



El emprendimiento
es de todos

Minhacienda

Public Debt Management and National Treasury

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Director General of Public Credit and National Treasury

February, 6 2020



A. Public Debt Management results

1. Stabilization of Central Government Debt
2. Mitigating refinancing risk
3. Reducing market risks and debt exposure to Libor
4. Strengthening Liquidity in the Local TES Market
5. External Debt: Lower costs and longer tenors
6. Investor base diversification

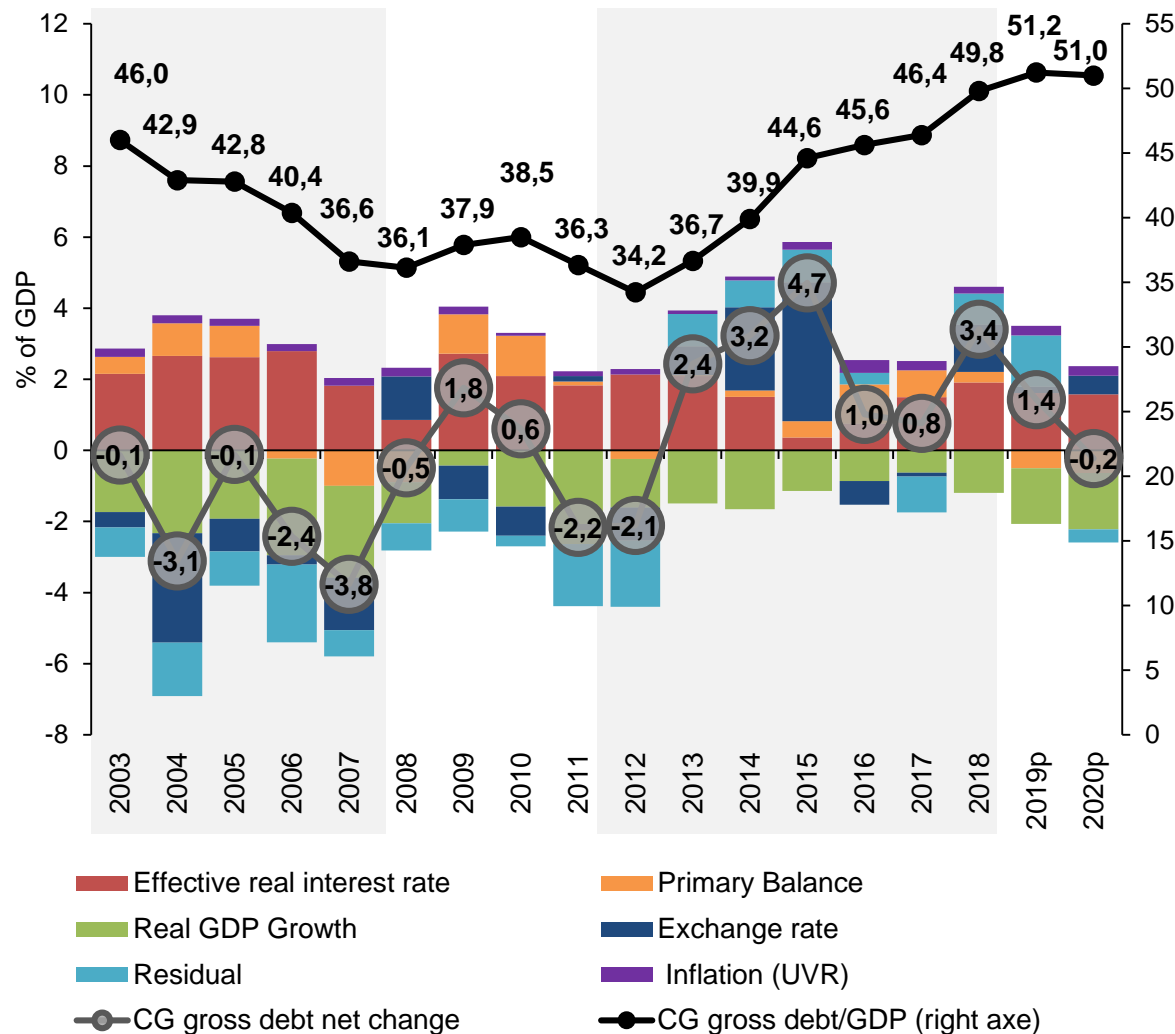
B. 2020-2021 Agenda

1. Extension of the local yield curve to 30 years
2. Efficient management of public resources
3. IBR Curve as a benchmark rate for Money Markets
4. Exchange-Traded Fund (ETF)
5. Local market's infrastructure development

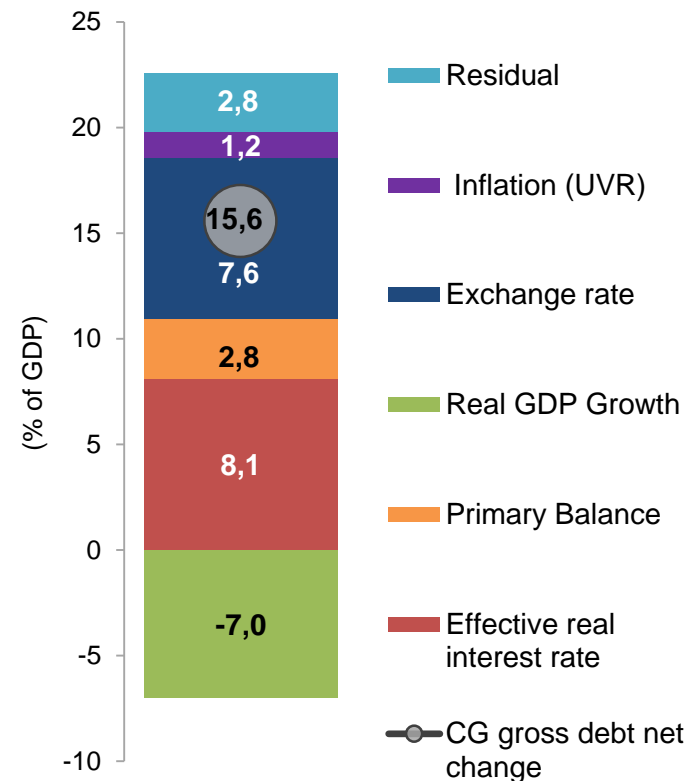


1. Stabilization of Central Government Debt

Debt stabilization despite recognition of liabilities



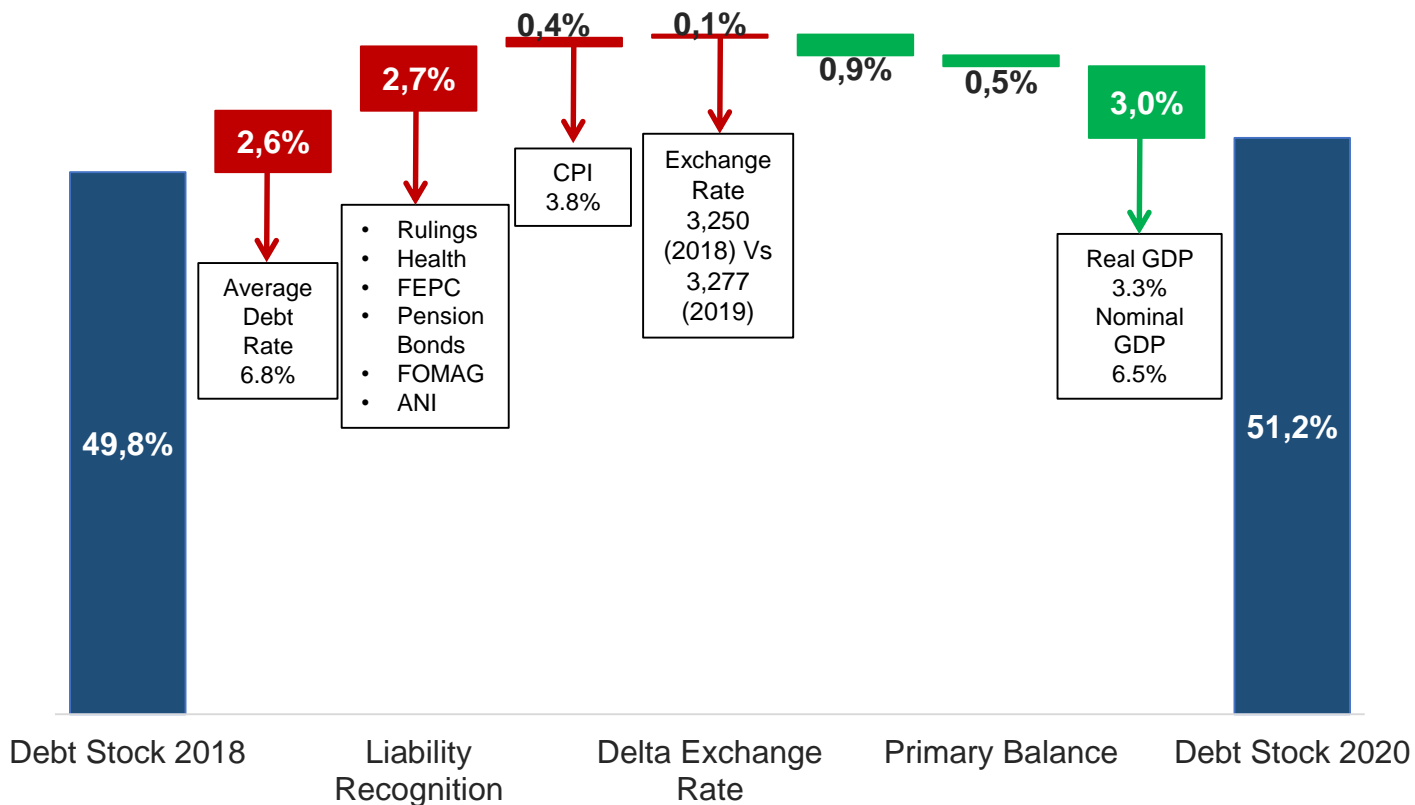
Cumulative changes 2012-2018





1. Public Debt Reduction 2018-2019

Debt Variation 2018 – 2019 (% GDP)



Debt Reduction Policies

- Higher economic growth
- Primary surpluses
- Foreign exchange hedges
- Treasury Efficiency



2. Mitigating Refinancing Risk

LMO for COP \$25 trillion in 2019

Debt Swaps for COP \$16 trillion

March 19, 2019: COP \$ 11 trillion

Nation Buying TES		Nation Selling TES	
UVR	Maturity	UVR	Maturity
	17 - Apr - 19		23 - Feb - 23
COP	Maturity	COP	Maturity
	11 - Sep - 19		26 - Nov - 25
			28 - Apr - 28
			18 - Oct - 34
COP	Maturity	COP	Maturity
	24 - Jul - 20		04 - May - 22

October 22, 2019: COP \$ 5 trillion

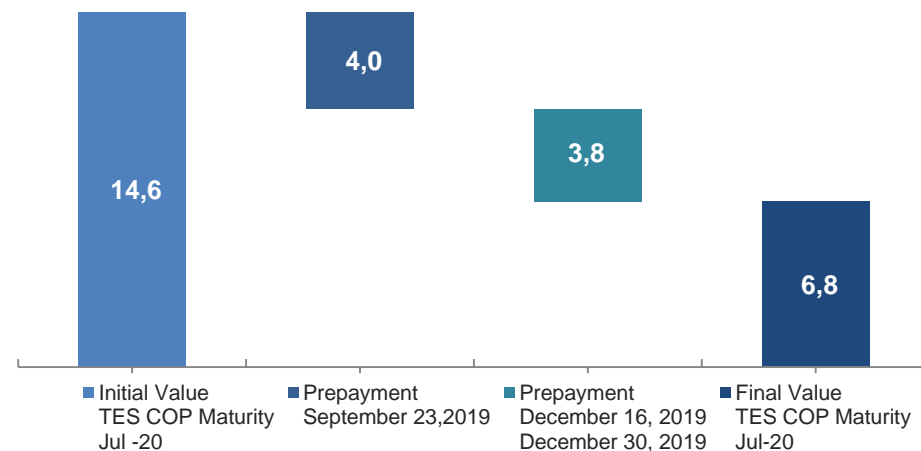
Nation Buying TES		Nation Selling TES	
UVR	Maturity	UVR	Maturity
	10 - Mar - 21		17 - Mar - 27
			25 - Feb - 37

*UVR: Real Value Unit (RVU) linked Colombian TES

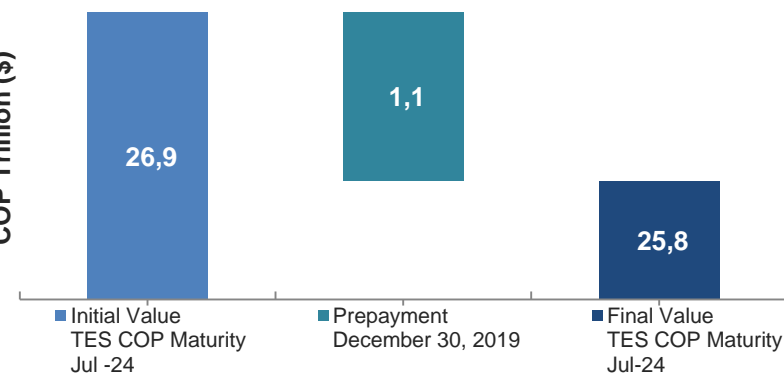
Prepayments for COP \$9 trillion

1. September 23, 2019: COP \$ 4.0 trillion
2. December 16, 2019: COP \$ 3.6 trillion
3. December 30, 2019: COP \$ 1.3 trillion

COP Trillion (\$)



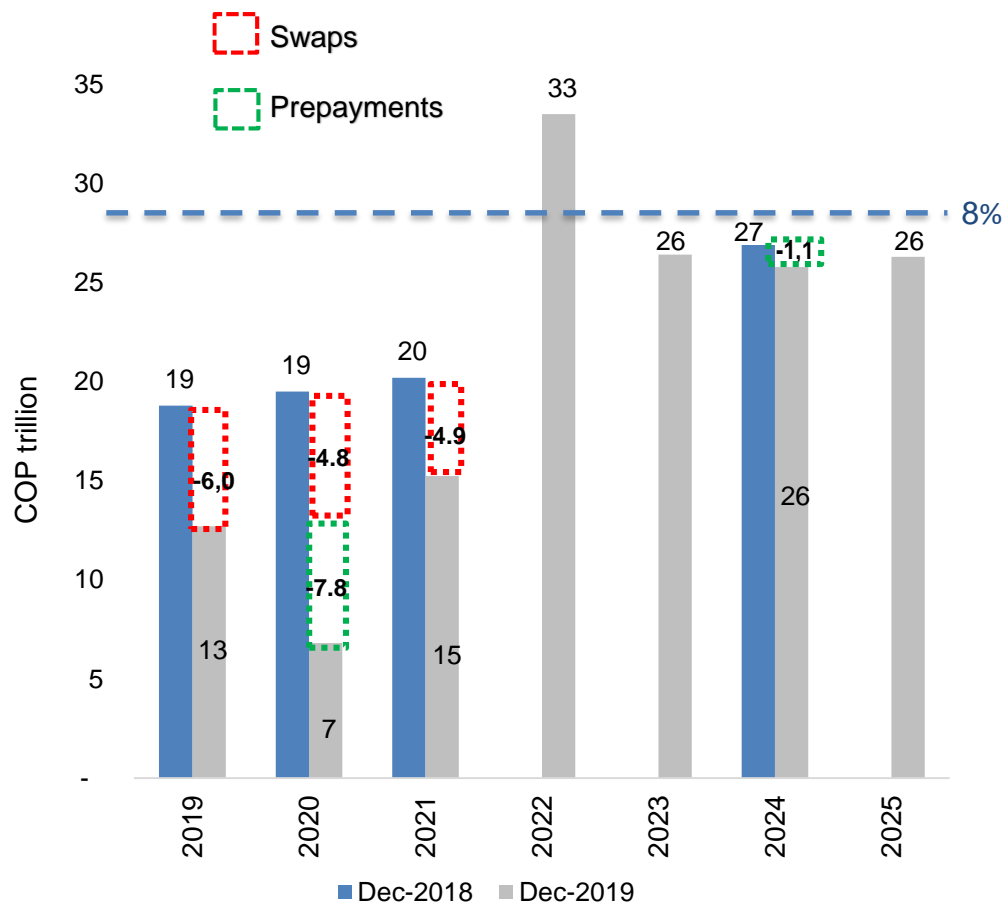
COP Trillion (\$)





2. Mitigating Refinancing Risk

Improved Maturity Profile



Positive impact on fiscal and debt indicators

Fiscal Savings
COP
\$ 57 BII

Outstanding reduction
COP
\$ 348 BII

Portfolio - TES	Dec 2018	Dec 2019	Var.
Average Life (years)	7.06	7.33	0.27
Average Cost (coupons)	7.52%	7.29%	-0.22%

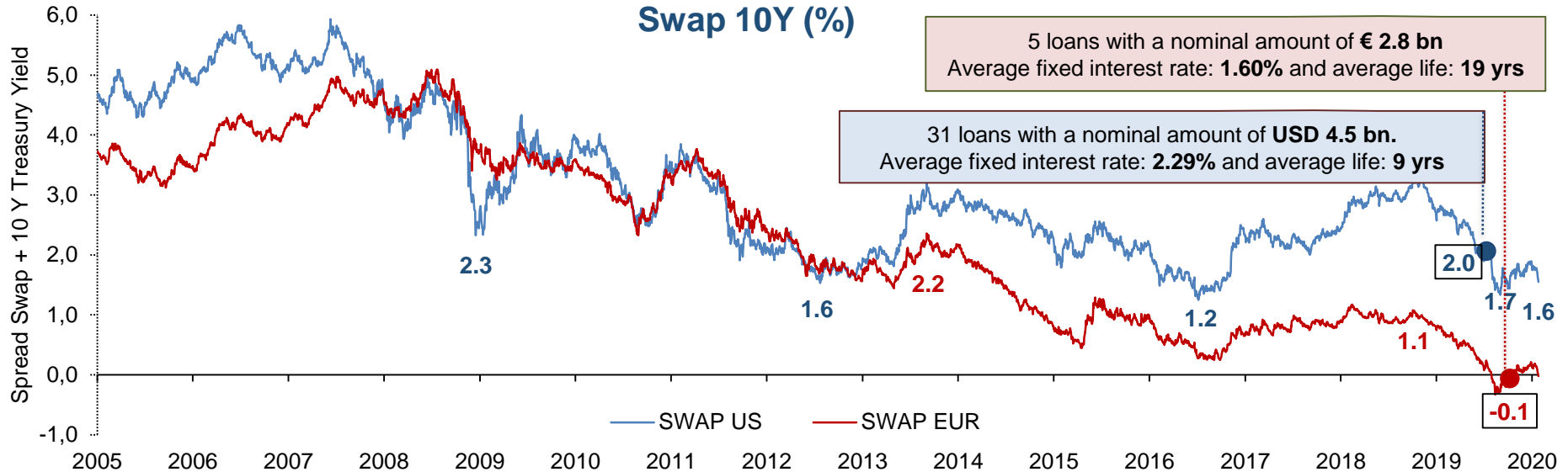
3. Reducing market risks and debt exposure to Libor



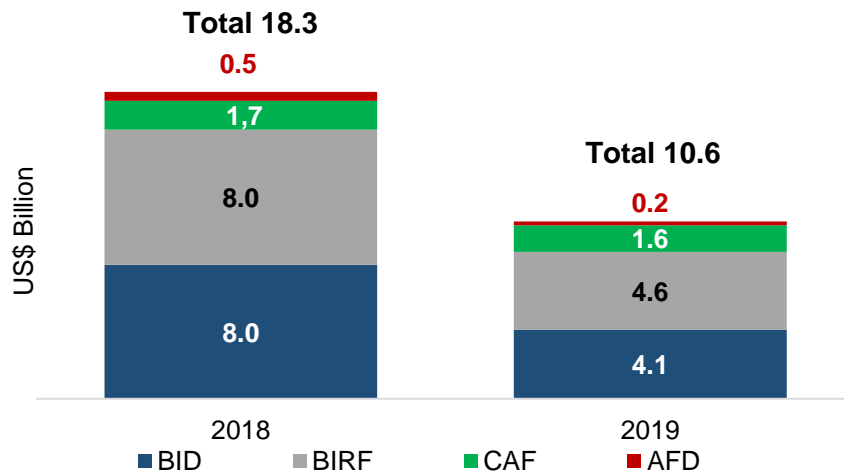
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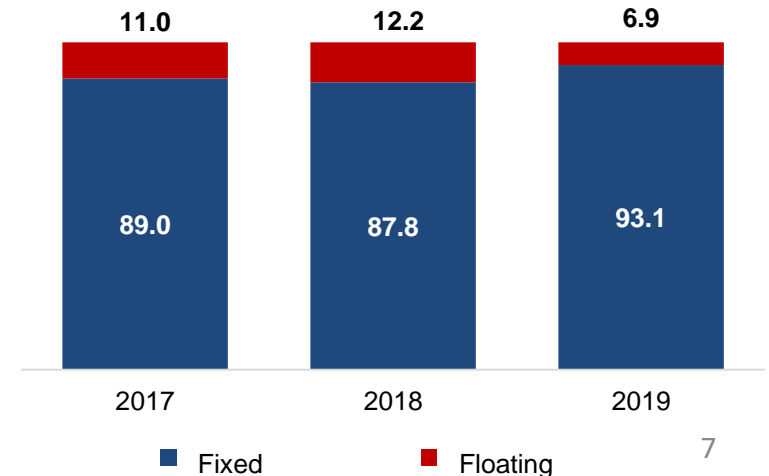
Fixing rates in favorable market conditions Swap 10Y (%)



Lower exposure to floating rate



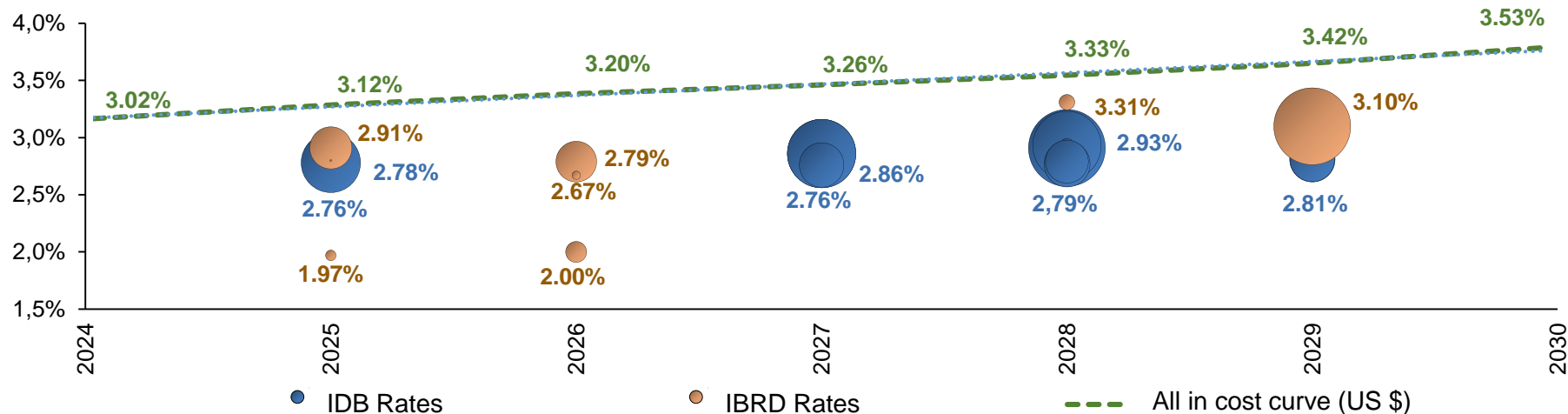
Debt composition by rate (%)



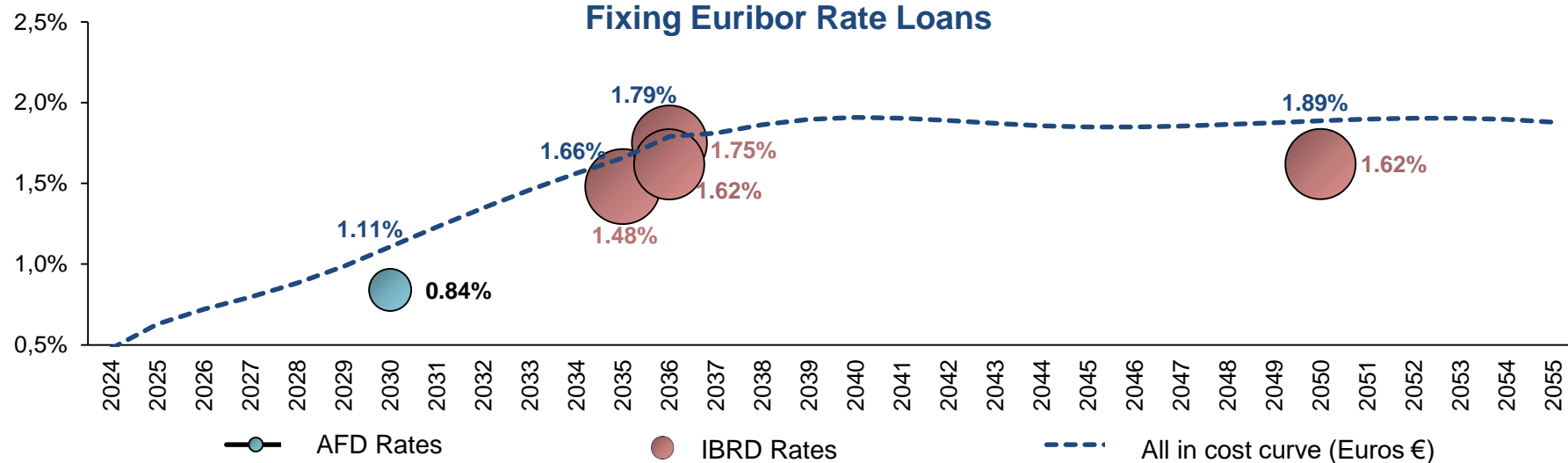


4. Reducing market risks and debt exposure to Libor

Fixing USD Libor Rate Loans



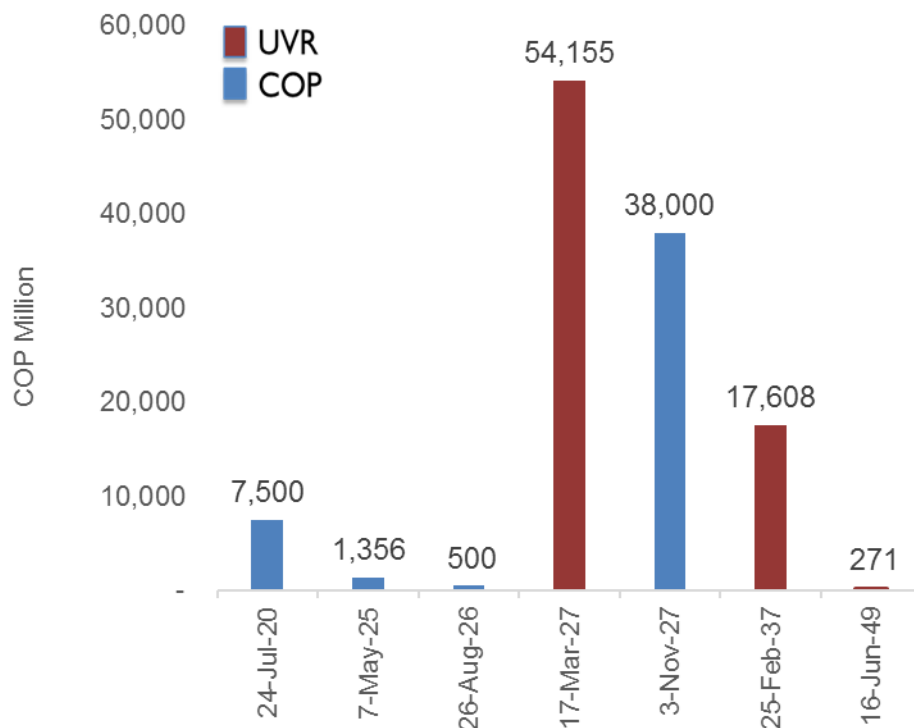
Fixing Euribor Rate Loans





4. Strengthening Liquidity in the Local TES Market

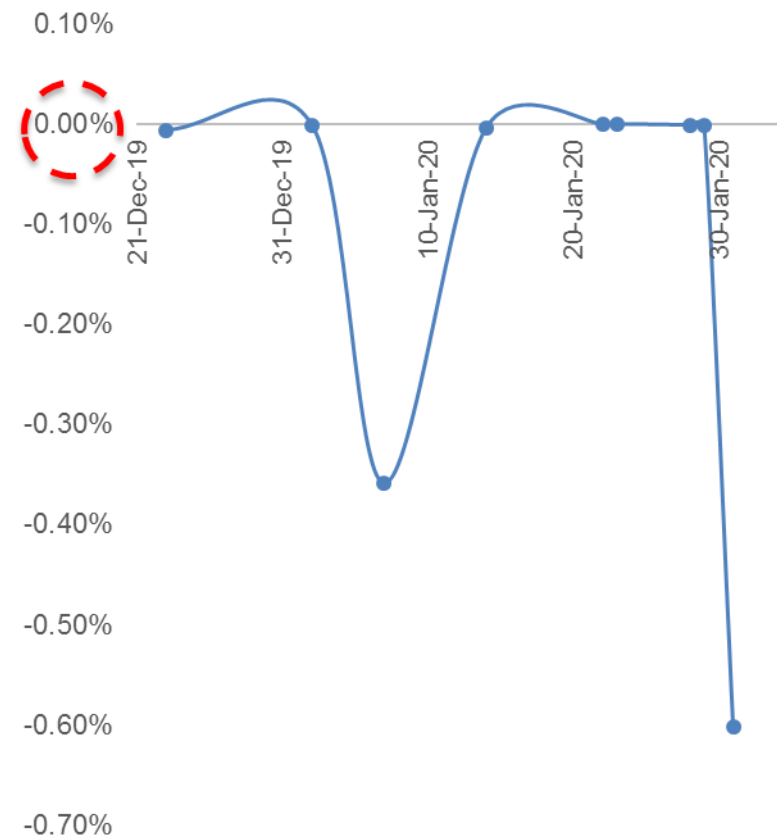
Securities Lending for COP \$119 bn in the first month



*UVR: Real Value Unit (RVU) linked Colombian TES

Source : Banco de la Republica

Securities lending costs are close to 0%

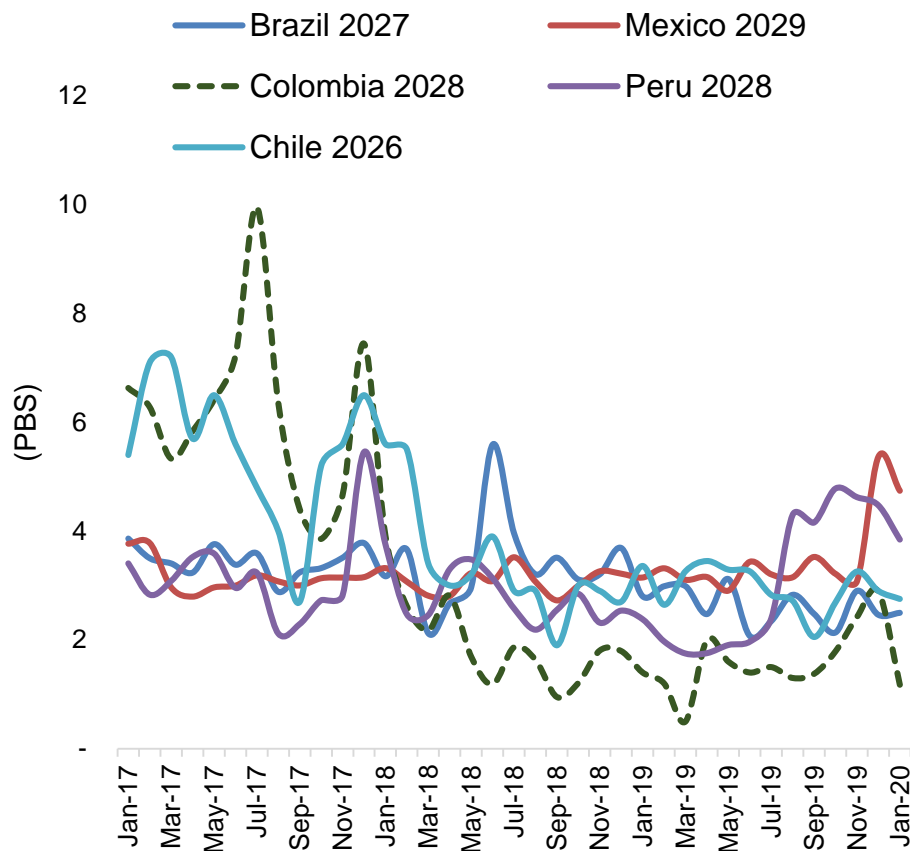


Source: Banco de la Republica, calculation DGCPTN.



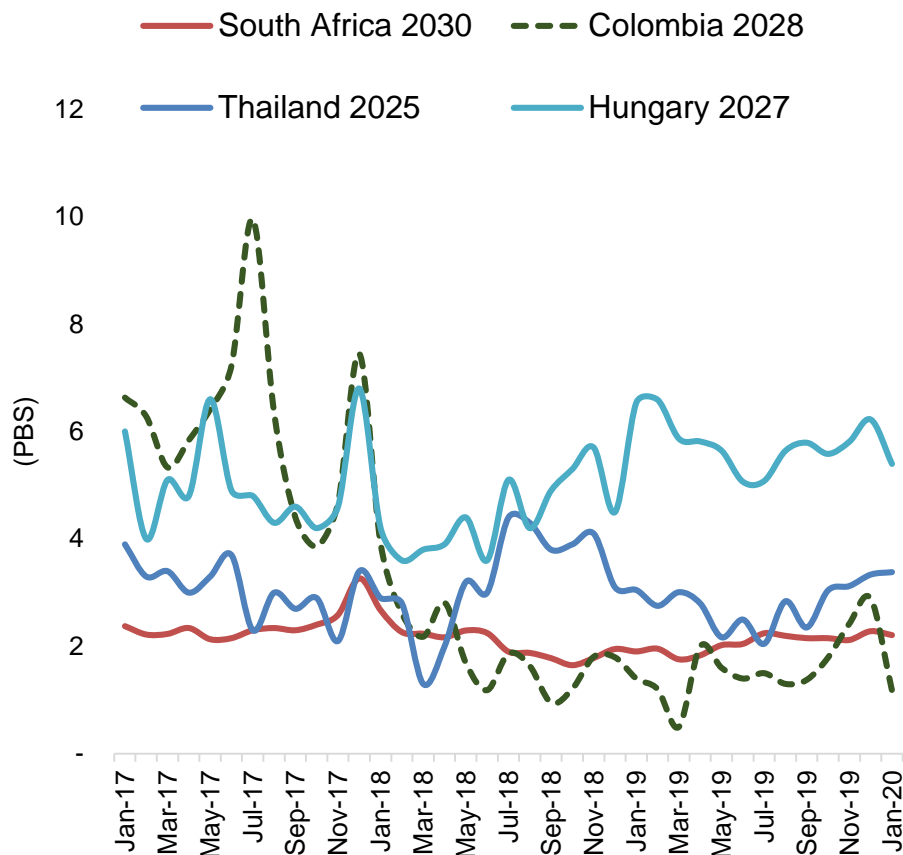
4. Strengthening Liquidity in the Local TES Market

Bid/Ask Spread - Latam (Monthly Average)



Source: **Bloomberg**

Bid/Ask Spread – Peers (Monthly Average)

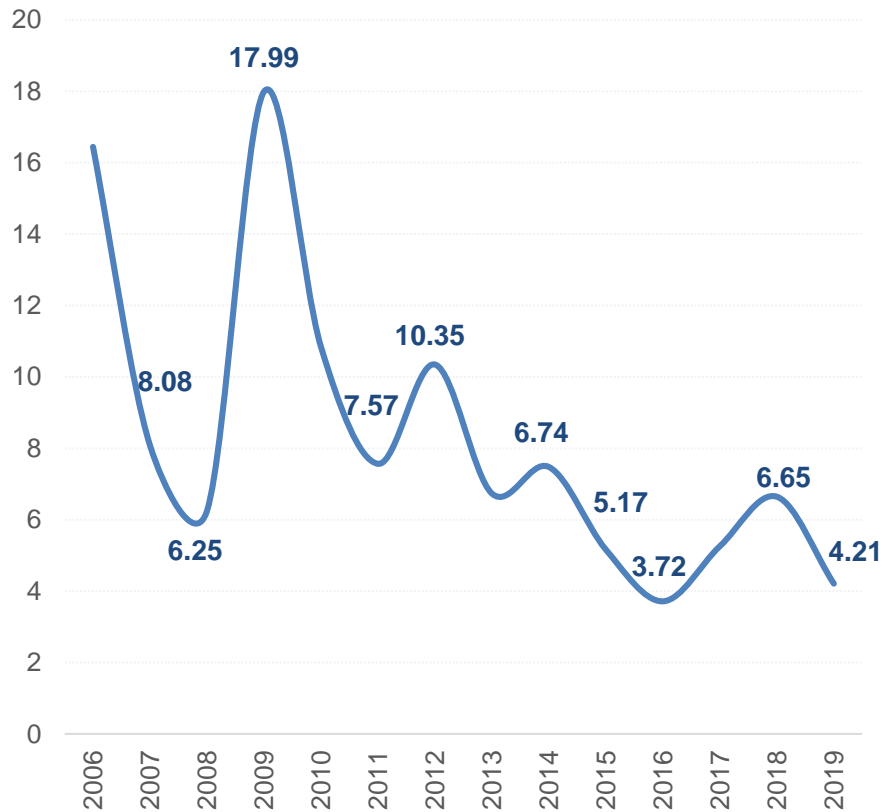


Source: **Bloomberg**



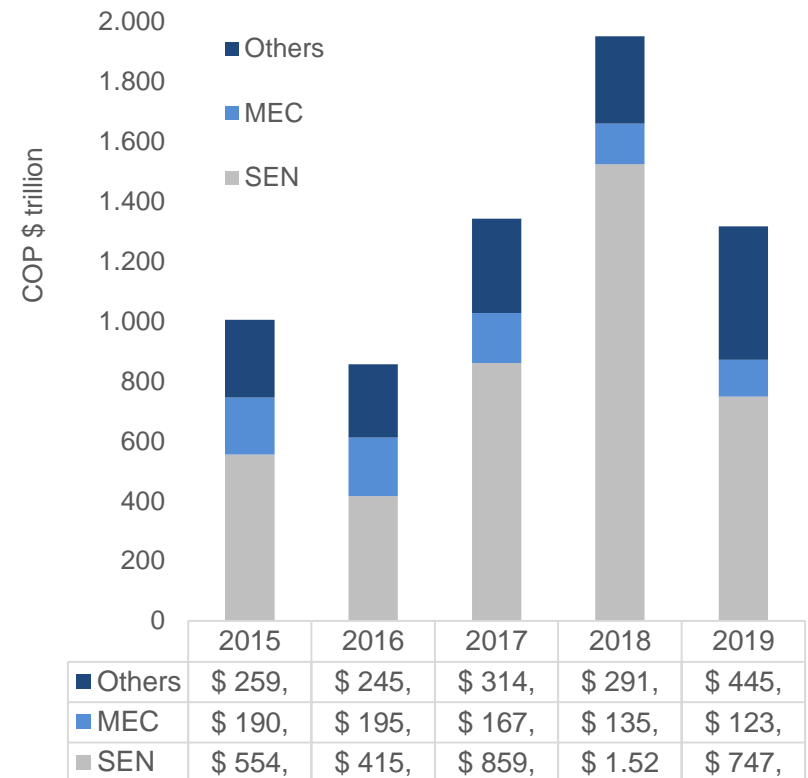
4. Strengthening Liquidity in the Local TES Market

TES Market - Turn Over Ratio



Source: Banco de la Republica

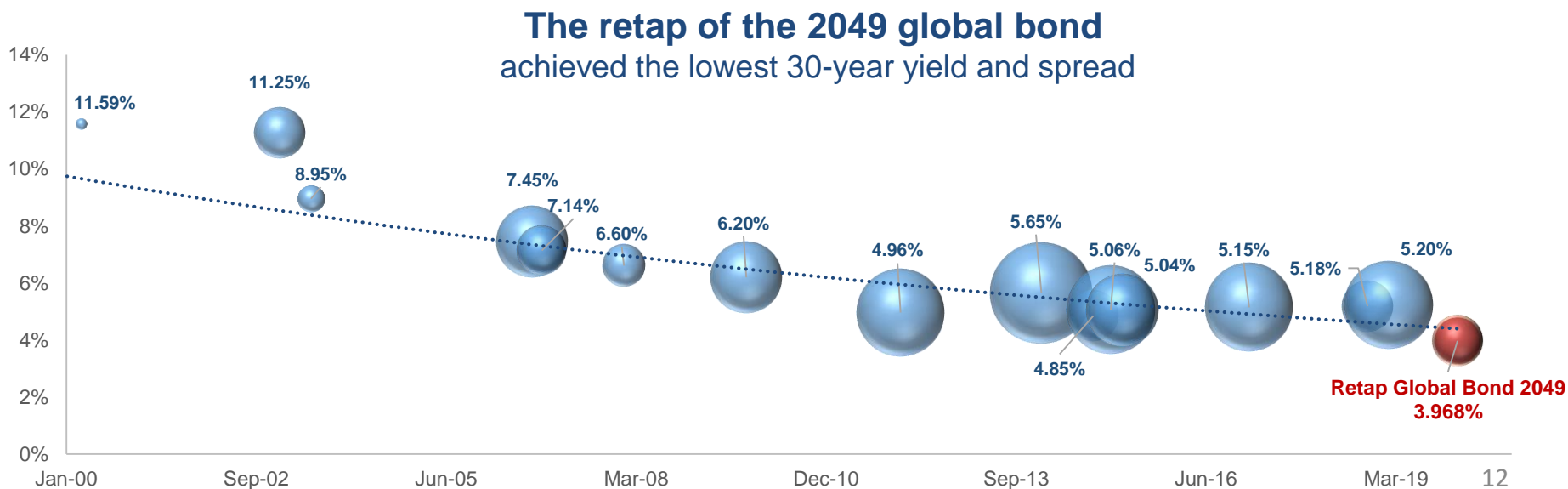
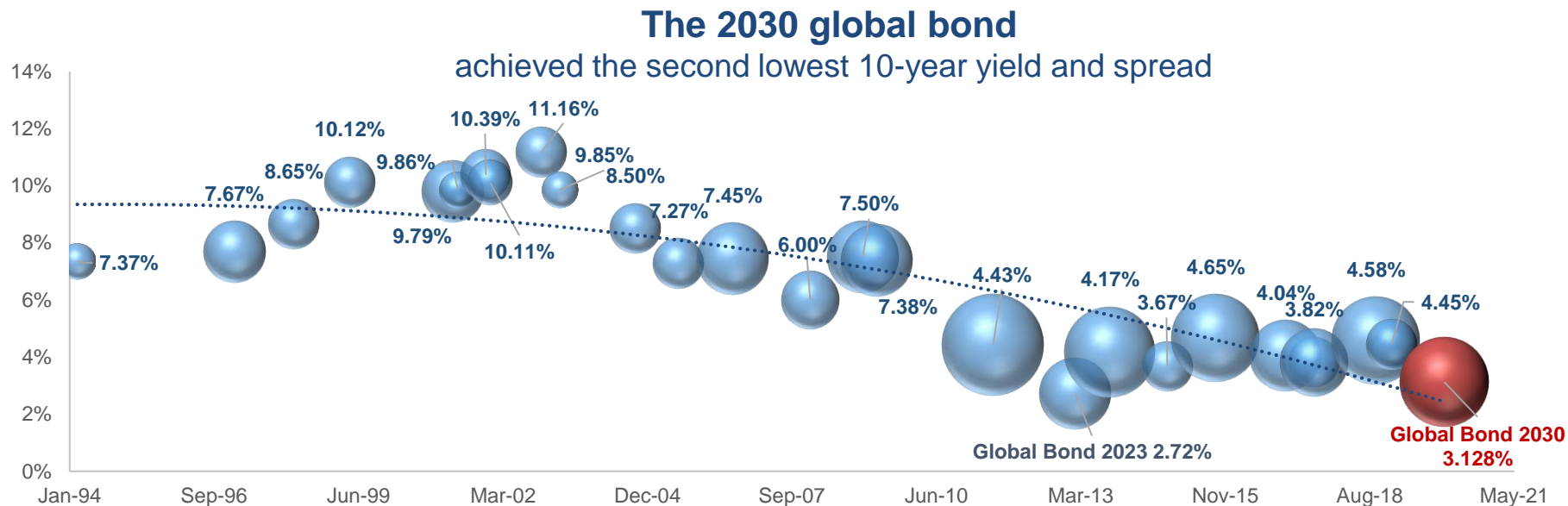
TES - Secondary Market Trading Volumes



Source: Banco de la Republica



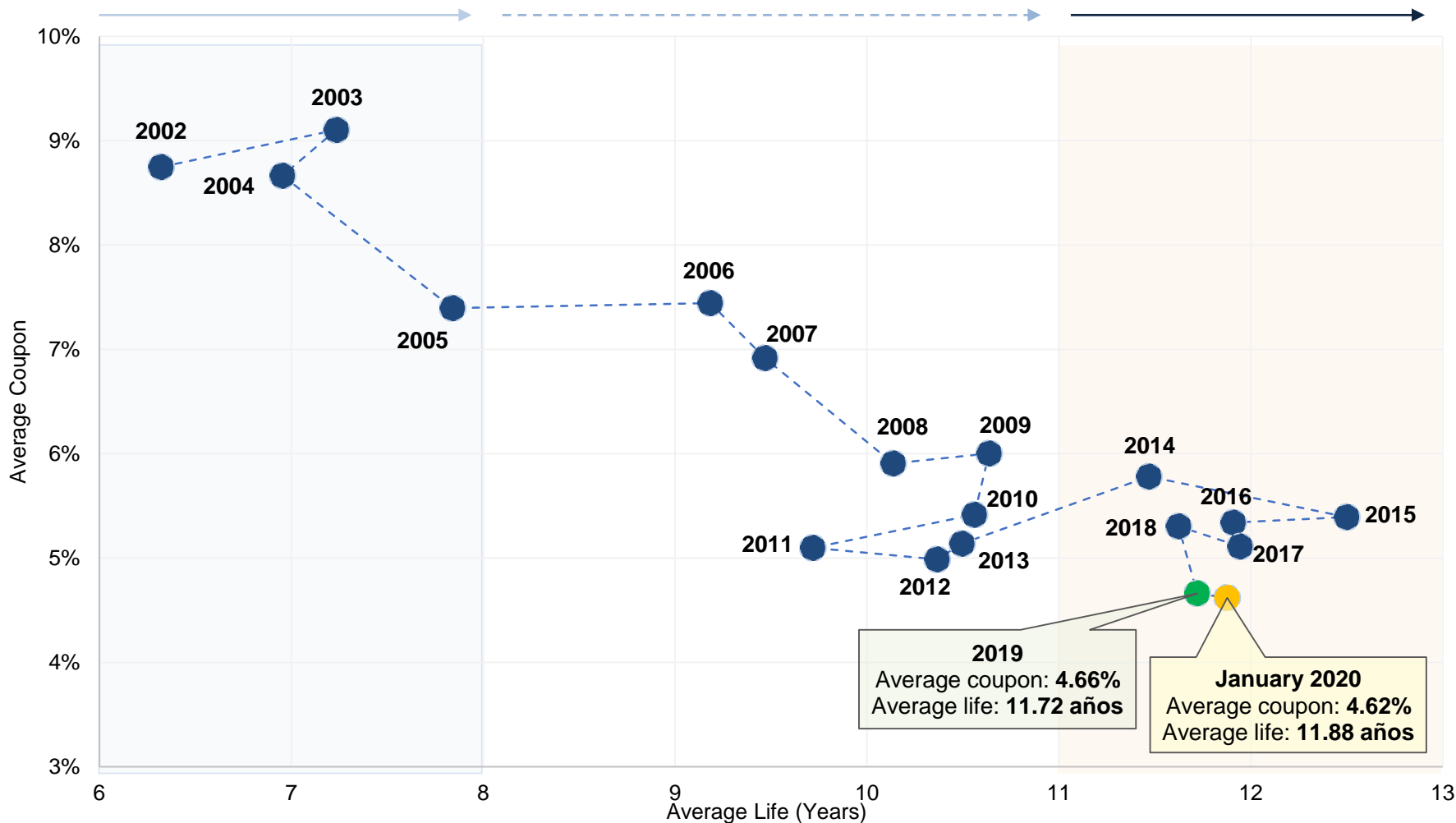
5. External Debt: Lower costs and longer tenors





5. External Debt: Lower costs and longer tenors

Average life and average coupon of the NCG external debt since 2002
(Information as of December of each year)

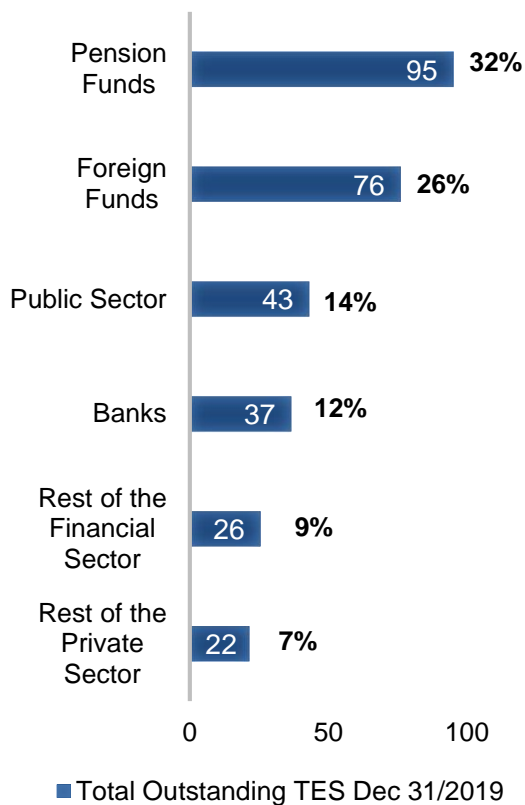


Source: Ministry of Finance and Public Credit. On January 21st, 2020, the Republic executed a funding and liability management transaction in the international capital markets

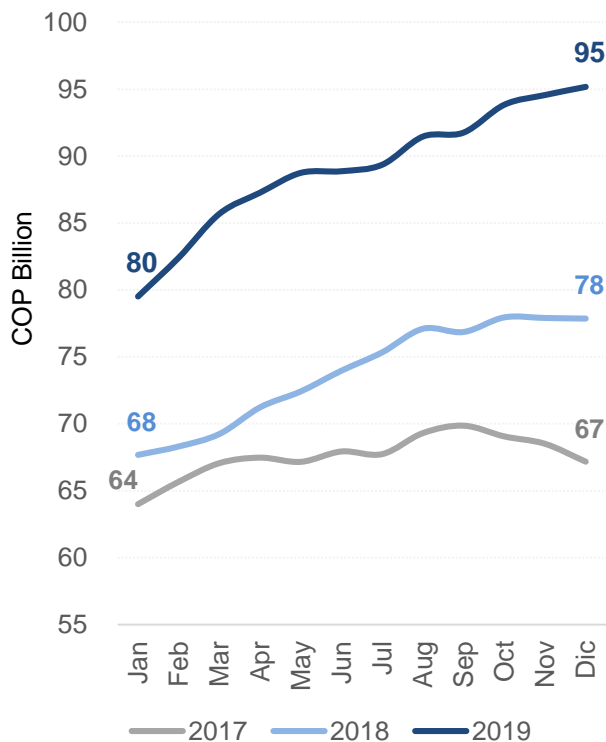


6. Investor Base Diversification

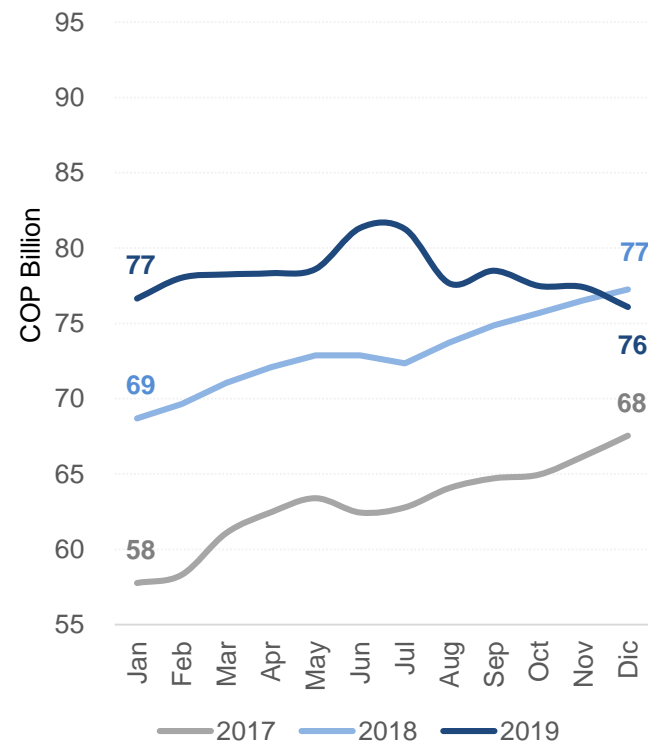
Tenors by Holder (Local Debt)



Local Pension Funds



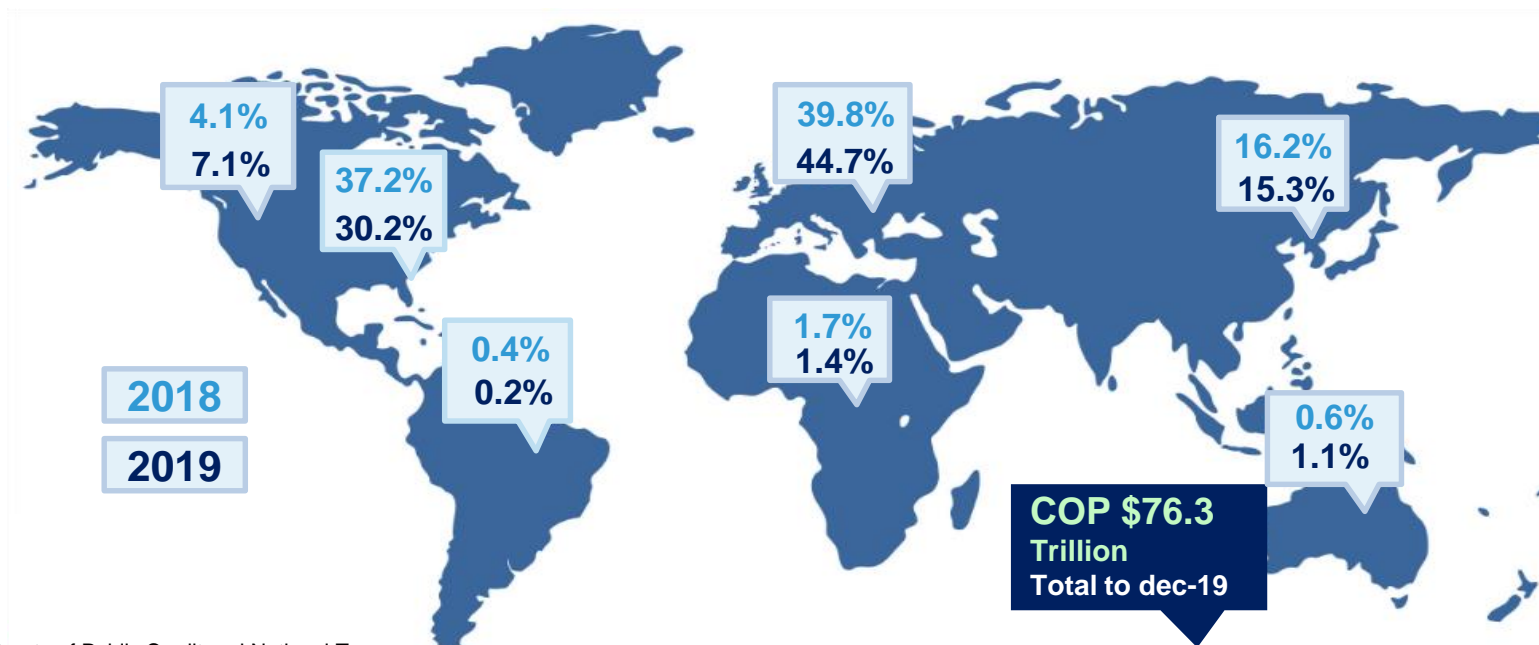
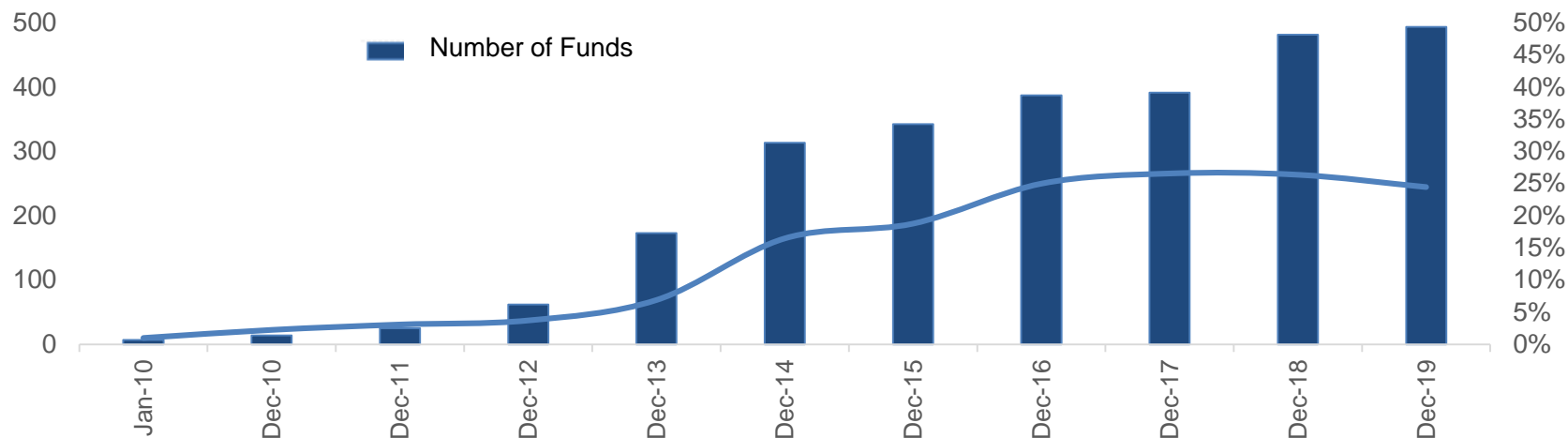
Foreign Funds





6. Investor Base Diversification

Foreign Investor Funds and Geographic Distribution





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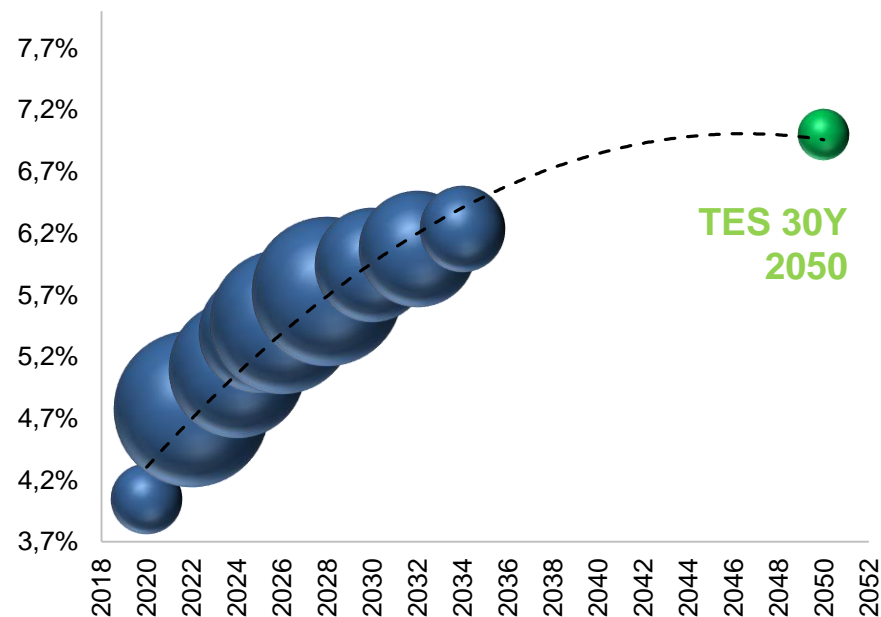
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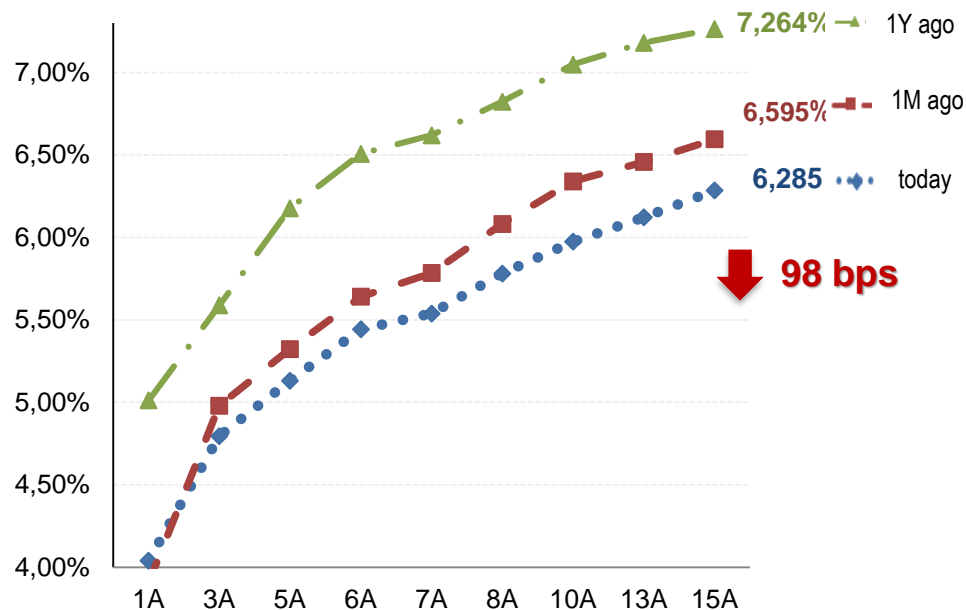


1. Extension of the local yield curve to 30 years

Demand for Duration



Favorable market conditions to extend the Local Yield Curve

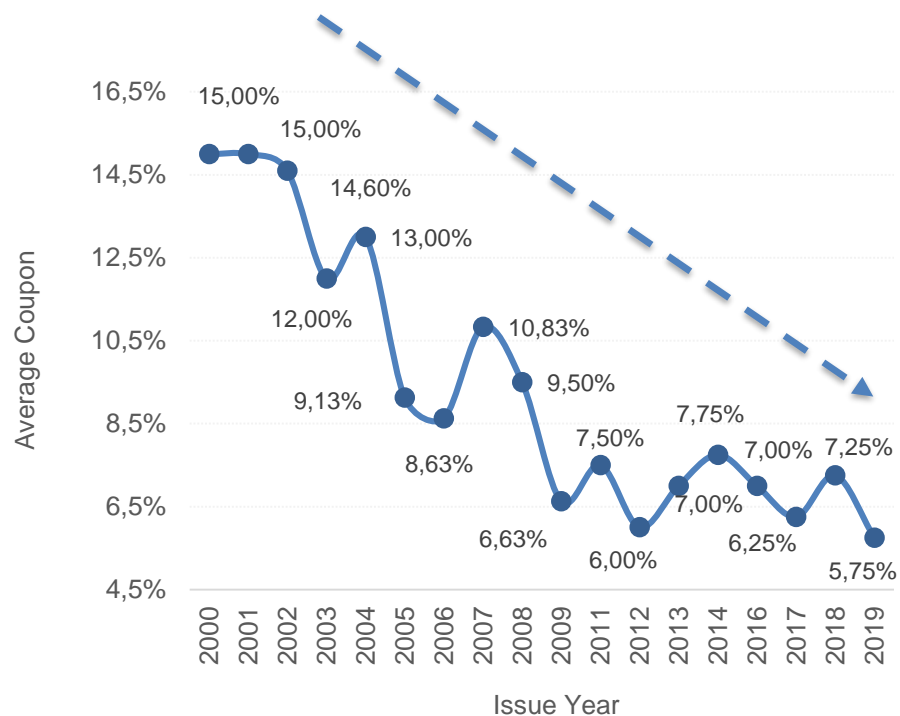


Source: General Directorate of Public Credit and National Treasury.



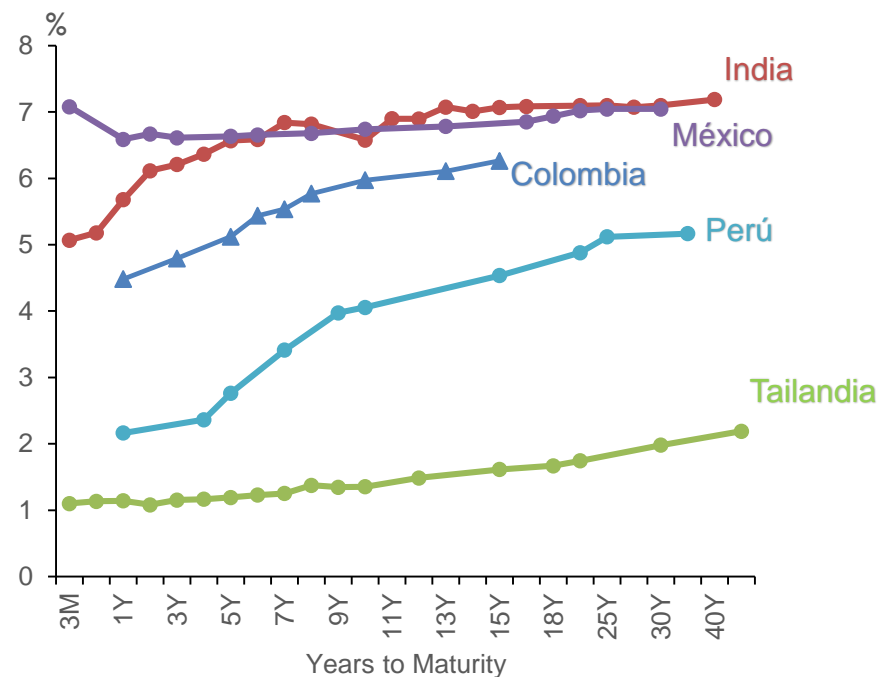
1. Extension of the local yield curve to 30 years

Historical Lower Coupons



Source: General Directorate of Public Credit and National Treasury.

Other EM have longer maturity bonds in their local curves

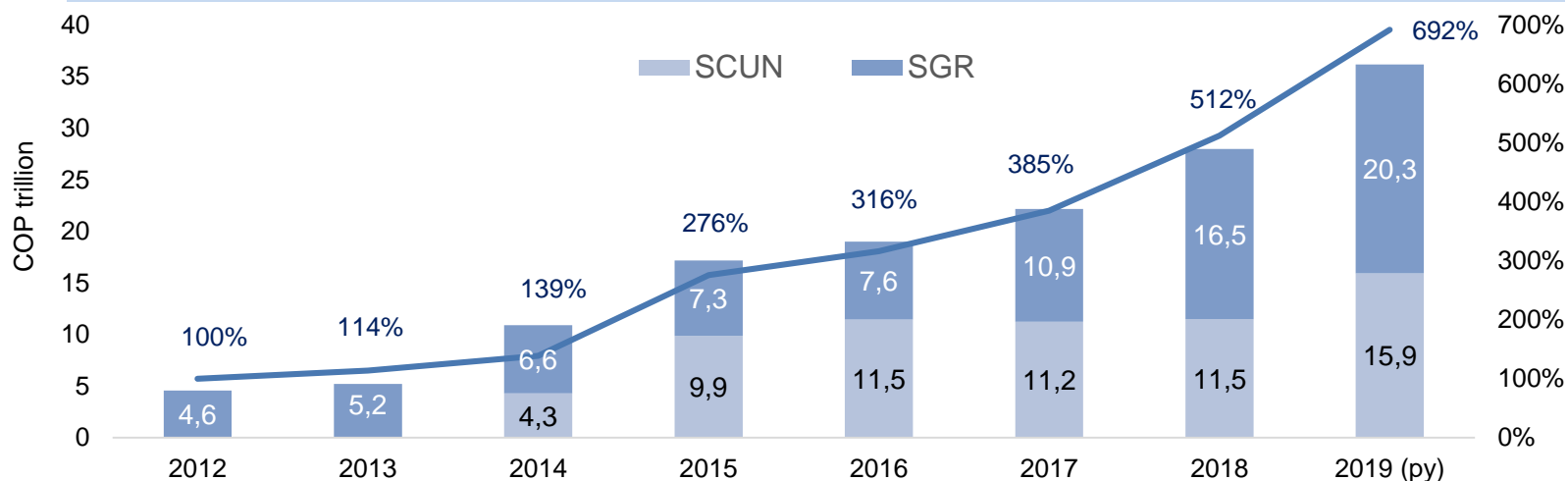


Source: Bloomberg

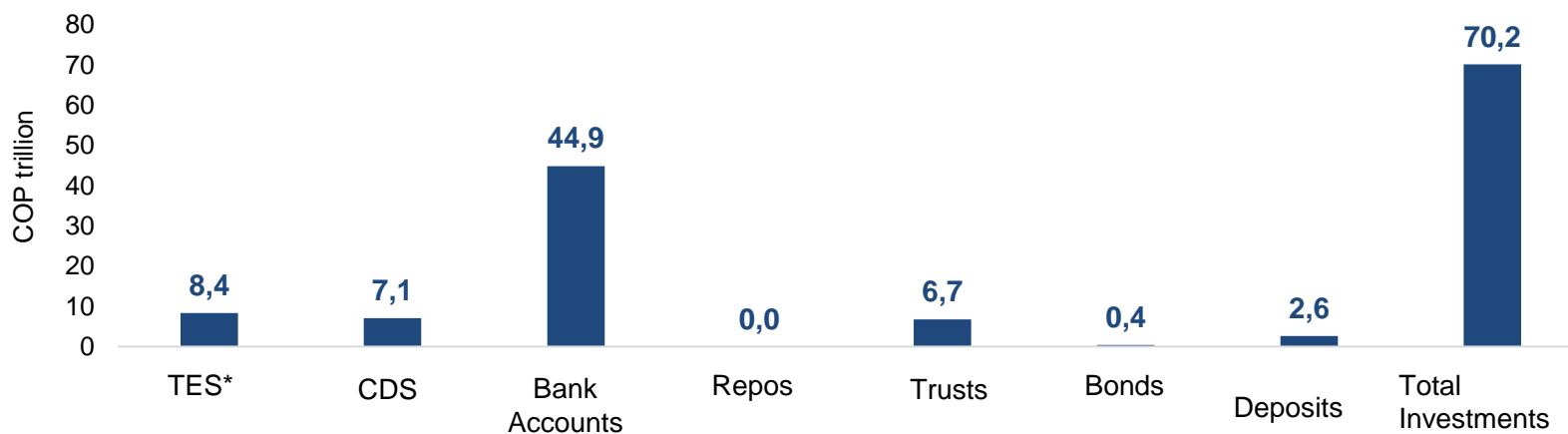


2. Efficient management of public resources

Public resources managed by the Treasury



Excess liquidity of Public Entities (COP trillion)



* It does not include TES in public pensions



2. Efficient management of public resources

2019

FUENTES	US\$ Act	89,011	USOS	US\$ Act	89,011
Desembolsos		47,393	Déficit a Financiar		26,048
Externos	(US\$ 3,785 mill.)	12,303	De los cuales		
Bonos	(US\$ 2,004 mill.)	6,315	Intereses Internos		23,195
Multilaterales y Otros	(US\$ 1,781 mill.)	5,988	Intereses Externos	(US\$ 2,335 mill.)	7,607
Internos		35,090	Amortizaciones		29,750
TES		35,047	Externas	(US\$ 2,453 mill.)	8,001
Subastas		21,203	Internas		21,749
Entidades Públicas y Otros		4,366			
Pago de obligaciones con TES		9,478	Pago Obligaciones (Sentencias, Salud y Otros)		12,409
Otra deuda interna		43			
Otros Recursos		8,235			
Disponibilidad Inicial		33,383	Disponibilidad Final		20,804
En pesos		23,006	En pesos		14,017
En dólares	(US\$ 3,193 mill.)	10,377	En dólares	(US\$ 2,071 mill.)	6,787

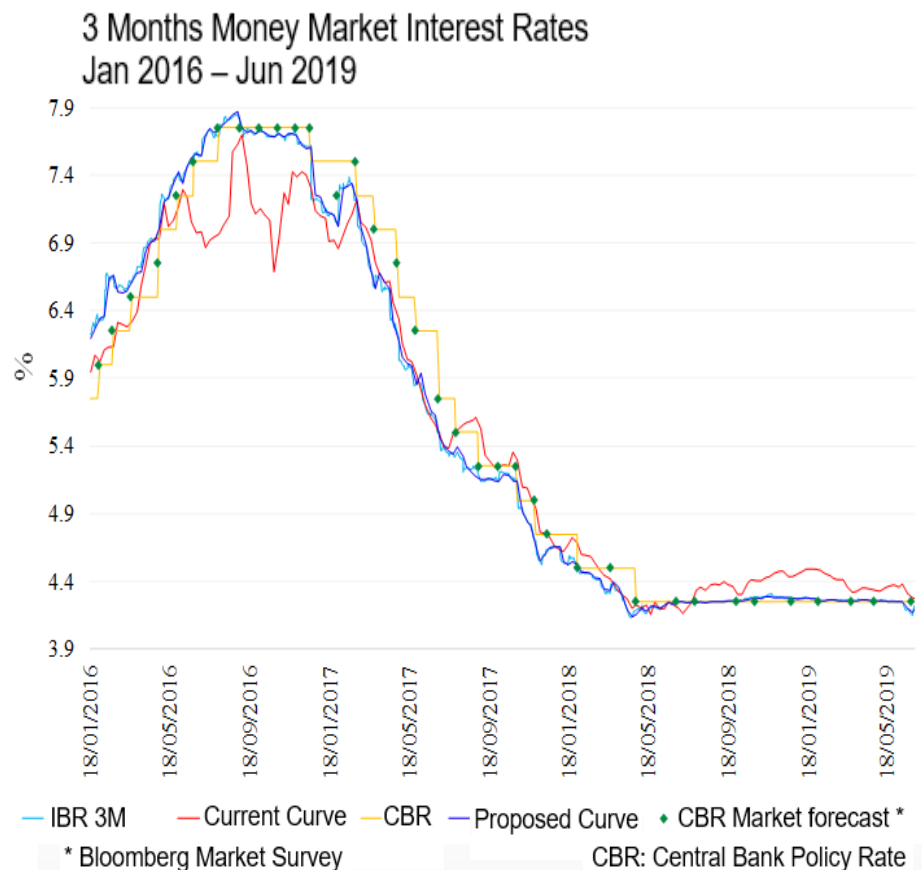
2020

FUENTES (\$ MM)		74,810	USOS (\$ MM)		74,810
Desembolsos		45,017	Déficit a Financiar		24,886
Externos	(US\$ 2,978 mill.)	10,067	De los cuales:		
Bonos	(US\$ 1,378 mill.)	4,678	Intereses Internos		23,388
Multilaterales y Otros	(US\$ 1,600 mill.)	5,389	Intereses Externos	(US\$ 2,545 mill.)	8,570
Internos		34,950	Amortizaciones		13,182
TES		34,930	Externas	(US\$ 1,790 mill.)	6,030
Subastas		24,500	Internas		7,152
Entidades Públicas y Otros		5,000			
Pago de obligaciones		5,430	Pago de Obligaciones (Sentencias, Salud y Otros)		15,693
Otra deuda interna		20			
Otros Recursos		8,989			
Disponibilidad Inicial		20,804	Disponibilidad Final		21,049
En pesos		14,017	En pesos		14,705
En dólares	(US\$ 2,071 mill.)	6,787	En dólares	(US\$ 1,884 mill.)	6,344



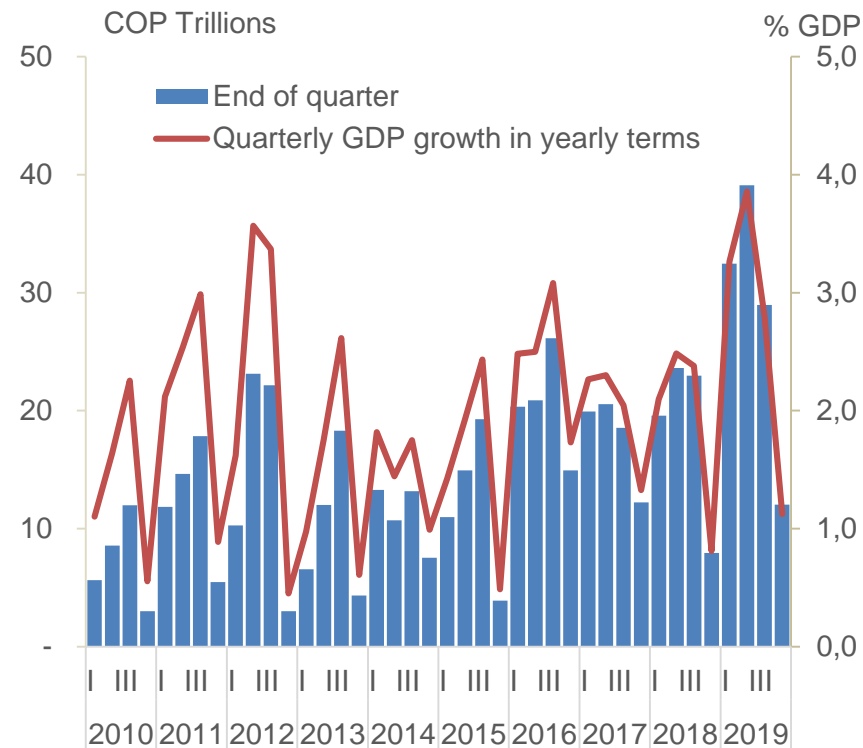
3. IBR Curve as a benchmark rate for Money Markets

Current Curve vs. 3 Months IBR Curve



Source: Banco de la República

Public Credit Directorate deposits in the Central Bank

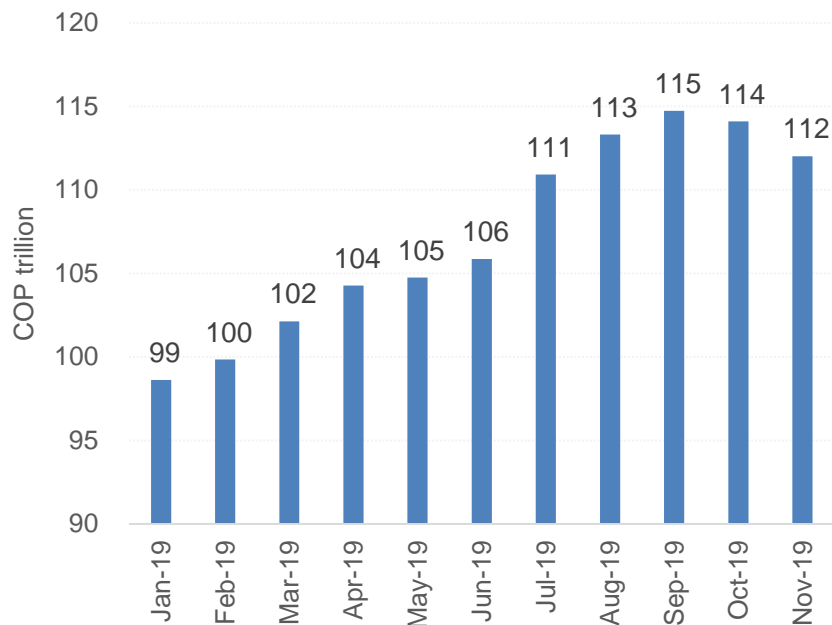


Source: General Directorate of Public Credit and National Treasury-MHCP.



4. Exchange-Traded Fund (ETF)

Total Assets Industry of CIF*



Source: Asofiduciarias

*CIF: Collective Investment Fund

Characteristics ETF

1. Structured as an ETF (Issuer Driven).
2. The government designs the fund structure to improve local debt market liquidity.
3. Offers a new financing vehicle.
4. Contributes to develop the retail market.
5. Technically supported by The World Bank.



5. Local market's Infrastructure development

Algorithm Trading

1. Creates operational and administrative efficiencies in the Market Makers quoting process.
2. Improves liquidity in the local debt market.
3. Boosts the participation of market makers.

Clearing House Inclusion (CRCC)

1. Reduces the counterparty risk of the transactions.
2. No Haircut cost for the market.
3. Provides efficiencies in the whole Clearing House settlement process.

***CRCC:** Cámara de Riesgo Central de Contraparte
(Colombian Clearing House)



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