

September 11th, 2019

**Financiera de Desarrollo Territorial S.A. -FINDETER**

**Financial Results 2Q-2019**

**Event Transcript**

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

Carolina Farfán, Treasurer

Andrés Felipe Sánchez, Investor Relations

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I now give the floor to our CFO, Richard Martinez

***Slide # 3***

**About Us**

Dear Investors and market analysts,

Welcome to Findeter's financial results presentation, where we will present the financial, commercial and technical results of the first half of 2019 (two thousand nineteen).

FINDETER continues to be the leading development bank in Colombia, offering comprehensive solutions to build sustainable territories through our management model: planning, structuring, financing and execution, contributing to six of the sustainable development goals of the United Nations.

We offer a set of financial products - including on-loan credits, sureties and guarantees, and administration of public resources; also non-financial products such as technical assistance and project structuring, with the objective of building a sustainable country with high economic and social growth.

**Slide # 4****FINANCIAL RESULTS**

Thank you, Andres will now continue with the financial information of the company

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**Slide #5****STRUCTURE OF COLOMBIAN DEVELOPMENT BANKS**

Findeter continues as the leading national development bank. This can be evidenced by the evolution of the total assets of the entity during the current decade, which has increased from 4.8 billion to 9.8 billion pesos. This growth has been principally driven by the increase in the gross portfolio, which has grown on average 8.25% during this period. To June 2019 the loan portfolio of Findeter increased to 8.5 billion pesos.

**Slide #6****STRUCTURE OF COLOMBIAN DEVELOPMENT BANKS**

To the period of June 30, 2019, the total portfolio of the financial system amounts to 507 billion pesos, an increase of \$34 billion pesos when compared to 2018. This growth is principally driven by consumer and commercial loans.

From the mentioned total, 55% corresponds to commercial loans, equivalent to COP 278 billion pesos, an increase of \$11 billion when compared to the same period of 2018.

On the other hand, the on-loan portfolio corresponds to 8.9% of the commercial portfolio, which translates into COP 25 billion pesos, where Findeter has a participation of 35% which positions it as one of the leaders in the market.

**Slide #7****FINDERET FINANCIAL RESULTS**

This positioning is evidenced in the **Financial Results of our company**.

When analyzing the behavior of FINDETER's assets during the second semester of 2019, a positive trend can be observed in its main accounts with respect to December 2018. Mainly, the increase in the working capital account as a result of the issuance of the sustainable bonds for \$400,000 million pesos. On the other hand the on loan portfolio shows a behavior similar to that reflected during the closing of the previous year, 8.5 billion pesos.

The capital structure of FINDETER is composed of 88% liabilities and 12% equity. Within the liabilities, the most important item corresponds to deposits and current liabilities with a participation of 51.9%, equivalent to 5.13 billion pesos, followed by loans from banks and other obligations which represent 20.5% equivalent to 1.8 billion pesos of the total liabilities and 15.6% corresponds to bonds issuances.

As of June 2019, equity has grown by 5.80% with respect to the same month of 2018, a variation that was mainly due to the capitalization of the profits of the previous year 56,559 million pesos, the highest in the history of the entity. Additionally, we want to remark the positive performance of the profits during the first semester of the year, reaching 40.143 million pesos, an increase of 4.89% with respect to the same period of the previous year.

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## **FUNDING**

FINDETER funding sources amount to 8.4 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 the Central American Bank for Economic Integration, all of which amounted to \$1.8 to the second quarter of 2019. In this scenario is worth noting the impact of the Exchange Rate during the past year, where between June 2018 and June 2019 has had an increase of \$ 274.87 pesos impacting the balance of the credits that are still in force.

Other important items within the funding structure correspond to outstanding investment securities (18.23%), which includes the international bonds issued in 2014 for 946.175 million pesos, the subordinated bonds issued in 2017 for

203.680 million pesos and the recently issued Sustainable bonds for 400.000 million pesos as we will address next.

Regarding Certificate of Deposits, we have issued during the first semester of 2019, 1.3 billion pesos.

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## **SUSTAINABLE BONDS ISSUANCE**

One of the most relevant aspects of this period was the first issuance of sustainable bonds in Colombia, on June 18, where funds were raised for 400 thousand million pesos. The issue received demands for \$ 1.03 billion, with a bid to cover of 3.44 times the amount offered. Two series were auctioned: 5 years at CPI+ 2.54% and 7 years at CPI+ 2.90%. The bonds are rated AAA by BRC Standard & Poors.

These resources will allow FINDETER to finance and refinance projects that generate environmental and social benefits and facilitate the transition to a more sustainable economy; and to diversify the sources of financing and extend the duration of the liability.

The structuring of this issue was supported by the Inter-American Development Bank, through a technical assistance program financed by the Swiss Embassy in Colombia - Economic Cooperation and Development (SECO), who guided the structuring of the issuance in its sustainable nature in accordance with the Green Bonds Principles and the Social Bonds Principles of the International Capital Markets Association (ICMA).

An international expert, Vigeo Eiris, provided an independent opinion on the sustainability credentials and responsible management for the issuance of the Sustainable Bonds, stating its highest level of guarantee on the commitments of FINDETER as an issuer and the bond's contribution to Sustainability, contributing o 10 of the 17 United Nations sustainable Development Goals.

The results of the issuance affirms the trust of the market in the strength of Findeter and in our capacity to promote projects that generate economic and social development.

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## **FINANCIAL MANAGEMENT INDICATORS**

The efficiency indicators show positive variations during the analyzed period, the expense / asset ratio showed a decrease of 69 Basis points, while the expense / revenue ratio decreased 255 PB which shows an adequate policy of control of expenses.

quality The portfolio quality indicator shows a favorable behavior, since it locates at levels below 1% while the equivalent of the Colombian financial system amounts to 4.69%.

*Slide #11*

## **ROE**

The ROE to June 2019 amounted to 6.77%, which represents a decrease of 6 Basis Points compared to June 2018, period in which it stood at 6.83%. This behavior is mainly attributed to the growth of the entity's equity derived from the profits of the previous year. In this regard it is important to mention that Findeter does not distribute dividends.

On the other hand, the ROA remained at the same level of the previous year, which was, 0.81%.

*Diapositiva #12*

## **SOLVENCY RATIO**

The solvency ratio increased from 23.49% in June 2018 to 22.56% in June 2019, this behavior is due to the variation of the assets that in the past year have had a growth of 4% equivalent to \$ 377.020 million pesos.

In this case it is important to highlight the increase in the weighted assets equivalent to 1.2% derived from the growth of the portfolio's value in this period. It is important to note in this point, the growth of the market risk value which has been a consequence of the contracting of derivatives and the increased risk as a result of the volatility of the Exchange Rate.

*Slide #13*

## **COMMERCIAL MANAGEMENT**

Thank you, now Carolina will present the commercial results of the company.

*Slide #14*

## **DISBURSEMENTS**

During the first six months of 2019, we managed on-loan operations for 1.31 billion pesos, of which 752 thousand million pesos correspond to disbursements of the second quarter, which represents the best 2Q in recent years.

From January 1 to June 30, 2019, we managed to reach 20 departments and 53 municipalities in all the regions, where we carried out 130 projects. The destination of the disbursements are concentrated mainly for investment with 65% of the total; followed by working capital and debt substitution disbursements.

In this regard, we want to highlight that at the end of the first semester we have disbursed 55% of the projected annual goal for 2019.

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## **DISBURSEMENTS**

Regarding disbursements by economic sector, during the first semester we highlight the results in housing, water and basic sanitation with \$ 592 thousand million pesos, health and education with \$340 thousand million pesos, infrastructure and transportation with 197 thousand million pesos and energy for 162 thousand million.

Businesses stand out for the construction of 8 mobility projects in the metropolitan area of the Aburra Valley, which include cycle routes and road exchanges, transportation infrastructure projects such as the Toyo tunnel and the construction of the Coliseo Mayor sports arena in the District of Cartagena for the 2019 National games, as well as the construction of parks, sports venues and road paving in the Municipality of San José de Cúcuta.

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## **ON-LOAN CREDIT DISBURSEMENTS**

As for intermediaries, to June 30, 2019, banks accounted for 99% of on-loan credit operations. Other intermediaries accounted for the remaining 1%.

By segment, we disbursed \$841 thousand million for public sector beneficiaries, representing 64% of the operations, and \$478 thousand million for private sector beneficiaries representing the remaining 36%.

Regarding the term of the disbursements, as a development bank, we focus on long-term loans. Loans with terms equal to or greater than 5 years accounted for 97% of the total placement, while short-term loans of less than 5 years accounted for the remaining 3%.

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## **TECHNICAL MANAGEMENT**

We now continue with the topics of the technical assistance area of the entity, corresponding to Findeter's non-financial products.

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## **EVOLUTION OF THE TECHNICAL ASSISTANCE PRODUCT**

The Technical Assistance service is Findeter's main nonfinancial product, through which we support the National Government and other governmental entities, carrying out pre-contractual and contractual processes and monitoring and supervising the execution of water and basic sanitation programs, social infrastructure and housing, 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, increasing from 160 projects executed in 2011 to 1014 projects executed as of June 30, 2019, with a growth of 5.4% during the first semester of 2019 compared to the total number of projects registered to December 31, 2018.

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## **TECHNICAL ASSISTANCE**

With the technical assistance product, we are executing 9.51 billion pesos in 1.014 projects in 342 municipalities in Colombia.

During the first semester of 2019 we have reached 52 new projects, which means a growth of 5.4%, equivalent to \$ 396 thousand million pesos.

These projects belong to the Water and Basic Sanitation, Social Infrastructure and Housing and Urban Development business lines.

Thanks to our expert service and reputation, we have become a stronger and effective instrument in the implementation of priority programs of social inclusion, managing to articulate public policies with the needs and requirements of the regions.

This marks the end of our presentation, thank you all for your attention.

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