

September 10th, 2020

**Financiera de Desarrollo Territorial S.A. -FINDETER
Financial Results 2Q2020
Event Transcription**

Slide #2

Welcome to Findeter's financial results presentation, where we will be sharing the company's results for the first half of 2020.

During this first half of 2020, under the public health emergency caused by the Covid-19 pandemic, Findeter continued to consolidate its position as strategic partner of the country and its national, departmental and municipal leaders, supporting and impacting the territories and companies by financing key sectors of the national economy through special and direct lines of credit at compensated rate, with disbursements of almost COP \$2 trillion pesos during the emergency period.

Additionally, as a Colombian Territorial Development Bank, through our management model we managed to efficiently assist the planning, structuring, financing and execution of infrastructure projects that aim to build an equitable, dynamic and sustainable country, thus contributing to the United Nations Sustainable Development Goals.

We achieved this through a set of Financial products, such as on-loans, direct loans and management of public resources, and Non-Financial products with our technical assistance and project structuring services, with the aim of building a sustainable country, with high economic and social growth.

Slide #4 (applies only to English presentation)

Thank you, Richard. Let me start first by emphasizing that, to avoid any confusion in the translation of figures, where applicable, in this presentation we refer to 1,000,000,000 as billions of pesos, and 1,000,000,000,000 as trillions of pesos.

Let's now start with FINDETER's financial results for the first half of 2020.

Slide #6

Findeter continues to be the leading development bank in Colombia, promoting sustainable projects that transform territories across the country. This is evidenced in the growth of the company's total assets during the last 10 years, from COP \$4.8 to COP \$11.4 trillion pesos. This behavior has been driven mainly by the increase in the gross portfolio over said period, with an average of 9.42% per annum. As of December 2019, the portfolio amounted to COP \$8.92 trillion pesos, and by June 2020 it stands at COP \$10.11 trillion pesos, thus continuing the upward trend.

Slide #7

As of June 2020, the total portfolio of the financial system amounts to COP \$561 trillion pesos, which is equivalent to an increase of \$54 trillion pesos YoY. This growth is driven by consumer and commercial loans. Of the total portfolio, 56% corresponds to the commercial portfolio, which is equivalent to \$313 trillion pesos, \$35 trillion pesos more than in June 2019.

As for special official institutions, the on-loan portfolio totals \$31 trillion pesos, where Findeter has a 32% stake, making the company the leading development bank in the country when considering the share of its peers .

Slide #8

Findeter's leadership is reflected in its financial results.

When analyzing the behavior of Findeter's assets during the second quarter of 2020, an upward trend can be observed in its main accounts.

In the first half of 2020, the portfolio increased by 13.38%, as a result of a higher level of disbursements, which amounted to COP \$1.8 trillion pesos, in addition to lower prepayments recorded, which had a positive impact on this behavior. As a result, Findeter's portfolio closed at COP \$10.04 trillion pesos. Investments also showed a positive variation thanks to the derivative valuations, which increased as a result of the exchange rate variation, with a portfolio equivalent to USD 511 million dollars at an average forward rate of COP\$3,681.05 pesos, whereas the exchange rate for June was COP\$3,756.28 pesos.

Moreover, available cash increased due to the current situation, which has raised the need to keep higher levels of liquidity to adequately meet the company's growth in disbursements and financial commitments.

Findeter's capital structure consists of 89.2% liabilities and 10.8% equity. In this total structure, the most representative item corresponds to deposits and receivables, with a share of 53.6% (COP \$6.17 trillion), followed by multilateral bank loans with 19.4% (COP \$2.23 trillion), international bonds, subordinated bonds and sustainable bonds with 13.4%, and finally other liabilities with 2.9%.

As for Equity, as of June 2020, it shows a growth of 4.56% YoY, as a result of the generation of profits from the previous year (COP \$73.910 billion pesos, the company's all-time high).

Finally, regarding the income statement, despite the effects of the public health emergency, Findeter has gained profits for COP \$15 billion pesos.

The increase in revenue when comparing June 2019 and June 2020 is mainly due to derivative valuations, as a result of an increase of 17.26% in the exchange rate. In addition, portfolio interest revenue increased by 10.52% thanks to portfolio growth and lower prepayments.

In line with the revenue trend, expenses have also increased as a result of the exchange rate variation, causing higher expenses in derivatives and exchange difference. It is worthwhile to

mention that due to the 200 basis point decrease of LIBOR rates, interest rates corresponding to loans with multilateral banks have decreased by 24% YoY.

Slide #9

As of June 2020, Findeter's funding sources, excluding equity, amounted to COP \$9.9 trillion pesos, which include bonds, loans with multilateral banks, as well as deposits and receivables.

The Company's current loans have been granted by multilateral banks such as IDB, KFW, AFD and CABEL, and as of June 2020 amount to COP \$2.23 trillion pesos. From June 2019 to June 2020, the exchange rate has increased by COP \$553.24 pesos, affecting all balances of current loans.

Other important items within the funding structure correspond to outstanding investment securities (22.4%), which include international bonds issued in 2014 for COP\$946 billion pesos, subordinated bonds issued in 2017 for COP\$203.680 billion pesos and sustainable bonds issued in June 2019 for \$400 billion pesos.

As of June 2020, issues and renewals of certificates of deposit amount to COP \$2.19 trillion pesos, evidencing a YoY growth. This is proof of Findeter's financial soundness, recognized by institutional investors who continue to demand the securities issued by the Company despite the current economic situation.

Slide #10

Profitability ratios as of June 2020 showed variations compared to last year. ROE was 2.44% despite the effects of the current economic situation; on the other hand, ROA, at 0.26%, also showed a downward trend compared to June 2019, caused by the increased volume of the portfolio.

Operational efficiency indicators showed positive results since the indicator as of June 2020 was 1.25%, evidencing an improvement of 15 basis points compared to 2019, mainly explained by the efficient management of expenditure, which increased only by 2.88% YoY, thus reflecting a successful policy by our senior management regarding expenditure management and control.

The portfolio quality indicator shows a positive trend, since it is at levels below 1% while the equivalent of the Colombian financial system rises to 4.3%, thus reflecting the lower portfolio risk assumed by Findeter from on-loans

Slide #11

As for **EBITDA**, the interest margin showed an increase of 19% YoY, as a result of the growth of the company's portfolio. On the other hand, the gross financial margin decreased by 10% YoY, due to the impacts of the derivative valuations caused by the increase in the exchange rate during the first quarter of the year. However, the Company maintains its positive figures and reached COP \$39 billion pesos in the first half.

ROE as of June 2020 is 2.44%. Despite the economic impacts of the current global health emergency, Findeter has managed to show good results at the end of the half-year, especially with respect to

the interest margin, which has remained positive and rising thanks to the growth of the company's portfolio. Another aspect worth mentioning is the decrease in interest corresponding to funding thanks to the downward trend in base rates for loans with multilateral banks. These positive impacts on P&L have allowed the Company's net income to reach COP \$15 billion.

The effective management of expenses and the increase in productive assets, mainly due to the portfolio during the second quarter of 2020, allowed our **operational efficiency** to be at 1.25%, which represents an improvement of 9 basis points compared to 2019.

Slide #12

The solvency ratio went from 22.56% in June 2019 to 20.05% in June 2020. This behavior is explained by the variation in assets, which so far this year have increased by 16.71%, equivalent to COP \$1.65 trillion pesos.

Accordingly, the increase in risk-weighted assets, equivalent to 14.89%, is mainly a result of the increase in the value of the Company's portfolio, which has grown by 18.44% from June 2019 to June 2020, causing the solvency ratio to decrease.

Slide #13

FINDETER measures its exposure to liquidity risk through the liquidity risk indicator (LRI), which, according to the requirements of the supervisor agency (Financial Superintendence of Colombia), must be calculated for time bands of 1 to 7 days and 1 to 30 days.

The LRI can be interpreted as the availability of cash after the entity fulfills its contractual obligations, both lending and borrowing, within a certain period of time.

This chart details the ratio of assets and liabilities involved in the construction of the net requirement, showing that throughout the year FINDETER maintained sufficient resources to meet its contractual liquidity needs in the time bands of 7 and 30 days

Slide #14

We now move on to commercial results for the first half-year.

Slides #15-16

Throughout the public health emergency caused by the pandemic, we have been an ally for the country and its national, departmental and municipal leaders, supporting and impacting territories and companies in different sectors.

In the first half of 2020, we processed on-loan operations worth COP \$1.8 trillion pesos, where we highlight the results in the health, urban infrastructure, construction and housing, energy and sport infrastructure sectors.

During this period of time, we managed to reach 23 departments and 65 municipalities in all regions, being involved in 390 projects. Disbursements were mainly focused on working capital, with 53% of the total, followed by investments with 43% and debt substitution with 4%.

We highlight businesses for the construction of metropolitan parks and sports centers, as well as university buildings, affordable housing projects and financing of public lighting systems. Additionally, in this first half-year, 10 new projects with an impact on more than one municipality were identified through the financing and execution business lines. They correspond mostly to the educational spaces improvement program in rural and border areas.

In the first half, we registered a compliance of 111% with the proposed disbursement goal for Q2.

Slide #17

From January 1 to June 30, 2020, banks represented 99% of intermediaries in on-loan operations. Other intermediaries represented the remaining 1%.

By segment, we disbursed COP \$1.4 trillion pesos for private sector beneficiaries, which represented 80% of operations, and COP \$369 billion pesos for public sector beneficiaries, which represented the remaining 20%.

Regarding the disbursement term, as a development bank, we focus on long-term loans. Loans with terms equal to or greater than 8 years represented 41% of the placement, followed by loans of 3 to 5 years with 28 % of the placements.

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

Slide #18

We now move on to the company's technical area, meaning Findeter's non-financial products.

Slide #19

The Technical Assistance service is Findeter's main non-financial product, through which we support the National Government and other government entities by conducting pre-contractual and contractual processes and monitoring and supervising the execution of programs on basic water and sanitation, social infrastructure and housing and urban development.

Through technical assistance, Findeter has consolidated its position as the vehicle for executing the programs and policies of the National Government and territorial entities in the regions of Colombia.

With this product, in 2020 we have managed to execute 281 Projects, for a total value of COP \$1.8 trillion pesos, which directly benefit more than 4.7 million Colombians.



These projects are executed through three business lines: Water and Basic Sanitation with 81 Projects, Social Infrastructure with 162 Projects and Housing and Urban Development with 38 Projects, for a total of COP \$533 billion pesos.

During the first half-year, we have issued sales invoices for COP \$28.7 billion pesos.

Findeter has sound and extensive experience in the execution of projects where a wide variety of sectors stand out, such as: Educational Centers, Aqueducts, Sewers, Recreational Sports Parks, Housing for Savers, Museums, Consulting, Specialized Attention Centers, Equipment, Supplies, Endowments, Home Improvement, Free Housing, Dredging, Administrative Sites, Comprehensive Neighborhood Improvements, Sanitary Landfills, among others.

Slide #20

We now want to briefly go through 3 key projects developed by Findeter this year.

The first one is the Optimization of the Mocoa Aqueduct System in the Department of Putumayo, for COP \$27 billion pesos.

The optimization of this drinking water treatment plant will result in the production of 107 liters per second, the construction of 2 storage tanks with a capacity of 2,460 cubic meters, the installation of 2,341 aqueduct connections and the installation of a total of 58 kilometers of piping. This project directly benefits 33,426 inhabitants.

Slide #21

The second project is the construction of the *Creceer Calandaima* Center in Bogota, D.C., for children and adolescents with cognitive disabilities from ages 6 to 17 and 11 months,.

This project cost COP \$6.532 billion pesos, has an intervened area of 1,600 square meters, 6 classrooms, 1 playroom, 1 gym and offers 100 places for children with cognitive disabilities.

Slide #22

With the Casa Digna, Vida Digna Program project, Findeter provides its technical assistance service for the improvement of home interiors, including the construction of bathrooms, kitchens, floors and structures, among others.

The projects that Findeter supervises under this program to date are worth an aggregate of COP \$55 billion pesos, to carry out 5,044 home improvements in 13 cities across the country.

Thank you, Andres will now finish the presentation with some relevant information.

Slide #23

We would like to end our presentation by providing relevant information regarding the measures taken in Findeter to face the current situation caused by the COVID-19 pandemic.

First, on March 17, 2020, the National Government declared an Economic, Social and Ecological State of Emergency through Decree 417 of 2020, as a consequence of the Coronavirus. This decree

specified the need to adopt extraordinary measures to alleviate the tax and financial obligations that could be affected by the crisis.

Accordingly, on March 23, 2020, the National Government issued Legislative Decree 468, whereby Findeter was enabled to grant direct loans with a compensated rate aimed at financing projects and activities in the sectors eligible to ward off the crisis or prevent the extension of its effects on national territory.

In addition, on April 15, it issued Legislative Decree 581, whereby Findeter was authorized to grant direct loans to residential public utilities, in order to provide them with liquidity or working capital, to implement the measures to combat the effects of the State of Emergency.

Slide #24

This way, Findeter, as the leading development bank in Colombia, has continued working to support the country's key development sectors. In this sense, and under Decree 417 of 2020, we have so far launched four special lines of credit.

The first is *Territory Commitment*, with an amount of \$500 billion, aimed at the country's municipalities and departments, to strengthen their territories and maintain their operational solvency so that they can face the adverse effects of the public health crisis caused by COVID-19.

Second, we have *Colombia Commitment*, with a total amount of \$713 billion, divided into \$461 billion for working capital and \$252 billion for investment. This line is to support public and private sectors affected by Covid-19 that are included in the sectors and subsectors eligible for finance by Findeter.

Finally, there is the direct line of credit for Residential Public Utilities, through which the national government, through Findeter, seeks to support official, mixed and private residential public utilities that provide aqueduct, sewage and/or cleaning, electrical energy and fuel gas by alleviating their cash flow and ensuring the provision of services for socio-economic strata 1 and 2 during the Economic, Social and Ecological Emergency. This line represents an important challenge for Findeter, since the loans will be made directly to the final beneficiary, without a financial intermediary and with 0% interest rate.

All the information related to these lines and how to access them can be found on Findeter's website.

Slide #25

This is the end of today's presentation, if you have further questions or require additional information, please contact the Investor Relations office.

Thank you all.