

December 14, 2023

**Financiera de Desarrollo Territorial S.A. -FINDETER
Financial results Q3 2023**

Event transcript

Slide 1 (Moderator)

Welcome to FINDETER's presentation of its financial results for the third 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 4 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 third quarter of 2023.

Slide 6 (Moderator)

I will now turn the call over to Paola Milena Gutierrez, specialist at FINDETER 's Economic Studies area.

Slide 7 (Paola Milena)

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

During the third quarter, inflation continued to be one of the most relevant factors for the global economy. In developed countries, the trajectory of core inflation continued to be downward, although it remains at historically high levels, so that central banks continued to make adjustments to the monetary policy rate.

On the other hand, in emerging economies, the correction of prices has been more accelerated, which has given some central banks room to begin lowering interest rates.

Thus, in the external context, tighter financial conditions, the persistence of high inflation levels and the continuity of the conflict between Russia and Ukraine have led to a moderation in growth, although this has been heterogeneous among countries.

Comparatively, in the third quarter, the U.S. economy showed greater resilience by registering growth of 4.9%, while Europe presented a contraction of 0.1%.

For the third quarter, Latin America showed encouraging signs of growth, reflected in ECLAC's upward revision of GDP projections for 2023. These projections rose significantly, from 1.0% in the April report to 1.6% in the November report. This advance was driven mainly by the economies of Mexico and Brazil, which stood out as the main drivers of this growth in the region.

Slide 8 (Paola Milena)

At the local level, it is worth noting that the prices of the household basket completed 6 consecutive months of declines in September, which is largely explained by the correction of food prices and the restrictive policies of the central bank. At the end of the period, inflation stood at 10.99%, the highest in the region.

The central bank decided to maintain the interest rate unchanged (13.25%) and according to analysts it is estimated that the cycle of cuts will begin at the end of 2023.

During the third quarter of the year, the local economy contracted by 0.3%, below the 0.5% growth expected by analysts' consensus. Thus, so far this year, the economy has grown by 1%.

However, at the sectoral level, it is possible to state that the lower economic dynamism has been transversal to the different sectors. The activities that have been most affected have been those related to the production and trade of goods. In this sense, the contractions exhibited by industry, construction and commerce stand out.

For the last quarter of the year, it is estimated that inflation will continue to correct and will be around 9.48%, a trend that will extend into 2024, which will allow the central bank to advance in the process of normalizing monetary policy. In terms of activity, there are still important challenges due to high interest rates, a possible rebound in inflation due to the El Niño phenomenon, and government reforms that are still pending.

Slide 9-10: Moderator

Thank you Paola. We now turn to FINDETER's financial results in the third 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 \$14.1 trillion pesos. This behavior has been driven mainly by the increase in the gross portfolio, which has grown on average 6.9% annually during the period.

Slide 12: Jose Laurens

By August 2023, the credit establishments portfolio amounted to \$673 trillion pesos, which is equivalent to an increase of 6.5% compared to the same month of the previous year. This growth is driven by commercial loans. Of the entire portfolio, 52.9% corresponds to a commercial portfolio, which is equivalent to \$343 trillion pesos. For its part, the consumer portfolio grew by \$5 trillions in the same period.

Regarding the development banks in Colombia, the total commercial portfolio corresponds to \$40 trillion, of which FINDETER has a 28.9% 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 September 2023, notable variations can be observed in its main accounts. Compared to September 2022, the net portfolio had an increase of 8.9%, closing at \$11.7 trillion pesos. During the period, the portfolio corresponding to direct credit went from \$1.79 to \$2.59 trillion pesos. On the other hand, investments showed a decrease of 12.5%, mainly due to the drop in the balance of forwards, which was of \$172 billion pesos. For its part, a 43.9% decrease in cash was seen, due to unfavorable conditions for raising resources in this period, however, the entity has always guaranteed sufficient liquidity to meet the needs of the treasury.

FINDETER's capital structure is made up of 88% liabilities and 11% equity. Within this total structure, the most representative item corresponds to deposits with a participation of 54%, followed by multilateral and commercial banking loans that represent 20%. Another 11% is made up of bonds (international, subordinated and sustainable) and, the last 2% corresponds to other liabilities.

Regarding Equity, as of September 2023 it shows a growth of 12% compared to the same month of 2022, a variation that has occurred because of the appropriation of profits of the previous year for \$116 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 September 2023, FINDETER obtained profits of \$116 billion pesos, which translates into a growth of 127% compared to September 2022. This growth is leveraged mainly by the improvement in the financial margin, which has had a positive annual variation of 78%, 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 September 2022, financial income has increased by \$734 billion pesos, that is, a positive variation of 96%.

There has been an increase in financial expenses due to the interests of the certificate deposits, which compared to September of last year have grown by 121% according to the increase in base rates, the interest on bonds with a growth of 20% 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 152 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 September 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 103%, 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 September 2023, FINDETER's funding sources without considering equity amounted to \$11.7 trillion pesos, including deposits, bonds and credits with multilateral banks. During the year until September, the issuances and renewals of certificate deposits amounted to \$5.4 trillion pesos, showing a variation of 26% 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 September 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 September 2023 has presented a decrease of \$756 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 September 2023 maintained their positive trend. The ROE was 10.4% thanks to the profit results in the period. On the other hand, the ROA also presented a positive behavior, standing at 1.1%, which has also been generated because of the positive net margin in the period.

The operational efficiency indicator increased compared to September of last year as it stood at 1.75%, increasing 33 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 4.87%, 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 95% 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 \$195 billion pesos by September 2023.

The ROE as of September 2023 stood at 10.43% with a variation of 5.3 percentage points compared to September of the previous year. The net profit for the month of September 2023 was favorably impacted by the behavior of financial income (portfolio interest income) and lower execution of administrative expenses.

Finally, regarding operational efficiency, the result for September 2023 corresponds to 2.1%, 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 1 percentage points from September 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. Finally, stands out a drop in the value at risk corresponding to the decrease in the module derived from operational risk.

Slide 18-19: Moderator

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

Slide 20: Maria Lourdes

From January to September 2023, we managed rediscount and direct credit operations worth \$2.3 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 21: Maria Lourdes

In this period, we managed to reach 270 municipalities in all regions, where we had influence in 568 projects. Disbursements were concentrated for investments with 75% of the total; followed by working capital with 14% and debt replacement with 11%. Of the total disbursed, 71% was given through rediscount credits, while 29% was given through the direct credit modality.

Slide 22: Maria Lourdes

From January to September 2023, by segment, we disbursed \$973 billion pesos for private sector beneficiaries, which represented 42% of the operations, and \$766 billion pesos for territorial entities that represent 33% 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 71% of the placements.

We also highlight that 70% of our debtors are banks and 29% are beneficiaries of direct credit.

Slide 23: (Moderator)

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

Slide 24: Maria Lourdes

In the period January - September of 2023 we have 388 projects in execution or to be started worth \$3.2 trillion pesos. The largest participation of these projects is given in 264 infrastructure projects. We are also executing 50 projects related to environmental matters, 42 territorial development projects and 32 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 \$30.2 billion pesos In the period January - September of 2023.

Slide 25: 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.