

May 24, 2019

**Financiera de Desarrollo Territorial S.A. -FINDETER**  
**Financial Results 1T-2019**  
**Event Transcript**

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Good morning to all the attendees. My name is Richard Martínez Financial Vicepresident of Findeter. We are accompanied today by:

**Hosts:**

Richard Martínez, Financial Vicepresident

Laura Peña, Planning Vicepresident

Carolina Farfán, Treasurer

Andrés Felipe Sánchez, Investor Relations Officer

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During the conference call event, we will present the financial and corporate results of the company in the year 2018, and the first quarter of 2019.

As a result of (i) an effective financial, commercial, technical and administrative management, and (ii) the consolidation of the corporate governance management model that guarantees the strategic direction of FINDETER, during the year 2018 (two thousand eighteen) we achieved excellent results that continue to position FINDETER as the leading development bank in Colombia.

In order to present the 2018 results, I give the floor to Laura Peña our Planning Vicepresident.

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Thank you Richard.

In financial terms, during 2018, assets amounted to \$ 9.72 billion pesos, a growth of 2.9% compared to 2017. Liabilities closed at \$ 8.58 billion pesos, which represents a growth of 2.69% compared to the \$ 8.35 billion in 2017. Equity increased by 5.2% from \$ 1.08 billion to \$ 1.14 billion.

Likewise, during 2018 Findeter managed to raise resources for \$ 3.10 billion through CD's issuances, a decrease compared to 2017, due to the diversification of sources with loans obtained from multilateral banking and a greater dynamism of the prepayments of the active portfolio. As a result of this outstanding financial management, it was possible to maintain disbursements levels of \$ 2.26 billion, achieving the highest ROE in Findeter's history with 4.96%, 15 basic points above the ROE registered the previous year.

The good performance of this indicator corresponds to the volume of net profits of the Entity that once again exceeded its historic cap with a total of \$ 56,560 million pesos. This represents an increase of 8.46% compared to December 2017, being these the highest profits obtained in the history of the Entity.

On the other hand, the total solvency indicator was 21.7% compared to 23.6% in 2017. This decrease in the indicator is attributed to the increase in market risk during the month of December. This slight decrease is due to the behavior currency hedging in dollars, since their maturity increased in relation to the previous year, affecting the calculation of value at risk.

Finally, Findeter's loan portfolio presented an increase of 3% in the last year, standing at \$ 8.5 billion.

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From the commercial perspective, as mentioned before, in 2018 we reached disbursements for \$ 2.26 billion, surpassing the established goal by \$ 360 thousand million, equivalent to an execution of 119% of the annual goal. Out of this total of disbursements, \$ 1.2 billion was to the private segment and \$ 1.05 for the public segment, represented in 192 projects in the national territory.

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In the same way, from the total amount disbursed, it stands out that \$ 1.75 billion, that is, 78% of the total loans, were allocated to investments in the education, transport, urban development and housing sectors; and 21% of the disbursements, amounting to \$ 473 thousand million, to sectors that impact on the well-being of Colombians such as health, energy, sports, recreation and culture, drinking water and basic sanitation; and the remaining 1%, for \$ 35 thousand million, went to finance infrastructure in sectors such as the environment, tourism and information technologies.

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On the other hand, Findeter has positive results with respect to technical assistance service, which is our main non-financial product, through which we support the National Government and other governmental entities serving as an instrument for executing public policies.

In 2018 compared to the 2017 term, we managed to achieve from 839 projects to a total of 963, which meant an increase of 14.78%. The main sectors in which these projects were carried out are: Water and Basic Sanitation, Social Infrastructure such as (Cultural Centers, Parks, Colleges and Specialized Care Centers), Housing and Urban Development and IT information and communications technologies.

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Finalizing the 2018 summary, we want to share certain important achievements obtained by Findeter in 2018. We were accredited by the Green Climate Fund as a Development Bank committed to mitigating and adapting the country to climate change, making us the third National Development Bank of Latin America to obtain this acknowledgment. Likewise, we were accredited in the program-Active Anti-Corruption Companies "Business with principles"- granted to companies that meet the highest anti-corruption standards. In addition, the Colombian Stock Exchange in 2018, renewed for the fourth consecutive year the Investor Relations Issuer Recognition for its adoption of the best practices in the field of information disclosure and investor relations. Additionally we were recognized as IR issuers with the greatest evolution in the program standards.



Finally, Findeter was recognized as the fifth best company to work in Colombia by the international firm Great Place to Work.

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We now turn to the results of the first quarter of 2019.

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In 2019 Findeter continues to be the leading national development bank. This can be evidenced in the growth of the total assets of the entity within the past 9 years, increasing from 4.8 to 9.2 billion pesos. This growth has been principally driven by the increase in the gross portfolio, which has grown by an average of 8.1% during this period. However, when looking at the period between February 2018 and February 2019, the decrease was 2.50% reaching 8.3 billion pesos, which is a consequence of a slower dynamic in disbursements and the increase in prepayments.

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As of February 2019, the total portfolio of the financial system amounts to COP 491 billion pesos, representing an increase of 30 billion as compared to the previous year, driven mostly by consumer and housing loans. Of the totality of the portfolio, 55% corresponds to commercial portfolio, which is equivalent to COP 271 billion, COP 9 billion greater compared to February 2018. On the other hand, the total on-loan portfolio corresponds to 24 Billion of which Findeter has a 34% share of participation which positions us as the leaders in this segment.

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Moving to our financial statements results, when analyzing the behavior of Findeter's assets during the first quarter of 2019, a downward trend can be observed in its main accounts with respect to December 2018. The decrease in the portfolio was mainly given by the increase in prepayments and a lower dynamic of disbursements as a result of the behavior of the sector.

The capital structure of Findeter is composed of 87.7% of liabilities and 12.3% of equity. Within the liabilities the most representative item corresponds to deposits and current liabilities with a participation of 61.5% (5.12 billion pesos), followed by loans from banks and other obligations which represents 21.7% (1.8 billions of pesos) of the total liabilities. The other 16.8% is represented in bonds and equity.

As for Equity, during the first quarter, this has grown by 6.22% with respect to the first quarter of 2018. This variation has been mainly due to the capitalization of the profits of the previous year (56,559 million pesos, the highest in the history of the entity) and the recalculation of taxes that has generated a positive behavior for the profits during this year.

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Findeter's funding sources amount to 8.1 billion pesos, including bonds, loans with banks, other obligations, deposits and current liabilities.

The Entity has contracted loans with multilateral banks and cooperation institutions such as the IADB, KFW, AFD and the Central American Bank for Economic Integration, which represent 1.8 billion pesos.

Other important items within the funding structure correspond to outstanding investment securities (14%), which include the international bonds issued in 2014 (COP \$ 946,175 million) and the subordinated bonds (COP \$ 203,680 million) issued in 2017.

Regarding the issuance of CDTs, as of March 30, 2019 Findeter has issued a total of \$ 605,032 million pesos.

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The profitability indicators in March 2019 showed an upward variation, with respect to last year, the ROE reached 9.41%, and the ROA reached 1.17%. This is the result of the behavior that profits have had in 2018 and the first quarter of this year. The increase corresponds to 319 Basis Points in the ROE and 45 Basis Points in the ROA.

The efficiency indicators do not show relevant variations during the period analyzed in terms of the income/asset ratio, but compared to the comparison of income and expenses, an improvement of 3 percentage points can be evidenced, which shows an adequate policy of control of expenses.

The portfolio quality indicator shows remarkable behavior, since its levels are located below 1% while the Colombian financial system indicators locate at 4.76%.

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As previously mentioned, the ROE after taxes as of December 2018 amounted to 4.96%, marking the highest figure recorded at the end of a period, showing a growth of 15 Basis Points compared to December 2017. This behavior is attributed mainly to the dynamism evidenced in the portfolio during the past year, as well as efficiencies obtained in costs for derivatives coverage, recovery of portfolio provisions, and an adequate control of administrative expenses.

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The solvency ratio went from 22.4% in March 2018 to 21.4% for March 2019, this variation is justified in the behavior of technical assets and risk-weighted assets and market risk.

In this case, it is important to highlight two aspects: first the decrease in risk-weighted assets equivalent to 2% derived from the decrease in the value of the portfolio in this period; and second the increase in the value of the market risk resulting from the devaluations contracted up to one year with the purpose of taking advantage of the dynamics of the market during the end of 2018.

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We will now be discussing the commercial results of Findeter.

In the first quarter of 2019, we managed to disburse on-loan operations for up to \$ 566,633 million pesos, mainly in the areas of urban development, health and energy sectors.

From January to March of 2019, we managed to have presence in 19 departments and 32 municipalities, covering all the regions of the Colombian territory, where we managed to carry out 59 projects. Disbursements were mainly for investments purposes, which constituted 83% of the total disbursed amount. Moreover, 9% of the disbursements were for debt substitution purposes, and 8% for working capital.

At the end of the first quarter we had already accomplished of 24% of the annual disbursement goal proposed for 2019.

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As for financial intermediaries, from January 1st to March 31st, banks accounted for 99% (ninety nine percent) of on-loan credit operations. Other intermediaries accounted for the remaining 1%.

By segment, we disbursed \$ \$327.659 million for private sector beneficiaries, representing 58% (fifty eight percent) of the operations, and \$238.974 for public sector beneficiaries representing the remaining 42%.

Regarding the term of the disbursements, we focus on long-term loans, to the extent that Findeter is a development bank. Loans with terms equal to or greater than 5 years accounted for 99.9% of the total placement, while short-term loans of less than 5 years accounted for the remaining 0.1%.

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

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Finally we want to inform you about recent changes in the strategic direction of Findeter.

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Our mission has focused to strengthening the position of Findeter as a strategic ally of the government, in supporting policies of social and economic impact of the country, increasing our coverage in a greater number of municipalities.

Our vision establishes the commitment to provide integrated services supported by an efficient and profitable platform in terms of planning, structuring, financing and executing projects.

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We also have a new Management model, by means of which we seek to support the territories in overcoming the financial and institutional constraints they may face, in order to create sustainable development. As so, and in alliance with other important territorial actors, we would be able to identify possible opportunities in order to achieve a sustainable impact in the corresponding territories. Our vision is to be able to deliver resources to financial entities across Colombia, in order to finance infrastructure projects through loans or financial leasing operations, focusing on executing high-impact projects and programs that would have a positive effect in relation to the economic and social growth of the regions.



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Finally, in order to internally align the organization for the development of the new management, the organizational structure of Findeter was adjusted, according to the specific needs of each area, preparing our development bank to face the new goals that we have set forth for the upcoming years.

This marks the end of our event.