

December 3rd, 2020

Financiera de Desarrollo Territorial S.A. -FINDETER
Financial Results 3Q2020
Event Transcription

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Hello to all the attendees, welcome to Findeter's financial results presentation, where we will be sharing the company's results for the first nine months of 2020. Today the following members of my team will be joining us, Juan Camilo Galván, Treasurer and Andrés Sánchez, Investor Relations Officer.

During the last three quarters, 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 more than COP \$2 trillion pesos during the emergency period.

Additionally, as a Colombian 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, 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.

Thank you, Juan Camilo will now continue with the financial information.

Juan Camilo

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Thank you, Richard. First 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 third quarter of 2020.

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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 \$12.2 trillion. This behavior has been driven mainly by the increase in the gross portfolio over said period, with an average of 9.17% per annum. As of December 2019, the portfolio amounted to COP \$8.92 trillion, and by September 2020 it stands at COP \$10.09 trillion, thus continuing the upward trend.

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As of August 2020, the total portfolio of the financial system amounts to COP \$555 trillion, which is equivalent to an increase of \$41 trillion YoY. This growth is driven by consumer and commercial loans. Of the total portfolio, 55.3% corresponds to the commercial portfolio, which is equivalent to \$307 trillion, \$28 trillion more than in August 2019.

As for special official institutions, the on-loan portfolio totals \$32 trillion, where Findeter has a 32% stake, making the company the leading development bank in the country when comparing its marketing share with the competition.

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Findeter's leadership is reflected in its financial results.

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

Compared to September 2019, in the third quarter of 2020, the portfolio increased by 19.17%, as a result of a higher level of disbursements, which during the year has reached COP \$2.26 trillion pesos. As a result, Findeter's portfolio closed at COP \$10.11 trillion pesos. Investments also showed a positive variation thanks to the increase in the portfolio corresponding to the Treasury Bonds (TES), which as of September reached COP \$152 trillion pesos, as well as the derivative valuations, which increased as a result of the exchange rate variation, with a portfolio equivalent to USD 512 million at an average forward rate of \$3,707.43, whereas the exchange rate for June was \$3,878.94.

Moreover, available cash increased to cover liquidity needs according to the deposits resulting from the portfolio improvement during the year. Overall, available cash has grown from January to September by COP \$782 billion.

Findeter's capital structure consists of 89.6% liabilities and 10.4% equity. In this total structure, the most representative item corresponds to deposits and receivables, with a share of 55.6% (COP \$6.71 trillion), followed by multilateral bank loans with 18.9% (COP \$2.28 trillion), international bonds, subordinated bonds and sustainable bonds with 12.8%, and finally other liabilities with 2.3%.

As for Equity, as of September 2020, it shows a growth of 4.96% YoY, as a result of the generation of profits from the previous year (COP \$73.910 billion, the company's all-time high).

Finally, regarding the income statement, as of September 2020 Findeter has gained profits of COP \$27 billion, leveraged mainly on two aspects: first, a higher income from portfolio interest and, second, a lower execution of administrative expenses.

The increase in revenue when comparing September 2019 and September 2020 is due to higher portfolio interest, which, despite the constant decrease in the REPO rate during the period (-250 PB), has managed to continue the upward trend thanks to the volume of the portfolio. Furthermore, there is a significant contribution corresponding to derivative valuations, which was affected by a 12.04% rebound in the exchange rate.

In line with the revenue trend, expenses have also increased as a result of the exchange rate variation, which translates into a greater impact on derivatives and exchange differences. 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 29% YoY, which is positively reflected in financial expenses.

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As of September 2020, Findeter's funding sources, excluding equity, amounted to COP \$10.5 trillion, 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 September 2020 amount to COP \$2.28 trillion. From September 2019 to September 2020, the exchange rate has increased by COP \$416.93, affecting all balances of current loans.

Other important items within the funding structure correspond to outstanding investment securities (14.6%), which include international bonds issued in 2014 (\$946.175 billion), subordinated bonds issued in 2017 (\$203.680 billion) and sustainable bonds issued in June 2019 (\$400 billion).

As of September 2020, issues and renewals of certificates of deposit amount to COP \$3.29 trillion, evidencing a 119% YoY growth. This is proof of Findeter's financial soundness, recognized by institutional investors who continue to demand the securities issued by the Company.

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Profitability ratios as of September 2020 showed variations compared to last year. ROE was 2.85% thanks to the adequate control of administrative expenses and the positive results for the year; on the other hand, ROA, at 0.30%, also showed a downward trend YoY, caused by the increased volume of the portfolio.

The operational efficiency indicator showed positive results since the indicator as of September 2020 was 1.28%, evidencing an improvement of 8 basis points compared to 2019, mainly explained by the efficient management of expenditure, which increased only by 3.07% 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 4.4%, thus reflecting the lower portfolio risk assumed by Findeter from on-loans

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As for EBITDA, the interest margin showed an increase of 16% YoY, as a result of the growth of the company's portfolio. On the other hand, the gross financial margin decreased by 11% YoY, consistent with the impacts of the derivative valuations caused by the increase in the exchange rate during the year. However, thanks to an efficient spending control, the Company maintains its positive figures and reached COP \$60 billion in the third quarter.

ROE as of September 2020 is 2.85%. Despite the economic impacts of the first half-year, Findeter has managed to show good results, especially with respect to the interest margin, which has remained positive 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 \$27 billion.

The effective management of expenses and the increase in productive assets, mainly due to the portfolio during the third quarter of 2020, allowed our operational efficiency to be at 1.28%, which represents an improvement of 8 basis points compared to 2019.

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The solvency ratio went from 22.7% in September 2019 to 19.9% in September 2020. This behavior is explained by the variation in assets, which so far this year have increased by 24.69%, equivalent to COP \$2.38 trillion.

Accordingly, the increase in risk-weighted assets, equivalent to 14.48%, is mainly a result of the increase in the value of the Company's portfolio, which has grown by 19.17% from September 2019 to September 2020, causing the solvency ratio to decrease.

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Finally, 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

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Thank you Juan Camilo, We now move on to commercial results.

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From January to September 2020, we processed on-loan operations worth COP \$2.1 trillion, where we highlight the results in the health, urban infrastructure, construction and housing, energy and education sectors.

Throughout the public health emergency caused by the pandemic, we act as an ally for the country and its national and territorial leaders, supporting and impacting territories and companies in different sectors.

During this time, we managed to reach 23 departments and 77 municipalities in all regions, being involved in 463 projects. Disbursements were mainly focused on working capital, with 53% of the total, followed by investments with 44% and debt substitution with 3%.

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 period, 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.

As of September, we registered a compliance of 106% of the annual disbursement goal for 2020.

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In the first three quarters of 2020, banks represented 98% of intermediaries in on-loan operations. Other intermediaries represented the remaining 2%.

By segment, we disbursed COP \$1.6 trillion pesos for private sector beneficiaries, which represented 76% of operations, and COP \$521 billion for public sector beneficiaries, which represented the remaining 24%.

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 38% of the placement.

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.

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

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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, 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.

During the first three quarters, we have issued sales invoices for COP \$28.750 billion.

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We now want to quickly go through 2 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.

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 more than 33 thousand inhabitants.

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With the Casa Digna, Vida Digna Program project, Findeter provides its technical assistance service for the improvement of home interiors.

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

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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 and other relevant information.

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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 seven special lines of credit.

The first is *compromiso territorio*, 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 *compromiso Colombia*, with a total amount of \$713 billion pesos. 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.

Third, the Tranche I *Compromiso Reactivación*, with an amount of \$200 billion. With this new on-loan credit line, Findeter is supporting companies in the public and private sectors in order to meet the current demand for resources to protect employment, maintain the companies' operations and reactivate the national business enterprises.

Residential Utilities (PSPD) *Compromiso Agua*, with an amount of \$200 billion, through which Findeter is supporting Residential Public Utilities of aqueduct, sewerage and cleaning, so that they can implement the billing payment deferral measures granted to middle income users, and industrial and commercial uses.

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Compromiso Salud, with an amount of \$256 billion, through which Findeter and the Ministry of Health and Social Protection are contributing to the financial strengthening of the Healthcare Promoting Entities, which are focusing their efforts on the economic, social and environmental emergency caused by Covid-19.

Finally, we have the direct line of credit for Residential Public Utilities companies, through which the national government, through Findeter, seeks to support utilities companies that provide aqueduct, sewage, electrical energy and fuel gas by alleviating their cash flow and ensuring the provision of services for low income citizens during the Emergency.

Also, the direct credit line for Integrated Mass Transport Systems (SITM), with an amount of \$630 billion, through which Findeter supports the districts and municipalities with Integrated Mass Transport Systems, to ensure their operation amid the economic, social and ecological emergency.

This two lines represent 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.

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To conclude, we want to inform that the President of the Republic of Colombia, in exercise of his Extraordinary powers, created, through Decree Law 2111 of 2019, the company Grupo Bicentenario S.A.S., a mixed economy corporation attached to the Ministry of Finance and Public Credit, responsible for managing the public financial service, and with the objective to be strongly competitive and make further progress in improving the management of the financial state-owned companies, providing a greater variety of services, with better quality and in better conditions for users.



In this regard, on September 24, 2020, the Nation, through the Ministry of Finance and Public Credit, pursuant to the provisions of Legislative Decree 492 of 2020, carried out the transfer by endorsement, in favor of GRUPO BICENTENARIO, S.A.S., of its shareholding interest in FINDETER.

Accordingly, through the company GRUPO BICENTENARIO, S.A.S., the Republic of Colombia - Ministry of Finance and Public Credit still owns 92.55% of the shares of FINDETER. Therefore, with the transfer by endorsement of the shares in favor of GRUPO BICENTENARIO, S.A.S., the Republic of Colombia - Ministry of Finance and Public Credit retains control over FINDETER

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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.