

September 16th, 2021

**Financiera de Desarrollo Territorial S.A. -FINDETER
Financial Results 2Q2021
Event Transcription**

Slide # 2-4

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

During this period, amid the health emergency caused by the Covid-19 pandemic, Findeter continued to consolidate its position as a strategic partner for the country and its leaders from the national, departmental, and municipal 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, 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.

I give now the floor to Juan Camilo Galván who will continue with the first part of the presentation

JCG

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 second quarter of 2021.

Slide # 7

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 \$11.90 trillion. This behavior has been driven mainly by the increase in the gross portfolio over said period, with an average of 8.41% per annum. As of December 2020, the portfolio amounted to COP \$10.07 trillion, a balance that has remained stable until June 2021.

Slide # 8

As of June 2021, the total portfolio of the financial system amounts to COP \$570 trillion, which is equivalent to an increase of COP \$23 trillion YoY. This growth is driven by consumer and commercial loans. Of the total portfolio, 53.8% corresponds to the commercial portfolio, which is equivalent to COP \$307 trillion, COP \$3 trillion below what was registered in June 2020. The consumer portfolio grew by \$17 trillion in the same period.

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

Slide # 9

Findeter's commitment is reflected in its financial results.

When analyzing the behavior of Findeter's assets during the first half of 2021, an upward trend can be observed in its main accounts.

Compared with June 2020, in the first half of 2021 the portfolio showed an increase of 0.69%, closing at COP \$10.18 trillion. Additionally, investments showed a growth of 111% 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 stable behavior according to the coverage of liquidity needs for debt repayment and disbursement of new loans, in line with the portfolio improvement during the year. Overall, available cash has decreased in the last year by COP \$13 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 \$6.72 trillion), followed by multilateral bank loans with 18.0% (COP \$2.14 trillion), international bonds, subordinated bonds, and sustainable bonds with 13.0%, and finally other liabilities with 2.0%.

As for Equity, as of June 2021, it shows a growth of 0.08% YoY, as a result of the generation of profits from the previous year (COP \$7.630 billion).

Finally, regarding the income statement, as of June 2021 Findeter has gained profits of COP \$21.340 billion, leveraged mainly by a lower expense for interest on Certificates of Deposit and multilateral banking, where the decrease on base rates has been reflected. Additionally, the balance of deposits and liabilities have increased, from COP \$6.17 to COP \$6.72 trillion during the last year, as a result of the higher level of the company's portfolio.

As mentioned above, financial obligations were positively affected by the decrease in the LIBOR rate, which on average decreased by 110 BPS in the year, and finally, bonds, of which 39% are indexed to the CPI (COP \$6,388 billion less of accrual compared to June 2020).

The YoY decrease in income between June 2020 and June 2021 is due to the lower value in portfolio interest, which have been affected by the constant reduction of the REPO rate (-100 BPS) and the downward trend of the IBR and CPI indices during the period.

Slide # 10

As of June 2021, Findeter's funding sources, excluding equity, amounted to COP \$10.4 trillion, which include deposits and receivables, bonds, and loans with multilateral banks.

The Company's current loans have been granted by multilateral banks such as IDB, KFW, AFD and CABEL, and as of June 2021 amount to COP \$2.14 trillion. From March 2019 to March 2020, the exchange rate has decreased by COP \$2.24, 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).

As of June 2021, issues, and renewals of certificates of deposit amount to COP \$2.65 trillion, evidencing a 21% YoY growth. This is proof of Findeter's financial soundness, recognized by institutional investors who continue to demand the securities issued by the Company.

Slide #11

Profitability ratios as of June 2021 showed positive YoY variations in the first half of the year. ROE was 3.44% thanks to profit results in the period. On the other hand, ROA also showed an upward trend compared to June 2020, standing at 0.36%, which has also been caused by the positive net margin in the period.

The operating efficiency indicator increased YoY in the first half, currently at 1.49%, with a variation of 23 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 4.65%, thus reflecting the lower portfolio risk assumed by Findeter from on-loans and an effective control of the new direct loan modality.

Slide #12

In terms of **EBITDA**, the interest margin had a 16.7% YoY decrease in the first half, as a consequence of the decrease in income from portfolio interest. On the other hand, a rebound in the gross financial margin was evidenced, which increased YoY by 12% in the first half due to 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 spending below the budget, the entity remains in positive figures and reached an EBITDA level of COP \$40 billion for the first half.

ROE as of June 2021 is 3.44%. Despite the economic impacts of the first half of the year, Findeter has managed to show positive results, especially with respect to the gross interest margin, which has increased thanks to the stability of the company's portfolio and the reduction of the impact of derivative valuations. Another aspect worth mentioning is the decrease in interest corresponding to funding thanks to the decrease in base rates in dollars and pesos that affected the accrual of interest from certificates of deposit, multilateral banks and bonds. These positive impacts on P&L have allowed the Company's net income to reach COP \$21.340 billion.

Finally, in terms of operating efficiency, which as of June 2021 was 1.49%, the impact of the increase in administrative costs is evidenced in the accounts corresponding to taxes and fees (+5.8%) according to the tax on financial movements associated with the issuance and renewal of certificates of deposit. Additionally, the growth of the maintenance item (+78.5%) also stands out, which includes software acquisitions and updates to leverage the telework tasks that have enabled the normal operation of the company. This caused a variation of 23 basis points in the indicator compared to 2020.

Thank you Juan Camilo

AFS

Slide #13

Solvency ratio went from 20% in June 2020 to 33% in June 2021. This behavior is mainly due to the application of the Basel III method in 2021.

In the case of Findeter, there are two main impacts from the application of this method. First, the weighting percentages applied to the portfolio, in comparing December 2020 with June 2021, there is a variation in risk-weighted assets equivalent to -45.4% or COP \$-2.57 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 June represents a net of COP \$22.397 billion. A small variation compared to the risk-weighted assets.

Therefore, compared to the first half of 2020, the new portfolio weighting generated an increase of 1.301 basis points in solvency, which for June 2021 was 33%.

Slide #14

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 Liquidity Indicator 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.

Slide #15

We now move on to commercial results for the first half of the year.

Slide #16

During the first half of 2021, we processed on-loan operations worth COP \$799 billion pesos, where we highlight the results in the transportation, health, energy, urban infrastructure and housing, education, and drinking water sectors.

Additionally, in this first half of 2021, we processed direct loan operations worth \$522 billion, for companies that provide residential utilities services and for territorial entities.

During this time, we managed to reach 29 departments and 92 municipalities in all regions, being involved in 371 projects.

Slide #17

We highlight transactions for the construction of road interconnections, construction of Small Hydroelectric Power Plants, working capital to finance needs caused by the pandemic, financing of public lighting systems, and maintenance and provision of health centers. Also, in this period, through the direct loan line for Residential Utility Companies, it was possible to impact companies engaged in electric power, cleaning, fuel gas networks and aqueduct and sewerage, helping to ensure the provision of services in low income communities.

As of June, we registered a compliance of 78% with the initial annual disbursement goal for 2021.

Slide #18

From January 1 to June 30, 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 \$720 billion for public sector beneficiaries, which represented 55% of operations, and COP \$601 billion for private sector beneficiaries, which represented the remaining 45%.

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.

Slide #19

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. In that sense, we highlight our commitments to place this direct credit line with compensated rate for COP \$2.3 trillion pesos, "*Colombia Reactivation Commitment Tranche II*". With this line we seek to achieve a distribution of economic resources, job creation, support to the regions and their leaders, throughout national territory.

Slide #20

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

Slide # 21

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 279 projects underway, for a total value of COP \$2.1 trillion, which directly benefit more than 6.4 million Colombians.

These projects are executed over three business lines: Water and Basic Sanitation with 70 Projects; Social Infrastructure with 161 Projects; and Housing and Urban Development with 48 Projects.

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

Slide #22

Finally, we'd like to share with you 3 flagship projects developed by Findeter this year.

The first is the Construction, Expansion and Optimization of the Mompox Sanitary Sewer system for COP \$55 billion.

With the current scope of the project, the sewerage coverage will be increased to 75% and the wastewater treatment capacity to 100%. This project directly benefits 35,715 inhabitants.

Slide #23

The second project is the Casa Digna, Vida Digna Program, where we provide our technical assistance service for the improvement of the interior of the houses, including the construction of bathrooms, kitchens, floors, and structures, among others.

The projects that Findeter oversees under this program to date total COP \$55 billion to carry out 5,044 home improvements in 13 cities across the country.

Slide #24

Finally, we want to highlight the project for the cultural equipment in mark 10 and 20, and in the Mirador del Paraiso station of the Transmicable mass transport system, in the town of Ciudad Bolivar, Bogota, for COP \$19 billion.

This project will benefit 700,000 people in the town.

Slide 25

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.