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**Financiera de Desarrollo Territorial S.A. -FINDETER
Q3-2016 Results Presentation
Transcription of the Event**

Hosts:

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Ana Patricia Cañón, Commercial Vice President
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[Please note all figures are in Colombian pesos (COP), except explicitly indicated]

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Dear investors and analysts,

Welcome to Findeter's Q3-2016 results presentation, where we will present the most important highlights of the current year, and the outlook for FY-2016.

Findeter is the development bank that supports the sustainable development of the regions of Colombia, providing comprehensive and sustainable solutions for the development of projects.

We plan, finance and execute projects that generate well-being and improve the quality of life of the inhabitants. To do so, we offer Financial products (such as rediscount loans, guarantees, and public funds management) and None-Financial products (such as technical assistance and project structuring), aiming to build a sustainable country, with increasing economic and social growth.

Before presenting Findeter's financial and commercial performance during the year, we will provide a brief **Economic Review**.

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Oil and Exchange Rate. During Q3, oil prices showed signs of stabilization. WTI prices, fluctuating between \$40 and \$50 dollars per barrel, have been influenced by economic fundamentals such as the behavior of the US inventories and a possible production limit



agreement at the OPEC. The influence of oil prices on the exchange rate remains decisive. The exchange rate has stabilized around 3 thousand pesos per dollar.

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Growth. During 2016, Colombia's economy continued a slow-down trend. In the Q2-2016, Colombia grew 2%. Although the economic slowdown is evident growth still exceeds the average rate of the Latin American and Caribbean economies, which have reported negative growth rates. According to the latest IMF World Economic Outlook report GDP, growth in Colombia is expected to close at 2.2% in 2016, while South America will suffer a -2% contraction and Latin America and the Caribbean - 0.6%.

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Inflation and Monetary Policy. September twelve-month inflation stood at 7.27%, which is a major setback when compared to 8.97% in July 2016. The normalization in prices - which had been influenced by the temporary effects of El Niño and the devaluation pass-through on food prices and tradable products - was the main factor behind the decision of the Central Bank to end the rate hike, leaving the interest rate at 7.75%. Inflation is expected to continue ceding while converging to the target range of 2% - 4% in 2017.

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Under this economic context, **Findeter's Financial Results** are remarkable.

During Q3-2016, Findeter's **Balance Sheet** structure showed a scenario of expansion with a 15.6% growth in Assets and 17% in Liabilities, while Equity grew 4.9%.

Asset Analysis. The Gross Loans Portfolio continues to be Findeter's main asset, representing 88% of Total Assets, equivalent to \$7.6 trillion. The Net Loans Portfolio accounted for 87% of Total Assets and amounted to \$7.5 trillion.

Between Q3-2015 and Q3-2016, the Net Portfolio increased 16%, reaching \$1 trillion.

In addition, Prepayments decreased from \$459 billion to \$244 billion.

Analysis of Liabilities and Equity. Liabilities increased 17%, equivalent to a \$1.1 trillion growth. Certificate Deposits, with \$4.2 trillion, represented 61% of total liabilities. This figure shows a decrease compared to last years' result, when it represented 64%. This performance is mainly caused by the reduction in market liquidity, and the increase in multilateral funding. The value of external loans grew \$549 billion, due to an increase in the dollar balance and the exchange rate.

The value of our Equity grew 5% reaching \$1 trillion.



Analysis of the Income Statement. During Q3-2016, Interest Income increased 51% (or \$175 billion) due to the increase in the average balance of our loans portfolio, as well as higher interest rates during the period.

Operating Income increased 61% or \$549 billion as a result of the volatility of the exchange rate which had a positive effect on the valuation of derivatives and exchange differences, due to restatement of assets and liabilities.

Operating Expenses increased 58% or \$505 billion. This figure also responds to the increase in valuation of derivatives, exchange rate adjustment, and increase in financial costs.

With these results, we achieved an Operating Profit of \$44 billion and an Operating Margin of 5%.

Our Net Income grew \$16 billion compared to 3Q-2015, amounting \$33.5 billion.

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Our **Financial Ratios** reflect an excellent management. The 0.15% Portfolio Quality Index and 1,300% portfolio coverage index, places us among the best in the Colombian financial system, and our 6.5% Return on Equity showed an excellent figure, reflecting an increase of 246 bps when compared to the previous period.

Solvency Ratios. Basic Solvency Ratio (Tier 1) stood at 11.4%, posting a reduction of 113 bps compared to 3Q-2015. Similarly, Total Solvency Ratio (or Tier 2) stood at 11.7%, 168 bps below that reported in the 3Q-2015. These figures explain our loan portfolio growth. In order to improve these indicators at our desired levels, and support the sustainable growth of our loan portfolio, we executed in May 2016, a portfolio securitization, and we are exploring different alternatives towards those objectives.

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The strong reputation we built as the development bank of Colombia, and the confidence of our local and international investors, backed by our *investor relations* certificate granted by the Colombian Stock Exchange, our triple A local rating and triple B international rating (at the same level our sovereign), allows us access to local and international transactions in favorable conditions.

Regarding our **Funding**, during 2016 we raised \$2.23 trillion pesos through the issuance of certificate deposits and \$195 million dollars in external loans; while during the period, we raised \$726 billion in CDs, and we disbursed 10 million dollars from the \$50-million-dollar loan signed with CABEI. In addition, we signed a \$150-million-dollar loan with the IDB,



which is the second tranche of the \$600 million IDB external credit line, guaranteed by the Republic of Colombia.

Finally, we have made a prominent role managing none-refundable international funds. Currently, we are managing \$25 million dollars, granted by various donors including the European Union, IDB, USAID, among others. The purpose of those funds is to execute different sustainable projects in transport, environment, restoration of public space and others, along different regions and cities of Colombia.

Now we will discuss the commercial results, which include our two main products: disbursements of rediscount loans and technical assistance services.

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In Findeter, we perform all our credit operations through the rediscount system. This means Findeter concedes loans to authorized financial intermediaries, composed of commercial banks and other financial institutions. In turn, financial intermediaries disburse loans to final beneficiaries, which are public entities or private companies. We call this type of operation **Rediscount Loans**.

Findeter's Rediscount Loans finance up to 100% of the total project cost, with maturity terms up to 15 years, and up to 3 years of grace period. These loans can be denominated in Colombian pesos or US dollars, with the possibility of total or partial disbursements.

Loans may be used for working capital, debt replacement or project investments, in construction, procurement of goods, and implementation of new technologies, in 11 sectors of the economy such as transportation, energy, health, education, water and sewerage, among others.

Yearly Disbursements. During the three quarters of the year, we maintained high level of loan placements, which amounted \$1.76 trillion. We placed these facilities in strategic sectors such as in health, energy, transportation, and education, which represented 88% of the total disbursements.

Disbursements by Sector. As of 2016, the sectors with the largest share on our rediscount loan placements were: health with \$879 billion, energy with \$341 billion, and transportation with \$205 billion. These three sectors represented 81% of the total disbursements during the current year.

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Disbursements by Type of Intermediary. During the current year, banks have accounted for 90% of the rediscount operations with \$1.6 trillion. Other intermediaries, such as finance



companies, family compensation funds and regional development institutes, among others, accounted for the remaining 10% with \$173 billion.

Disbursements by Type of Beneficiary. Findeter disbursed \$1.5 trillion to private sector beneficiaries representing 85% of the rediscount operations, and \$265 billion or 15% to governmental beneficiaries.

Disbursements according to Maturity. As a development bank, we focused our placements on long-term maturities. Loans with maturities over 5 years were 87% of total, while short-term loans, between 1 and 5 years, accounted for 13%.

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Technical Assistance is our main non-financial service. Through this service, we support the National Government and other government agencies, leading pre-contractual, contractual processes, monitoring and supervising the implementation of social infrastructure programs.

Through our Technical Vicepresidency, Findeter manages \$7.8 trillion pesos in 677 projects throughout Colombia. Out of this amount, \$5 trillion (or 213 projects) correspond to housing programs, \$2 trillion (or 217 projects) correspond to water and sewerage, and about \$800 billion (247 projects) in social infrastructure, such as schools and citizen centers. As of today, we have successfully concluded 276 projects worth \$3.5 trillion, while an additional set of 401 projects, worth \$4.3 trillion, are currently being executed by Findeter.

With our expert services and strong reputation, we have strengthened Findeter and positioned ourselves as an effective vehicle in the implementation of social inclusion priority programs, articulating public policies with the needs of our regions.

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2016 YE Results Expectations

We have great expectations for the year end results. We will continue working towards a sustainable country, bringing welfare to the regions of Colombia through technical assistance services and financing sustainable infrastructure projects, through the following specific actions:

In the commercial front, we expect to exceed our \$1.8 trillion disbursements goal for the year.

In addition, we will continue developing our structuring services, technical assistance programs, and financial advisory to local authorities. We are convinced that these services



are really important for us as they bring added value to our financial products and strengthen the relationship with our customers.

We will now begin the **Q&A** session.

1. Please set some examples of projects financed by Findeter during 2016.

Here are some examples of loans disbursed through our financial intermediaries to governmental entities in different sectors, as private beneficiary projects are protected by confidential clauses.

- \$90 billion rediscount loan to Nueva EPS, for debt replacement (Health Sector).
- \$57 billion loan to Centrales Electricas del Norte de Santander for the Energy Expansion Plan (Energy Sector).
- \$15 billion to Empresa de Acueducto y Alcantarillado de Pereira for the water and sewerage network renovation consultancy (Water and Sewerage Sector).
- \$18 billion to the district of Bogotá for the land acquisition of the Air Line Stations of Ciudad Bolivar (Transportation Sector).

2. Please could you talk a little bit about the impact of FX during the presentation?

In order to minimize Findeter's exposure to FX liabilities, our Board of Directors established a limiting exposure policy of maximum 2.5%. In this range, the Financial Vicepresidence opted a coverage near 100%. In conclusion, we mitigate the exchange rate risk almost a 100%.

3. What is FDT's share of COP and USD funding vs the loan portfolio?

	COP	USD	Total
Funding	82%	18%	100%
Loan Portfolio	94%	6%	100%

We have finished our presentation. Thank you for your participation.

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