

December 13th, 2022

**Financiera de Desarrollo Territorial S.A. -FINDETER
Financial Results 3Q 2022**

Event Transcription

Slide 1-2

Moderator

Welcome to the Findeter 3Q 2022 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 (Juan)

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

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

The war between Russia and Ukraine continues to alter the dynamism of production and commercialization 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 energy commodities reach all-time highs, this situation has affected production prices, leading to a significant increase in the price of some basic agricultural products such as potatoes, wheat, and corn, rising food price inflation around the world.

Therefore, central banks of various countries have continued with the increases in their monetary policy rate attempting to control inflation, a situation that has raised the probability of a general economic recession.

Locally, in Colombia, economic growth has strengthened, and according to the projections of the Medium-Term Fiscal Framework (MFMP), it is projected for 2022 a GDP growth around 6.5%, however, organizations such as the IMF estimate higher figures around 7.6%. However, the pressure on inflation, especially in the food component due to the external factors described before and by internal events such as the winter season, that has impacted the offer, have led to a more restrictive monetary policy in which the central bank recently raised the repo rate to 11.0%.

The increase in the Repo rate has been transmitted to the different rates of the economy, including IBR and DTF, on which Findeter's assets and liabilities are indexed, this situation translates into a direct impact on the causation of the Entity's income and expenses. In terms of income, a benefit has been generated at the end of September 2022, due to the increase in base rates, IBR which represents 79% of the total portfolio (\$8.31 trillion) has increased on average 658 bp compared to 2021. Also, CPI in Colombia has increases 654pb during 2022 having a positive impact in CPI indexed credits which represents 16% (1.31 trillion) of total.

Internationally, the increase in FED fund rates has led to higher risk of sovereign credit as observed in the levels of Credit Default Swaps for Colombia, which this year has increased 321 bp, having a direct impact on the cost of debt, a situation where Findeter has also been affected, mainly in the behavior of financial expenses.

Finally, it is expected that the Banco de la República will continue with its monetary policy tightening to contain inflation pressures, Findeter anticipates the repo rate to reach 11.75% at the end of 2022 which will continue to impact the financial behavior of the entity.

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 third 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 third quarter of 2022.

Slide 11 (Structure of Colombian Development Banks)

Findeter continues to be a benchmark as one of the leading development banks in the country focused on promoting sustainable projects in territories nationwide. Proof of that is the growth of the entity's total assets during the last 10 years, since then they have increased from \$6.8 to \$12.4 trillion pesos. This behavior has been mainly driven by the increase in the gross loan portfolio, which has grown an average of 5.9% per year during that period. As of August 2022, the balance has already reached \$10.4 trillion pesos.

Slide 12 (Portfolio Structure of Colombian Development Banks)

By August 2022, the total portfolio of the financial system accounts \$678 trillions, which is equivalent to an increase of 16.7% compared to the same month of the previous year. This growth is driven mainly by consumer and commercial loans. Of the entire portfolio, around 52% corresponds to the commercial portfolio, which is equivalent to \$354 trillions, \$44 trillions above what was registered in August 2021. The consumer portfolio grew \$38 trillions in the same period.

Regarding the special official institutions, the total portfolio accounts \$37 trillions, of which Findeter has a 28% stake, placing the entity as the second development bank in the country when comparing its volume of participation with its peers.

Slide 13 (Findeter's Financial Results)

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

Compared to September 2021, in the third quarter of 2022 the portfolio showed an increase of 7.3%, closing at \$10.7 trillions. Where it is also worth noting that during the period the portfolio corresponding to direct credit has risen from \$1.0 to \$1.78 trillions. On the other hand, investments showed an increase of 39.9% corresponding to the behavior of derivatives and repurchases of CDT's made.

Cash inflow has increased 147% reaching \$614 billions. Partially explained from a new credit negotiated with JP Morgan with a MIGA guarantee, credit which has been used to finance Findeter's credit operation especially in Climate Finance and the health sector. Additionally, the volume of deposits has risen more than 740 billion, these are efforts made by the treasury department in order to support the liquidity of the entity and also foreseeing a better dynamic of credit disbursements by the end of the year.

Findeter's capital structure is made of 90% liabilities and 10% equity. Within this total structure, the most representative item corresponds to deposits and liabilities with a participation of 52.6% (\$7.05 trillions), followed by multilateral bank credits that represent 23.1% (\$3.09 trillions pesos), 11.5% of bonds (international, subordinated, and sustainable); and, finally, 2.7% of other liabilities.

Regarding Equity, as of September 2022 it has grown 6.25% compared to the same month of 2021, a variation that has occurred as a consequence of the appropriation of profits of the previous year (\$77,179 million pesos).

Finally, regarding the income statement, it should be noted that for the month of September 2022 Findeter has obtained profits of \$51,1 billions, which translates into a growth of 4.67% compared to September 2021, leveraged mainly in the improvement in the interest margin, which has had a

positive variation of 86% compared to the same period last year, this is derived from the increase in base rates that has favorably impacted the behavior of portfolio interest income. Compared to September 2021, financial income has increased by \$378 billions, that is, a positive variation of 99%.

There has been evidence of an increase in the financial expense on account of the interest paid on certificates of deposits, which with respect to September of last year have grown by 103% according to the rise in base rates, interest on bonds has grown 30% derived from the increase in the CPI that directly affects the accruals of sustainable and subordinated bonds; Lastly, it should be noted that interest on financial obligations increased mainly due to the behavior of the exchange rate, which increased by \$697 pesos in the last twelve months, and the cost of fx hedges due to an increase of 460 bp in NDF devaluations, this is reflected in a positive variation of 31%.

The increase in income, comparing September 2021 and 2022 is due to the higher value of portfolio interests that have benefited from an upward trend in terms of base rates, particularly in the IBR and CPI indices, which represent the largest volume of the entity's current credits. This growth has also been translated into the financial margin of the entity whose growth compared to September 2021 reached 86%, giving a clear example of the efficient administration of the organization and the use of base rate cycles as an opportunity to improve our margins.

Slide 14 (Funding)

As of September 2022, Findeter's funding sources without considering equity amounted to \$11.7 trillions, including deposits and liabilities, bonds and loans with multilateral banks.

From January to September, CDT's issuances and renewals totaled \$4.3 trillions, showing a 22.6% variation with respect to the same cut of the previous year. This is proof of Findeter's financial strength, which is recognized by institutional investors who continue to demand our debt.

The loans that the Entity has contracted with multilateral banks and private banks such as IDB, KFW, AFD, BCIE and JP Morgan totaled, as of September 2022, \$3.09 Trillion pesos.

It is worth noting the variation of the exchange rate during the current year, which between January and September 2022 has had an increase of \$551 pesos, is reflected in a variation of 11.8% in the balance of loans that are still in force (discounting the entry of JP Morgan in September, which would add 28 percentage points to the variation).

Other important items within the funding structure correspond to investment securities (14%), that corresponds to the bonds issued by findeter. Also international bonds issued in 2014 for \$946,175 billions, subordinated bonds for \$203,680 billions issued in 2017 and sustainable bonds issued in June 2019 for \$400,000 billions.

Slide 15 (Financial Ratios)

The profitability indicators as of September 2022 maintained their positive trend this year. The ROE was located at 5.07% thanks to the results of the profit in the period and, on the other hand, the ROA also presented a positive behavior, being located at 0.51%, which has also been generated as a consequence of the positive net margin in the period.

The operating efficiency indicator increased compared to September of last year since stood at 1.75%, presenting a variation of 12 basis points.

The portfolio quality indicator shows a favorable behavior, since it is at levels of 0.03% while the equivalent of the Colombian financial system amounts to 3.63%, reflecting the lower portfolio risk that Findeter assumes due to rediscount account and effective control to the new modality of direct credit.

Slide 16 (Findeter in figures)

Regarding EBITDA, it is worth noting a growth of 69.7% compared to 2021 (Sep-2021: \$58,9 billions). EBITDA presented an upward trend because of the positive behavior of income from leveraged interest in the increase in base rates, the recovery of provisions of financial intermediaries and other income. The sum of all the above allowed us to reach an EBITDA level of \$100 billion by September 2022.

The ROE as of September 2022 is 5.1% with a variation of 8 bp compared to September of the previous year. The net income for the month of September was favorably impacted by the behavior of financial income (income from portfolio interest) and lower execution of financial expenses due to net derivatives. Although there has been an increase in financial expenses (CDT's, Banks, Bonds), administrative expenses (inflationary increase) and tax rate, the income is sufficient to cover these needs and yield a positive result in terms of profitability.

Finally, regarding operating efficiency, the result for September 2022 corresponds to 1.75%, presenting an increase of 12 basis points compared to 2021; In this case, the increase in the minimum wage, which is stipulated by official decree and has a direct impact on administrative spending, must be considered. There are also increases contemplated by other tax charges other than income and in addition, it is worth noting a 14.5% growth in productive assets derived from the increase in cash due to the inflow of resources from JP Morgan's credit and a variation of the portfolio equivalent to 7.5% between September 2021 and 2022.

Slide 17 (Solvency Ratio)

The solvency ratio presented a decrease equivalent to 9.3 percentage points from September 2021 to 2022, the downward trend is correlated with the increase in assets, particularly due to the portfolio and direct credit components, whose upward behavior is reflected in risk-weighted assets.

In terms of volume, a 13% growth in total assets weighted by risk level, which in volume terms represent \$381 billions. On the other hand, there is also a rebound in the value at risk due to the regulatory adjustments at the beginning of the year and other variations corresponding to the movement of the Exchange rate. Finally, technical equity has remained stable with slight variations over the course of the last 12 months.

Slide 18 (LRI)

FINDER 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.

The graph shows the behavior of Findeter's Assets and Liabilities throughout 2021 and the third 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 third 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 course of January to September 2022, we managed rediscount and direct credit operations for a value of \$2.93 trillion pesos, where we highlighted the results in the health, transportation, urban infrastructure and housing, energy, education, and sports-recreation sectors. and culture.

In this period of time, we managed to reach 49 departments and 133 municipalities in all regions, where we impacted 654 projects. The disbursements were concentrated for investment equivalent to 51% of the total; followed by working capital with 39% and debt substitution with disbursements equivalent to 10%.

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

At the end of September, we recorded 134% compliance with the cumulative disbursement goal proposed for 2022.

Slide 22 (Loan disbursements)

In this period of time, we managed to reach 26 departments and 133 municipalities in all regions, where we impacted 654 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.

Slide 23 (On-Loan Disbursements)

From January 1 to September 30, 2022, banks represented 67% of the intermediaries of the operations, direct credit 23% and other intermediaries the remaining 10%.

By segment, we disbursed \$1.96 trillion pesos for private sector beneficiaries, which represented 67% of the operations, and \$974 billion pesos for public sector beneficiaries, which represent the remaining 33%.

Regarding the disbursement term, as a development bank, we focus on long-term loans. Loans with terms equal to or greater than 8 years represented 44% 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 its inhabitants.

Slide 24 (2022 -CREDIT LINES KFW)

Findeter, as the leading development bank in Colombia, has continued working to support key development sectors in the country. In this sense and together with the German Development Bank KfW, developed a rediscount credit program with a compensated rate, with the purpose of financing projects for studies and designs, construction, reconstruction, repair, intervention, improvement, expansion and equipment in the drinking water, basic sanitation and solid waste sector, programs that are implemented by the national government in the water and basic sanitation sector. Through this program, we want to contribute to the expansion and modernization of the basic infrastructure of basic water and sanitation services, with the purpose to increase the levels of coverage of the national territory; meet the needs with efficiency, effectiveness and opportunity and improve the quality of life of Colombians and protect the environment and natural resources of the country.

Slide 25 (2022 -CREDIT LINES HEALTH)

In the same way, resources of 300 billions were added to the rediscount credit line with compensated rate "Health Commitment", aimed at granting working capital resources, debt replacement and investment for Service Provider Institutions - IPS and Companies Health Promoters, which allowed them to continue providing the essential health service and mitigate the effects of the pandemic caused by COVID-19.

Slide 26 (Technical Results) Moderator

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

Slide 27 (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 territorial entities in the regions of Colombia.

Within the framework of this product, between July 1, 2022 and September 30, 2022 we have managed 269 Projects in execution, for a total value of \$1.67 trillion pesos, which directly benefit more than 12 million Colombians.

These projects are executed through four business lines: Water and Basic Sanitation with 57 Projects; Social Infrastructure with 169 Projects, Housing and Urban Development with 39 Projects and the direction of special Projects, which was launched this year and has executed 5 projects in this second quarter of the year

During this same period, income of \$13,574 million pesos was 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, sewerage, dredging, home improvement, telecommunications projects, cultural centers, free housing, comprehensive neighborhood improvement, cultural equipment, road and rail infrastructure, airport expansion, among others.

Slide 28 (Flagship Projects)

Finally, 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 Mocoa aqueduct system stages I, II and III for 32 billion pesos.

With the current scope of the project, 33,426 people benefited, since the supply of drinking water has been guaranteed to overcome the state of emergency after the avalanche in 2017 that caused damage to the aqueduct system. The project has a value of \$32 billions.

Slide 29 (Flagship Projects)

Next, we want to highlight the "Construction Program for Child Development Centers (CDI) donated by the Abu Dhabi Development Fund for the construction of child development centers aimed at providing early childhood care

This program will build 10 new educational centers located in 8 different departments, through a total investment of \$28 billions.

Slide 30 (Flagship Projects)

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

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

Slide 31 (Flagship Projects)

Finally, we want to present the Casa Digna, Vida Digna Program where improvement works have been carried out.

This project is executed in 26 municipalities nationwide and during this quarter, \$1.140 million were contracted.

Slide 32 (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.