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**Financiera de Desarrollo Territorial S.A. -FINDETER  
2015 Financial Results  
Transcription of the Event**

**Hosts:**

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*[Please note all figures are in Colombian pesos (COP), except explicitly indicated]*

*Slide #1*

Dear investors and analysts:

Welcome to Findeter's financial results presentation, where we will present the results of the company during the fiscal year 2015, as well as some of the most important highlights during the year and our views for 2016.

In 2015 we completed the fifth year of the transformation of Findeter. We have effectively become in the National Government's vehicle to contribute to the welfare of the regions through technical assistance and sustainable infrastructure project financing.

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**2015 Highlights**

During 2015, we maintained the trend of growth in loan placements. Disbursements amounted \$2.3 trillion pesos, placed in 117 municipalities of 27 departments throughout the country, financing investments in sectors which have been defined as priority by the National Government.

The company's Equity grew 2.7 %, while total Assets and the Loans Portfolio increased by 6.2 % and 14%, respectively. These results and the strengthening of our funding sources were crucial to maintain the local long term credit risk in AAA, which has remained unchanged for 18 consecutive years, and the international long term credit rating in triple BBB (at the same level of the National Government). The latter has reflected in a positive response and confidence from investors.



The Colombia Stock Exchange granted us the Issuer Investor Relations –IR - Recognition due to our best practices in the disclosure of information and communication with investor. We have become the first governmental financial institution to receive this recognition, and we are now part of a select group of companies recognized for being the most transparent in the Colombian market.

We have strengthened our non-financial products denominated **Integrated Territorial Development**, accompanying the National Government in the administration of \$7.4 trillion to execute over 600 projects, such as: One Hundred Thousand Free Housing Program, supervising the construction of around 51 thousand homes, also, the Water for Prosperity Program, where Findeter and the Ministry of Housing, City and Territory are working together to benefit more than 9 million citizens through the implementation of more than 200 water projects that are worth \$1.8 trillion, and in Social Infrastructure Projects, where we highlight Findeter's assistance in 200 projects which represent nearly \$600 billion in investments.

We also highlight the achievements of the initiatives implemented by Findeter in the recent years such as Sustainable and Competitive Cities, Caribbean and Santanderes Diamonds of Colombia and Emblematic Cities. In these programs cities, regions and territories are conceived in an orderly manner and opportunities strive as a result of new planning methods to bring the vision of public and private actors to concrete actions in a structured, efficient and orderly way.

Finally, as part of our objective to become a more active and significant development bank, we created the Project Structuring Department, The Territorial Financial Structuring Unit and the Urban Interventions Center for Advanced Development of the Transport -CIUDAT.

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### **Strategic Plan 2015-2025**

Our challenges in 2016 begin with the alignment and deployment of the new Strategic Plan 2015-2025, working to consolidate our position as the strategic partner of the regions.

We defined the institutional mission, understood as our course of action and the purpose of our company, as follows:

*Mission: We are the strategic partner of the regions, generating welfare for people.*

We analyzed how we want to be seen in the long-run and how we see our future, so we defined our *Vision: the leading development bank that transforms the regions into sustainable territories.*



We identified the need of a differentiator that would demand greater commitment from us towards the market and our customers, while at the same time, make us stronger against our competitors. That promise is our *Added Value: integral and sustainable solutions for your projects.*

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## **International and Economic Environment**

2015 was a year that posed difficult challenges, with a sharp decline in oil prices and a strong depreciation of the Colombian peso.

Global outlook will continue to be affected by the deceleration of the Chinese economy, the weakness of oil and other commodity prices, and the expectations regarding US monetary policy.

**Gross Domestic Product.** The International Monetary Fund estimates that the global gross domestic product in 2015, increased 3.1%, compared to 3.4% in 2014. During 2015, growth in emerging economies boosted global economic growth, while the European Union and other advanced economies continued lagging.

In 2016 global growth is expected to be 3.4% and in 2017, 3.6%. During the following 3 years there should be a moderate but steady recovery in economic growth.

**Financial markets.** As a result of the economic deceleration, the Dow Jones Industrial Average Index declined 2.29% during 2015. The graph shows a trend of slight growth in the index closing price and the volatility in the index's quotes over the year.

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Moving to Colombia, **the economy** had a difficult year. Positive and negative factors converged. On one hand, the beginning of the implementation of 4G road program and the acknowledgement by domestic and international investors of the government's efforts to deliver a structural reforms agenda, aiming to comply with the fiscal rule while increasing competitiveness, allowed Colombia to maintain the investment grade. On the other hand, the continued decline of oil prices, the *Fenomeno del Niño* and the slowdown of the global economy, were negative factors.

Amidst this context of global slowdown, Colombia managed to successfully navigate the turmoil.

The GDP growth exceeded expectations, reaching 3.1%, where a 3.0% was expected, and stood out as one of the best growing economies in the region.



Despite further challenges ahead in 2016, we expect growth in Colombia to continue exceeding Latin America average.

**Inflation** became a major challenge for our economic policy. In recent years, growth in prices had remained in the target range set by the Central Bank (2% - 4%). However, this trend was broken in 2015. At the end of the year 2015 the inflation stood at 6.77% compared to a 3.66% in December 2014. Two factors explain this phenomenon: the pass-through of a higher exchange rate, which accelerated the cost of tradable products and the rise in food prices associated with the deficit of rains caused by El Niño.

Expectations for 2016 point towards a moderation in the inflation rate driven by a significant correction in food inflation - following the end of El Niño - and the dissipation of the upward effects of the Colombian peso devaluation.

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In recent years, Colombia has made significant progress in **Employment**, due to the dynamics of the economic growth.

In 2015, unemployment continued the downward trend that has persisted for the past 4 years. In December, the unemployment rate reached 8.6%, which represents about 22.4 million people employed.

**Exchange rate.** During 2015, the Colombian peso weakened against the dollar, reflecting the changes in the international environment. Volatility was extremely high during the year. In December, the exchange rate raised to its highest-level value of \$3 thousand 356. The devaluation for the year was 39%.

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In relation to **Monetary Policy and Interest Rates**, after 13 months of keeping its interest rate unchanged, in September 2015 the Central Bank increased its intervention rate by 25 basic points to 4.75%, and then in October, to 5.25% for a total of 75 basic points. The main reason for this decision was the increase in inflation expectations and risks on the price outlooks for 2016. In December 2015, the Central Bank continued tightening its monetary policy and the intervention rate was increased to 5.75%.

Finally, regarding the behavior of the **Colombian Financial Sector**, the Financial System's net loans portfolio stood at \$336 billion in December 2015 and posed an annual growth of 15.67%.

## Findeter Financial Results

**Analysis of the Balance Sheet.** As of December 2015, the Balance Sheet showed a scenario of expansion with a 6.2% increase in Assets and 6.7% in Liabilities, while Equity grew 2.7%.

**Asset Analysis.** The Gross Loans Portfolio continues to be Findeter's main asset, with 86.5 percent of participation over total Assets, equivalent to \$ 6.84 trillion pesos. The Net Loan Portfolio accounted for 85.7% of Total Assets and amounted \$ 6.78 trillion pesos. During 2015, we achieved an increase of Gross Loans of 13.8% compared to December 2014.

Between December 2014 and December 2015, the Net Portfolio increased 14%, and reached \$832 billion. This behavior is the result of \$ 2.3 trillion disbursed over the year, surpassing the \$2.1 trillion budgeted. This means we fulfilled our goal of disbursements in 109%.

The Prepayments received during the year amounted \$790 billion and the portfolio recovery amounted \$793 billion.

**Analysis of Liabilities and Equity.** Liabilities increased 6.7% or \$436 billion, between December 2014 and December 2015.

Deposits (\$4.5 trillion) represented 65% of total liabilities. This figure decreased versus December 2014, when it represented 73% (or \$ 4.7 trillion). This behavior is explained by the increase in the loans portfolio, a reduction in liquidity in the market, and the increase in multilateral funding. Additionally, this is aligned with the strategy of collecting certificate deposits with the proceeds from the international bond issuance.

Equity amounted approximately \$26 billion, mainly due to the capitalization of profits of the last year. This figure shows an increase of 2.69% compared to the previous year.

This sound level of capitalization allows us to continuously grow in an organic, sustainable and permanent manner, providing Colombia with financing and technical assistance.

**Analysis of the Income Statement.** Revenues amounted \$619 billion pesos, and showed an 82% increase compared to 2014. Similarly, Expenditures which were of \$635 billion increased 92% compared to the previous year. With these results, we achieved an Operating Profit of \$40 billion and an Operating Margin of 3.14%.

Our Net Income amounted \$27 billion pesos.

## Analysis of Financial Indicators

**Return on Equity** was of 2.9%, which is above the 2.80% target established in the Strategic Plan. Despite the turbulent macroeconomic environment, Findeter achieved the profitability targets set for the year.

The indicators of **Efficiency** are consistent with the organizational transformation process that began Q4 of 2011. Our Indicator of Administrative Expenses over Total Average Assets, showed a slight increase, going from 1.38% to 1.62% on a year on year basis, which is mainly explained by the increase in costs linked to technical assistance and sustainability.

**Solvency Ratios.** Tier 1 ratio stood at 12.08%, 108 basic points below that reported in December 2014. Similarly, Tier 2 ratio stood at 12.43%, posting a reduction of 167 basic points compared to the ratio of December 2014.

Our 0.20% **Portfolio Quality Index**, placed us among the best in the local financial system. Meanwhile, the index portfolio coverage ended the year at 459%.

One of our clients, *la Financiera Internacional*, to whom we had granted loans for \$19 billion in 14 operations, went into liquidation in the Q4 2015. However, this situation did not significantly affect our loans portfolio, considering the relative size of the loans granted to this client versus our total loans portfolio which exceeds \$6.8 trillion pesos. We also highlight that over 95% of the beneficiaries of the rediscount loans were up to date in their repayments.

Despite this atypical event, the risk of default of a financial intermediary supervised by the Financial Superintendence (the Colombian Regulator) is low, and as noted in the case of *Financiera Internacional*, in an event of default, Findeter is legally enabled to take possession of the financial intermediary's operations with the beneficiaries.

## Disbursements - Rediscount Loans

Total disbursements. Despite the difficult market conditions, Findeter placed \$2.3 trillion pesos with a compliance rate of 109% of our 2015 target.

Disbursements by Sector. Transportation with \$788 billion disbursements, Health with \$628 billion and Education with \$261 billion were the sectors with the strongest



participation during 2015. These three sectors registered 73% of the total disbursements of Findeter throughout the year.

Technologies and communications with a variation of 379%, and Health with a variation of 361%, were the sectors who grew the most compared to 2014.

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Disbursements by Type of Intermediary. During this period, banks accounted 91% of the rediscount operations. Other intermediaries, such as finance companies, the family compensation funds and the institutes for regional development, among others, accounted the remaining 9%.

Disbursements according to Maturity. Our long-term loans, with maturities over 5 years accounted 88% of the placements, while the short-term loans, between 1 and 5 years, accounted 12%.

Disbursements by Type of Beneficiary. In 2015, Findeter disbursed \$1.5 trillion to private sector beneficiaries and \$789 billion pesos to public sector beneficiaries.

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## **Funding**

During 2015, we raised \$ 2.35 trillion in **Certificate Deposits**. Compared to the previous year, the issuances increased 23%. The total funding decreased by 18%, as we did not issue bonds.

Despite the benefits of the certificate deposits, over the past four years we have been working on diversifying our funding sources. As a result of this strategy, in 2012 we issued a portfolio securitization and in 2014 we issue bonds in the international market.

**External Credits with Development Banks and International Banks** are also a very important source of funding for us. These credits allows us favorable conditions in terms of rate and maturity. They are also relevant for us optimizing our duration gap.

During 2015, we funded disbursements with the following multilateral resources:

- External Loan provided by the French Agency for Development
- External Loan secured by the National Government, granted by the Interamerican Development Bank -IDB.
- External Loan provided by the KFW, secured by the Multilateral Investment Guarantee Agency -MIGA.



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After December 2015, we have executed the following **Relevant Transactions**:

- Issuance and placement of COP \$317 billion in certificate deposits through a dutch auction.
- USD \$50 million external loan granted by the Central American Bank for Economic Integration.
- USD \$50 million external loan granted by Citibank N.A
- USD \$75 million external loan granted by Bank of Tokyo.

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## **2016 Expectations**

We have great expectations in 2016. These are the actions we will take throughout the year:

Commercial Management: Strengthening of the following departments: Project Financing; Technical Assistance; Analysis and Fiscal Support to regional authorities.

COP 1.8 trillion to be disbursed through our rediscount loans.

Financial Management: We expect to raise \$3.3 trillion pesos in certificate deposits, external loans, and a portfolio securitization.

Integral Territorial Development: Evaluate and select the constructors for the second stage of “100,000 Free Housing Project” and hand in 35 thousand houses as parts of the “Housing for Savers Project”.

Support the execution of 81 projects of water and sewage facilities in the context of “Water for Prosperity Program”, and 76 schools as part of the “Full day in School Program”.

Hand in other 84 “Social Infrastructure Projects” that include 13 integration centers, 9 equipped schools, 17 public collectives equipment, 27 recreational parks, 16 libraries, 2 culture’s houses, the Museum of Modern Art of Barranquilla, among others.

Finally, we expect to receive the totality of the results from the Caribe and Santanderes Diammond Project. Finally, we will work to include these projects on the Territorial Developing Plans designed by the new local authorities.

*Slide #15-16*

This time we did not receive questions. This concludes today's conference. Thank you for your participation.





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