

October 13th, 2022

**Financiera de Desarrollo Territorial S.A. -FINDETER
Financial Results 2Q 2022**

Event Transcription

Slide 1 -2

Moderator

Welcome to the Findeter 2Q2022 Financial Results

My name is Sara and I will be your operator for today's presentation.

We have just a few announcements before we begin. At this time, all participants are in a listen only mode. Please note that this conference is being recorded.

The slides will advance automatically throughout the presentation. Below the slides window in your browser, you will find a Q&A icon to submit a question at any time.

Slide 3 Moderator

Findeter is the Development Bank of Colombia that promotes sustainable growth, the competitiveness of the territories and the well-being of citizens, through integral solutions.

Slide 4 (Management Model) Moderator

We have built a robust model of management which includes a portfolio of products and services to respond to the challenges that Colombia faces regarding infrastructural development.

Our model offers solutions in the field of regional and urban planning, as well as project structuring, financing and execution.

I will now turn the call over to, Findeter 's Treasurer, Juan Camilo Galván, Mr. Galván you may now begin.

Slide 5 - 6 (JCG)

Welcome to Findeter's financial results presentation, where we will be sharing the company's results for the first half of 2022.

The financial results and the dynamics of the business as of June 30, 2022 were influenced by the conditions of the macroeconomic environment described below:

The war between Russia and Ukraine has altered the dynamism of the production and marketing of fossil fuels worldwide, which added to the sanctions imposed by the US and the European Union on Russia, have led to the prices of these and other commodities reach all-time highs.

As a result of what was explained before, the central banks of various countries have been forced to increase the monetary policy rate at a faster rate than expected to control inflation, a situation that has increased the probability of a generalized economic recession, but with greater relevance in the United States. In accordance with the above, a more restrictive monetary policy is observed

in the US, where the Federal Reserve (Fed) has raised the interest rate three times so far this year (as of June 2022), going from the 0%-0.25% range to from 1.50%-1.75%. (Now it stands at 3.00% - 3.25%)

At the local level, the economic sanctions against Russia and the rate increases in developed economies bring with them some benefits and disadvantages for the national economy. On the one hand, a strength of economic growth has been observed which, in accordance with the provisions of the Medium-Term Fiscal Framework (MFMP), a GDP growth of 6.5% is projected for 2022, higher than analysts' expectations and several organisms. In turn, the pressure that has been put on inflation, especially in the food component due to the external factors described above and due to internal events, such as the winter season that has discouraged supply, have led to significant increases in interest rates by the central bank that as of June 2022 has increased the target rate to 7.5% and now it stands at 10% according to its most recent decision.

The increase in the Repo rate has been transmitted to the different rates in the economy, including IBR and DTF, on which Findeter's assets and liabilities are indexed. This situation translates into a direct impact on the accrual of income and expenses of the entity.

In terms of income, a benefit has been generated at the end of June 2022, since the rates of the IBR-indexed portfolio, which represents 76% of the total portfolio (\$7.58 trillions), have increased an average of 322 bp compared to 2021 and in IPC which represents 14% of the portfolio (1.37 trillions) in 2022 increased 632 bp, leading to revenues also increasing due to this effect. On the other hand, the increase in fed rates implicitly leads to an increase in sovereign credit risk in emerging economies, including Colombia, seeing a direct impact on the cost of debt, which has direct repercussions on the cost of obtaining the resources to fund the operations, a situation to which Findeter has not been unaware, as can be seen in the behavior of financial expenses.

Slide 8 (Moderator) (Content)

This is the content of the presentation.

First we are going to talk about the financial Results of the organization for the second quarter 2022, then we will show you our commercial results and then we will show you our technical results presenting you some of our flagship projects.

I will now turn the call over to, Findeter 's Treasurer, Juan Camilo Galván, Mr. Galván you may now begin.

Slide 9 (Disclaimer) JCG

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.

Slide 10 (Financial Results) Moderator

We now move on to FINDETER'S financial results for the second quarter of 2022.

Slide 11 (Structure of Colombian Development Banks)

Findeter continues to be the benchmark as one of the leading development banks in the country focused on promoting sustainable projects in territories nationwide. Proof of this, is the growth of

the entity's total assets over the last 10 years, since 2012 assets have increased from \$6.83 to \$11.95 trillion pesos. This behavior has been driven mainly by the increase in the gross loan portfolio, which has grown on average 5.81% per year during that period. As of June 2022, gross loan portfolio reached \$10.30 trillion pesos.

Slide 12 (Portfolio Structure of Colombian Development Banks)

As of May 2022, the total loan portfolio of the financial system in Colombia reached \$649 trillion pesos, which is equivalent to an increase of 14.50% year o year, this growth was driven mainly by consumer and commercial loans. Of the total portfolio, 52.1% corresponds to commercial loans, which is equivalent to \$338 trillions, \$33 trillions more than that registered in May 2021. The consumer portfolio grew \$35 trillions in the same period.

As for the special official institutions, the total portfolio corresponds to \$35 trillions, of which Findeter has a 30% share, placing the entity as the second development bank in the country when comparing its share volume with its peers.

Slide 13 (Findeter's Financial Results)

When analyzing the behavior of Findeter's assets during the first half of 2022, notable variations can be observed in its main accounts.

Compared to June 2021, in the second quarter of 2022 the portfolio showed an increase of 0.05%, closing at \$10.18 trillion pesos. However, it should be noted that during that period, the portfolio corresponding to direct credit has grown from \$0.88 to \$1.47 trillion pesos.

Additionally, we can observe a decrease in the amount of cash from 6.11% in June 2021 to 3.94% in June 2022, this is due to Findeter covering its financial obligations of maturities in a volatile and rough market scenario during the presidential elections, in which liquidity was limited, scenario for which Findeter was prepared for with enough cash to keep the business running as usual.

Findeter's capital structure is made up of 89% liabilities and 11% equity. Within this total structure, the most representative item corresponds to certificates of deposits with a participation of 54.8% (\$6.49 trillion pesos), followed by multilateral bank loans that represent 18.4% (\$2.18 trillion pesos), 13.0%, which is made up of international bonds, subordinated bonds and sustainable bonds; and, finally, 2.5% to other liabilities.

As for Equity, as of June 2022 it shows a growth of 7.23% compared to the same month of 2021, a variation that has occurred because of the generation and capitalization of profits from the previous year (\$77,179 billions).

Finally, regarding the income statement, it should be noted that for the month of June 2022 Findeter has obtained profits of \$33,074 billions, which is equivalent to a 55% growth compared to June 2021, these results are mainly leveraged in the improvement of the interest margin that has had a positive variation of 66% compared to the same period of last year, this derived from the increase in base rates that have had a favorable impact on the behavior of portfolio interest income. Also a stable trend in the implicit tax rate is also highlighted, which went from 41% in June 2021 to 40% by June 2022.

There has been an increase in the financial expense on account of the interests paid for certificates of deposit, these payments, compared with March 2021 have grown by 91% according to the rise in base rates, interests paid for issued bonds have grown by 30% derived from the increase in CPI that directly affects the accruals of sustainable and subordinated bonds; and finally, it should be noted that interest on financial obligations increased mainly due to the behavior of the USD, which increased \$371 pesos in the last twelve months and hedge costs which have increased 320 basis points.

However, income have also grown when comparing June 2021 and 2022 due to the higher value of portfolio interests that have benefited from an upward trend in base rates, particularly in the IBR and CPI indices, which represent the largest volume on Findeter's loan portfolio. This growth has been translated into the financial margin of the entity, that has grown compared to June 2021 by 83%, giving a clear example of the good administration of asset and liabilities of the organization to contribute to the generation of profits in spite of the change on the monetary policy cycle.

Slide 14 (Funding)

As of June 2022, Findeter's funding sources without considering equity reached \$10.22 trillion pesos, including deposits and liabilities, bonds, and loans with multilateral banks.

During the year, the issues, and renewals of certificates of deposit were \$2.42 trillion pesos, showing a variation of -8.7% compared to the same period of last year. This is in line with the funding needs of the bank.

Findeter has credits with multilateral and international banks such as IDB, KFW, AFD and BCIE, for \$2.18 trillion pesos as of June 2022. It is worth noting the variation of the USD during the period analyzed, which between June 2021 and June 2022 has increased \$371 pesos, is reflected in a variation of 2% in the total balance of these credits.

Other important items within the structure correspond to bonds issued which account for 15.0% of Findeter's funding, we have issued: international bonds in 2014 (for \$946,175 million pesos), subordinated bonds in 2017 (\$203,680 billions) and sustainable bonds 2019 (\$400 billions).

Slide 15 (Financial Ratios)

Profitability indicators as of June 2022 showed positive variations compared to what was registered in the second quarter of last year. Return of equity reached at 4.97% thanks to the profit results in the period; On the other hand, the Return on Assets also presented an upward behavior compared to June 2021, standing at 0.56%, which has also been generated because of the positive net margin in the period.

Operating efficiency indicator increased compared to June of last year and it stood at 1.94%, presenting a positive variation of 45 basis points.

The portfolio quality indicator shows a favorable behavior, since it is at 0.03% while the equivalent of the Colombian financial system reaches 3.77%, thus reflecting the lower portfolio risk assumed by Findeter and effective controls of the new direct credit modality.

Slide 16 (Findeter in figures)

Regarding **EBITDA**, it is worth noting an increase of 46.7% compared to 2021 (June-2021: \$40,555 billions). EBITDA showed an upward trend because of the positive behavior of interest income leveraged by the increase in base rates, the recovery of provisions of financial intermediaries and

the contribution of non-financial income, specifically income from project execution. The sum of all of the above allowed an EBITDA level of 59 billions pesos reached in June 2022.

The **ROE** as of June 2022 is 4.97% and stands out for an improvement of 153 BP compared to June of the previous year. The net profit for the month of June was favorably impacted by the behavior of the financial income (income from portfolio interest) and lower execution of the financial expense on account of derivatives. Although there has been a significant increase in financial expenses and administrative expenses (due to inflationary pressures), the income has been sufficient to cover these increments and yield a positive result in terms of profitability.

Finally, the operating efficiency, that as of June 2022 reached 1.94%, showed an increase of 45 basis points compared to last years; In this case, the increase in the minimum wage on the payroll must be considered, which had an upward impact on administrative expenses; the above stipulated by official decree. Also, the increases contemplated by other tax burdens other than income and finally it is worth highlighting a decrease in productive assets of 1.88% derived from a moderate level of placements and prepayments for the period, which impacts the indicator upwards.

Slide 17 (Solvency Ratio)

The solvency ratio presented a decrease equivalent to 5.4 percentage points from June 2021 to 2022, mainly due to the coupling of the calculation to the Basel III methodology from January 2021 and the respective adjustment to operational risk from January 2022, which It was already reviewed and adjusted according to a technical visit carried out by the Financial Superintendence of Colombia.

This adjustment implied an impact of 124% in total risk according to the inclusion of operational risk to total market risk. On the other hand, it should be noted that risk-weighted assets and technical equity have remained stable with slight variations over the course of the last 12 months.

Slide 18 (IRL)

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.

The graph shows the behavior of Findeter's Assets and Liabilities throughout 2021 and the second quarter of 2022, the behavior of the IRL has remained in positive territory with a considerable margin regarding the maturities of liabilities and net liquidity requirements.

Slide 19 (Commercial Results) Moderator

We now move on to FINDETER'S commercial results for the second quarter of 2022.

Slide 20 Moderator

Thank you all, and now I give the room to Andrés Felipe Sánchez who will continue with the second part of the presentation.

Slide 21 (Financing)

In the first half of 2022, we managed rediscount and direct credit operations worth \$1.78 trillion pesos, where we highlight the results in the infrastructure and transportation sectors, as well as health and education.

Slide 22 (Loan disbursements)

In this period of time, we managed to reach 26 departments and 83 municipalities in all regions, where we impacted 458 projects. Disbursements were concentrated for investment equivalent to 52% of the total; followed by working capital with 34% and debt substitution with disbursements equivalent to 14%.

Businesses for the construction of highways and roads stand out, as well as financing of departmental master plans, buildings for universities and passenger transport in electric buses.

At the end of the first semester, we registered 100% compliance with the proposed annual disbursement goal for 2022.

Slide 23 (On-Loan Disbursements)

From January 1 to June 30, 2022, banks represented 65% of the intermediaries of the operations, other intermediaries 17% and direct credit the remaining 18%.

By segment, we disbursed \$1.18 trillion pesos to beneficiaries from the private sector, which represented 66% of operations, and \$600 billions to beneficiaries from the public sector, which represented the remaining 34%.

Regarding the term of disbursements, as a development bank, we focus on long-term loans. Loans with terms equal to or greater than 8 years represented 42% of the placement.

As a leading bank, we seek to transform regions into sustainable territories through infrastructure projects that generate well-being in the regions and improve the quality of life of their inhabitants.

Slide 24 (2022 -CREDIT LINES COVID-19)

Findeter, as the leading development bank in Colombia, has continued to work to support the country's key development sectors. In this sense, we have launched in this second quarter of 2022 a line of credit called Reactiva Colombia for 2.4 trillions, aimed at financing investments related to infrastructure for the sustainable development of the regions, in the energy, transportation, urban development, construction/housing, health, education, environment, sustainable development and culture with an amount of \$1.27 billion disbursed in the second quarter 2022.

Slide 25 (Technical Results) Moderator

We now continue with the topics of the entity's technical area, corresponding to Findeter's non-financial products.

Slide 26 (Technical Assistance)

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, infrastructure social and housing and urban development.

Through technical assistance, Findeter has established itself as the vehicle for executing the programs and policies of the National Government and the territorial entities in the regions of Colombia.

Within the framework of this product, between April 1, 2022 and June 30, 2022, we have managed to have 319 Projects in execution, for a total value of \$2.04 trillion pesos, which directly benefit more than 12 million people.

These projects are executed through four lines of business: Water and Basic Sanitation with 55 Projects; Social Infrastructure with 221 Projects, Housing and Urban Development with 50 Projects and the direction of Special Projects, which was launched this year and has executed 3 projects in this second quarter of the year.

During this same period, revenues of \$17,198 million pesos were generated for technical assistance

Findeter has a solid and extensive experience in the execution of projects where a wide variety of sectors stand out, such as: educational centers, indigenous community projects, aqueduct, housing for savers, consulting, recreation and sports scenarios, improved housing, sewage , dredging, housing improvement, telecommunications projects, cultural centers, free housing, comprehensive improvement of neighborhoods, cultural equipment, road and rail infrastructure, landfill, airport expansion, health center, among others.

Slide 27 (Flagship Projects)

We would like to share with you 1 emblematic project that Findeter has carried out this year, for each of these lines of business.

The first is the optimization of the La Esmeralda drinking water treatment plant for the city of Villavicencio for 59 billion pesos.

With the current scope of the project, the continuity of the system will increase from 90% to 98%, benefiting 447,709 inhabitants of this city

Slide 28 (Flagship Projects)

Next, we would like to highlight the "Improvement Program for rural educational establishments affected by emergencies" through which the service of technical assistance and resource management is provided for the construction of works to improve the infrastructure of educational establishments that require interventions for the return to presence.

This project will impact 262 educational centers located in 7 different departments.

Slide 29 (Flagship Projects)

Now, we are going to present the Via Panorama project, through which road rehabilitation and maintenance work will be carried out. This is one of the first projects to begin execution within the new line of business, special projects. In addition to execution, the business line will seek to obtain the best financing alternative for these projects.

The Via Panorama will benefit nearly 400,000 people in the departments of Risaralda and Valle del Cauca

Slide 30 (Flagship Projects)

Finally, we want to present the Casa Digna, Vida Digna Program. Through which improvement works have been carried out inside the houses, which are adjusted to the particular needs of each home.

This project is executed in 26 municipalities nationwide and to date, 1,548 improvements have been contracted

Slide 31 (End)

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.

Moderator: This concludes today's conference call. You may now disconnect.