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**Financiera de Desarrollo Territorial S.A. -FINDETER
Financial Results 3Q2021
Event Transcription**

RICHARD
Slide # 2-4

Welcome to Findeter's financial results presentation, where we will be sharing the company's results for the third quarter of 2021.

During this year, Findeter has consolidated its position as a strategic partner for the country and its leaders from the national and regional levels, supporting and favoring territories and companies by financing key sectors of the national economy through special credit lines and direct credit lines with compensated rate.

Additionally, as a Colombian Territorial Development Bank, through our management model we are able to provide an efficient support in the planning, structuring, financing, and execution of infrastructure projects that allow the construction of a fair, competitive, and sustainable country, thus contributing to the United Nations Sustainable Development Goals.

We achieve 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 services and project structuring, with the objective of building a sustainable country, with high economic and social growth.

Juan Camilo

Slide # 5 (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.

We now move on to FINDETER'S financial results for the third quarter of 2021.

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Findeter continues to be the benchmark among development banks 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 \$5.98 a \$11.55 trillion. This behavior has been driven mainly by the increase in the gross portfolio over said period, with an average of 8.26% per annum. As of December 2020, the portfolio amounted to COP \$10.07 trillion, a balance that has remained stable until September 2021.

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As of September 2021, the total portfolio of the financial system amounts to COP \$586 trillion, which is equivalent to an increase of COP \$31 trillion YoY. This growth is driven by consumer and commercial loans. Of the total portfolio, 53.2% corresponds to the commercial portfolio, which is equivalent to COP \$312 trillion, COP \$6 trillion above what was registered in September 2020. The consumer portfolio grew by \$15 trillion in the same period.

As for special official institutions, the portfolio totals COP \$32 trillion, where Findeter has a 31% share, making the company the second development bank in the country when comparing its marketing share with the competition.

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Findeter's commitment is reflected in its financial results.

When analyzing the behavior of Findeter's assets during the third quarter of 2021, important variations can be observed in its main accounts.

Compared with September 2020, in the third quarter of 2021 the portfolio decreased by 1.03%, closing at COP \$10.01 trillion. However, so far this year, the direct loans portfolio has gone from COP \$0.41 to COP \$1.04 trillion. Additionally, investments grew by 52% thanks to the increase in the portfolio corresponding to TES, and the repurchases of certificates of deposit made by the entity, highlighting 129 billion corresponding to the FOME.

Moreover, available cash showed a downward trend of 61% according to the coverage of liquidity needs for debt repayment and disbursements of new loans, in line with the direct loans portfolio improvement during the year. Overall, available cash has decreased in the last year by COP \$701 billion.

Findeter's capital structure consists of 89% liabilities and 11% equity. In this total structure, the most representative item corresponds to deposits and receivables, with a share of 54.8% (COP \$6.33 trillion), followed by multilateral bank loans with 18.6% (COP \$2.14 trillion), international bonds, subordinated bonds, and sustainable bonds with 13.3%, and finally other liabilities with 2.3%.

As for Equity, as of September 2021, it shows a growth of 1.348% YoY, as a result of the generation of profits from the previous year (COP \$7.63 billion).

Finally, regarding the income statement, as of September 2021 Findeter has gained profits of COP \$48.91 billion, leveraged mainly on such factors as the generation of gross financial margin, which showed an improvement of 13.6% YoY. A reduction in financial expenses of more than COP \$550 billion, equivalent to a 34% increase, an interest rate margin that has increased by 49 basis points during the last twelve months, standing at 1.34%, and, additionally, the application of Act 2155 of 2021 on income tax, which represented a positive impact due to the recovery of the deferred tax and consequently a reduction in the implicit tax rate, which increased from 50.51% in September 2020 to 6.36% in September 2021.

A lower financial expense has been evidenced due to interest on certificates of deposit, which have decreased by 34% compared to September last year, financial obligations were positively affected

by the decrease in the LIBOR rate, which on average decreased by 110 BPS in the year, which means a 27% drop, and finally, bond interest with a 6% decrease (COP \$5.397 billion less accrual compared to September 2020).

The YoY decrease in income between September 2020 and 2021 has been particularly affected by the downward cycle of base rates, emphasizing the IBR index (69% of Findeter's total portfolio), which has decreased 220 basis points since January 2020, reflected in the lower value of portfolio interest. Additionally, a stable trend in the portfolio balance compared to last year due to a volume of prepayments that to date amounts to COP \$1.01 trillion.

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As of September 2021, Findeter's funding sources, excluding equity, amounted to COP \$10.01 trillion, which include deposits and receivables, bonds, and loans with multilateral banks.

As of September 2021, issues, and renewals of certificates of deposit amount to COP \$3.48 trillion, evidencing a stable trend YoY (September 2020 = COP \$3.51 trillion). This is proof of Findeter's financial soundness, recognized by institutional investors who continue to demand the securities issued by the Company.

The Company's current loans have been granted by multilateral banks such as IDB, KFW, AFD and CABEL, and as of September 2021 equals COP \$2.14 trillion. From September 2020 to September 2021, the exchange rate has decreased by COP \$44.26, which has had a relatively minor impact on current loan balances.

Other important items within the funding structure correspond to outstanding investment securities (14.9%), 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).

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Profitability ratios as of September 2021 showed positive YoY variations in the third quarter of the year. ROE was 5.15% thanks to profit results in the period, leveraged on the financial margin, the reduction of the financial expense, the rate GAP, and the favorable impact of the tax reform on the company's tax burden. On the other hand, ROA also showed an upward trend compared to September 2020, standing at 0.56%, which has also been caused by the period's net income.

The operating efficiency indicator increased YoY in September, currently at 1.63%, with a variation of 35 basis points compared to 2020.

The portfolio quality indicator shows a positive trend, since it is at levels of 0.02% while the equivalent of the Colombian financial system rises to 4.30%, thus reflecting the lower portfolio risk assumed by Findeter from on-loans and an effective control of the new direct loan modality.

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In terms of **EBITDA**, the gross financial margin had a 13.55% YoY recovery in the third quarter, as a consequence of the decrease in funding interest expenses and a lower impact of derivative valuations from the effect of the exchange rate during the course of this year. As a result, and given

a volume of administrative spending that has remained below budget during the year, the company remains in positive figures and reached an EBITDA level of COP \$59 billion for the third quarter.

ROE as of September 2021 is 5.15%, which translates to positive results for Findeter. The trend of the gross financial margin is particularly noteworthy, which has grown thanks to the decrease in interest corresponding to funding in accordance with the decrease in base rates in dollars and pesos that affected the accrual of interest from certificates of deposit, multilateral banks, and bonds. Also noteworthy is the rise in the interest rate GAP and additionally the reduction in the volume of income tax, allowing the company's net income to reach COP \$48.91 billion.

Finally, in terms of **operating efficiency**, which as of September 2021 was 1.63%, the impact of the increase in administrative costs is evidenced in the accounts corresponding to training for personnel in response to new work dynamics (+ 110%); taxes and fees (+4.3%), according to the tax on financial movements associated with the issuance and renewal of certificates of deposit; the growth of the maintenance item (+22.4%), which includes software acquisitions and updates to leverage the telework tasks that have enabled the normal operation of the company; and finally provisions (+32%), which have increased based on the trend of the direct loans portfolio. This caused a variation of 23 basis points in the indicator compared to 2020.

I give the floor now to Andrés.

AFS

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The solvency ratio went from 19.8% in September 2020 to 34.7% in September 2021. This trend is mainly due to the application of the Basel III methodology in 2021.

For Findeter, there are two main impacts from the application of the methodology. First, the weighting percentages applied to the portfolio, in comparing December 2020 with September 2021, there is a variation in risk-weighted assets equivalent to -49.5% or COP \$-2.80 trillion, which generates an immediate increase in the company's solvency margin. Second, the methodology indicates that a module must be created where the impacts of operational risk are estimated, which is added to the market risk. The entry of the new module as of September represents a net of COP \$18.9 billion. A small variation compared to risk-weighted assets.

Therefore, compared to the third quarter of 2020, the new portfolio weighting generated an increase of 1.491 basis points in solvency, which for September 2021 was 34.7%.

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FINDERER 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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Let's now move on to commercial results for the third quarter.

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From January to September 2021, we processed on-loan operations worth COP \$1.1 trillion, where we highlight the results in the transportation, health, energy, housing and urban infrastructure, education, and drinking water sectors.

Additionally, in this nine-month period, we processed direct loan operations worth \$717.3 billion, for companies that provide residential public utility services and for territorial entities.

During this time, we managed to reach 27 departments and 126 municipalities in all regions, being involved in 721 projects.

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We highlight transactions for the financing of development plans, construction of road interconnections, construction of Small Hydroelectric Power Plants, working capital to finance needs caused by the pandemic, and hydraulic interconnections.

As of September, we registered a compliance of 75% with the initial annual disbursement goal for 2021.

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From January 1 to September 30, 2021, of the total disbursements, banks represented 60% of operations, while 39% were placed directly and other intermediaries represented only the remaining 1%.

By segment, we disbursed COP \$971,3 billion for public sector beneficiaries, which represented 53% of operations, and COP \$877.751 billion for private sector beneficiaries, which represented the remaining 43%.

Regarding the disbursement term, as a development bank, we focused on long-term loans. Loans with terms equal to or greater than 5 years represented 63% of the placement.

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As the leading development bank in Colombia, Findeter has continued its efforts to support territorial entities with resources to alleviate the pressure caused by the reduction in income due to Covid-19 and to promote the reactivation of economic activity in the territories. Hence, we highlight our commitments to place this direct credit line with compensated rate "*Colombia Reactivation Commitment Tranche II*" for the total amount of the line, COP \$2.3 trillion, in order to achieve a

distribution of economic resources, job creation and support to the regions throughout national territory.

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We now move on to the topics of the company's technical area, corresponding to 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, carrying out pre-contractual and contractual processes and monitoring and supervising the execution of water and basic sanitation programs, social infrastructure, and housing and urban development.

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

With this product, in 2021 we have managed to have 433 projects underway, for a total value of COP \$2.78 trillion, which directly benefit more than 12 million Colombians.

These projects are executed through three business lines: Water and Basic Sanitation with 77 Projects; Social Infrastructure with 275 Projects; and Housing and Urban Development with 81 Projects.

Up to October this year, we have issued invoices to customers for a value of COP \$58.196 billion.

Findeter has solid and extensive experience in the execution of projects in a wide variety of sectors, such as: educational centers, indigenous community projects, aqueduct, housing for savers, consulting, recreation and sports venues, improved housing, sewerage, dredging, home improvement, telecommunications projects, cultural centers, free housing, comprehensive neighborhood improvement, cultural facilities, railway infrastructure, sanitary landfill, airport expansion, and health center, among others.

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Finally, we'd like to share with you 2 flagship projects developed by Findeter this year.

The first is the Optimization of the La Esmeralda drinking water treatment plant for the city of Villavicencio for COP \$59 billion.

With the current scope of the project, the continuity of the system increased from 90% to 98%. Increasing the drinking water production capacity in La Esmeralda Plant, by 0.4 cubic meters /per sec. Also, it will Decrease the vulnerability of the treatment system to turbidity peaks and will generate Environmental improvements through the management of the generated sludge.

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Lastly, we want to highlight the project of Studies, designs, construction and start-up of a school and a child development center - located in the Urbanization Las Gardenias II in the District of



Barranquilla, Department of Atlantico, for COP \$13 billion. **The School is designed to serve 960 boys and girls and will generate a positive impact to** 4,080 families in the area.

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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. The presentation and script of this event can be found on the Findeter website.

Thank you all.