

September 29, 2023

**Financiera de Desarrollo Territorial S.A. -FINDETER
Financial results Q2 2023**

Event transcript

Slide 1 (Moderator)

Welcome to FINDETER's presentation of its financial results for the second trimester of 2023.

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 Q&A icon to submit a question at any time.

Slide 2 (Moderator)

FINDETER is Colombia's development bank that promotes sustainable growth, the territories' competitiveness and the well-being of citizens, through integral solutions.

Slide 3 (Moderator)

Findeter's mission is to be the strategic partner of the National Government and territorial entities for the planning, structuring, financing, and execution of sustainable projects that transform territories. The vision is that by 2026 FINDETER will be the development bank recognized for contributing to territorial strengthening and financial inclusion, through sustainable and innovative solutions. As its higher purpose, FINDETER seeks to improve the quality of life of the neediest Colombians.

Slide 4-5 (Moderator)

The content of the presentation is given in 6 sections. First, we will make a brief summary of the global and local economic context and its impact on FINDETER, then we will review the financial, commercial and technical results of FINDETER during the second quarter of 2023. To close, we have included two relevant sections with which we intend to tell you about the update of the Entity's strategic plan for the period 2023-2026 and a review of the materiality exercise and FINDETER's interest groups.

Slide 6 (Moderator)

I will now turn the call over to FINDETER's Economic Studies Director, Sandra Milena Blanco to start. Ms. Blanco you may now begin.

Slide 7 (Sandra Milena)

Welcome to the presentation of Findeter's financial results for the second quarter of 2023. To begin, we will give a brief context about the global and local economy.

According to the latest update to its World Economic Outlook, the International Monetary Fund, said that global growth is expected to fall from an estimated 3.5 percent in 2022 to 3.0 percent in 2023 and 2024. In fact, during the second quarter, the economy showed signs of cooling as the rise in central bank policy rates to fight inflation continues to weigh on economic activity. However, it is important to note that economic data have been stronger than previously forecast in the first half of the year, which lead to a slightly raise in the IMF's forecast for 2023.

The IMF's report also highlights that the balance of risks facing the global economy remains on the downside, despite the recent increase in the US debt ceiling and the steps taken to stabilize the banking sector. The major risks include persistent high inflation, deeper monetary policy adjustments, a slowdown in the recovery in China, rising over-indebtedness tensions, and geopolitical tensions (the Ukraine conflict).

On the other hand, the IMF projected headline inflation will slow to 6.8 percent in 2023 from 8.7 percent last year, an upward revision of 0.2 percentage points from its April update. This estimate has been revised downwards due to lower inflation expectations in China.

Slide 8 (Sandra Milena)

Inflation slowed further in the second quarter in most of the economies because of declining energy prices, moderating food prices, easing supply chains and weak demand. However, core inflation remains at high levels, well above the inflation central banks targets, particularly due to service prices.

In addition, for the second half of the year, new upside risks are emerging, the El Niño climate phenomenon, and the OPEC+'s announcements of production cuts.

For this reason, some of the major central banks decided to continue rising interest rates during this period but they switch to a more cautious posture since the turbulence in the banking industry raises concerns of bank runs. These authorities have also noticed that they will keep interest rates as high as needed to tame inflation.

The U.S. Federal Reserve already has its interest rate at 5.50 percent, which means a 100-points rise in the last seven months. And the European Central Bank, the interest rate stands at 3.75 percent, which shows an increase of 200 basis points over the last 8 months.

On the other hand, negotiations between the U.S. Congress and the U.S. government regarding the debt ceiling created occasional episodes of risk aversion during the quarter, the agreement reached between both parties in early June brought renewed appetite for risk assets globally. In this context, international risk perception indicators, such as the Vix, experienced downward corrections, returning to levels like those observed in 2019.

The local economy experienced a contraction of 0.3% during the second quarter of 2023, significantly lower than the 12.6% growth seen in the same quarter of 2022. This behavior can be attributed to the restrictive policy of the central bank, which has set the interest rate at 13.25%. Despite the slowdown in the economy, the labor market showed strong resistance in the first half of the year.

The inflation rate has been gradually declining since March when it reached its highest point at 13.34%. By July, inflation has already dropped to 11.78%, as food prices continued to moderate. Inflation will continue to fall gradually, reaching 8.96 percent at the end of this year and 5.23 percent in December 2023. Analysts foresee some risks for the second half of the year, including the El Niño phenomenon, an increase in fuel prices (Diesel fuel), and the implementation of new taxes on sugary drinks and ultra-processed foods.

Slide 9-10: Moderator

Thank you Ms Blanco. We now turn to FINDETER's financial results in the second quarter of 2023. To continue, we give room to Jose Alberto Laurens, FINDETER's treasurer. Go ahead Mr. Laurens.

Slide 11: Jose Laurens

FINDETER continues to be a reference as one of the leading development banks in the country focused on promoting sustainable projects in territories nationwide. Proof of the above is the growth of the entity's total assets during the last 10 years since it increased from \$6.7 to \$13.3 trillion pesos. This behavior has been driven mainly by the increase in the gross portfolio, which has grown on average 6.5% annually during the period.

Slide 12: Jose Laurens

By June 2023, the credit establishments portfolio amounted to \$673 trillion pesos, which is equivalent to an increase of 9.1% compared to the same month of the previous year. This growth is driven by consumer and commercial loans. Of the entire portfolio, 51.1% corresponds to a commercial portfolio, which is equivalent to \$343 trillion pesos. For its part, the consumer portfolio grew by \$15 trillions in the same period.

Regarding the development banks in Colombia, the total commercial portfolio corresponds to \$39 trillion, of which FINDETER has a 28.6% participation, placing the entity as the second development bank in the country with the largest portfolio volume compared to its peers.

Slide 13: Jose Laurens

When analyzing the behavior of Findeter's assets until June 2023, notable variations can be observed in its main accounts. Compared to June 2022, the net portfolio had an increase of 9.6%, closing at \$11.1 trillion pesos. During the period, the portfolio corresponding to direct credit went from \$1.49 to \$2.33 trillion pesos. On the other hand, investments showed a decrease of 5%, mainly due to the drop in the balance of forwards, which was of \$123 billion pesos. On the other hand, a 44% increase in cash was seen, leveraged by the resources available in savings accounts that FINDETER's treasury reserves to meet the maturities of very short-term obligations.

FINDETER's capital structure is made up of 88% liabilities and 12% equity. Within this total structure, the most representative item corresponds to deposits with a participation of 53%, followed by multilateral and commercial banking loans that represent 21%. Another 12% is made up of bonds (international, subordinated and sustainable) and, the last 2% corresponds to other liabilities.

Regarding Equity, as of June 2023 it shows a growth of 11% compared to the same month of 2022, a variation that has occurred because of the appropriation of profits of the previous year for \$86 billion pesos. It is important to remember that as a rule, the profits generated by FINDETER are reinvested in the entity.

Regarding the income statement, it is worth noting that for the month of June 2023, FINDETER obtained profits of \$90 billion pesos, which translates into a growth of 174% compared to June 2022. This growth is leveraged mainly by the improvement in the financial margin, which has had a positive annual variation of 109%, this from the increase in base rates that has favorably impacted the behavior of portfolio interest income; The behavior of portfolios and liquidity has also had an impact. Compared to June 2022, financial income has increased by \$554 billion pesos, that is, a positive variation of 128%.

There has been an increase in financial expenses due to the interests of the certificate deposits, which compared to June of last year have grown by 165% according to the increase in base rates, the interest on bonds with a growth of 26% derived from the increase in the 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 FED rate with a direct impact on the Libor and SOFR reference rates, and the forward devaluation with a growth of 171 basis points on average. In any case, the previous effects have been minimized by the behavior of income, yielding positive net results for the period.

The increase in income when comparing June 2022 and 2023 is due to the higher value of portfolio interests that have benefited from an upward trend in base rates, particularly in the IBR and CPI, which represent the largest volume of the entity's current placements. This growth has also been translated into the entity's operating margin, whose growth corresponds to 161%, clearly showing the efficient administration of the organization and the use of base rate cycles as an opportunity to improve its margins (interest, financial and operational).

Slide 14: Jose Laurens

As of June 2023, FINDETER's funding sources without considering equity amounted to \$11.2 trillion pesos, including deposits, bonds and credits with multilateral banks. During the year until June, the issuances and renewals of certificate deposits amounted to \$3.5 trillion pesos, showing a variation of 46% compared to the same period of the previous year.

This is a sign of FINDETER's financial strength, which is recognized by institutional investors who continue to demand the securities issued by the entity.

The loans that FINDETER has contracted with multilateral banks and private banks such as IDB, KFW, AFD, BCIE and JP Morgan, as of June 2023 amount to \$2.7 trillion pesos. In this case, it is worth highlighting the variation in the exchange rate during the current year, which between January and June 2023 has presented a decrease of \$633 pesos, which is reflected in the balance of this account.

Other important items within the funding structure correspond to investment securities in circulation among which the international bonds issued in 2014, the subordinated bonds issued in 2017 and the sustainable bonds issued in June 2019 stand out.

Slide 15: Jose Laurens

Profitability indicators as of June 2023 maintained their positive trend. The ROE was 12.5% thanks to the profit results in the period. On the other hand, the ROA also presented a positive behavior, standing at 1.3%, which has also been generated because of the positive net margin in the period.

The operational efficiency indicator increased compared to June of last year as it stood at 2.12%, increasing 18 basis points.

The portfolio quality indicator shows a favorable behavior, since it is at levels of 0.11% while the equivalent of the Colombian financial system amounts to 4.72%, thus reflecting the lower portfolio risk that FINDETER assumes on account of the rediscount and effective control of the new direct credit modality.

Slide 16: Jose Laurens

Regarding EBITDA, it is worth highlighting a growth of 148% compared to 2022. EBITDA presented an upward trend because of the positive behavior of interest income leveraged by the increase in base rates and income from the own portfolio and FNG. The sum of all the above allowed us to reach an EBITDA level of \$147 billion pesos by June 2023.

The ROE as of June 2023 stood at 12.59% with a variation of 7.55 percentage points compared to June of the previous year. The net profit for the month of June 2023 was favorably impacted by the behavior of financial income (portfolio interest income) and lower execution of financial expenses on account of the net of derivatives and loans with banks. Although there has been an increase in financial expenses, administrative expenses due to inflationary increase and tax rate, the income is sufficient to cover these needs and yield a positive result in terms of profitability.

Finally, regarding operational efficiency, the result for June 2023 corresponds to 2.12%, remaining stable throughout the term thanks to the performance of productive assets; In this case, the increase in the minimum wage must be considered, which is stipulated by collective agreement and has a direct impact on administrative expenses; There are also the increases contemplated by other tax burdens other than income.

Slide 17: Jose Laurens

The solvency ratio presented a decrease equivalent to 2.2 percentage points from June 2022 to 2023. The downward trend is correlated with the increase in assets, particularly due to the investment portfolio and portfolio components, whose upward behavior is reflected in assets weighted by risk level. On the other hand, technical equity has presented an upward variation which is largely due to the higher value of basic equity due to the profits for fiscal year 2023 and a decrease in deferred tax. Finally, stands out a drop in the value at risk corresponding to the decrease in the module derived from operational risk.

Slide 18: Jose Laurens

The graph shows the behavior of FINDETER's assets and liabilities throughout 2022 and so far in 2023. The behavior of the IRL has remained in positive territory with enough margin regarding the passive maturities and requirements of net liquidity.

Slide 19-20: Moderator

We now move on to the presentation of the commercial results in the second quarter of 2023. For this section we give room to Maria Lourdes Lacouture, in charge of Investor Relations.

Slide 21: Maria Lourdes

From January to June 2023, we managed rediscount and direct credit operations worth \$1.2 trillion pesos, where we highlight the results in the energy, transportation, urban infrastructure and housing, education and fiscal sanitation sectors. Businesses that stand out are those for the construction of road, construction of school buildings, financing of development plans, as well as activities and projects aimed at economic reactivation and job creation.

Slide 22: Maria Lourdes

In this period, we managed to reach 24 departments and 154 municipalities in all regions, where we had influence in 315 projects. Disbursements were concentrated for investments with 76% of the total; followed by working capital with 14% and debt replacement with 10%. Of the total disbursed, 70% was given through rediscount credits, while 30% was given through the direct credit modality.

Slide 23: Maria Lourdes

From January to June 2023, by segment, we disbursed \$677 billion pesos for private sector beneficiaries, which represented 55% of the operations, and \$447 billion pesos for territorial entities that represent 37% of FINDETER loans.

Regarding the term, as a development bank, we focus on long-term loans. Loans with terms equal to or greater than 8 years represented 66% of the placements.

We also highlight that 69% of our debtors are banks and 30% are beneficiaries of direct credit.

Slide 24-25: Maria Lourdes

FINDETER, as the leading development bank in Colombia, has continued working to support key sectors in the country's sustainable development. In this sense, in the second quarter of 2023, resources for \$800 billion pesos were added to the direct credit line Reactivation Colombia Tranche II to have a total credit line for \$3.95 trillion pesos contributing to the development of the country in all the sectors that FINDETER can finance.

Slide 26: (Moderator)

We now move on to the section with the presentation of the technical results in the second quarter of 2023. Maria Lourdes Lacouture, in charge of Investor Relations, continues presenting.

Slide 27: Maria Lourdes

In the first half of 2023 we have 268 projects in execution or to be started worth \$1.6 trillion pesos. The largest participation of these projects is given in 197 infrastructure projects. We are also executing 43 projects related to environmental matters, 12 territorial development projects and 16 transportation and mobility projects. By type of projects, we highlight that the majority are in the recreation and sports, education, housing and aqueduct sectors. This execution has generated income of \$19.2 billion pesos during the first half of 2023.

Slide 28: Maria Lourdes

On this occasion, we want to share with you the update of the entity's strategic plan for the period 2023-2026.

Slide 29: Maria Lourdes

As a superior purpose and thinking about what drives us as an entity every day, we prioritize the improvement of the quality of life of the neediest Colombians.

Slide 30: Maria Lourdes

In the review exercise of the strategic plan, FINDETER's vision was updated to: By 2026 FINDETER will be the Development Bank recognized for contributing to territorial strengthening and financial inclusion, through sustainable and innovative solutions. As can be seen, it emphasizes territorial strengthening and financial inclusion.

The mission remained the same, be the strategic partner of the National Government and territorial entities for the planning, structuring, financing and execution of sustainable projects that transform territories.

Slide 31: Maria Lourdes

The strategic plan is based on 4 thematic focuses: 1. Socioeconomic gaps and regional inequalities, 2. Adaptation to climate change and energy transition, 3. Social responsibility and financial balance and 4. Human talent and organizational culture open to change.

The first has to do with closing socioeconomic gaps, reducing development inequalities between regions, supporting the management of territorial governments in the most lagging areas, generating regional capacities, supporting the articulation: nation – territory – community and being the government's financing vehicle, among others.

The second is related to promoting projects that contribute to environmental sustainability, energy transition, green taxonomy and adaptation to climate change. The third with the generation of sufficient economic profitability, responsibility with the entity's resources, risk management for integration with new actors and seeking operational efficiency in the administration of resources.

Finally, the fourth thematic focus refers to having human capital open to change, developing skills to anticipate new situations, promoting digital transformation that generates value for the entity, having inclusive and transformative leadership and reaffirming and maintaining the balance between family, personal and work life.

Slide 32-33: Moderator

FINDETER, keeping up its sustainability strategy, has updated their materialities and interest groups. An exercise that responds to the needs of its interest groups and to the new strategic planning built for the period 2023-2026. To give us detail, we give room to Andrea Rojas, R&D&I Unit Coordinator.

Slide 34: Andrea

As the GRI itself defines it in its guide, an entity's materialities is an exercise that allows us to identify those sustainability issues that are considered important by the company and its stakeholders and that have "a direct impact or indirect in the ability of an organization to create, maintain or distribute economic, environmental and social value."

The process that we carried out in this exercise was collaborative in nature. This year taking advantage of the internal capabilities of our organization, we carried out the exercise of definition, assessment, and prioritization of our materialities, through the linking of all interest groups and from these, we are developing action plans aligned with our strategic direction.

Slide 35: Andrea

As a first step, we developed the update and classification of our interest groups through which each of them was identified, validated and prioritized. This exercise was carried out with representatives of all the vice presidencies of the entity, through a co-creation space that allowed us to denote the form of relationship we have with each of these groups.

Among the main changes to highlight are: the inclusion of a new interest group, strategic partners, which correspond to all those entities that work strategically and jointly with FINDETER for the development of new products/services. In this new group we can find: development banks, commercial banks, finance companies, unions, or those entities that promote standards or regulatory certifications that must be adopted by the entity.

We redefined our commercial relationship, for this reason, we went from an interest group called "Clients" to one called "Allies", where what we are looking for is not a purely financial business, but rather we intend to engage in a win-win action that allows us to deliver the greatest benefit and capabilities for the Colombian territories.

We also identified a focus of organizational interest, environmental protection. We established the environmental protection as a transversal concept that is linked to all the activities carried out in FINDETER.

We have evolved in the relationship that we intend to establish with these interest groups. For this reason, we will not only have a specific commitment, as described above, but we also define a relationship strategy with each of them seeking to activate conversations in two ways that allow us to respond accurately to their expectations and needs.

Slide 36: Andrea

The second activity that this exercise included was the identification of all those materialities that are directly related to our daily work. For this, we held a work session with the entity's presidency committee and some other guests from our different areas. We identified 13 material themes relevant to the vision of the entity for the coming years. Likewise, and seeking alignment with the new National Development Plan, the popular economy was prioritized as Mega-materiality, as a transversal theme and umbrella that directs some of the efforts that the entity will develop in this period.

Likewise, it can be seen how each of the material topics is related to the sustainability focus to which it points, either; social, environmental, economic or governance.

Slide 37: Andrea

Once the material issues of the entity were identified, we proceeded to carry out a double materiality assessment with each of our 11 interest groups; This assessment included five (5) questions from two perspectives: Financial materiality: from the outside to the inside and impact materiality: from the inside to the outside.

After the participation of approximately 440 people from our interest groups, we have prioritized the following 5 materialities for FINDETER:

- Transfer of capabilities to territorial entities
- Measurement of environmental, social, and economic impacts
- Responsible finances
- Social infrastructure
- Relationship strategy

Slide 38: Andrea

Each of the 5 materialities identified and prioritized for FINDETER are directly related to the SDGs, influencing from this strategy the following 7 objectives:

- SDG 8: Decent work and economic growth
- SDG 9: Industry, innovation and infrastructure
- SDG 10: Reduction of inequalities
- SDG 11: Sustainable cities and communities
- SDG 12: Responsible production and consumption
- SDG 13: Climate action
- SDG 17: Alliance to achieve the goals

As we mentioned previously, the materialities prioritized for FINDETER are framed within a Mega-materiality, popular economy, a topic prioritized by the entity and by the national government as a key to continue building the development of the territories of our country and through which from FINDETER we will work to strengthen regional development.

Thus, through the consolidation of this exercise of materialities we are working on the execution of our sustainability strategy from which we seek to constantly promote a social, environmental and economic balance in what we do.

Slide 39: Moderator

With this we finish today's presentation, thanking you for your attention and interest in the FINDETER results. For questions and additional information, you can contact the Investor Relations office.

Thank you all.