El emprendimiento es de todos

Minhacienda

Colombian Experience:

Issuing the first 30-year bond through domestic syndication.

César Arias

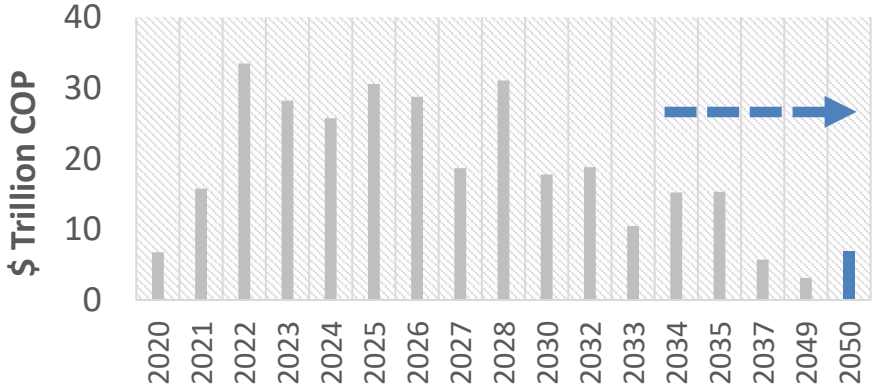
General Director of Public Credit and National Treasury

Ministry of Finance and Public Credit

Main Objectives

1. Reducing rollover risk

Increasing average life of TES portfolio.



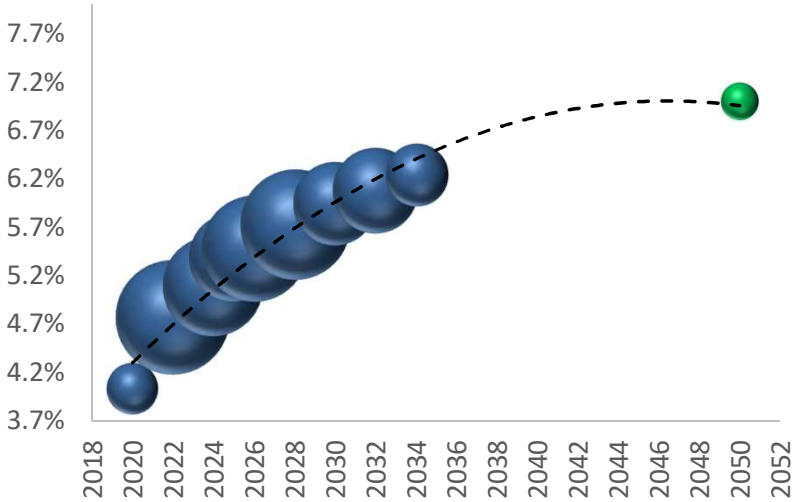
2. Capital markets development

Provides tools to the market for:

- Structuring infrastructure projects
- Pensions and Annuities.
- Mortgages Market

3. Benchmark for other issuers

Corporate, Subnationals, and Financial companies

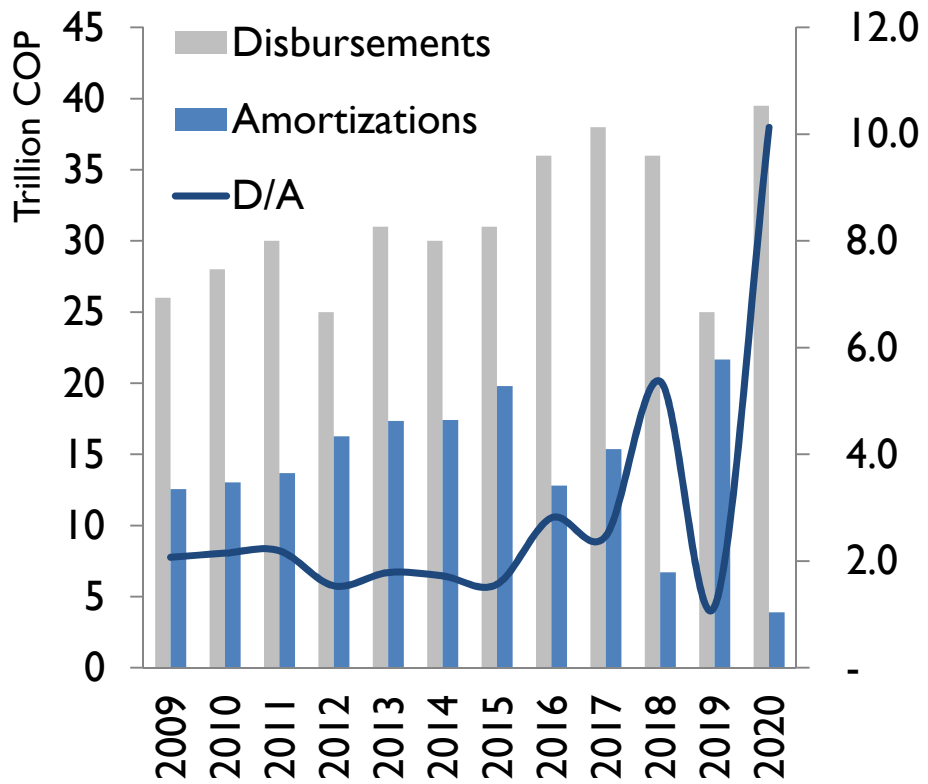


4. Strengthen Investors Base

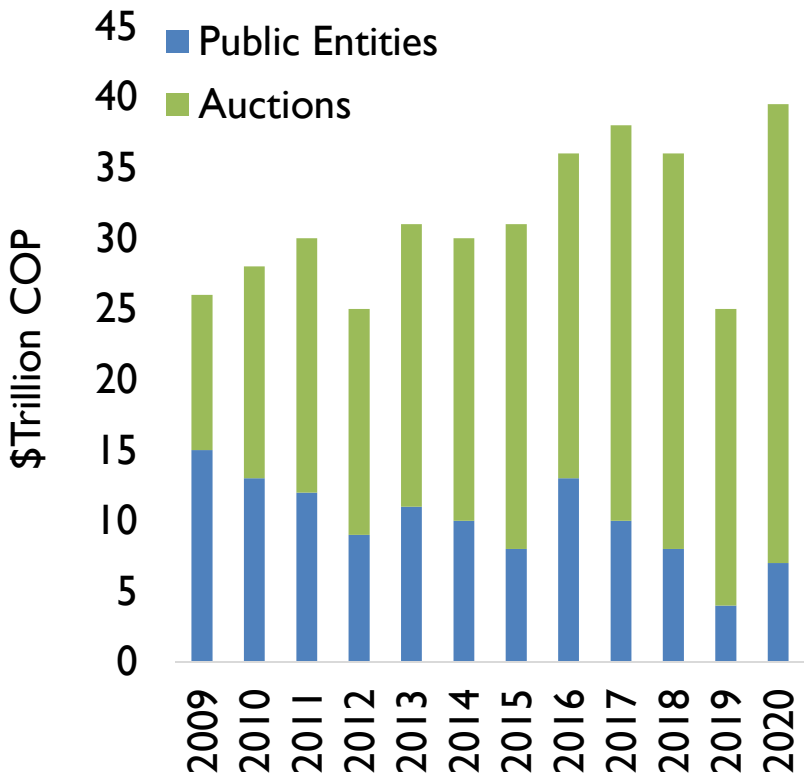
Structure of Funding on the local Market

Historically Colombia has based its local funding through dutch auction mechanism.

TES- Disbursements vs. Amortizations



Local TES Financing 2009 - 2020



Challenges of the Transaction

Using syndication for the first time represented changes and challenges compared with the Dutch auction.

01	02	03	04
$	%		
Liquidity	**Price Discovery**	**Participants**	**Settlement**
Maximum amount per auction $260 million dollars.	Time frame for price discovery is 30 minutes, each acution.	Orders are sent through market makers.	Settlement is carried out on the same day of the auction (t + 0).

El emprendimiento es de todos | Minhacienda

Why issuing through a syndication?

Syndication is a good mechanism for price discovering and it has been intensively used in different countries in EU during 2020.

A record 25% of YTD conventional issuance has come via syndicated deals (IQ – IIIQ)

Country	YTD conventional issuance via syndicates			
	# of deals	EUR Bn	% of YTD conv. Issuance	Details
Germany	3	20	10%	10 Y green, 15Y,30Y tap
France	2	12	5%	20Y, 30Y
Italy	5	56	27%	7Y, 10Y, 15Y, 20Y; 30Y,& 30Y tap
Spain	5	52	33%	7Y, 10Y (2), 20Y; 30Y
Netherlands	2	12	32%	10Y, 30Y
Belgium	3	19	47%	7Y, 10Y, 20Y
Austria	4	13	37%	3Y, 10Y, 30Y, 100Y
Finland	3	9	47%	10Y, 15Y, 20Y
Ireland	3	16	75%	10Y, 15Y, 7Y
Greece	4	10	100%	7Y, 10Y (new & tap), 15Y
Portugal	3	13	51%	7Y, 10Y
Cyprus	6	5	100%	3Y tap, 10 Y, 20Y (new & tap), 30Y
Total	43	237	24%	

Source:: JP Morgan

Choosing the right Book runners

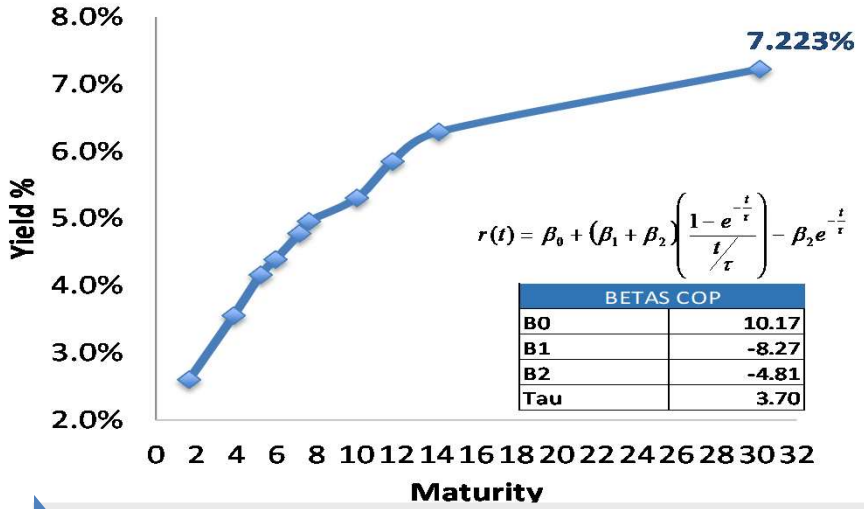
Among the market maker group, there are 13 entities with different profiles, structures and skills.

Market Maker Ranking as of April 2020

1. Bancolombia ✓
2. BBVA ✓
3. citibank ✓
4. Scotiabank®
5. J.P.Morgan
6. CREDICORPcapital (BCP Capital | Correval | IM Trust)
7. DAVIVIENDA
8. Banco de Bogotá
9. BTGPactual
10. BANCO GNB SUDAMERIS
11. Corficolombiana
12. Banagrario
13. Itaú

Pricing

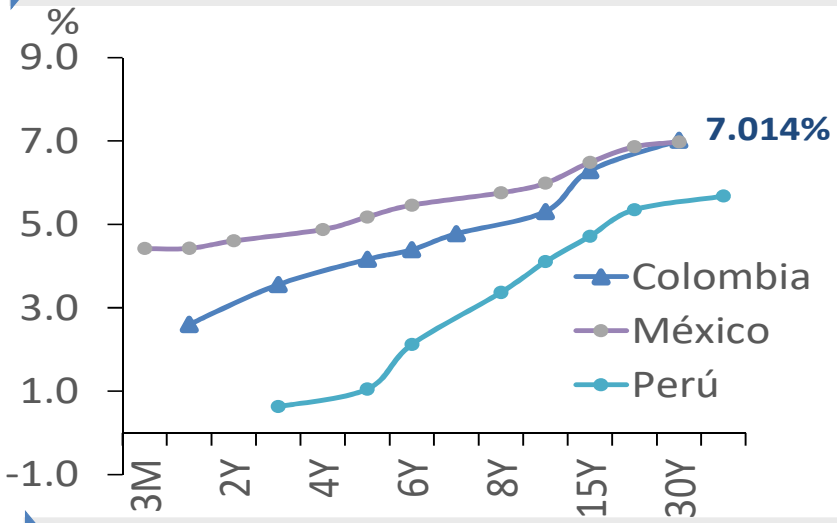
1. Nelson & Siegel



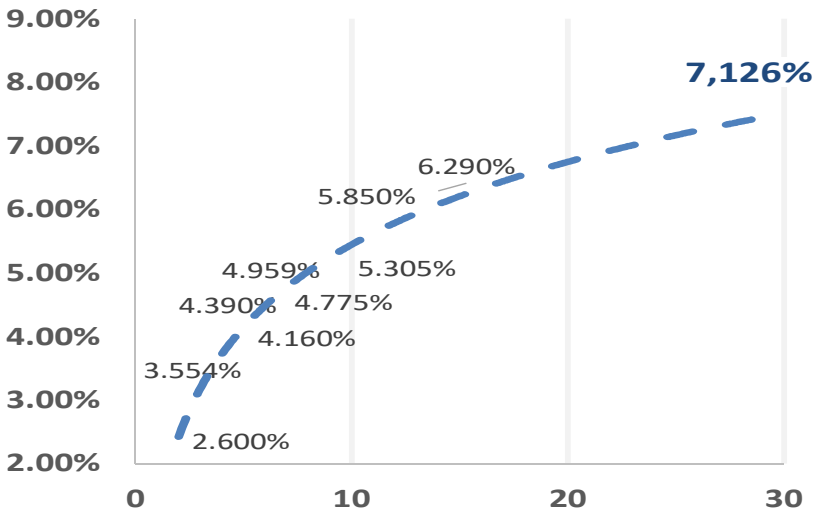
$$r(t) = \beta_0 + (\beta_1 + \beta_2)\left(\frac{1 - e^{-\frac{t}{\tau}}}{t/\tau}\right) - \beta_2 e^{-\frac{t}{\tau}}$$

BETAS COP	
B0	10.17
B1	-8.27
B2	-4.81
Tau	3.70

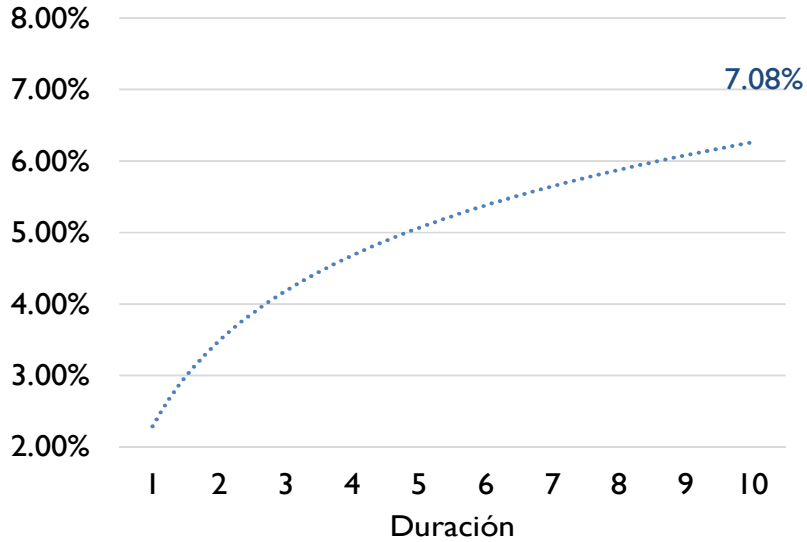
2. Spread MXN PER (15Yr vs 30 Yr)



3. TES 2049 + Inflation



4. ASWS (USD - COP)



Pricing

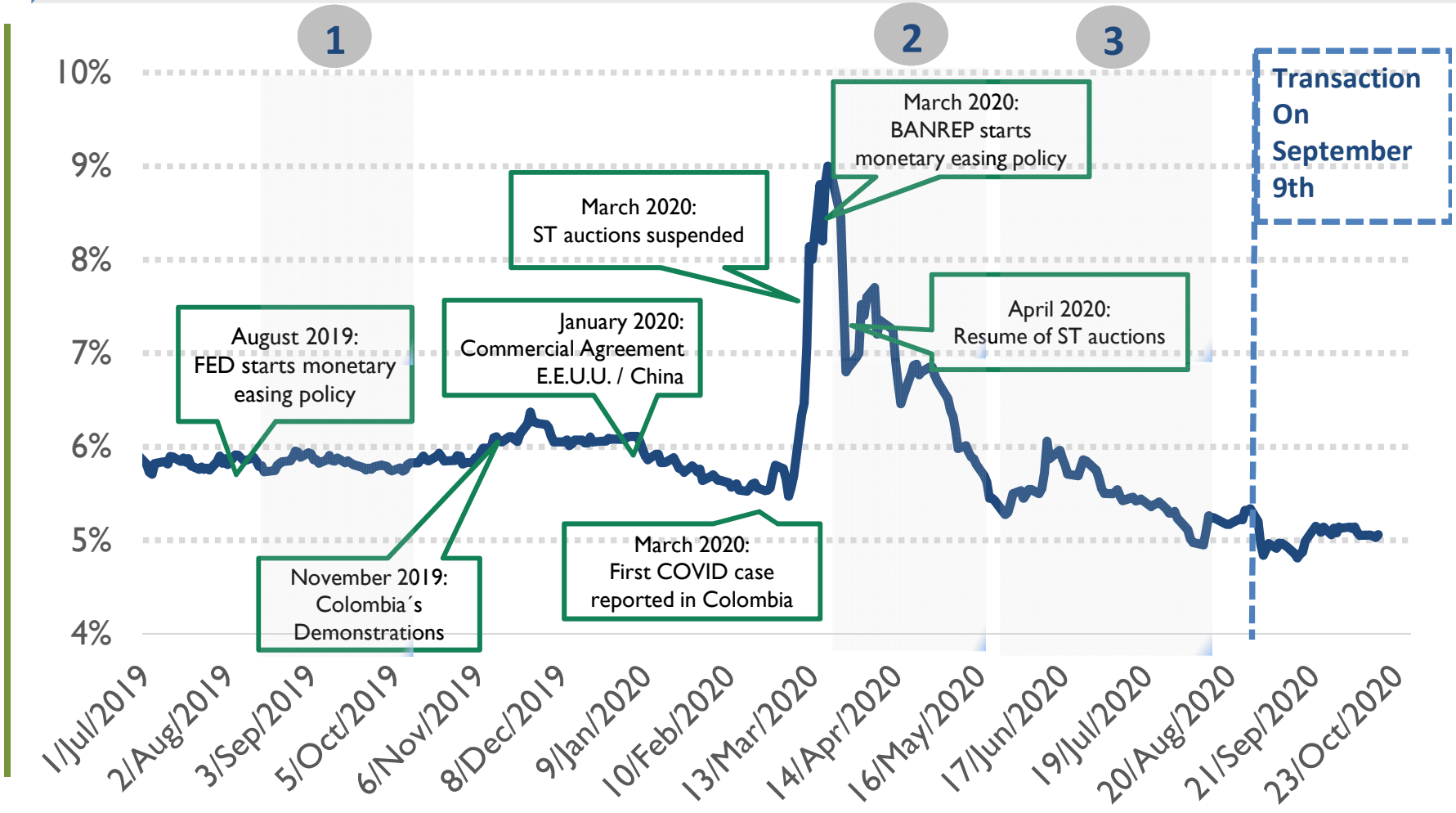
Approaching method	TES 2050
1. Nelson y Siegel	7.223%
2. TES 2049 + Inflation	7.126%
3. Spread MXN- PER (15Y-30Y)	7.014%
4. ASWS (USD - COP)	7.080%

Range	**7.014% - 7.223%**
Yield TES 2034	**6.290%**
Diference TES 2034 Vs. Maximum range yield	**93.3 Bps**
Extension (TES 18-Oct-34 – TES 26-Oct-2050)	**16.03 Years**
Extension Cost per Year	**5.82 Bps**

Timing

1 ■ World Bank Mission 2 ■ Mandate to banks 3 ■ Agreement negotiations.

TES COP 10 Years vs Market highlights

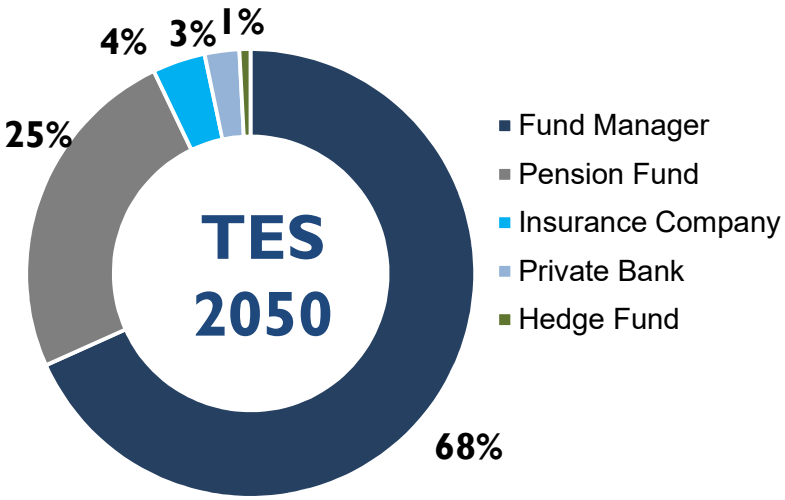


Final Results

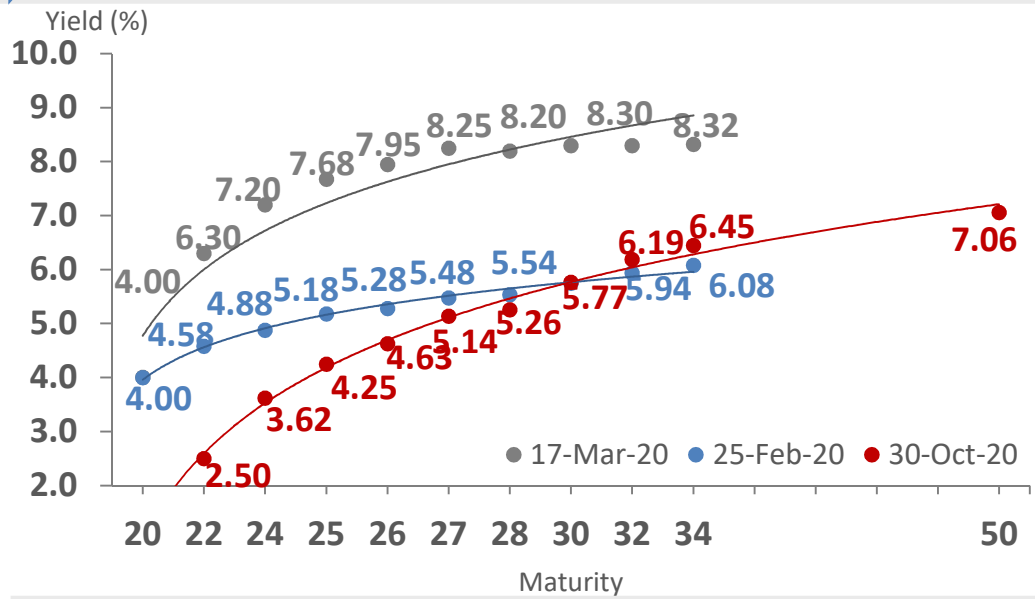
TES 2050

Amount	$4.8 Trillion COP
Yield	7.25%
Price	106.390
Bid to Cover	1.87

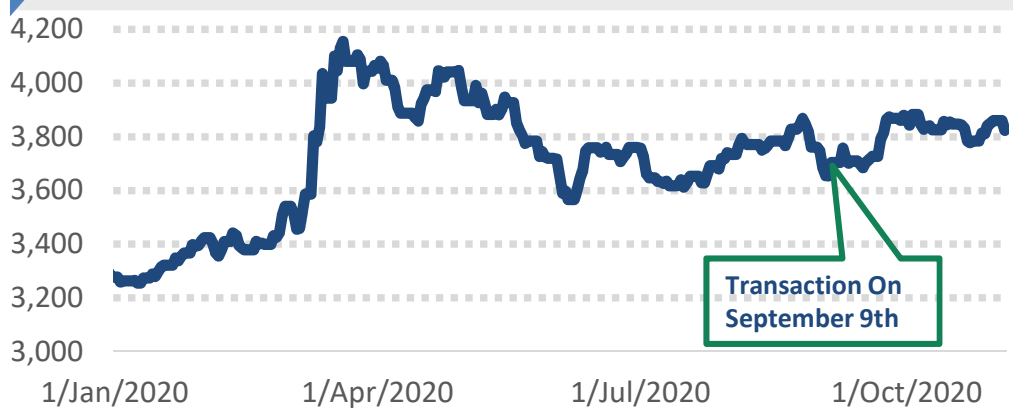
TES Allocation



Performance Secondary Market



Exchange Rate



Source: Ministry of Finance of Colombia

Lessons Learned

1. A strong billing and delivery agent protects the fx market.
2. Clarity about applicable law provides better and consistent bids.
3. Settlement day must be set according to international standards.
4. Communication with the market is valuable.
5. Index inclusion.
6. Syndication attracts high quality investors

El emprendimiento es de todos

Minhacienda

Colombian Experience:

Issuing the first 30-year bond through domestic syndication.

César Arias

General Director of Public Credit and National Treasury

Ministry of Finance and Public Credit