Desarrollo Territorial S.A. -FINDETER  
Financial Results 1Q-2018  
Event Transcript**

**Slide #2**

Good morning everyone. My name is Andrés Sánchez; I am the head of the Investor Relations Office at Findeter. The following people will join us today:

**Hosts:**

Richard Martinez, Financial Vice President  
Laura Román, Commercial Vicepresident  
Carolina Farfán, Treasurer  
Daniel Plazas, Financial Strategy Director  
Andrés Felipe Sánchez, Investor Relations

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I now give the floor to our CFO, Richard Martinez, who will give you some general information and an overview of the international and domestic economic prospects

**Slide # 3**

Welcome to the presentation of financial results of FINDETER, where we will present the company's overall results for 2017, and the first quarter of 2018, as well as the most relevant achievements during these periods and the expectations for 2018.

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In the first quarter of two thousand eighteen (2018) there were improvements in oil prices, the Brent benchmark remained on average twenty per cent 20% higher than that registered in 2017; unlike in the same period of the previous year, the rebound in prices was caused by increases in demand. This behavior in prices has favored the terms of trade and as a result has had positive effects on national income because a good part of the shock presented in two thousand fourteen and two thousand fifteen (2014-2015) has been reversed.

For Q1 2018, the exchange rate ranged between two thousand seven hundred fifty (2750) and two thousand nine hundred eighty pesos (2980) pesos and although the behavior has continued to be influenced by oil prices, other external factors have contributed to the volatility presented in the year, among them the rate position of the FED and the relation of the dollar against currencies like the Euro.

According to the expectations survey published by the Central Bank in May, market analysts expect the currency to close this year at two thousand eight hundred ninety (2890), correcting its expectation of sixty 60 pesos compared to what was published in March when they forecast levels above two thousand nine hundred fifty pesos (2950.)

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The Colombian economy finished two thousand seventeen (2017) with growth rate of one point eight per cent (1.8%), its lowest since two thousand nine (2009); in the first quarter of two thousand eighteen (2018) it grew by two point two per cent (2.2%), reflecting a gradual recovery of the economy, and in this last period 9 of the 12 economic activities presented positive growth. For 2018 as a whole, the Colombian Central Bank expects a growth rate of two point seven per cent (2.7%) from the recovery of commodity prices, better growth rates of trading partners and the expansionary interest rate position.

Inflation recorded for two thousand seventeen (2017) was four point zero nine per cent (4.09%), and showed a significant correction in the first quarter, reaching levels of three point thirteen per cent (3.13%) in accordance with the target set by the Central Bank.

With respect to monetary policy, the Central Bank continued on the path of reducing rates to four point twenty five per cent (4.25%). In my opinion this is a slightly expansive level. The decision was motivated by inflation that has yielded significantly while weakness in economic activity has remained; It is expected that these monetary policy measures will stimulate the economy without compromising inflation for two thousand eighteen (2018), where expectations remain anchored at levels of three point thirty per cent (3.30%).

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Now, Daniel Plazas will present the financial management results of FINDETER.

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Thank you Richard, from the financial view, FINDETER continues to be the leading bank promoting development in the regions. An example of the above is the growth of the total assets of the entity during the last 8 years, which has increased from 4.8 to 9.6 billion pesos. This behavior has been driven mainly through the increase of the gross portfolio, which has grown each year on average 9.9% during this 8-year period. Looking at the period between March 2017 and March 2018 growth was 7.5%, reaching over 8.5 billion pesos.

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The total portfolio of the financial system amounts to COP 4.61 billion, of this figure 57% corresponds to commercial loans, equivalent to COP 2.62 billion. On the other hand, the on-loan portfolio corresponds to 8.6% of the commercial portfolio, which translates into COP 22 billion.

FINDETER has more than COP 8.5 billion in its portfolio, a figure that is equivalent to 38% of the on-loan commercial portfolio, which positions it as one of the leaders in the market. This position is the result of work leveraged in the strategic axes of the entity, which are planning, financing and execution, that allow it to continue being the leading development bank that transforms the regions into sustainable territories

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The recognition of FINDETER's leadership is reflected in the financial results of the entity.

When analyzing the behavior of FINDETER's assets during the first quarter of 2018, a positive trend can be observed in its main accounts with respect to December 2017. The portfolio has shown a 3.6% growth as of March 2018, which can be considered positive if compared to the zero growth of the commercial portfolio of the Colombian Financial System.

The capital structure of FINDETER is composed of 88.5% liabilities and 11.5% equity. Within the liabilities, the most important item corresponds to deposits and current liabilities with a participation of 62.1% (5.2 billion pesos), followed by loans from banks and other obligations which represent 20.6% (1.7 billion pesos) of the total liabilities.

As of March 2018, equity has grown by 4.84% with respect to the same month of 2017, a variation that was mainly due to the capitalization of the profits of the previous year (52,146 million pesos, the highest in the history of the entity).

On the other hand, when analyzing the profit and loss statement, we can observe an increase in revenues of 5% compared to the same period of 2017. This behavior is attributed to the favorable impact generated by the exchange adjustment due to the restatement of assets.

Operating expenses increased 6% with respect to the previous period. This behavior is mainly justified by a higher accrual in items such as exchange adjustment and the valuation of derivatives.

Taking into account the variations presented in the accounts associated with derivatives and changes in foreign currency, the net effect on the income statement was reduced by 53%. This trend shows that the behavior of the forward devaluations in the first quarter have presented a decrease of 9 PB.

The gross financial margin showed a decrease to March 2018 of 5% compared to that recorded in the same period of 2017. This behavior is attributed to the expansionary monetary policy promoted by the Central Bank, which is reflected in a decrease in 250 PB of the market reference rate from 7.0% in March 2017 to 4.5% in March 2018.

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The profits of FINDETER have shown an upward trend during the last 7 years, increasing 93% in this period.

During 2017, the highest profits in the history of the Financial Company were recorded, reflecting an increase of 26.43% with respect to the previous period; This result was achieved thanks to the proper implementation of FINDETER's business model, which is based on the planning of financing and execution of works that guarantee the sustainable development of the regions.

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After-tax ROE (6.22%) showed a 28 basis points growth as of March 2018 when compared to the first quarter of 2017. This trend can be attributed to the 10% increase in profits during the current period.

The efficiency indicators show no significant variations during the analyzed period, which reflects an adequate expense control policy.

The indicator of portfolio quality shows a positive behavior below 1% while the equivalent of the Colombian financial system is at 4.83%

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The solvency ratio increased 10.7% in March 2017 to 22.4% in March 2018, this behavior is justified due to the issuance of decree 1333 of August 2017 by the Ministry of Finance and Public Credit.

Said decree was issued based on the guidelines contained in Basel III to define the solvency margin, specifically the calculation of assets weighted by level of risk. The decree defined that on-loan operations should be weighted by 50% given that their risk is concentrated in commercial banks and not in the final beneficiary of the loan.

Carolina will now continue with the presentation.

#### **Slide # 13**

FINDETER funding sources amount to 7.9 billion pesos, including bonds, loans with banks and other obligations and deposits and current liabilities.

The Entity has contracted loans with multilateral banks and cooperation institutions such as the IDB, KFW, AFD and BCIE. It also has loans from commercial banks such as the BANK OF TOKYO and CITIBANK. Other important items within the funding structure correspond to outstanding investment securities (13.4%), among which international bonds issued in 2014 are highlighted (nine hundred and forty six thousand one hundred and seventy five million pesos).

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During 2017, funds were raised for \$ 3,27 Billion, of which \$ 3,06 Billion came from Term Deposit Certificate issuance, with FINDETER being the eighth largest issuer of this financial instrument in the market; the above, together is added to the first issuance of subordinated bonds in the local market for \$ 204 Billion, which was oversubscribed by 2.4 times the initially offered amount.

In the first quarter of 2018, fund raising through Term Deposit Certificates was \$ 694 billion, which met the resource needs generated by the disbursements made.

The confidence of the Colombian Financial System in Findeter with relation to risk management is ratified by its Triple A credit rating (AAA) for Long Term debt and F1 + for short term debt, that has been reaffirmed for 20 years, granted by Fitch Ratings Colombia SA, which highlights the entity as having the highest credit quality issues.



The Colombian Securities Exchange renewed the IR Issuer Recognition for the company for the second consecutive year in 2017, due to FINDETER's adoption of the best practices in the area of information disclosure and investor relations. It was recognized in the last year as one of the five IR issuers with the most evolution in the program's standards

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With respect to funding through loans with international entities, last December a loan agreement was signed with the German Development Bank (KfW) for € 70 million, equivalent to USD 82.4 million, to finance and promote Efficiency, Energy and Renewable Energy projects.

We are also in the process of negotiating a new loan with the French Development Agency (AFD) focused on the post-conflict regions, the amount of this potential loan is USD 150 million. The objective is for these loans to be accompanied by non-reimbursable international cooperation resources.

Additionally, we are negotiating a new loan with the German Development Bank (KfW), focused on the potable water and basic sanitation sector to promote projects that mitigate climate change in Colombia for € 90 million.

During 2017, disbursements of external loans for USD 27.6 million were made.

Regarding non-reimbursable international cooperation, the following non-reimbursable cooperation resources were obtained with international funds: The British Embassy and FINDETER signed a Memorandum of Understanding for an amount of £ 13 Million, through which FINDETER is to be the implementer of 3 of the 5 components of the Prosperity Fund in Colombia. These components are urban development, railways and institutional strengthening.

Similarly, with the Embassy of Japan, on March 28, FINDETER signed three donation agreements for Child Development Center Construction projects for a total of three hundred and twenty thousand two hundred and three dollars. Currently, an additional contribution from the Embassy of Japan is being negotiated for the construction of additional Child Development Centers in different municipalities of the country.

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The MOU signed between the Abu Dhabi Development Fund and the Cooperation Presidency Agency (APC) was signed on January 30, 2018, through which it recognizes FINDETER as the executor of the resources destined for the construction of Child Development Centers in 10 remote municipalities of the country.

Finally, it is important to highlight that FINDETER has been invited by the European Union to be part of the National Advisory Committee of the Global Compact of Mayors for Climate and Energy in Colombia.

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I give now the floor to Laura Román Commercial Vicepresident .

**Slide # 18**

Hello to everyone, In two thousand seventeen (2017), we administered on-loan operations worth two million and seventy one thousand seven hundred and sixteen million pesos, and we highlight the results in health, education and housing sectors.

During the year we impacted twenty five (25) departments and sixty four (64) municipalities in all the regions of the country, where we carried out two hundred twenty one (221) projects, of which one million four hundred and fifty thousand seven hundred and twelve million pesos were disbursed for investment, equivalent to seventy (70%) of the total; followed by debt substitution with twenty one per cent (21%), equal to four hundred and thirty four thousand eight hundred and thirty one million pesos, and working capital with disbursements totaling one hundred eighty six thousand one hundred seventy four million pesos (\$ 186,174 million pesos), equivalent to nine per cent (9%).

Seventy three (73) educational institutions, ninety one (91) health institutions and three (3) mass transport systems were financed, demonstrating good indicators of development in strategic sectors.

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The disbursement goal proposed by the entity for two thousand seventeen (2017) was projected at one point nine billion pesos (\$ 1.9) for the placement of on-loan. The amount actually disbursed represents a compliance of one hundred nine per cent (109%) of the two thousand seventeen (2017) annual goal, driven by the disbursements of the last quarter of the year, as the most positive quarter. This management highlights the commitment and responsibility of the human talent of the organization to the fulfillment of its objectives.

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In the first quarter of two thousand eighteen 2018, we managed on-loan operations for eight hundred and sixty five thousand four hundred and fifty million pesos, where we highlighted the results in the education and transportation sectors.

During this period we impacted fourteen (14) departments and thirty three (33) municipalities in all the regions of the country, where we carried out seventy two (72) projects, of which seven hundred and seventy seven thousand nine hundred and forty two million pesos were disbursed for investment, equivalent to eighty nine point nine per cent (89.9%) of the total; followed by working capital with six point five (6.5%), equal to fifty six thousand four hundred and eight four million pesos and the replacement of debt with disbursements of thirty one thousand and twenty four million pesos, equivalent to three point six per cent 3.6%.

We highlight business for the construction of buildings and laboratories and clinics for universities, the financing of development plans for large cities such as Barranquilla and some road plans for some of the departments.

During the first three months of two thousand eighteen (2018), we financed five (5) water and sewerage companies and twenty eight (28) health institutions, among others.

#### **Slide # 21**

In two thousand seventeen (2017), the banks represented ninety nine per cent (99%) of the intermediaries of on-loan operations with disbursements of two million fifty nine thousand five hundred and eleven million pesos. Other intermediaries represented the remaining 1% with twelve thousand two hundred and five million pesos.

By segment, we disbursed one million four hundred and eighty four thousand nine hundred and seventy million pesos for private sector beneficiaries, which accounted for seventy two (72%) of operations, and five hundred and eighty six thousand seven hundred and forty five million pesos for public sector beneficiaries representing the remaining twenty eight (28%).

Regarding the term of disbursements, as a development bank, we focus on long-term loans. Loans with terms equal to or greater than five (5) years. These represented ninety five (95%) of the placements equivalent to one million nine hundred and eighty three thousand four hundred and forty two million pesos, while short-term loans, of less than five (5) years, represented five per cent (5%), equivalent to eighty eight thousand two hundred and seventy four million dollars

As a leading bank, we seek to transform regions into sustainable territories through infrastructure projects that generate well-being in the regions and improve the quality of life of their inhabitants.

#### **Slide # 22**

We now present the topics of the technical area of the entity, corresponding to FINDETER's non-financial products.

#### **Slide # 23**

The Technical Assistance service is the main non-financial product of FINDETER, through which we support the National Government and other governmental entities, carrying out the pre-contractual and contractual processes, providing the monitoring and supervision of the execution of water and basic sanitation programs, social infrastructure and housing, ICT, among others.

Through technical assistance, FINDETER has established itself as the vehicle for implementing the programs and policies of the National Government in the regions of Colombia. Proof of this is the exponential evolution of the product, from 160 projects executed in 2011, to the 855 projects that were executed as of March 31, 2018, with a growth of 16.9% between 2017 and the first quarter of this year.

#### **Slide # 24**

With the technical assistance product we are executing \$ 8.6 billion Colombian pesos in 855 projects in 368 municipalities of Colombia, generating fifty four thousand jobs. Of the \$ 8.6 billion Colombian pesos in resources, \$ 2.15 billion corresponds to 282 projects for drinking water and basic sanitation





programs; approximately \$ 9.57 billion in 321 projects in social infrastructure, \$ 5.46 billion in 242 housing projects, \$ 1.15 billion in 29 projects in San Andrés and \$ 50 billion in 22 ICT projects.

#### **Slide # 25**

Thank you Carolina, we now move to the last part of our presentation containing relevant events of 2017 and after the closing of the period and expectations for 2018.

#### **Slide 26**

With respect to the most important organizational achievements of 2017 we highlight the strengthening of the corporate governance of the entity, which in the last year incorporated international standards recommended by organizations such as the Organization for Economic Cooperation and Development (OECD) and the Colombian Stock Exchange, which are reflected in our new Code of Good Governance and the new Code of Ethics, documents that were approved by our Board of Directors in the month of November 2017

#### **Slide 27**

Thanks to the recognitions obtained by Findeter in 2017, we were appointed as President of the Board of Directors of ALIDE (Latin American Association of Financial Institutions for Development); we also obtained the Special Distinction in the Smart City Expo LATAM Congress, for being a regional benchmark and promoting territorial development in Latin America. Findeter was also recognized as one of the top 20 companies to work in the category of companies with more than 500 employees by the international firm Great Place to Work.

#### **Slide 28**

We also want to share with you that on April 24, 2018, the Board of Directors of FINDETER approved the first issue of Sustainable Bonds in the country for up to four hundred thousand million Colombian pesos (\$ 400,000,000,000). This project has the support of the Economic Cooperation and Development division of the Swiss State Secretariat for Economic Affairs through a technical cooperation project with the Inter-American Development Bank (IDB).

The bonds will be placed in the local market through the Colombian Stock Exchange (BVC) in the second half of this year, and may be acquired by pension and severance funds, insurance companies and fiduciaries, among others.

Sustainable bonds are those that combine green projects - those that mitigate the impact of climate change - and projects with positive social impacts. This financial instrument will have the second rating opinion of Vigeo Eiris and the legal structure of Gomez Pinzón lawyers.

#### **Slide 29**

Finally, our expectations for the year, are in line with our strategic planning, as we continue working for the sustainable development of the regions, through the financing of sustainable infrastructure projects and technical assistance.





2018 will be a crucial year in matters of international cooperation for Colombia due to the post-conflict situation. Findeter will continue to search for and administer resources that allow the leveraging of territorial development in the framework of peace and climate change; as well as the execution of the resources obtained during 2017.

By 2018 we aim to place USD \$ 637 million dollars in investment projects nationwide.

### **Slide 30**

Last Sunday, May 27, presidential elections were held in Colombia. The two candidates that got the most votes were Iván Duque with 7'569.693 million votes, representing 39% of total votes and Gustavo Petro with 4.851.254, which represents 25% of the votes. 19.3 million of people voted, the highest participation for an election in the history of the country. The second round that will define the president is next June 17

### **Slide 31**

This marks the end of our presentation. Thank you for your time.