LMOs: The Activity After Debt

Republic of Colombia
Ministry of Finance and Public Credit

Washington D.C., October 24 / 2018
Liability Management Activity
Colombia has a sound debt structure

GDP 2018: USD 340 billion

Debt by Issuance Market
- Internal: 68%
- External: 32%

Debt by Type of Rate
- Fixed Rate: 89%
- Floating Rate: 11%

Debt Currency Composition
- USD: 26%
- COP: 50%
- EUR: 4%
- JPY: 0%
- UVR (COP): 20%

Source: Ministry of Finance and Public Credit. As of 23/10/2018
The Republic has been active in the liability management front

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

Source: Ministry of Finance and Public Credit. As of 23/10/2018
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)

Source: Ministry of Finance and Public Credit.
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

<table>
<thead>
<tr>
<th>Year</th>
<th>LM Public Sector Entities</th>
<th>LM Market</th>
<th>%LM / Total Internal Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>0.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>1.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>2.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>3.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>1.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>4.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>6.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and Public Credit.
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.

TES Holders by Type (% of Total TES)

Source: Ministry of Finance and Public Credit. As of 30/09/2018
The change in the bondholder structure has been a positive factor for the improvement in the maturity profile.

- **Years to Maturity (% of Total TES):**
  - 7 +
  - 5 - 7 años
  - 3 - 5 años
  - 1 - 3 años

- **Maturity by Type of Holder (COP Trillion):**
  - Public Sector (2018)
  - Rest of the Private Sector (2018)
  - Rest of the Financial Sector...
  - Foreign Funds (2018)
  - Pension Funds (2018)
  - Commercial Banks (2018)

Source: Ministry of Finance and Public Credit. As of 19/10/2018
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

Source: Ministry of Finance and Public Credit. As of 23/10/2018
The government achieved a dual reduction in refinancing risks and cost of debt

### Average Life (Years) vs Average Coupon (%)

- **Internal Debt Average Life**
- **Internal Debt Average Coupon (%)**

Source: Ministry of Finance and Public Credit. As of 30/09/2018
LM in international markets has been less frequent as maturities are lower.

**CG Debt Portfolio Amortizations**
(USD million)

Source: Ministry of Finance and Public Credit. As of 23/10/2018
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

<table>
<thead>
<tr>
<th>Type</th>
<th>Dual Tranche + Tender Offer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond</td>
<td>4.5% due 2029</td>
</tr>
<tr>
<td>Issue Size</td>
<td>USD1.5 billion</td>
</tr>
<tr>
<td>Issuance Spread</td>
<td>T+140</td>
</tr>
<tr>
<td>Issuance Yield</td>
<td>4.578%</td>
</tr>
<tr>
<td>Demand</td>
<td>USD 9.7 billion</td>
</tr>
<tr>
<td>Bonds subject to repurchase</td>
<td>7.375% due March 2019</td>
</tr>
<tr>
<td>Amount accepted for repurchase</td>
<td>USD 1 billion</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance and Public Credit
What’s Next?
Colombia has conducted the 5 year review of its medium term debt strategy.

2013

Debt Model

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

2018 - I

2018 - II

Institutional Arrangements

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

2019
The strategy has been successful so far but some more work can be done
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.
Having dealt with short term maturities Colombia can be more tactical and focus also on curve efficiency objectives.

**Fixed Rate TES Curve**

(% yield)

Source: Ministry of Finance and Public Credit. Curve as of 22/10/2018
The exposure to interest rate risk is low but the floating EUR portfolio could be hedged.

**Euribor 6m vs EUR Swap 5y and 10y**

Source: Bloomberg. Curves as of 22/10/2018
Gracias!