

December 13th, 2018

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

**Financial Results 3Q-2018**

**Event Transcript**

***Slide#1***

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

María Paz Uribe, Head of International Banking

Daniel Plazas, Financial Strategy Director

Andrés Felipe Sánchez, Investor Relations

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I now give the floor to our CFO, Richard Martinez

***Slide # 2***

Dear Investors and market analysts,

Welcome to Findeter's financial results presentation, where we will present the financial, commercial and technical results of the third quarter of 2018 (two thousand eighteen).

***Slide # 3***

**RELEVANT INFORMATION**

We want to start this presentation by sharing the news of the appointment of our new president, Ms. Sandra Gómez Arias. The Board of Directors of the entity have selected her to continue FINDETER's work as the leading development bank in Colombia.

Ms. Gómez has served as Investment Banking Manager at Profit; She was the Administrative and Financial Deputy Director of the Ministry of Finance and Vice President of Investments of the pension fund BBVA Horizonte (currently

Porvenir). Likewise, she was the National Treasury Manager of the Social Security Institute.

Thanks to her wide experience in the financial sector, we are sure that under the leadership of Ms. Sandra Gómez, we will continue working with the objective of building a sustainable country with high economic and social growth.

#### ***Slide # 4***

#### **FINANCIAL MANAGEMENT**

We start now with the financial information of the company, I give the floor to María Paz, our head of international banking.

#### ***Slide #5***

#### **DEVELOPMENT BANKS STRUCTURE**

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 (four point eight) billion to 10.6 (ten point six) billion pesos. This growth has been principally driven by the increase in the gross portfolio, which has grown on average 9.3% (nine point three per cent) in the last eight years. Looking at the period between September 2017 (two thousand seventeen) and September 2018 (two thousand eighteen), the growth of the portfolio was 7.4% (seven point four per cent), reaching 8.6 (eight point six) billion pesos.

#### ***Slide #6***

#### **DEVELOPMENT BANKS STRUCTURE**

To the period of September 30, 2018, the total portfolio of the financial system amounts to 476 billion pesos, of this figure 56% corresponds to commercial loans, equivalent to COP 265 billion pesos. On the other hand, the on-loan portfolio corresponds to 9.05% of the commercial portfolio, which translates into COP 24 billion.

FINDETER has more than COP 8.6 billion in its portfolio, a figure that is equivalent to 36% 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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## **FINDETER FINANCIAL RESULTS**

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

When analyzing the behavior of FINDETER's assets during the third trimester of 2018, a positive trend can be observed in its main accounts with respect to December 2017. The portfolio has shown a 3.45% growth as of September 2018, which can be considered positive if compared to the growth of the commercial portfolio of the Colombian Financial System which had a growth of 0.55% for the same period.

The capital structure of FINDETER is composed of 88.3% liabilities and 11.7% equity. Within the liabilities, the most important item corresponds to deposits and current liabilities with a participation of 54.7% equivalent to (5.28 billion pesos), followed by loans from banks and other obligations which represent 21.7% equivalent to (1.8 billion pesos) of the total liabilities, the other 23 per cent of the capital structure is represented in bonds and equity.

As of September 2018, equity has grown by 5.33% 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 (fifty two thousand one hundred forty six) million pesos, the highest in the history of the entity). Additionally, we want to remark the positive performance of the profits during the first nine months of the year, reaching 49.608 (forty nine thousand six hundred eight million pesos).

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## **FUNDING SOURCES**

FINDETER funding sources amount to 8.3 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 IADB, KFW, AFD and Central American Bank for Economic

Integration. We also have loans from commercial banks such as the BANK OF TOKYO and CITIBANK, which amounted \$366.350 (three hundred sixty six thousand three hundred fifty million pesos) to the third quarter of 2018.

Other important items within the funding structure correspond to outstanding investment securities (14.3%), which includes the international bonds issued in 2014 and the subordinated bonds issued in 2017.

Regarding Certificate of Deposits, we have issued during the nine months of 2018, 2.34 billion pesos.

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### **FINANCIAL MANAGEMENT INDICATORS**

The efficiency indicators do not show relevant variations during the analyzed period, which shows an adequate policy of control of expenses.

Findeter's portfolio quality indicator shows a remarkable behavior, since its levels are located below 1%, while the financial system has shown an upward trend in this indicator so far this year, reaching 4.95% to September 2018. In that regard, Findeter continues to have one of the best credit risk indicators in the Colombian financial system

On the other hand, it is important to highlight the growth of the Findeter portfolio, which from September 2017 to September 2018 was 7.44%, a figure that stands out when compared to the growth of the commercial portfolio of the financial system, which during the same period was 1.04%.

*Diapositiva #10*

### **ROE**

ROE after taxes to September 2018 amounted to 5.84%, becoming the highest figure in the history of the entity that shows a growth of 60 Basis Points compared to September 2017. This behavior is mainly attributed the dynamism shown by the portfolio, as well as efficiencies obtained in costs for derivatives coverage and an adequate control of administrative expenses

*Diapositiva #11***SOLVENCY RATIO**

The solvency ratio went from 13.4% in September 2017 to 23.2% in September 2018, this behavior is justified in the issuance of decree 1333 of August 2017 by the Ministry of Finance and Public Credit.

The issuance thereof was based on the guidelines contained in Basel III to define the solvency margin, specifically the calculation of assets weighted by level of risk. In said decree it was defined that rediscount operations should be weighted by 50% given that the risk of them is concentrated in commercial banks and not in the final beneficiary of the loan.

*Slide #12***COMMERCIAL MANAGEMENT**

We now turn to the presentation of the commercial aspects of the company.

*Slide #13***DISBURSEMENTS**

During the first nine months of 2018 (two thousand eighteen), we managed on-loan operations for 1.87 billion pesos. The main sectors of the disbursements were transportation, health and the education projects.

From January 1 to September 30, 2018, we managed to reach 22 departments and 62 municipalities in all the regions, where we carried out 145 (one hundred forty five) projects. This figures included disbursements for investments equivalent to 90% of the total; followed debt substitution disbursements equivalent to 5.5% of the total amount; and working capital with disbursements representing 4.5% of the total.

Businesses stand out in the following fields: construction of buildings and laboratories for universities, massive transport projects such as Regiotram, financing of development plans for large cities such as Cali and the Barranquilla Capital de Vida project.

It is important to highlight that at the end of the third semester we disbursed 99% of the projected annual goal for 2018. This management highlights the commitment and responsibility of the human talent of the organization to the fulfillment of its objectives.

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**ON-LOAN CREDIT DISBURSEMENTS**

As for financial intermediaries, from January 1<sup>st</sup> to September 30<sup>th</sup>, banks accounted for 99% (ninety nine percent) of on-loan credit operations. Other intermediaries accounted for the remaining 1%.

By segment, we disbursed \$1.09 billion (seven hundred fourteen thousand million pesos) for private sector beneficiaries, representing 58% (fifty eight percent) of the operations, and \$781 thousand million (seven hundred eighty one thousand million) for public sector beneficiaries representing the remaining 42%.

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%.

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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**TECHNICAL MANAGEMENT**

I give the floor now to Andres, who will continue with the topics of the technical assistance area of the entity, corresponding to Findeter's non-financial products.

*Slide #22*

**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 (one hundred sixty) projects executed in 2011 to 962 (nine hundred sixty two) projects executed as of September 30, 2018, with growth of 24% between 2017 and the first nine months of this year.

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### **TECHNICAL ASSISTANCE**

With the technical assistance product, we are executing 9.1 billion pesos in 962 projects in 322 municipalities in Colombia, generating 54,000 jobs.

Of the 9.1 billion pesos in resources, 2.3 billion correspond to 290 (two hundred ninety) drinking water and basic sanitation programs; 1 billion correspond to 401 (four hundred one) social infrastructure projects and 5.48 billion correspond to 249 (two hundred and forty nine) housing projects, plus 161 thousand million in San Andres Island projects and 9 IT projects.

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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