

LMOs: The Activity After Debt

Republic of Colombia
Ministry of Finance and Public Credit

Washington D.C., October 24 / 2018



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Liability Management Activity



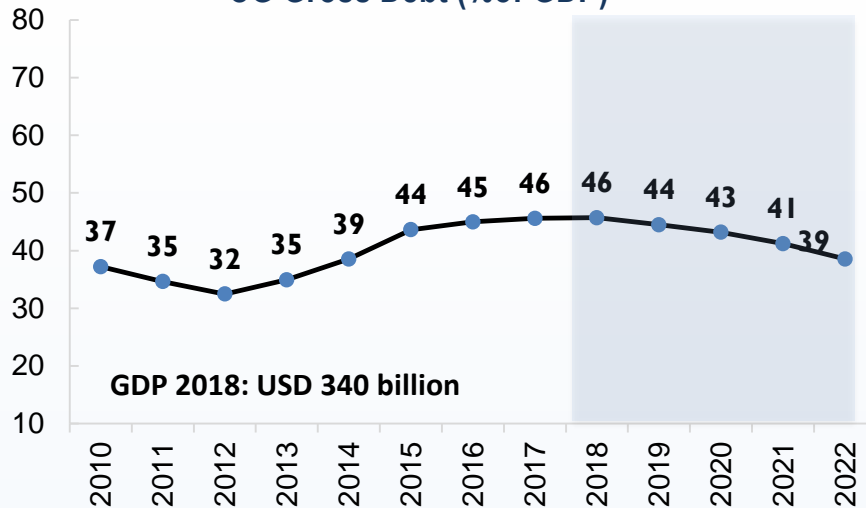
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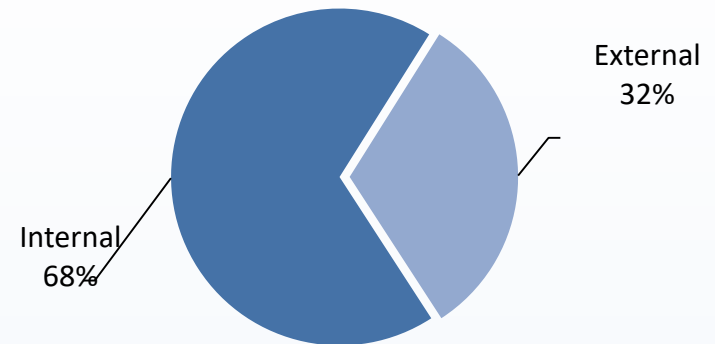
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Colombia has a sound debt structure

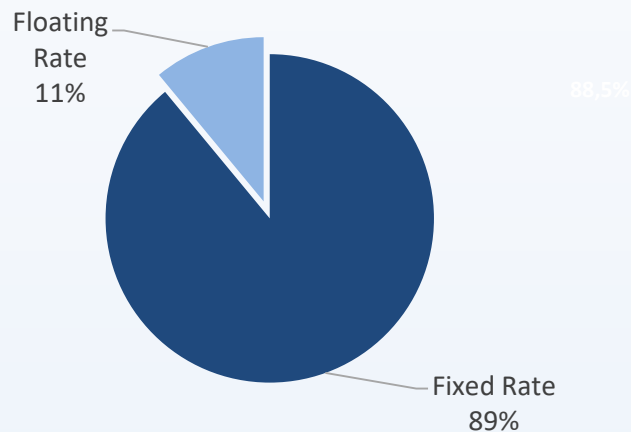
CG Gross Debt (%of GDP)



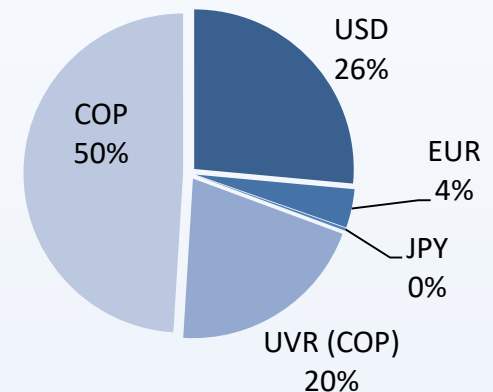
Debt by Issuance Market



Debt by Type of Rate

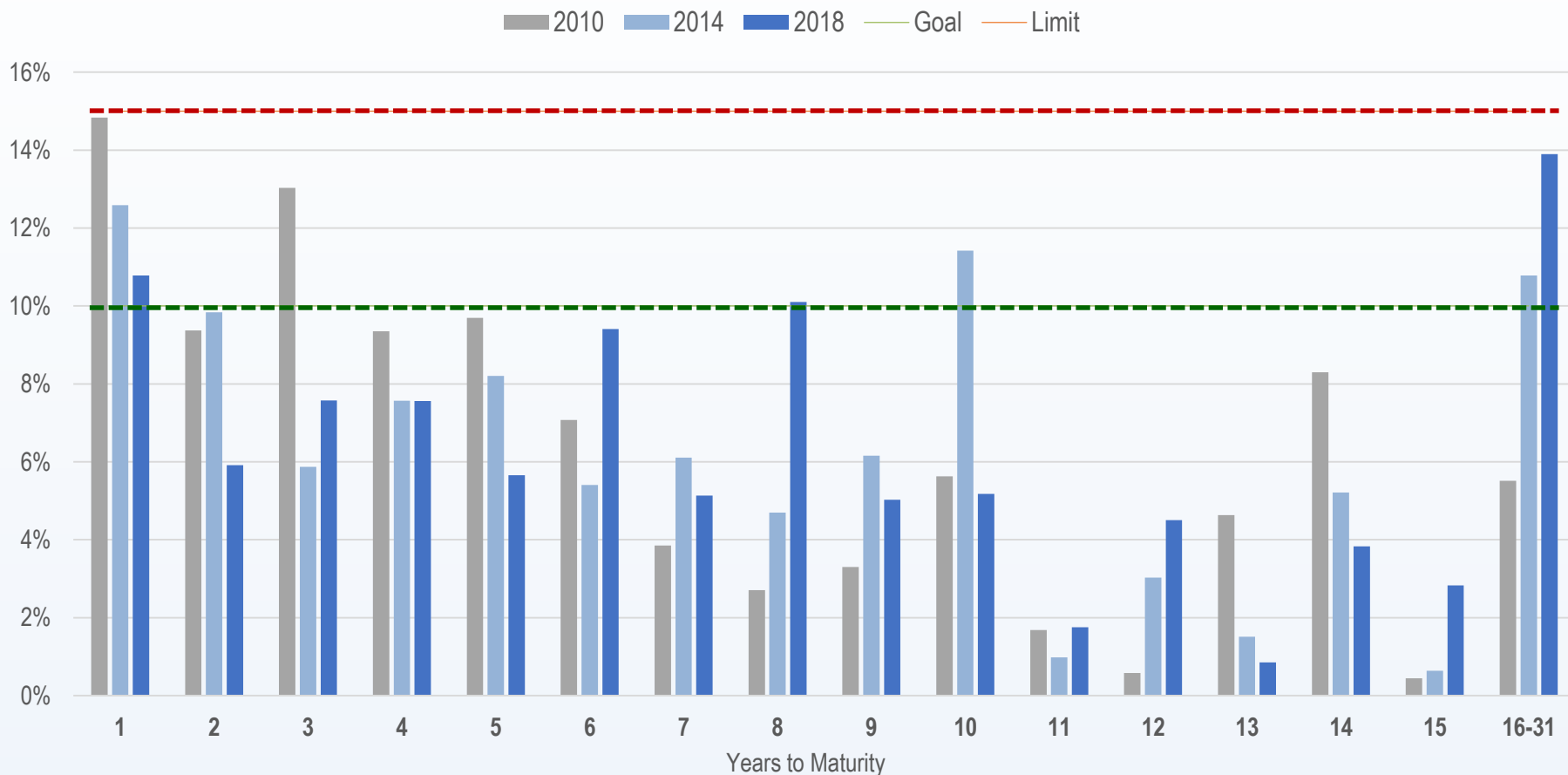


Debt Currency Composition



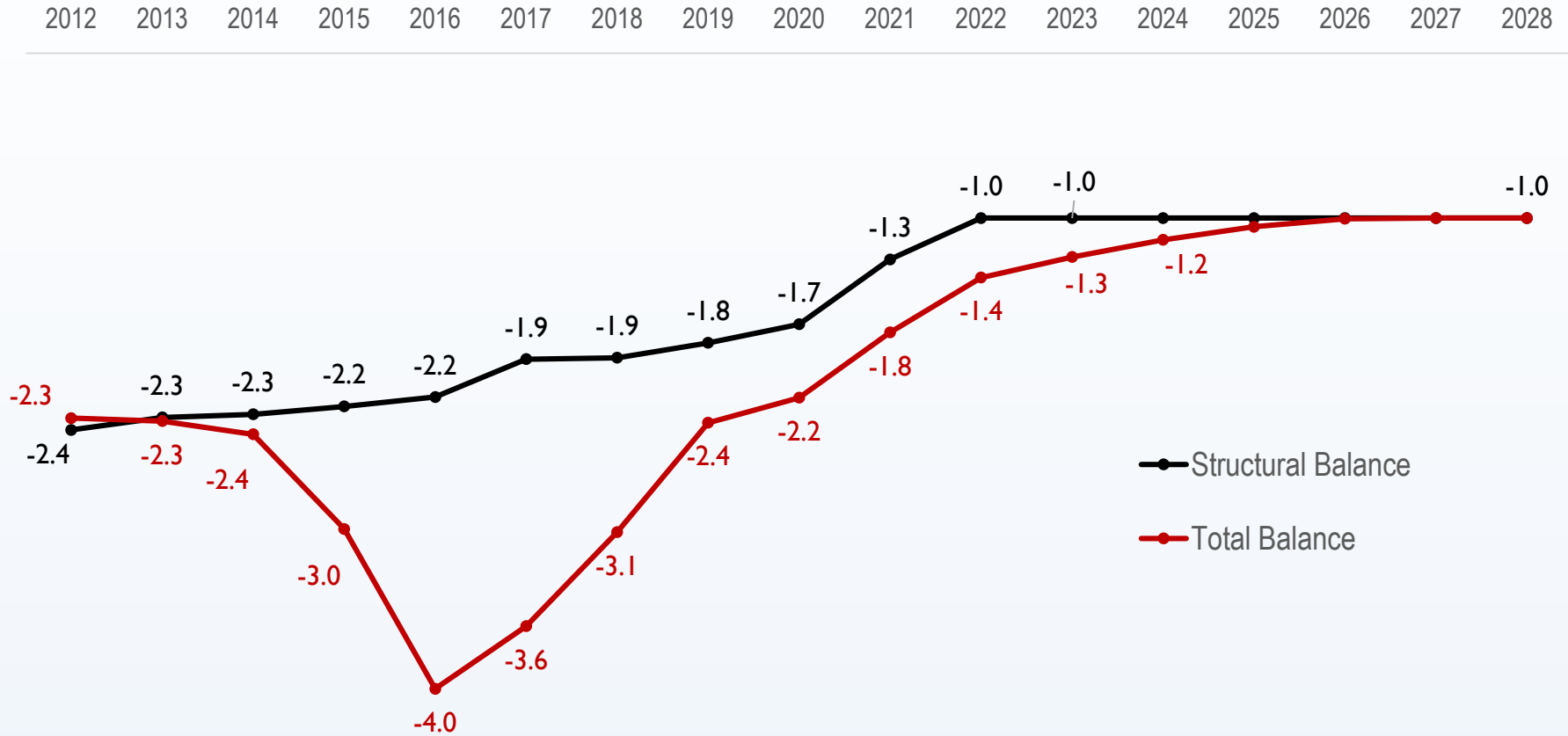
The Republic has been active in the liability management front

Evolution of the CG Debt Profile (yearly maturity as % of Total Debt)



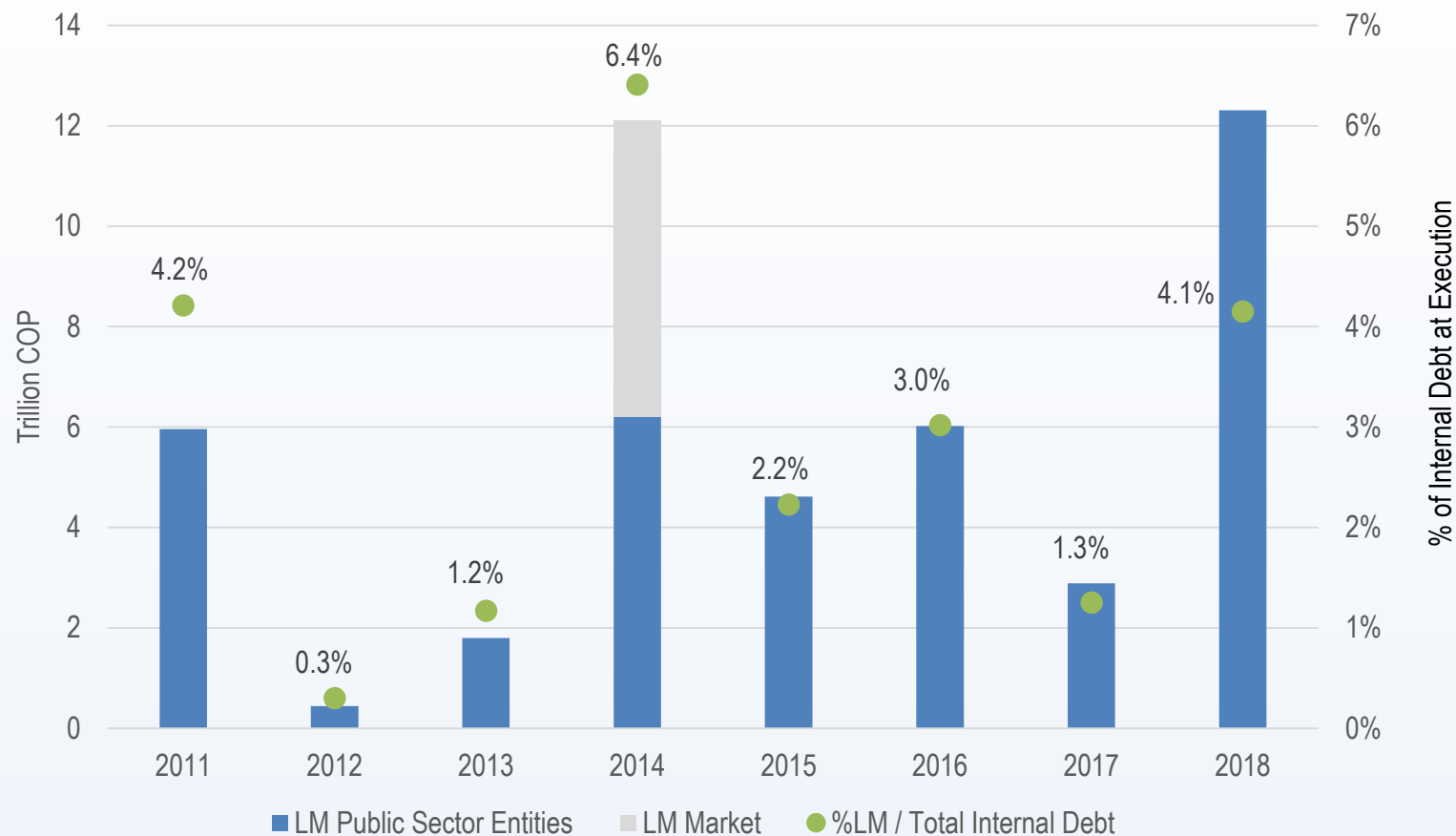
Fiscal accounting has imposed restrictions to LMOs specially after the implementation of the fiscal rule in 2012

Fiscal Balance Targets of the Central Government (as % of GDP)



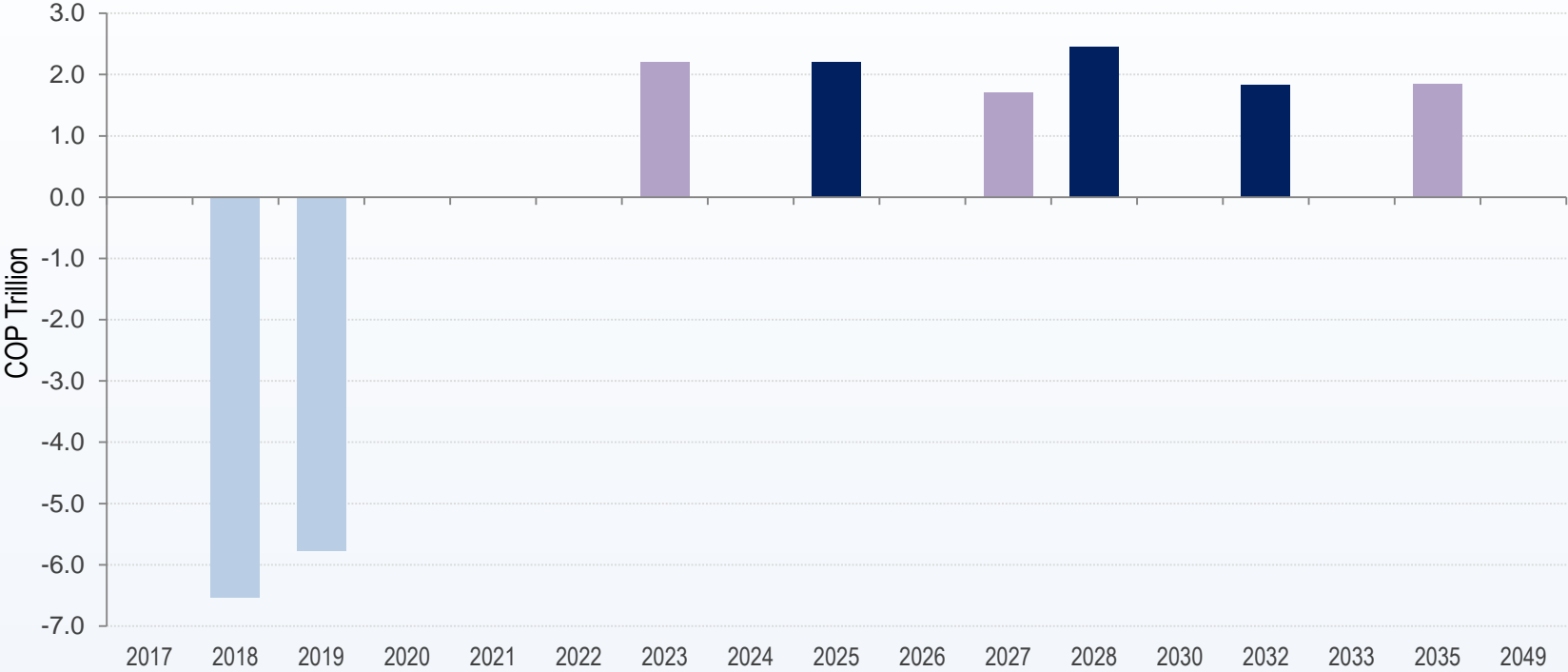
Most of the recent LMOs in the local market have been done with public sector entities and the National Treasury

Liability Management Transactions in the Local Market



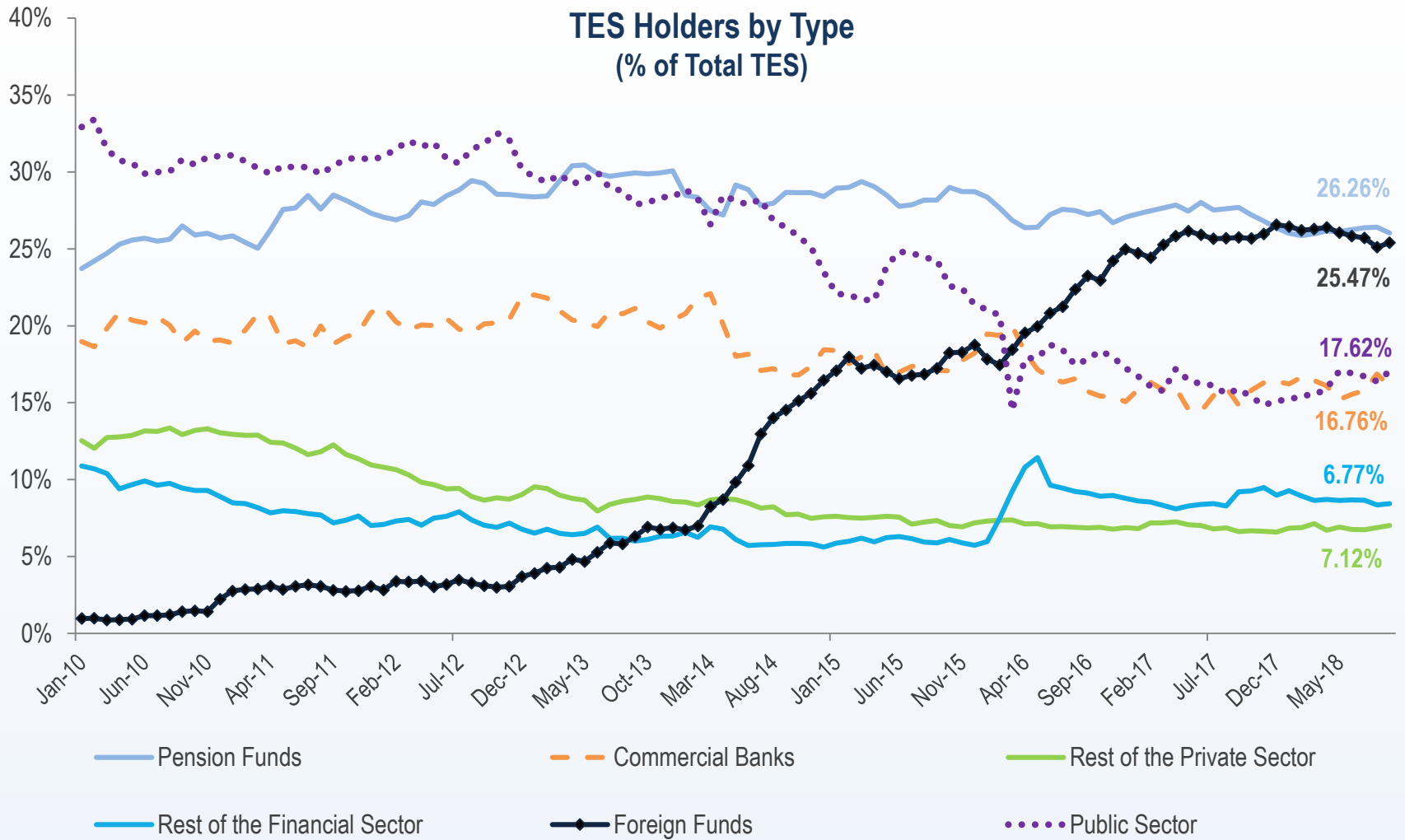
Early in October the government executed a bond exchange for COP 12.8 trillion / USD 4.2 billion

Effect of the October/18 exchange on the Local TES maturity profile



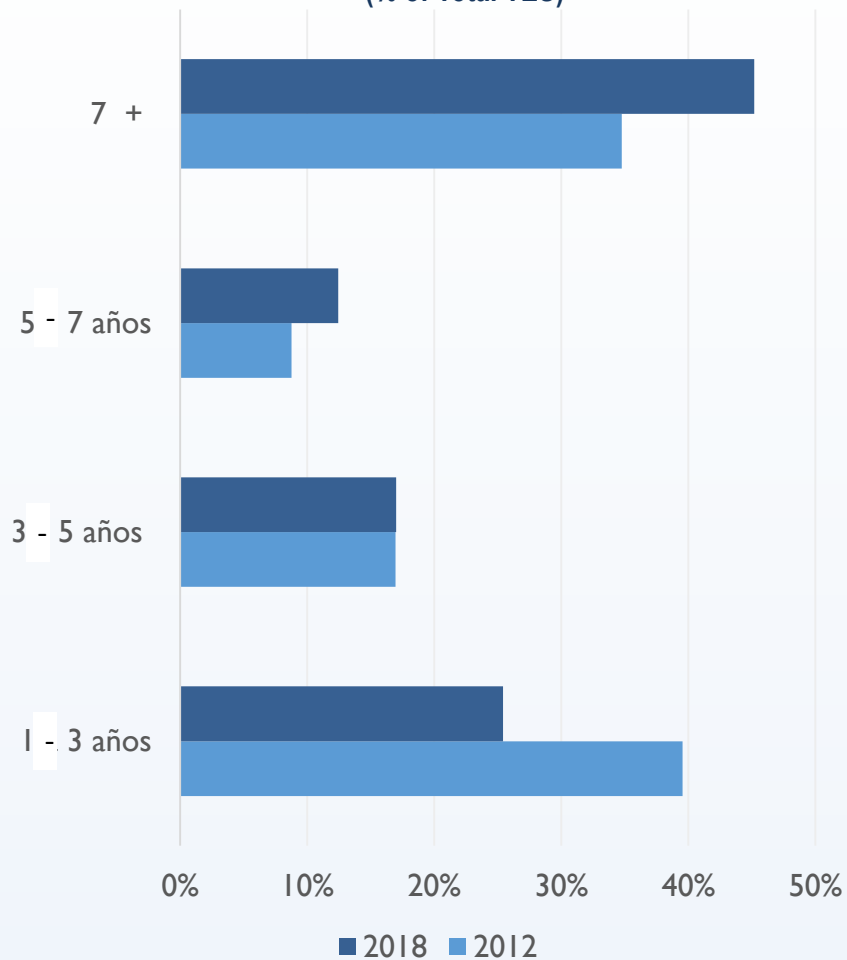
Source: Ministry of Finance and Public Credit.

The local TES market has evolved significantly since 2014

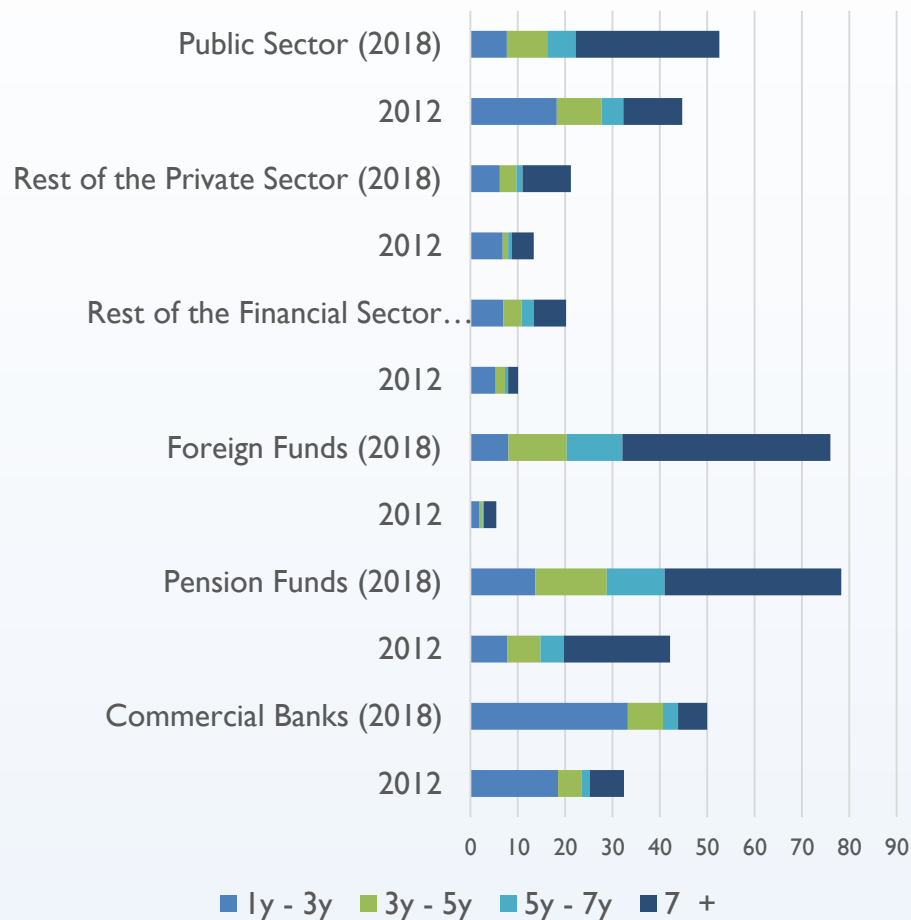


The change in the bondholder structure has been a positive factor for the improvement in the maturity profile

Years to Maturity
(% of Total TES)

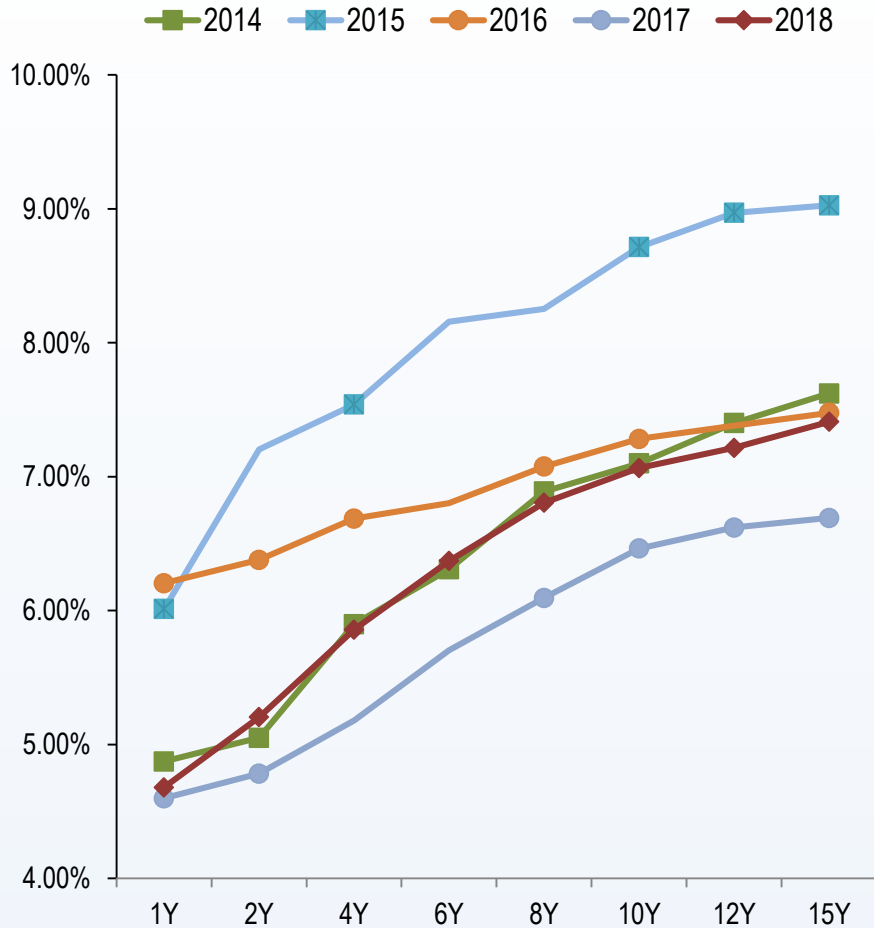


Maturity by Type of Holder
(COP Trillion)

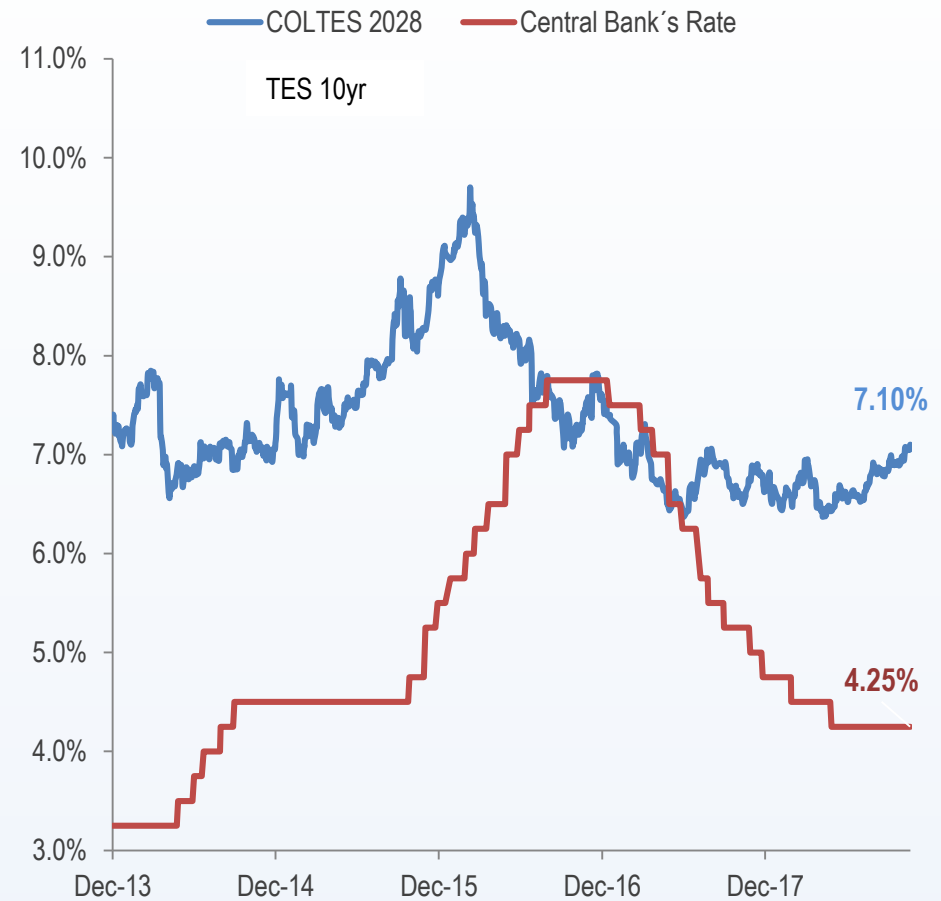


The rally in rates between 2016 and 2018 contributed to a cost-efficient extension

Local Fixed Rate TES Curve

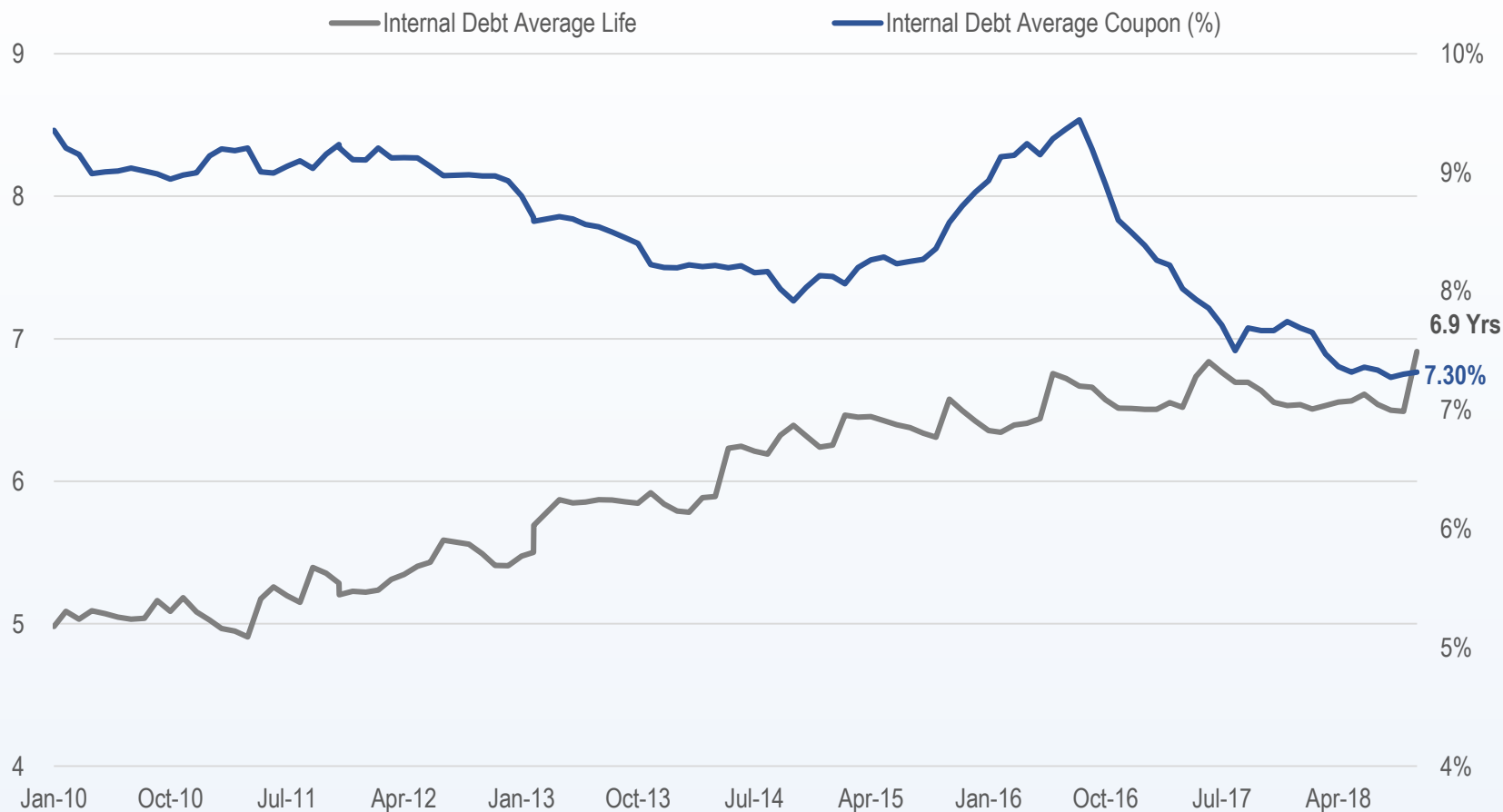


Yield TES 2028 and Central Bank Rate

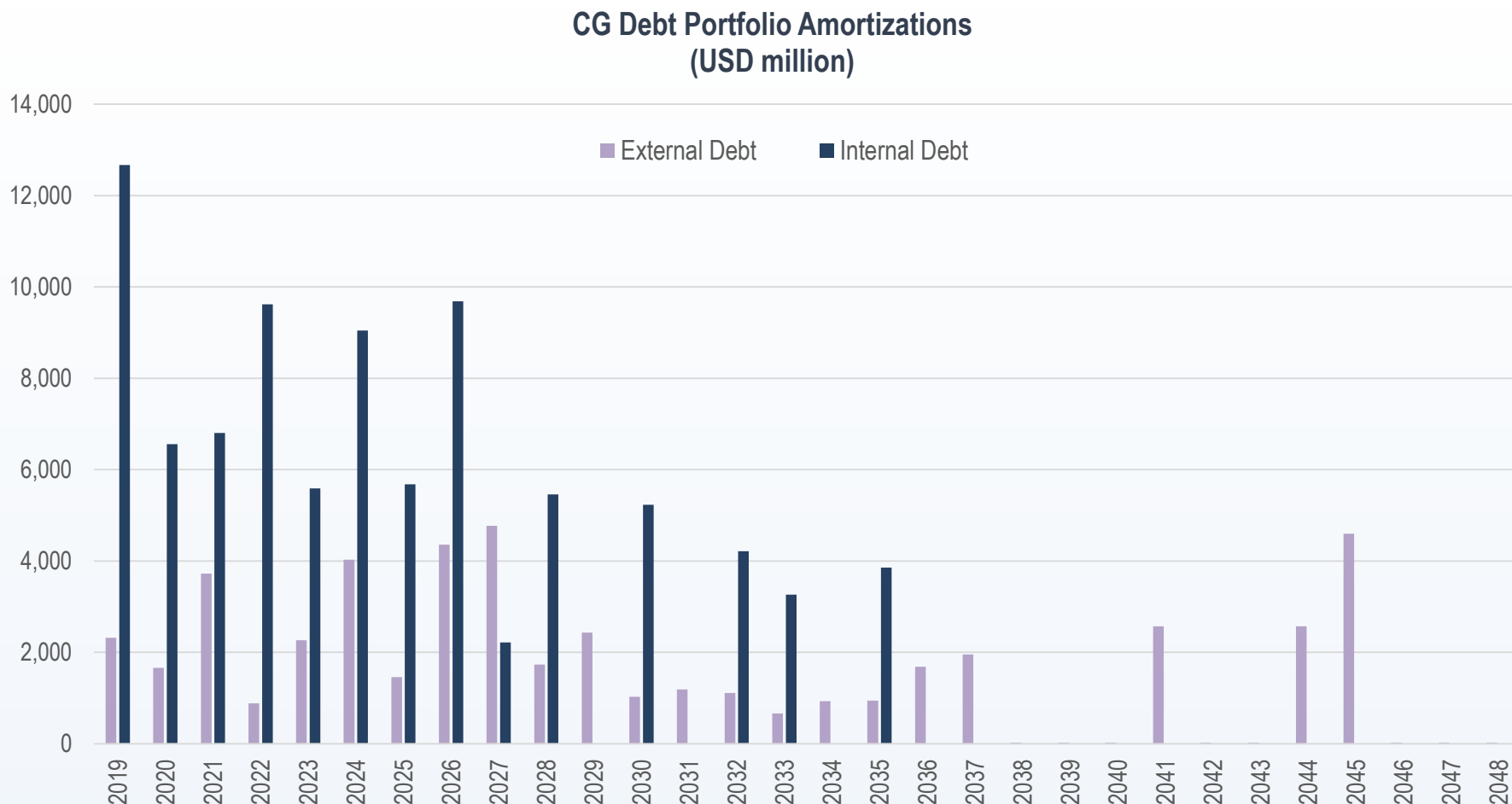


The government achieved a dual reduction in refinancing risks and cost of debt

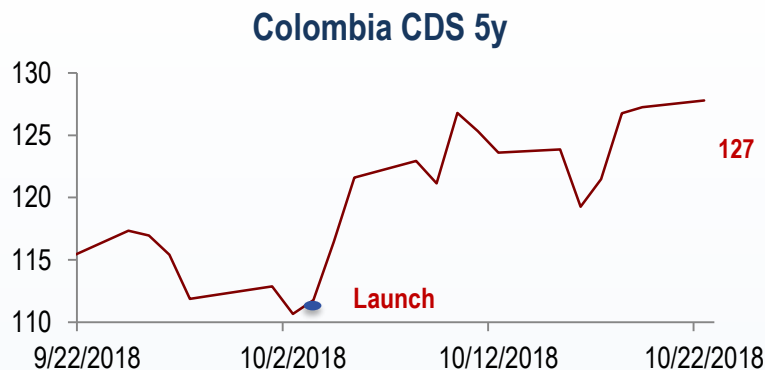
Average Life (Years) vs Average Coupon (%)



LM in international markets has been less frequent as maturities are lower



Colombia reopened the Latam sovereign market in October with a prefunding exercise and a tender offer for bonds maturing in 2019



Terms of the Transaction

Type	Dual Tranche + Tender Offer	
Bond	4.5% due 2029	5% due 15, 2045
Issue Size	USD1.5 billion	USD 0.5 billion
Issuance Spread	T+140	T+185
Issuance Yield	4.578%	5.184%
Demand	USD 9.7 billion	
Bonds subject to repurchase	7.375% due March 2019	
Amount accepted for repurchase	USD 1 billion	

What's Next?



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Colombia has conducted the 5 year review of its medium term debt strategy



2018 - I



2019

2013

Debt Model

New Stochastic Debt Model, with WB and IDB technical support.



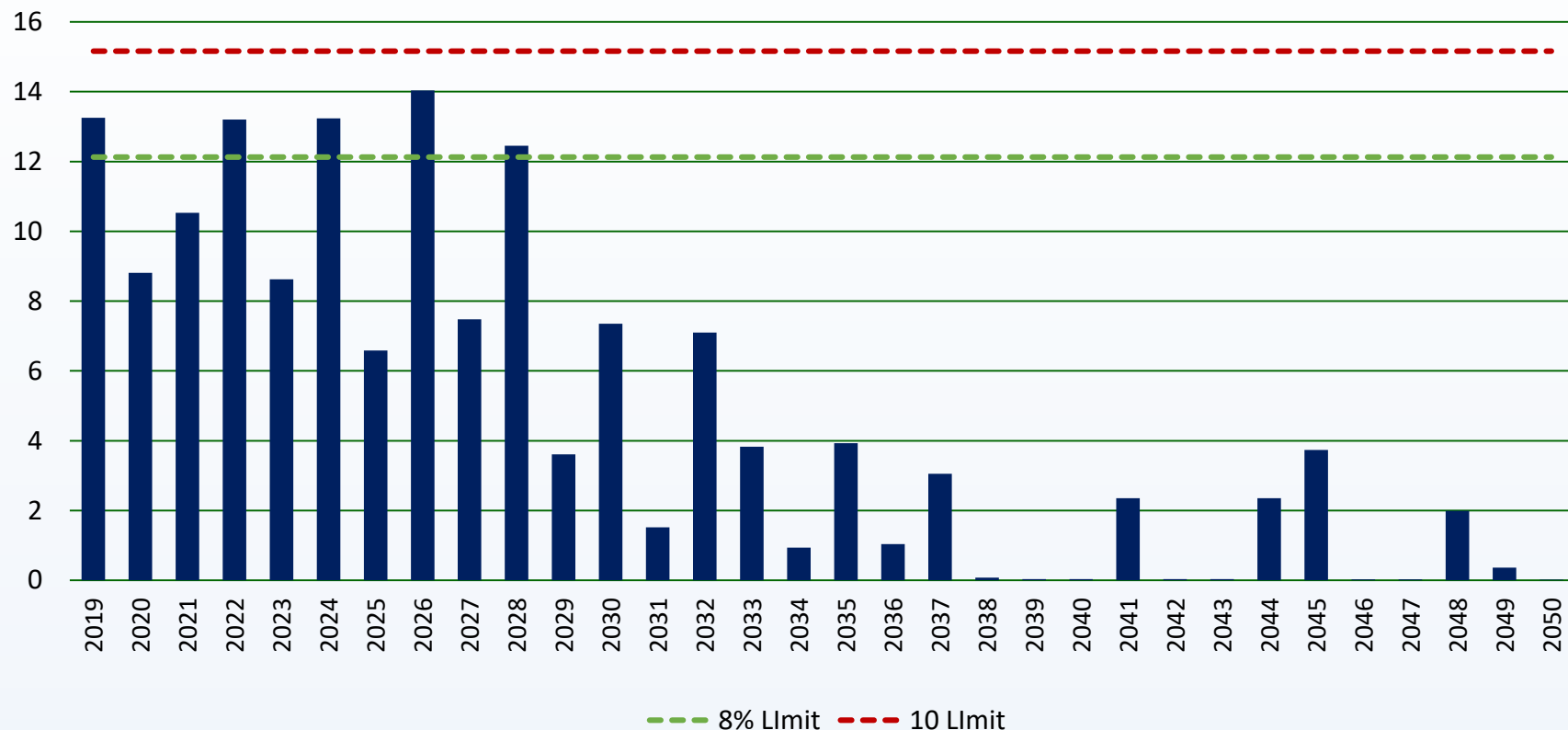
2018 - II

Institutional Arrangements

Institutional arrangements for developing Debt Management Strategy. Implementation of Debt Management Committee and Technical Debt Group.

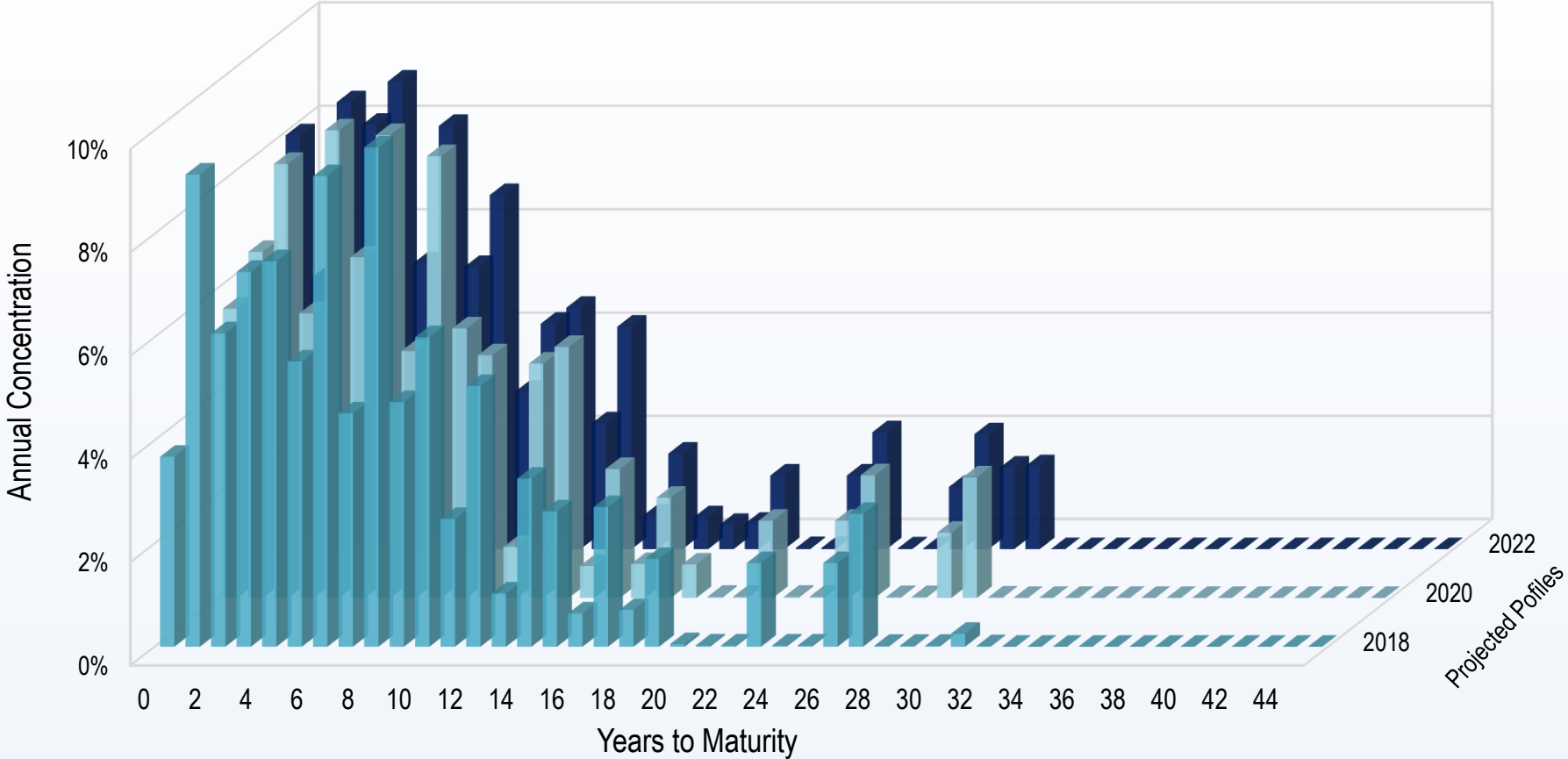
The strategy has been successful so far but some more work can be done

Central Government Amortization Profile (USD Million)



LMOs will be relevant for a convergence towards the new target

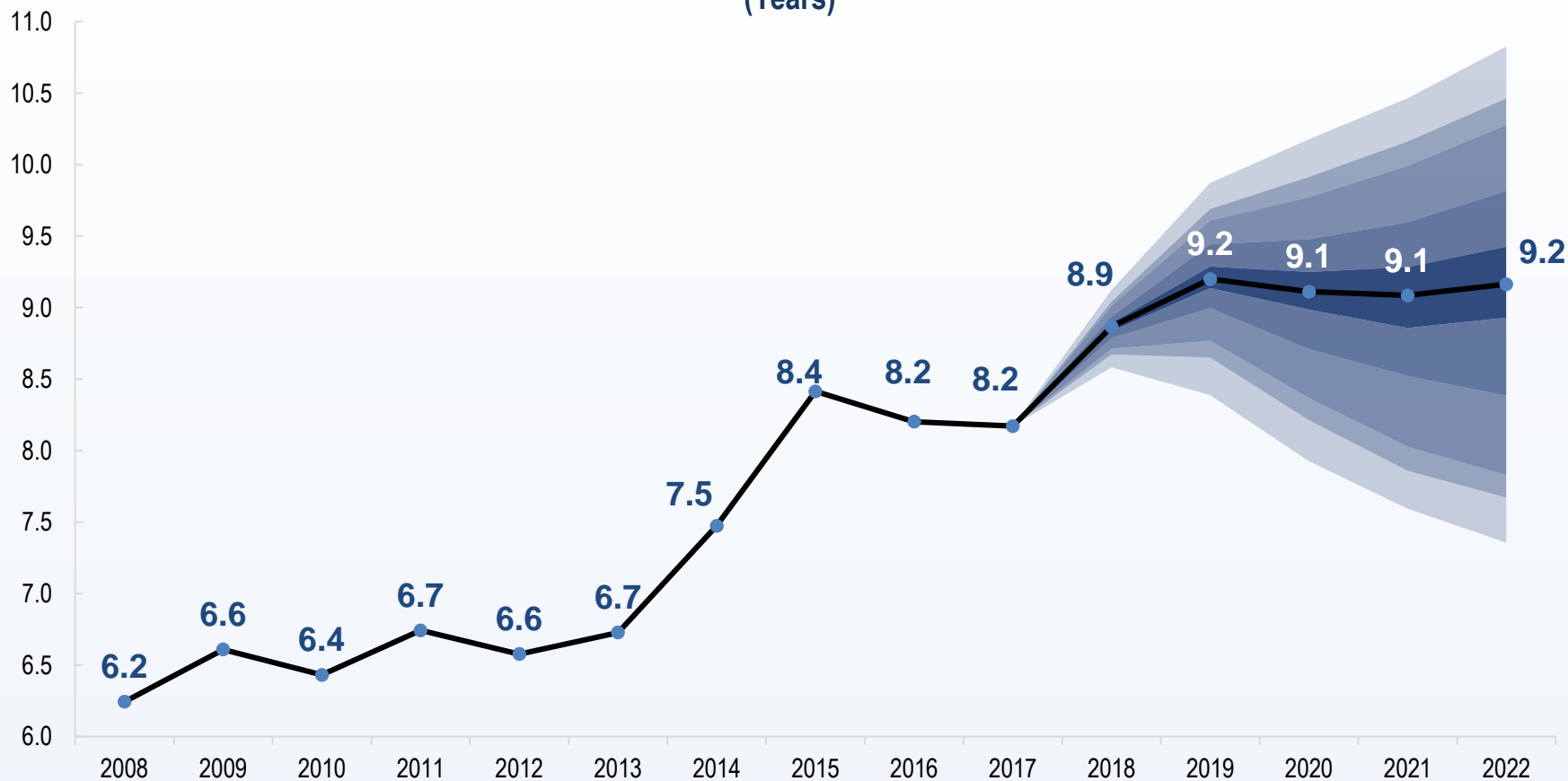
Projected Central Government Amortization Profile (% of Total Debt)



Source: Ministry of Finance and Public Credit.

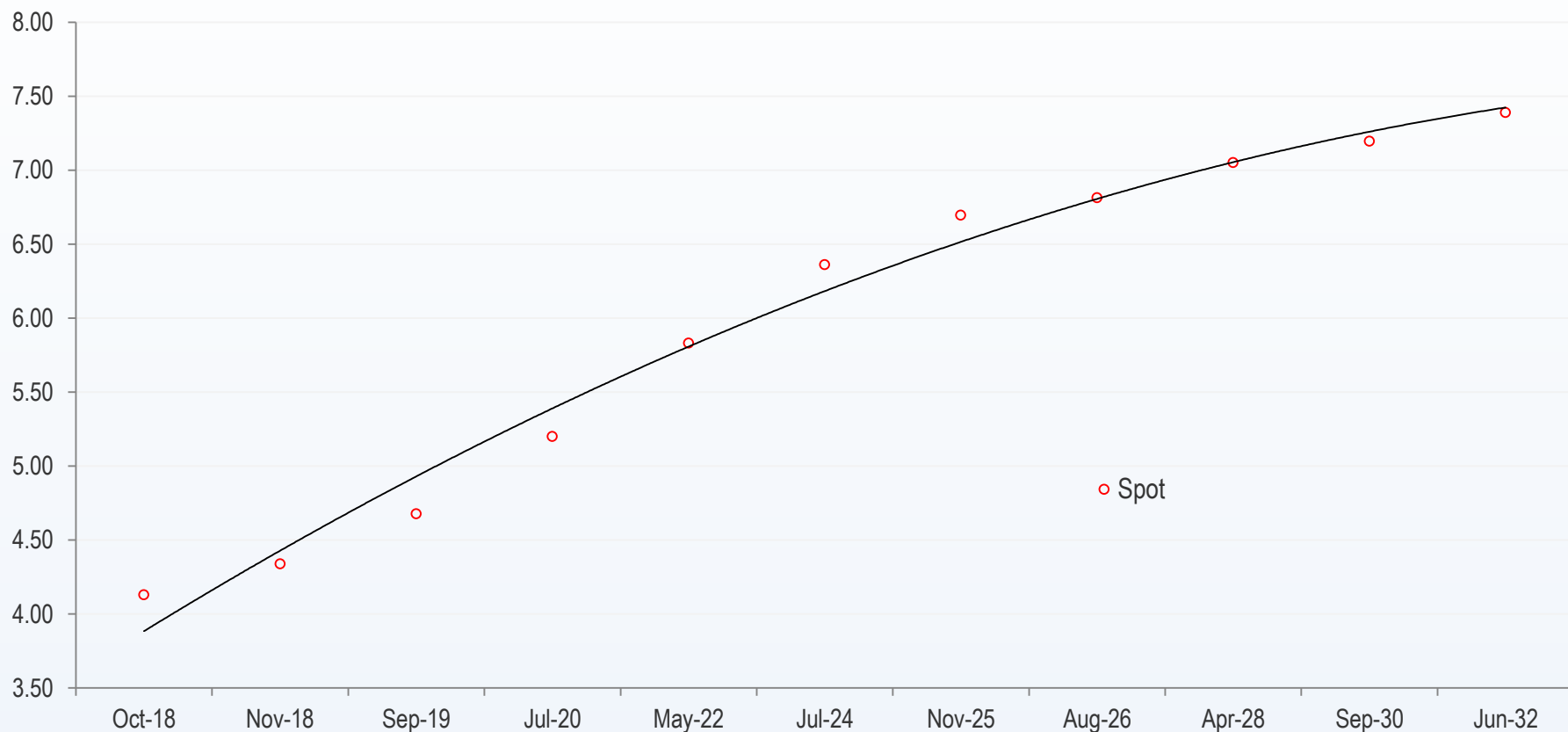
Colombia should be able to maintain its average life indicator at sound levels even under adverse macroeconomic conditions

Central Government Average Life (Years)



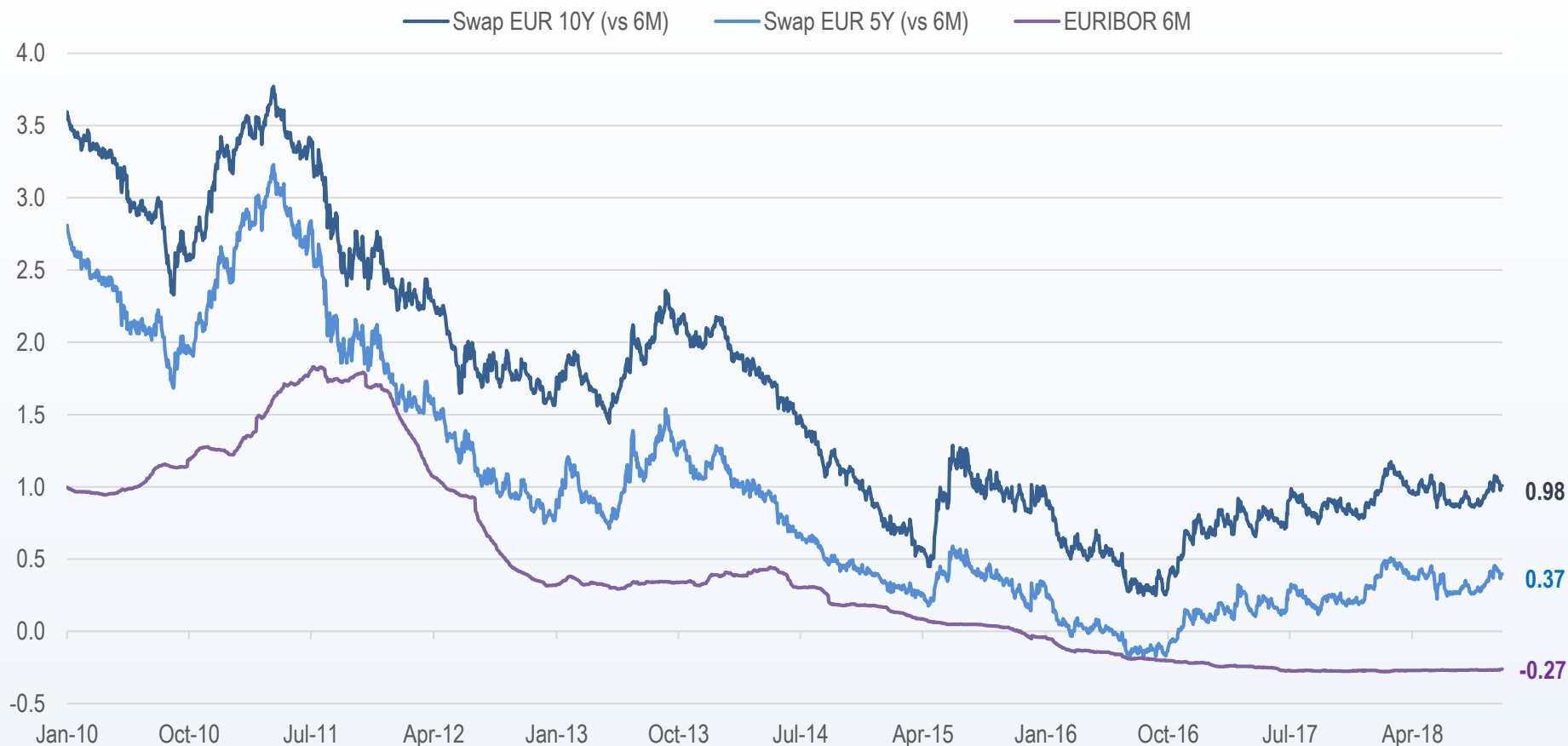
Having dealt with short term maturities Colombia can be more tactical and focus also on curve efficiency objectives

Fixed Rate TES Curve (% yield)



The exposure to interest rate risk is low but the floating EUR portfolio could be hedged

Euribor 6m vs EUR Swap 5y and 10y



Gracias!



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