

September 2024

**Financiera de Desarrollo Territorial S.A. -FINDETER
Results Q2 2024**

Event transcript

Slide 1 (Moderator)

Welcome to FINDETER's presentation of its financial results for the period January to June 2024.

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

Disclaimer

Slide 3 (Moderator)

FINDETER is Colombia's development bank of that promotes sustainable growth, the territories' competitiveness and the well-being of citizens, through integral solutions. In line with its 2023-2026 strategic plan, Findeter has transformed itself to expand its impact in the country's regions, working to improve the quality of life of the most needy Colombians, by strengthening financing, technical assistance and the transfer of capacities, especially in category 3, 4, 5 and 6 municipalities.

On this occasion we will present Findeter's results for the period January-June 2024 and the content is given in 4 sections. First, we will tell you about the financial and operational results, and about how Findeter has closed gaps in the country through technical assistance and project execution. Also, about the projects and sectors financed and finally about social and environmental management.

Slide 4 and 5 (Moderator)

We welcome Findeter's International Banking Director, Juliana Chaves, to begin the presentation.

Slide 6 (Juliana)

Welcome to the results' presentation. It is a pleasure for me to be here on this occasion.

When analyzing the behavior of Findeter's assets until June 2024, we highlight notable variations in its main accounts. Compared to June 2023, the net portfolio showed an increase of 16%, closing at \$12.8 trillion pesos. Mainly generated by the portfolio corresponding to direct credit, which has gone from \$2.3 trillion to \$3.7 trillion pesos. On the other hand, investments showed an increase of 4%, with the rise in the balance of debt securities issued by the Ministry of Finance and Public Credit (TES) being significant.

On the other hand, an upward behavior of 98% was observed on the cash. This to meet the requirements of the Net Stable Funding Coefficient (CFEN), the maturity of the international bond, as well as to meet the future placement demanded by the financing of projects through the commercial vicepresidency.

Findeter's capital structure is made up of 90% liabilities and 10% equity. Within this total structure, the most representative item corresponds to deposits with a participation of 64%, followed by multilateral and commercial banking loans that

represent 17%. Next in line are the bonds (international and a tranche of the sustainable bond) with 8% and, finally, 0.7% to other liabilities.

Regarding Equity, as of June 2024 it shows a growth of 10% compared to the same month of 2023. This variation has occurred as a consequence of the appropriation of profits of the previous year for \$165 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 2024 Findeter has obtained profits of \$44 billion pesos, which translates into a decrease of 50% compared to June 2023. The fall is explained by a greater provision made in the financial statements as a result of the change in category of financial intermediaries, which is associated with a deterioration in some indicators, such as the quality of the portfolio. It is for this reason that Findeter must recognize this effect in accordance with the risk models established. Without taking into account the impact of the provision, a growth in financial income of 8% has been observed associated with the constant growth that the portfolio has experienced since the year 2023.

It is worth noting that there has been an increase in financial expenses due to interest on term deposits (CDTs), which have grown by 21% compared to June of last year, due to a greater volume of issuances and the behavior of deposit rates. Additionally, the interest on bonds with a decrease of 19% generated by the decrease in the CPI (rate to which sustainable bonds are indexed) and by the exit in the balance of the subordinated bond and a tranche of the sustainable bond. Finally, it should be noted that interest on financial obligations decreased 14% because of the termination of loans and due to the ordinary decrease in the balances of all obligations currently contracted. In any case, the previous effects have been minimized by the behavior of income, yielding positive net results for the period.

Slide 7 (Juliana)

The solvency and portfolio indicators as of June 2024 show positive performance in general. Particularly, the solvency ratio showed a decrease of 555 basis points from July 2023 to June 2024. The trend is explained by the increase in assets weighted by risk level by \$1.37 trillion pesos. On the other hand, the technical equity has shown an upward variation which corresponds mostly to the higher value of the basic equity due to the profits for fiscal year 2023. Finally, an increase in the value at risk corresponding to the operational risk module is observed.

The portfolio quality indicator shows a favorable behavior, since it is at levels of 0.10%. Meanwhile the equivalent of the Colombian financial system amounts to 5.11%. This reflects the lower portfolio risk that Findeter assumes due to rediscount account and effective control of the new direct credit modality.

Slide 8 (Juliana)

Keeping up with the positive results, there was a notable performance in operational matters leveraged by the overexecution of portfolio interest income and a lower execution of administrative expenses than the expected in the projections. According to the above, the operating profit goal of 192% was met, which is directly reflected in the EBITDA, showing a result of \$93 billion pesos in the period. Compared to 2023, the EBITDA has seen a downward trend as a result of the impact of the provision recorded in the June financial statement. However, its result is positive and consistent with the goals set. The behavior of the operating profit also means that the ROE as of June 2024 is 5.69%.

Finally, regarding operational efficiency, the result for June 2024 closed at 2.18%, showing an increase of 6 basis points compared to the same period in 2023 and aligned with estimates. The result is in line with the behavior of productive assets, which experienced a growth of 18% from one year to the next, mainly explained by the performance of the gross portfolio and liquidity. However, the administrative expenses component experienced a growth of 19% compared to the previous year, which did not allow the performance of productive assets to be translated into better levels of efficiency. Personnel expenses, non-income tax expenses, fees and ordinary operation expenses that increased according to the behavior of inflation, were the main components that drove the variation to increase in administrative expenses and in contrast to efficiency.

Slide 9 (Juliana)

As of June 2024, Findeter's funding sources without taking into account equity amounted to \$13.9 trillion pesos, including deposits, bonds and credits with multilateral banks.

During the year until June, the issuances and renewals of term deposits (CDTs) amounted to \$4.3 trillion pesos, showing an increase of 22% compared to the same period of 2023. 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 the Entity has contracted with multilateral banks and private banks such as IDB, JP Morgan, AFD and KFW amount to \$2.64 trillion pesos as of June 2024. In this case, it is worth highlighting the variation in the exchange rate during the last year, which has been \$43 pesos.

Other important items within the funding structure correspond to the investment securities in circulation with 9% participation. Among this we have the international bonds issued in 2014 maturing in August, the subordinated bonds issued in 2017 and a tranche of sustainable bonds issued in June 2019. It is important to highlight that in April the subordinated bonds matured and in June a tranche of the sustainable bonds matured, for a total of \$337 billion pesos.

Slide 10 and 11 (Moderator)

Thank you Ms Chaves for your presentation. We give way to Maria Lourdes Lacouture, in charge of investor relations, to tell us about Findeter's performance in terms of technical assistance and project execution.

Slide 12 (Maria Lourdes)

Regarding technical assistance and project execution, we advanced in the contractual management, execution and liquidation of more than 710 projects, which represent more than COP \$5.3 trillion pesos in resources managed by Findeter. It is highlighted that as a product of new consolidated alliances with national and territorial entities, at the end of June 2024 we had 291 projects in initiation, that is, in the structuring of previous studies, calls for proposals or improvement and legalization.

The projects are being carried out in more than 300 municipalities in the national territory, of which 63% are in category 4, 5 and 6 municipalities, which are characterized by having lower incomes. We also highlight that these projects are developed in vital sectors for the sustainable development of the country such as drinking water and basic sanitation, sports and recreation, urban development and housing, education, energy, strengthening and productive development, environment, health, telecommunications and transportation, generating social impact throughout the national territory.

Slide 13 (Maria Lourdes)

At Findeter we have implemented the national government's change of approach. This change is comprehensively aligned with the goals and objectives established in the National Development Plan 2022-2026, "Colombia World Power of Life", and is materialized through our Strategic Plan "Transforming Regions". This plan aims to strengthen the development models of community organizational expressions, taking advantage of economies of scale and their productive potential, seeking to reduce and close regional gaps throughout the national territory.

The popular economy refers to a set of economic activities and forms of organization that arise and develop in the field of civil society, with the aim of satisfying the economic and social needs of local communities. These activities may include the production and marketing of goods and services, the management of community resources, the solidarity and cooperative economy, among other forms of economic exchange. Under this understanding, the goal is to eliminate barriers and generate access to the popular economy through sustainability and social inclusion. The popular economy is made up of organizations that are divided into organized and unorganized. Among those organized are the cooperatives, mutual associations, indigenous councils, community councils, palenqueros, raizales, etc.

We are proud to say that as of June 2024 we have 1,308 solidarity agreements, which represents more than COP \$375 billion pesos of resources managed by Findeter in favor of the solidarity economy. Of these projects, 49 are in execution, 8 are closing and 1,251 are yet to start. These projects are in 3 sectors: drinking water and basic sanitation, culture and productive strengthening and development. The projects are being carried out in more than 349 municipalities in the national territory, of which 82% are in category 4, 5 and 6 municipalities.

Slide 14: Moderator

We now turn to the results in terms of financing projects until June 2024. Maria Lourdes Lacouture continues with the presentation.

Slide 15: Maria Lourdes

Financing through rediscount credit and direct credit is an essential component in our service portfolio. As of June 2024, Findeter disbursed COP 2.47 trillion of which COP 2.01 trillion correspond to rediscount and COP 468 billion to direct credit.

Slide 16: Maria Lourdes

We promote the country's strategic sectors, financing projects that support the development of the regions to improve the quality of life of Colombians. Financing is allocated to 12 sectors, where energy, water and basic sanitation, transportation, and education had the highest participation.

These resources have been aimed at financing projects that contribute to closing socioeconomic gaps and inequalities in the regions, that positively impact the unmet basic needs and that, in addition, allow progress in the fulfillment of the Sustainable Development Goals.

During this period we financed 384 projects, of which 52 were recipients of municipalities in categories 3, 4, 5 and 6, which represents 13.5% of the total projects financed. These initiatives have an impact on the popular economy and also include social housing projects.

Slide 17: Maria Lourdes

By 2024 we have the goal of disbursing \$3.25 trillion. Compliance as of June with the annual disbursement goal was 76%. Additionally, by 2024 we seek to impact 115 territorial entities category 3,4,5 and 6, which by June we have exceeded the goal with 185 municipalities categories 3, 4, 5 and 6.

Finally, it is important to highlight that in June 2024, Findeter has managed to make available to our beneficiaries COP \$7.1 trillion in lines with a compensated rate.

Slide 18 and 19: Maria Lourdes

In these slides we can see the credit lines created and backloaded with resources in the period January to June 2024. This demonstrates Findeter's ability to manage resources with the national government and its entities in order to transfer the benefits of better rates and longer terms to their final beneficiaries. Among the credit lines we highlight energy efficiency, institutional strengthening, VIS-VIP housing, and health.

Slide 20: Maria Lourdes

It is evident that, over the years and through various financing lines, FINDETER has built a portfolio that is strategically distributed in the different geographic regions of Colombia. This approach has been fundamental in providing support to the various regions of the country. Our vision is clear: to continue supporting category 3, 4, 5 and 6 municipalities, in order to generate a positive and significant impact on the most vulnerable communities.

As seen in this image, the majority of Findeter's portfolio, with 64%, is placed in the Andean region of the country, followed by the Caribbean region with 25%. We continue working to achieve a more equitable distribution and positively impact the territories that are in need.

Slide 21: Moderator

For the last section regarding social and environmental management, continues María Lourdes Lacouture, in charge of investor relations.

Slide 22: Maria Lourdes

In the first half of 2024, we continue to strengthen our Social and Environmental Risk Management System – SARAS, by expanding the scope to cover direct credit operations, the mining sector and resources intended for working capital. We also reduce the value of the project to be reviewed starting from COP \$10 billion, which allows us to have greater coverage of the projects and adequate analysis from a social and environmental perspective.

We also want to highlight that, to date, we have analyzed projects that comply with SARAS for a value of COP \$1.3 trillion.

Slide 23: Moderator

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

Thank you all.