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Public Debt Management

Ministry of Finance and Public Credit

Republic of Colombia
July 2019

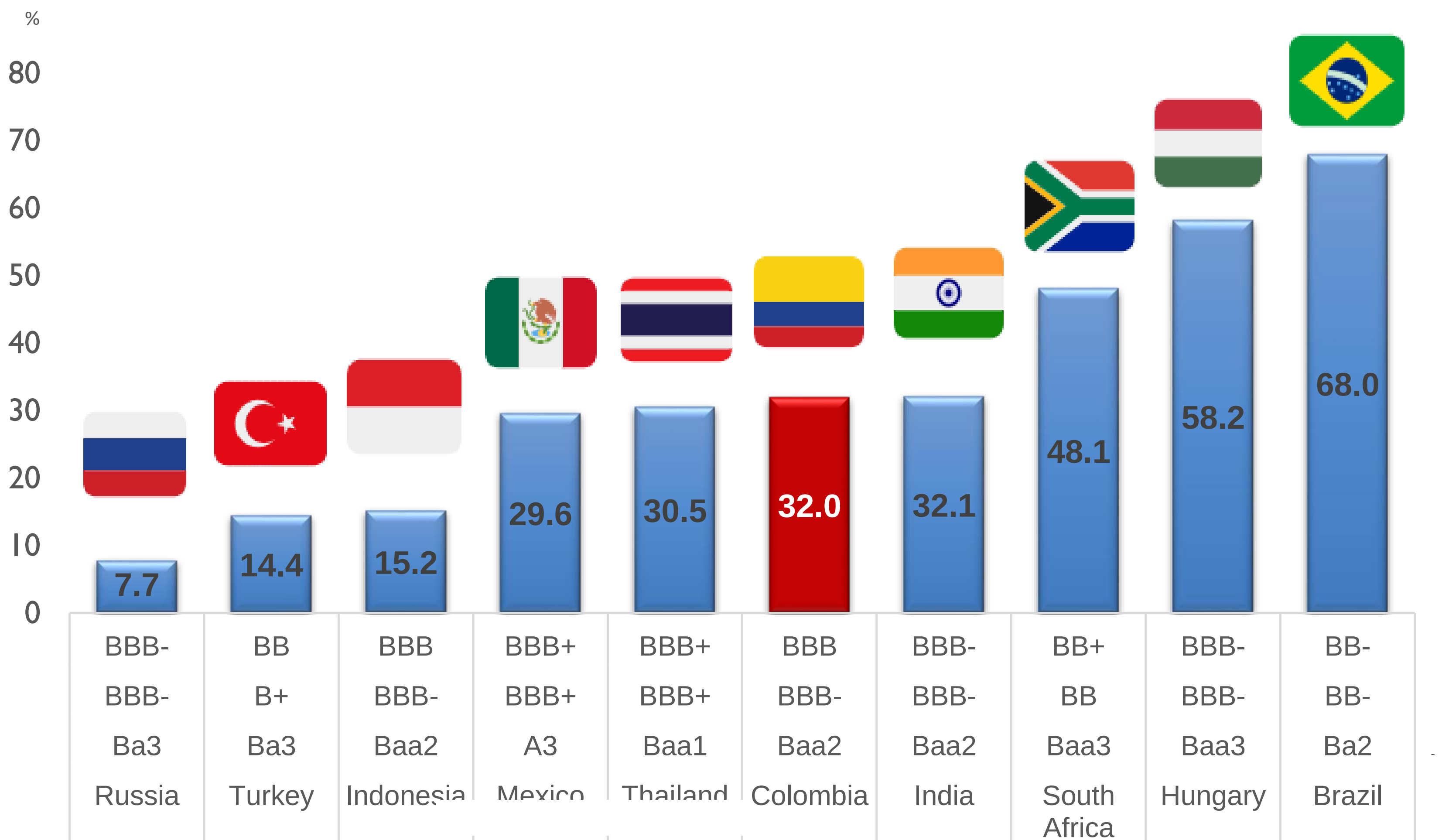
Agenda

A. Domestic Market

B. External Market

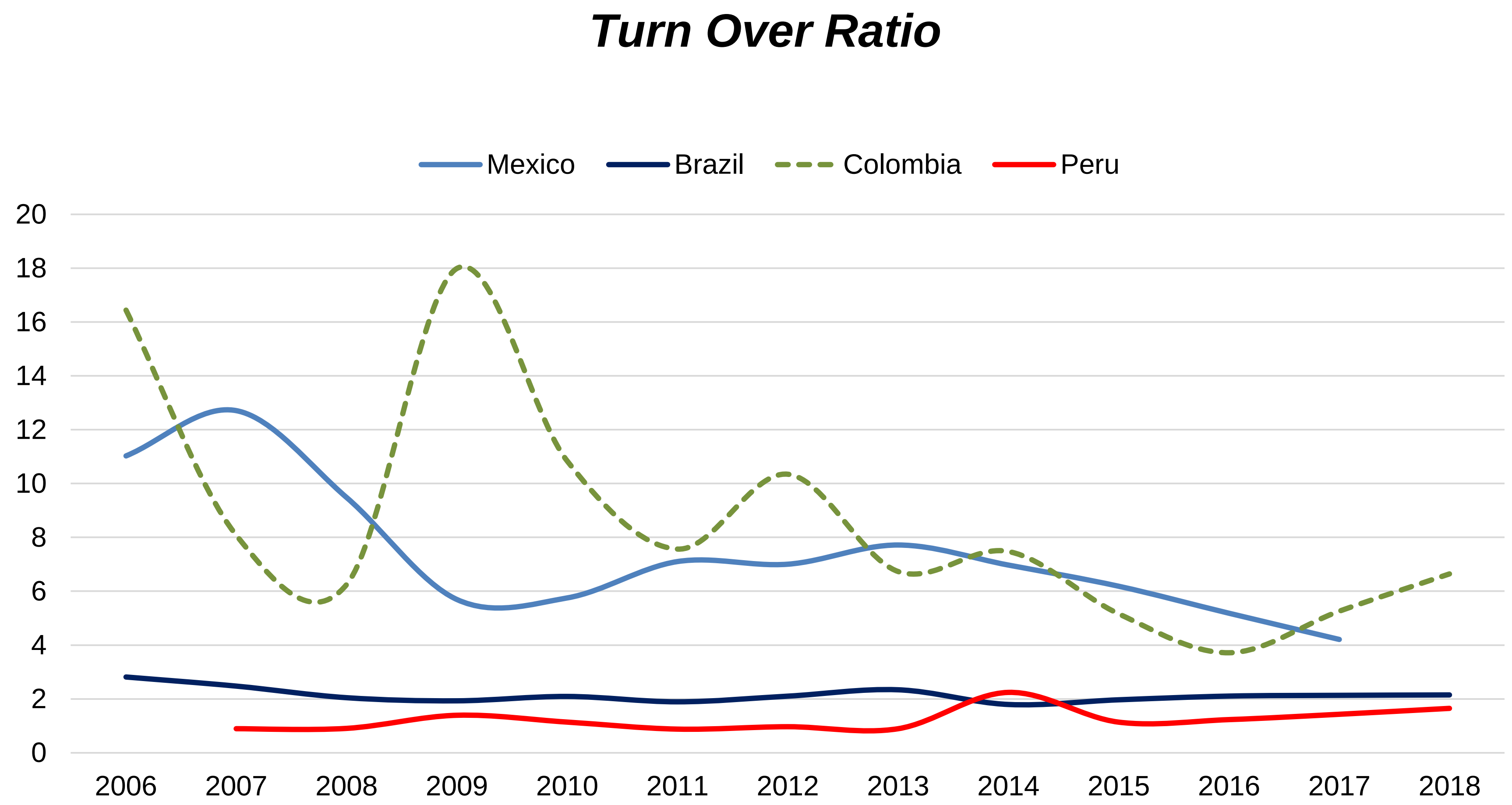
Colombian domestic debt market has an optimal size and depth in relative terms

Domestic Public Debt Securities/ GDP*



Source: BIS, WEO * GDP 2017 Bloomberg

High liquidity is reflected in trading volumes



Source: Banxico, BVC, Ministry of Economy and Finance of Brazil, Ministry of Econony and Finance of Peru

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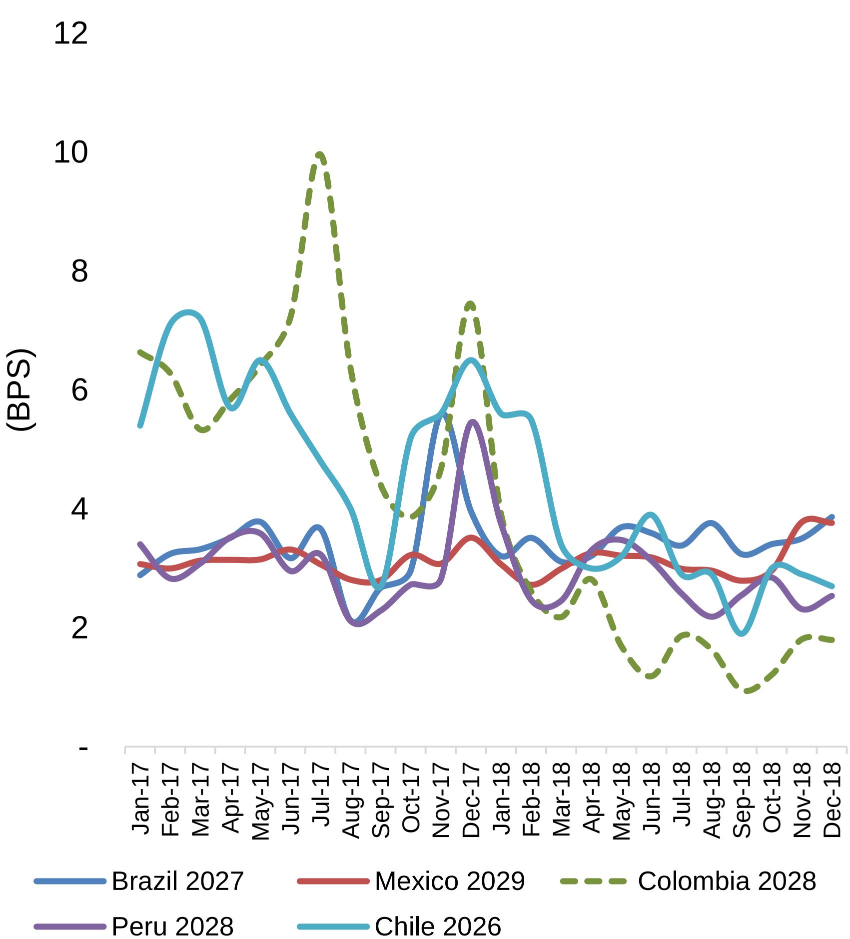
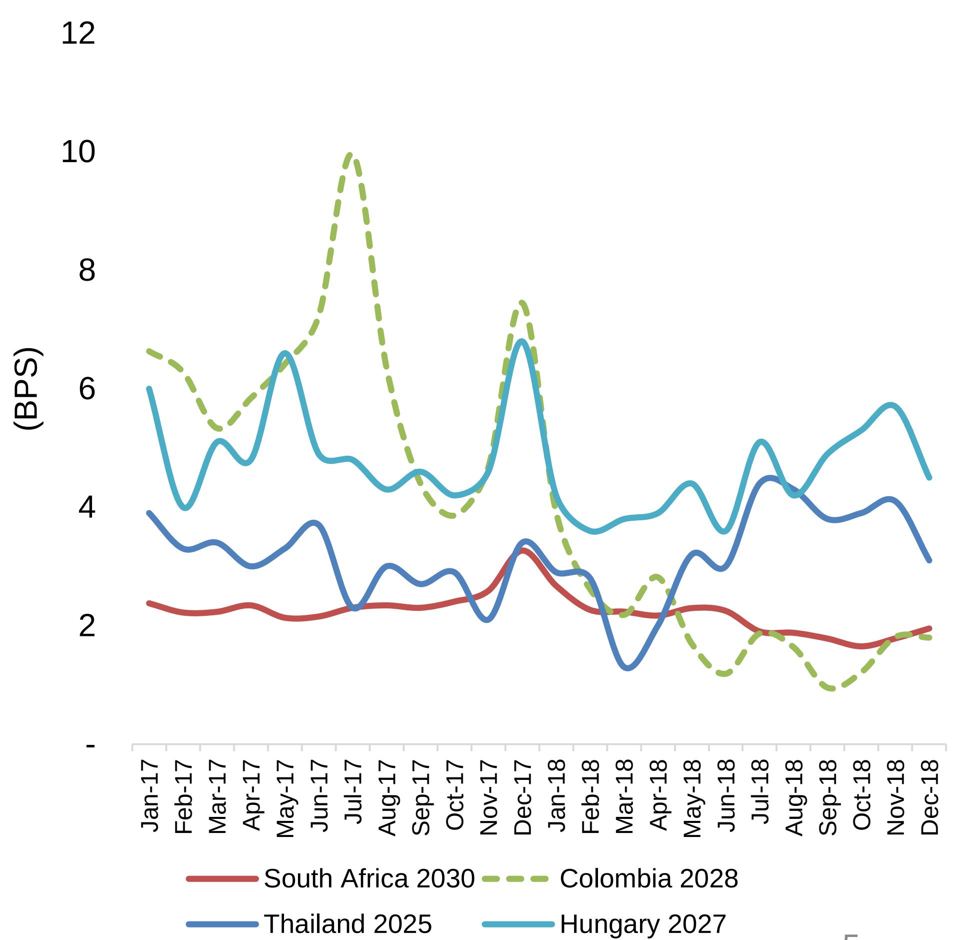
Strong performance is reflected in price formation

Bid-Ask Spread
(monthly average)



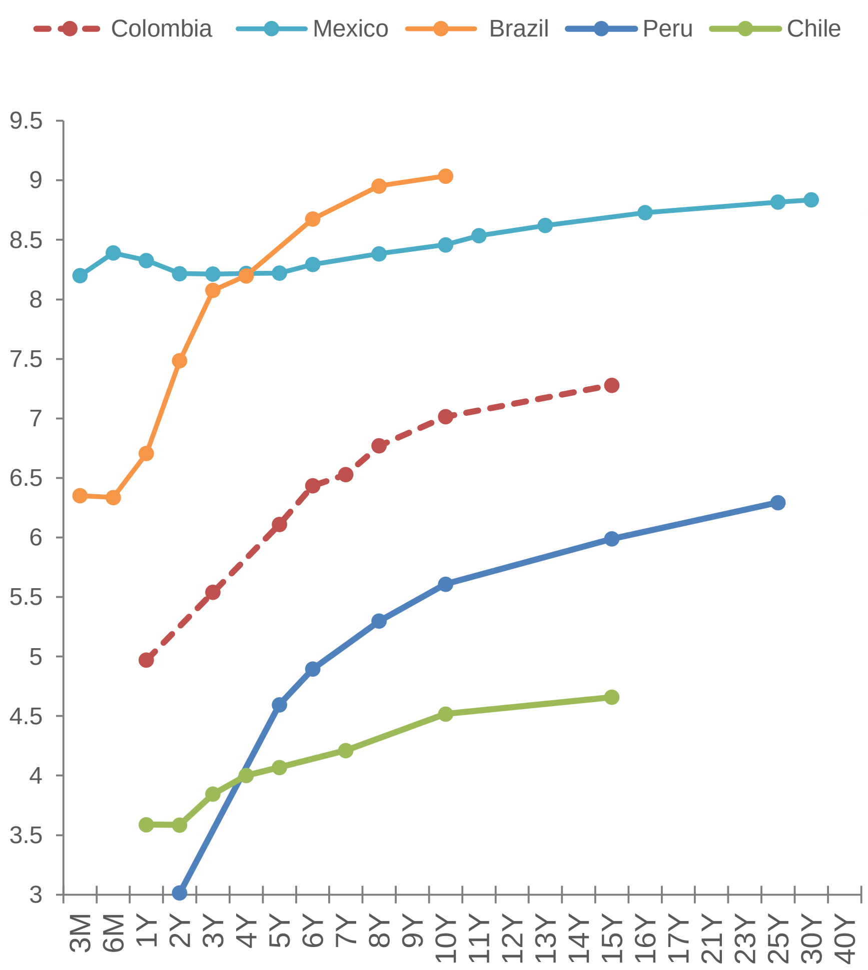
Bid-Ask Spread
(monthly average)



Source: Bloomberg

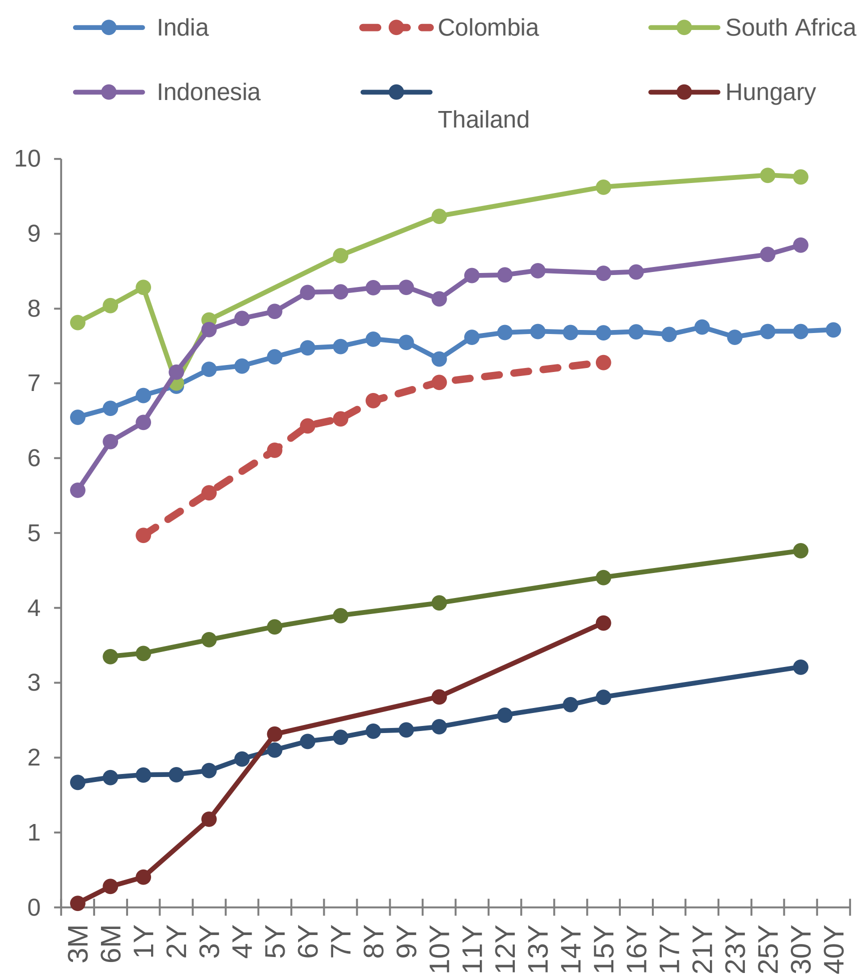
Development of a liquid and efficient local curve

Yield Curve (LATAM Peers)



Source: Bloomberg

Other Emerging Markets



Source: Bloomberg

As a financing and liquidity structure, the Program has competitive factors

1 EFFICIENCY ⇧

1. Number of Market Makers
2. % Financing
3. Term of Non–competitive auction
4. % of Non–competitive auction supscription

2 COSTS ⇩

1. Additional allocation (20%)
2. Weighing TES Criteria

(Balance COP / UVR)

3 2022 DIVERSIFICATION ⇧

1. Non- resident whitholding tax. (14% - 5%)
2. Weighing transactons with third parties.

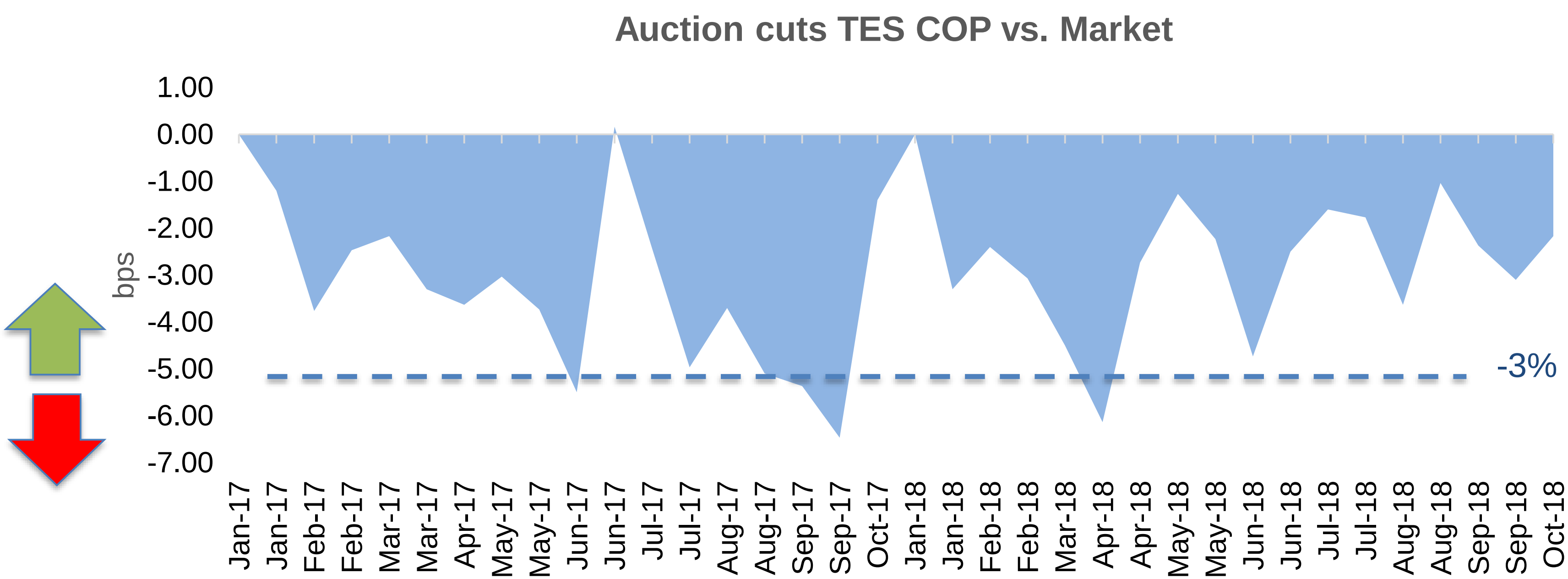
Ranking - Market Makers Program

The Nation unified the categories of the program by establishing the "Market Makers" as the only denomination for all entities

Ranking June 2019

1. Bancolombia
2. BBVA
3. Scotiabank®
4. JPMorgan
5. citibank
6. CREDICORP capital — BCP Capital | Correval | IM Trust
7. DAVIVIENDA
8. Banco de Bogotá
9. BTG Pactual
10. Corficolombiana
11. Banagrario
12. BANCO GNB SUDAMERIS
13. Itaú

1. Efficiency: Until 2018 the auction cut rates were below the secondary market rates

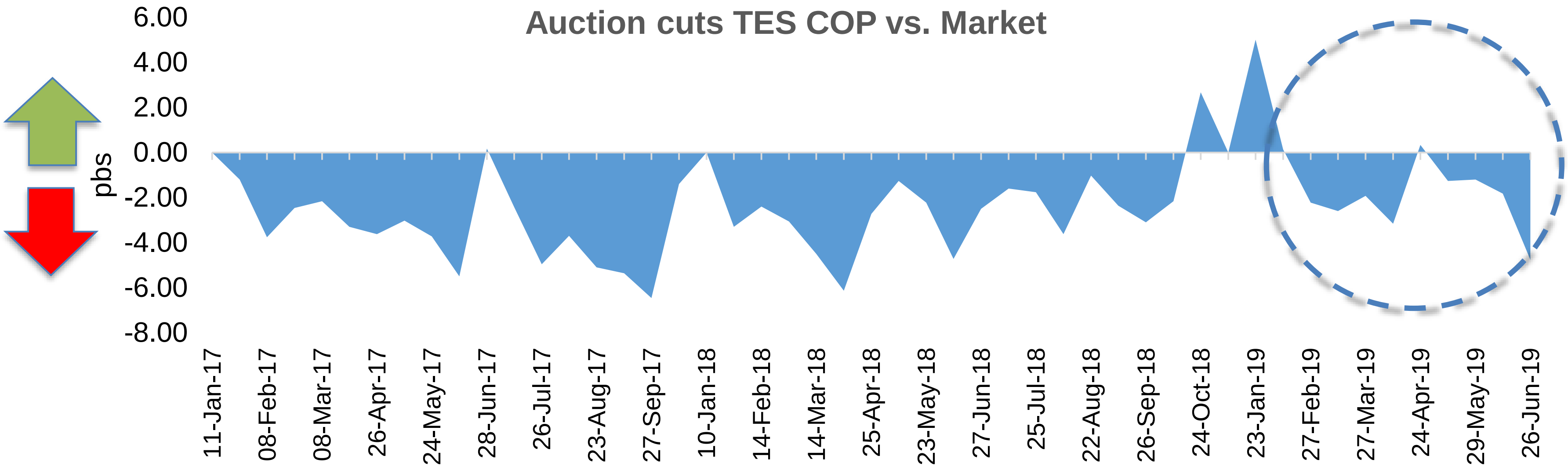


Source: Ministry of Finance of Colombia

01. Market Makers	02. Financing	03. Terms NC	04. %NCS
10 + 3	4,85 % (63%)	T+12	100%

The General Directorate of Public Credit and National Treasury issued Resolutions 5112 (Dec 21, 2018) and 5113 (Dec 21, 2018) to boost the impact of these factors

1. Efficiency: The implemented changes will reduce the spread between the auction and secondary market rates

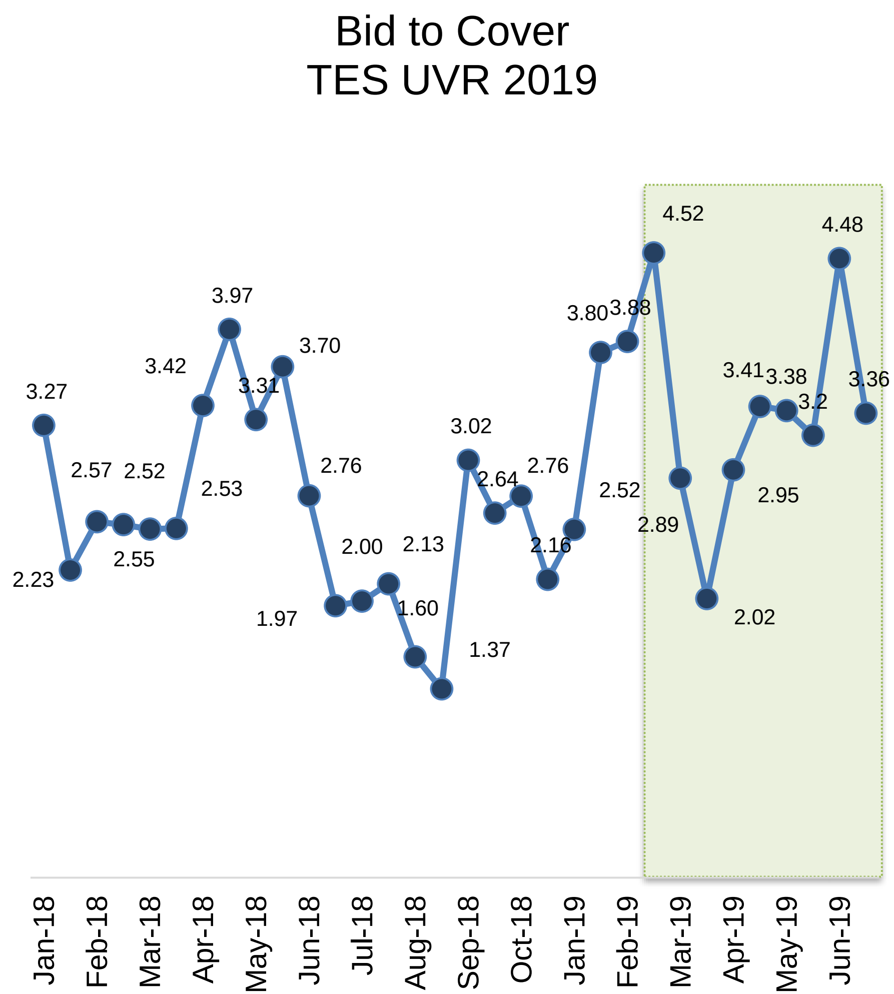


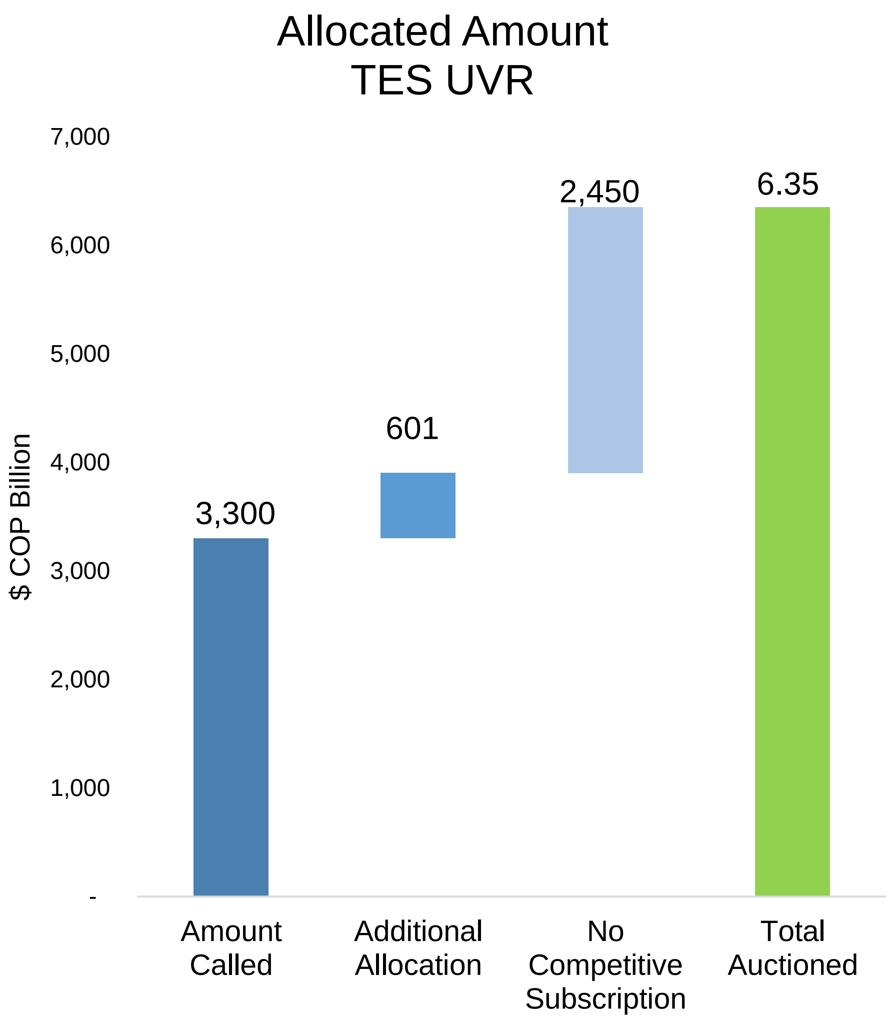
Source: Ministry of Finance of Colombia

	01. Market Makers	02. Financing	03. Term NC	04. %NCS
	10	63%	T+12	100%
	13	50%	T+9	80%
	12	60%	T+0 / T+1	20%

Source: World Bank Group

2. Costs: Additional allocation and Weighing TES UVR Criteria





Source: Ministry of Finance of Colombia

Source: Ministry of Finance of Colombia

2. Costs: Financing Plan 2019 (TES Jun 30 /2019)

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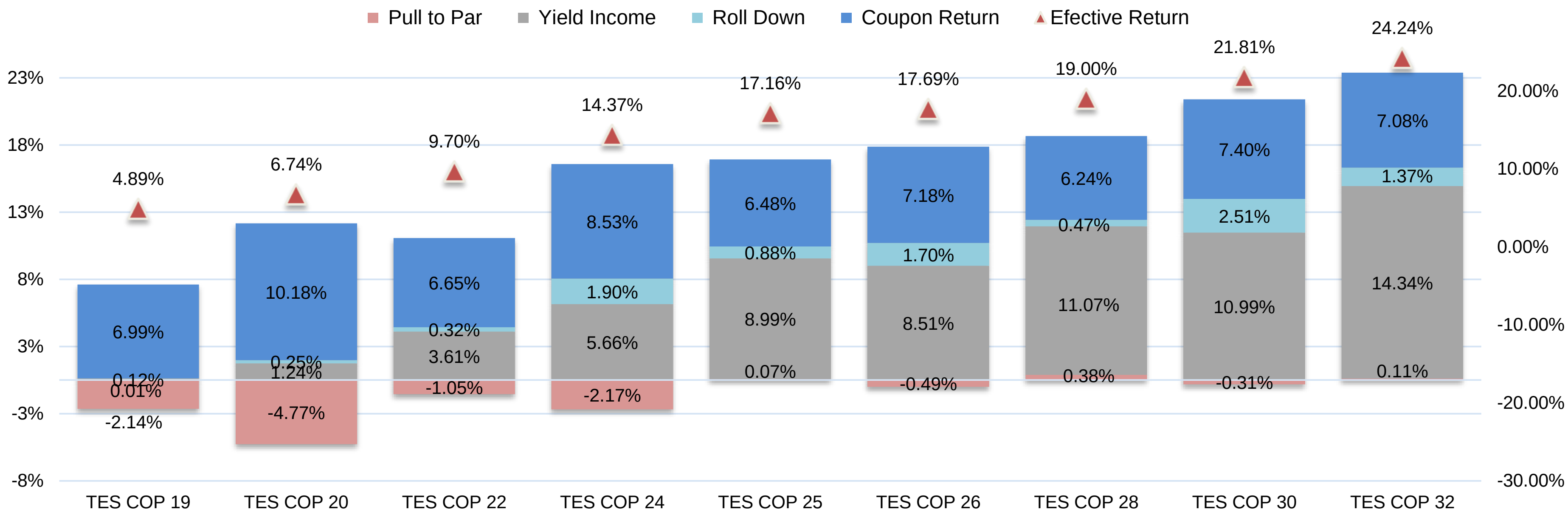

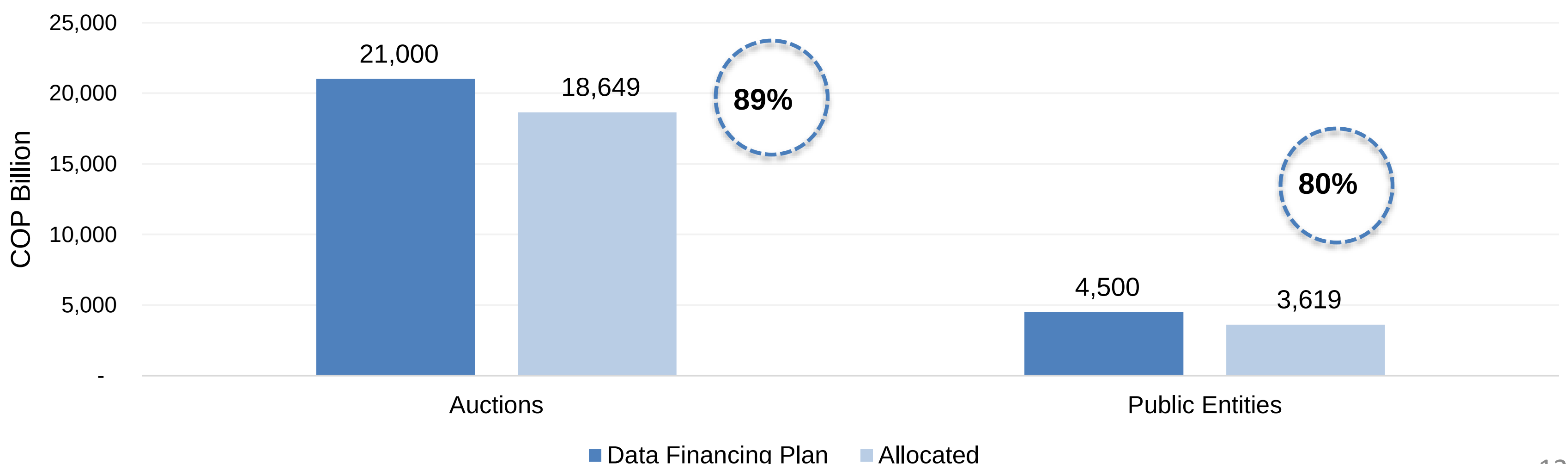

Source: Ministry of Finance of Colombia

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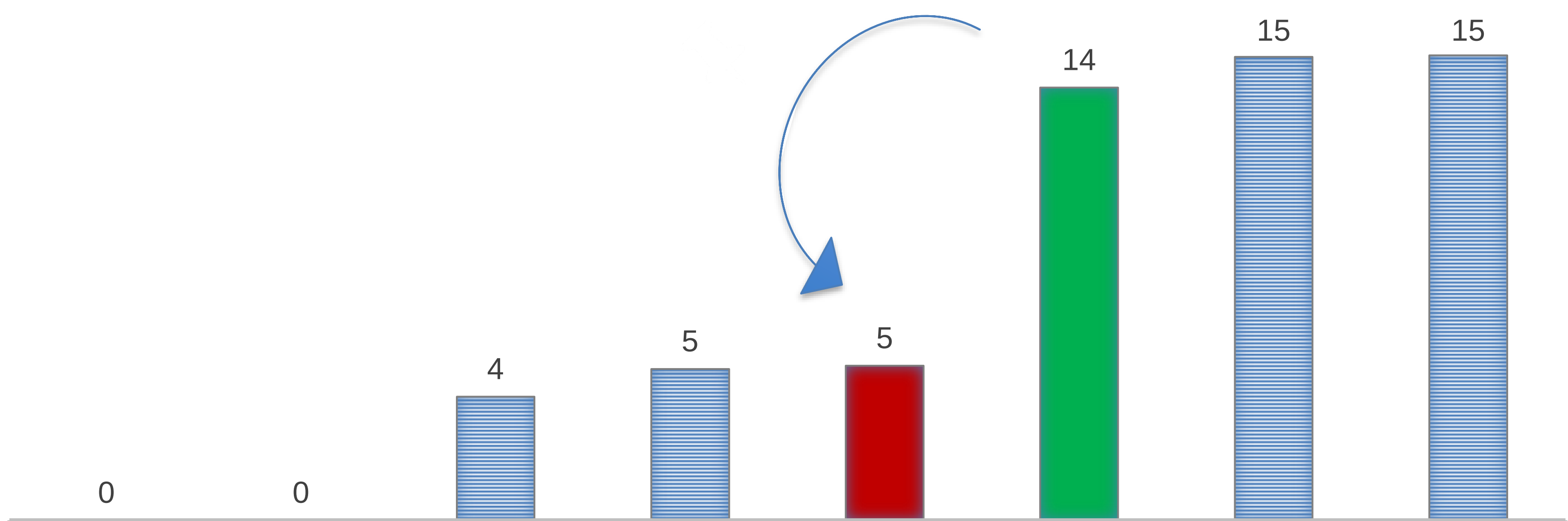
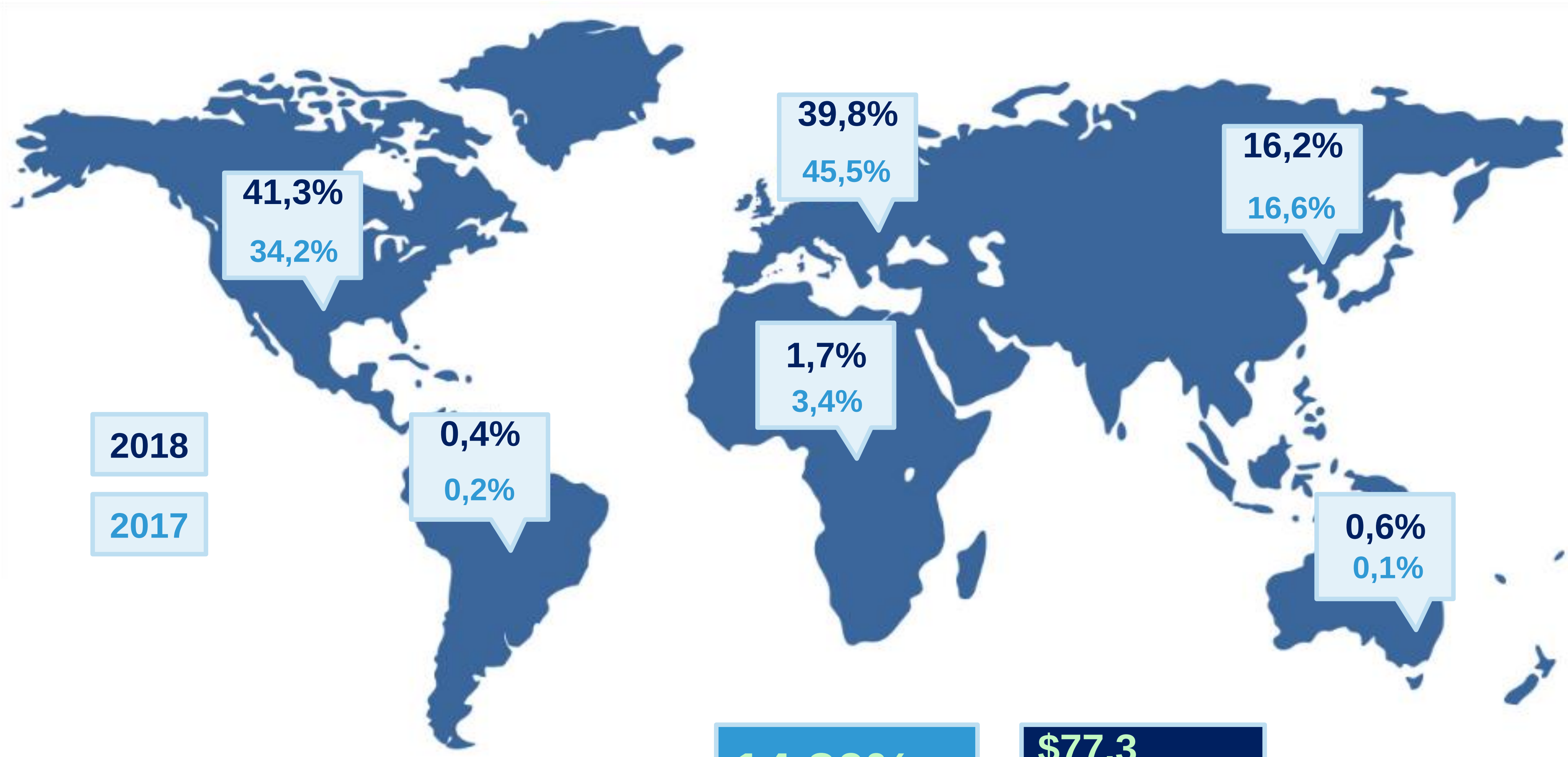
3. Diversification: Article 72 of Law 1943 of December 28, 2018, reduced the withholding tax rate for non-residents.

Tax burden on foreign portfolio investment (%)



	Uruguay	Perú	Chile	México	Colombia 2019	Colombia 2018	Brasil	Argentina
Fitch	BBB-	BBB+	A	BBB+	BBB	BBB	BB-	B
S&P	BBB	BBB+	A+	BBB+	BBB-	BBB-	BB-	B
Moody´s	Baa2	A3	A1	A3	Baa2	Baa2	Ba2	B2

3. Diversification: The five Continents invest in Colombian TES market.

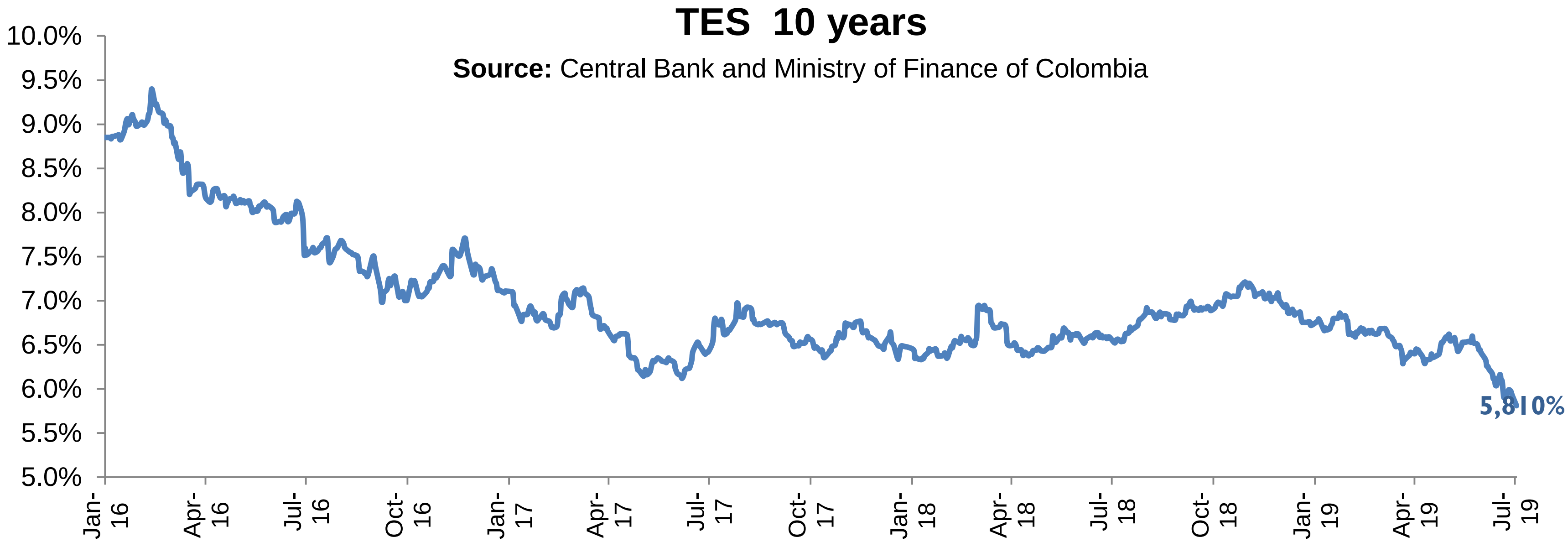


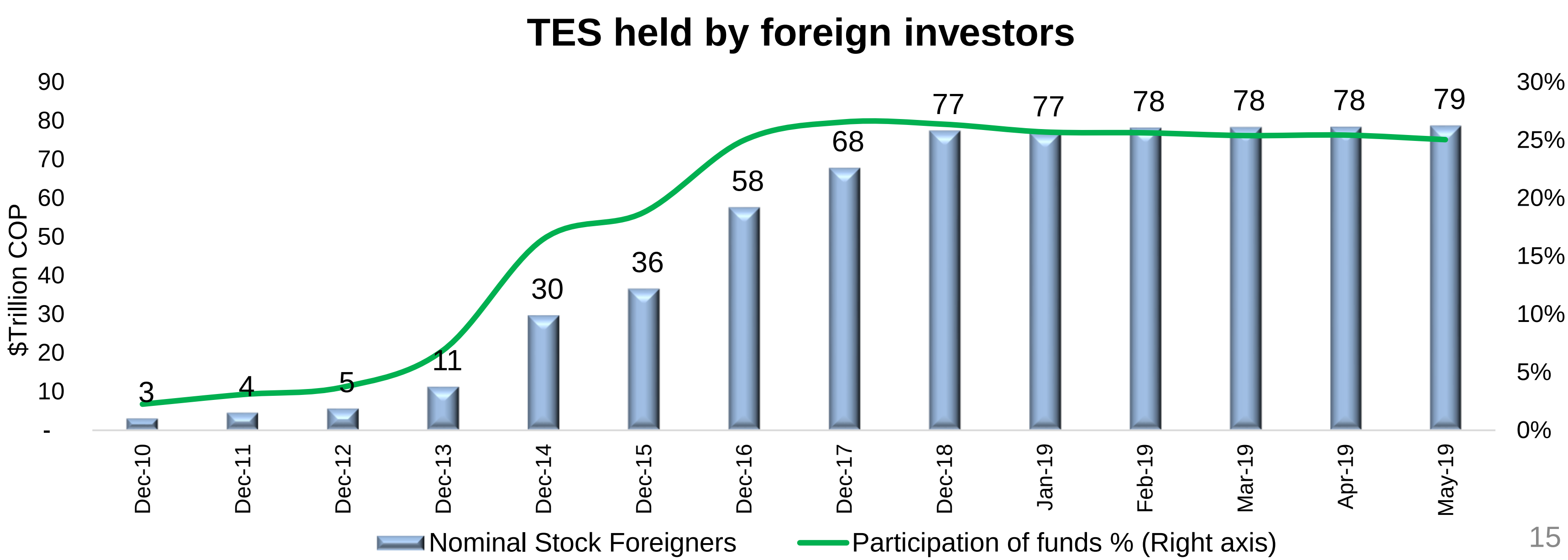
14.20%
Annual variation

$77.3
Trilllon COP
Stock Dec-18

Source: Ministry of Finance of Colombia

3. Diversification: Plurality of investors has reduced the financing cost

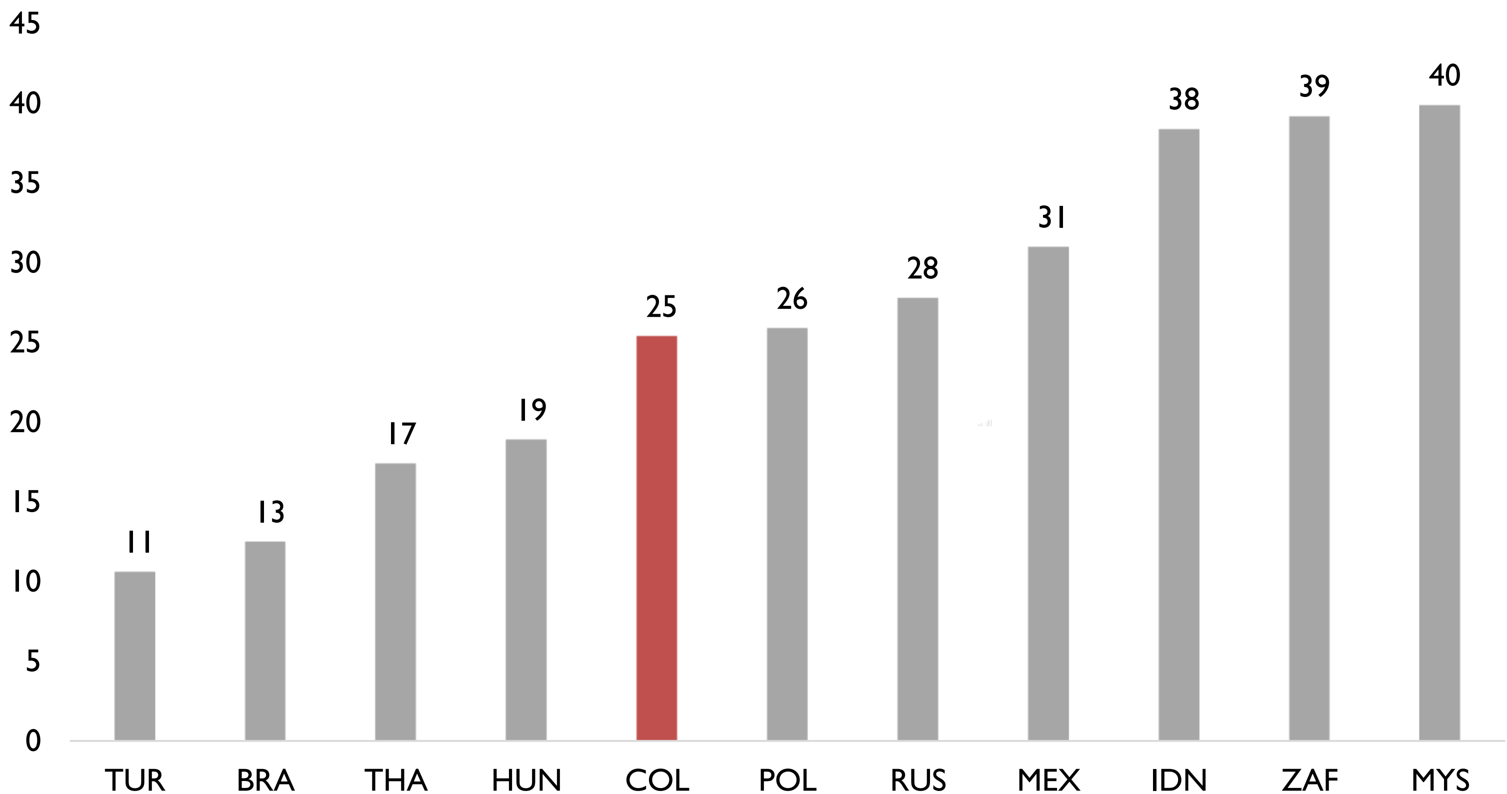




Source: Bloomberg. Jul 02, 2019.

Colombia's participation in international indexes has been a determining factor to attract structural portfolio flows.

Foreign Investors Participation in Local Currency Bonds (% Total Stock)



Source: Credit Suisse, April 30/19

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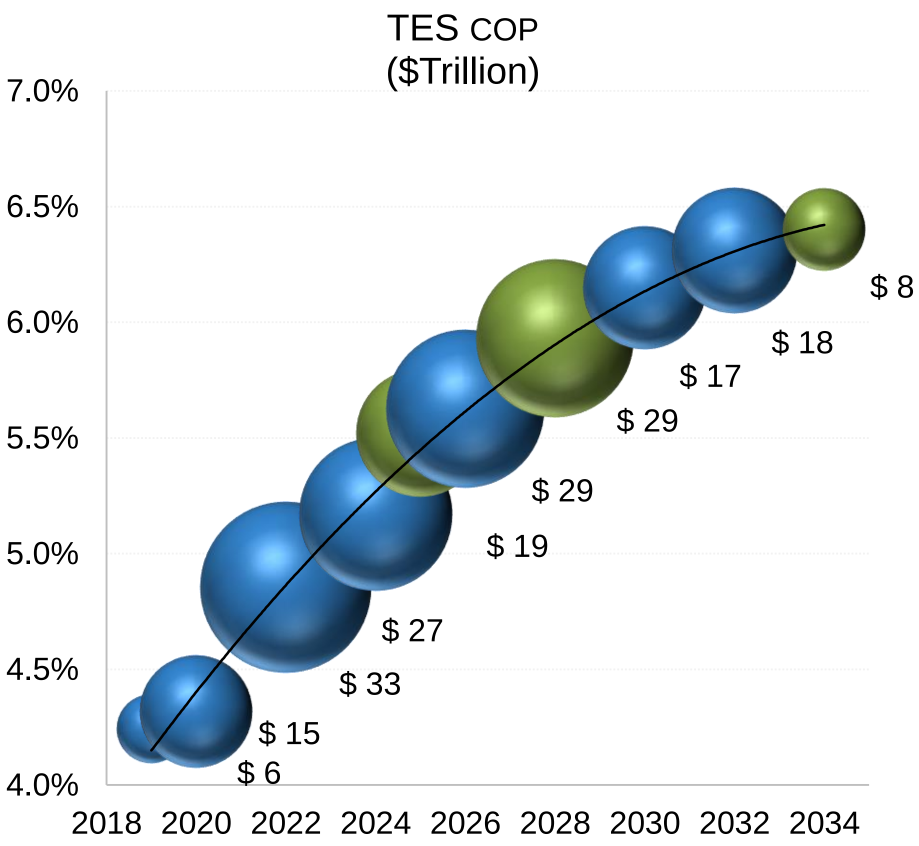
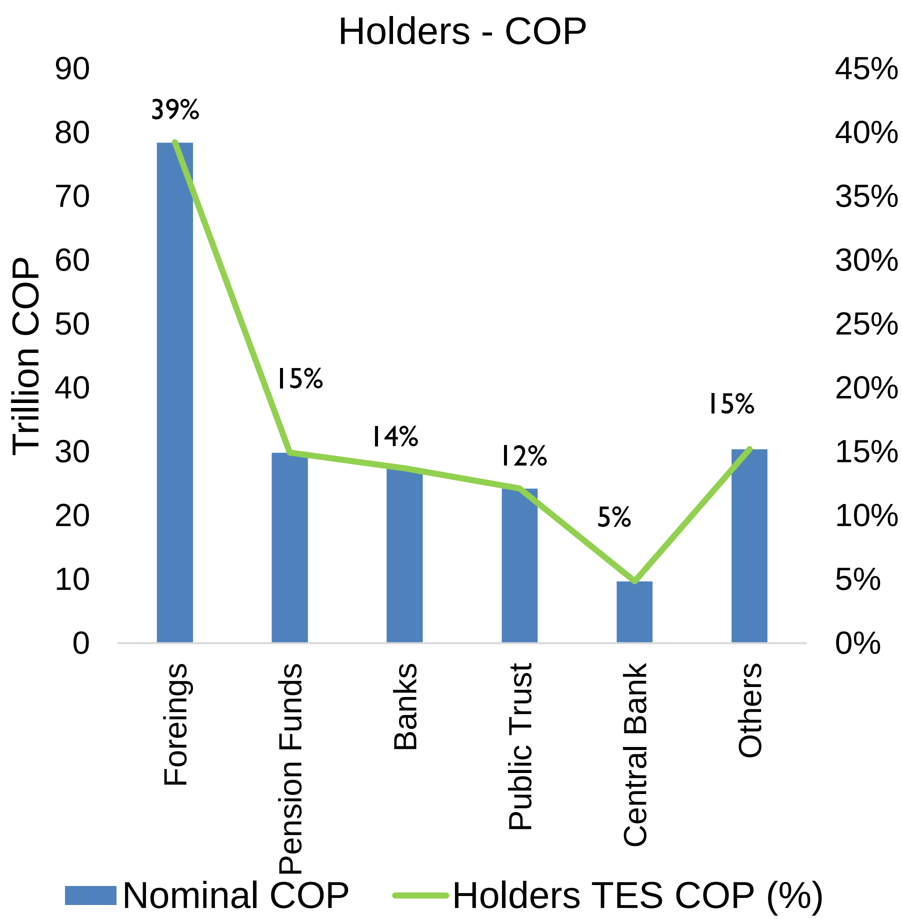
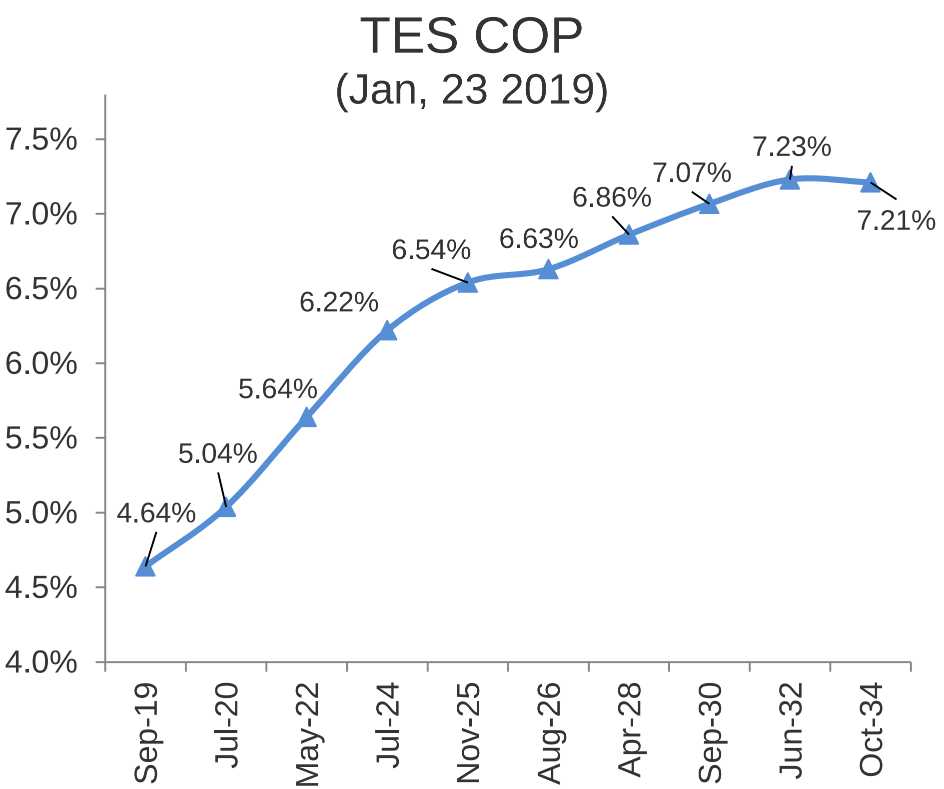
1. Securities Lending Facility - TTV

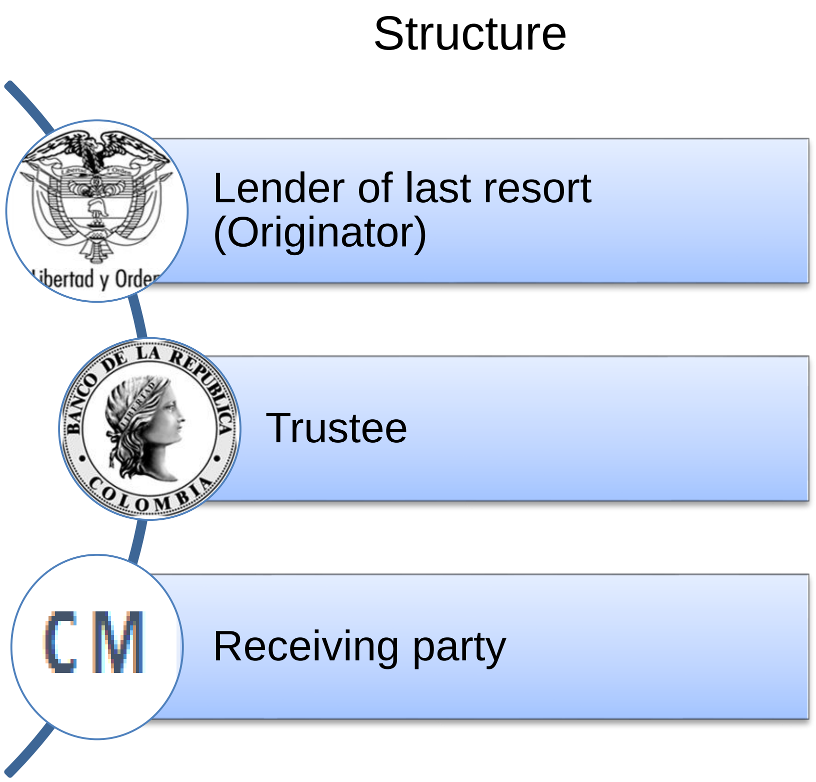




Source: Central Bank - Ministry of Finance of Colombia

1. Securities Lending Facility -TTV





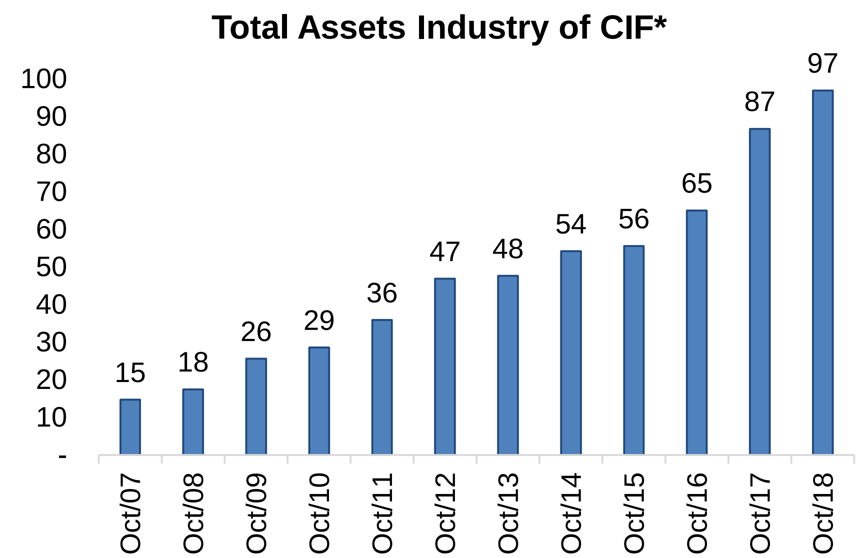
Source: Bloomberg

2. Exchange-Traded Fund (ETF) - TES Class B Portfolio

Advantage ETF´s

1. Diversification (Retail).
2. Reduces entry barriers.
3. Creates Benchmarks.
4. New financing vehicle.

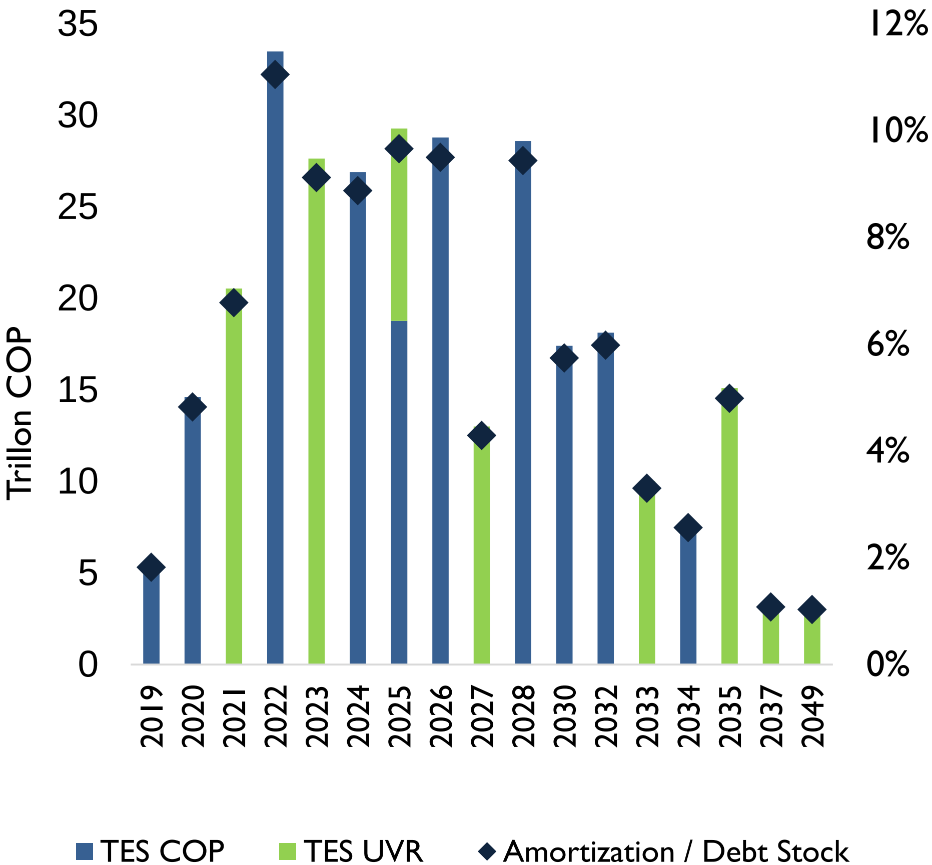
Total Assets Industry of CIF* ($Trillion)

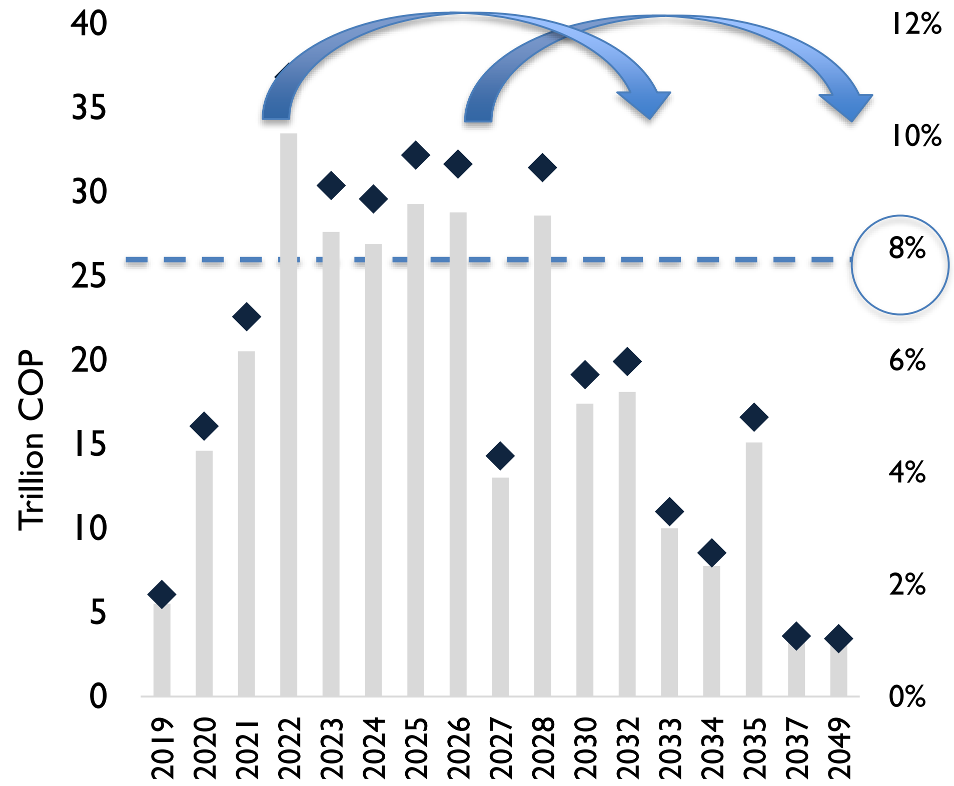


*** FIC:** Collective Investment Fund
Source: Asofiduciarias

3. Exchange Program

Liability Management operations have benefits for the issuer and market makers





3. Exchange Program

- Resolution 5112 of December 21, 2018.

1. Operational Flexibility

2. Counterparty Market Makers

3. Frecuent and moderate operations

Agenda

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External debt issuance in 2019

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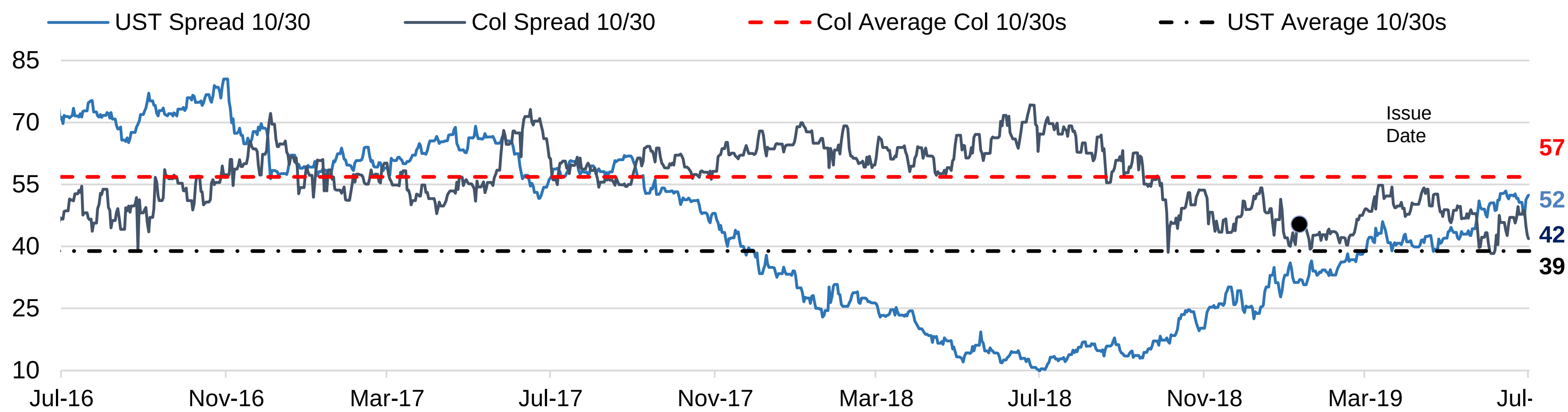
Differential between historical Spread 10/30s - Colombia and Treasury



Colombia reopened the Latin American sovereign debt market in the long part of the curve

New benchmark Global Bond - 30 Years 2049 (USD 1.5 billion)

Yield
5.220%

Spread 215 bps
Benchmark UST 3.070%

Price
99.705

Coupon
5.200%

Retap Global Bond - 10 Years 2029 (USD 500 million)

Yield
4.446%

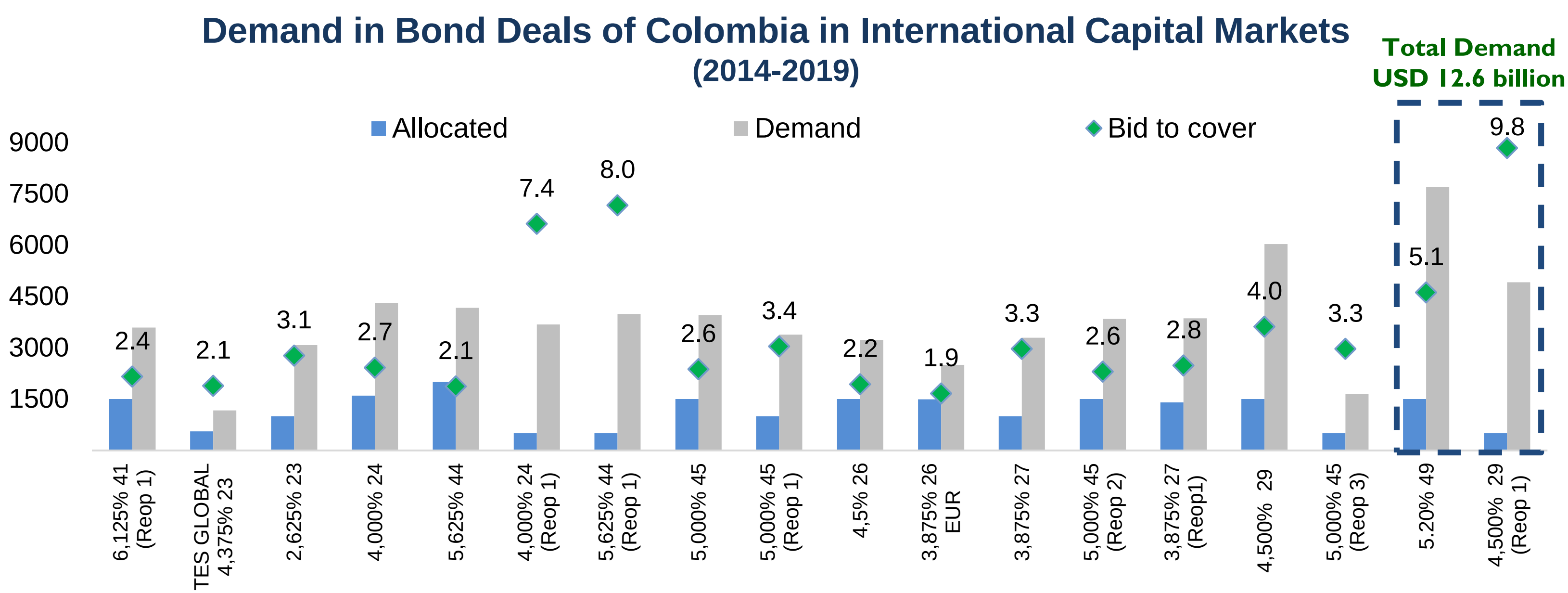
Spread 170 bps
Benchmark UST 2.746%

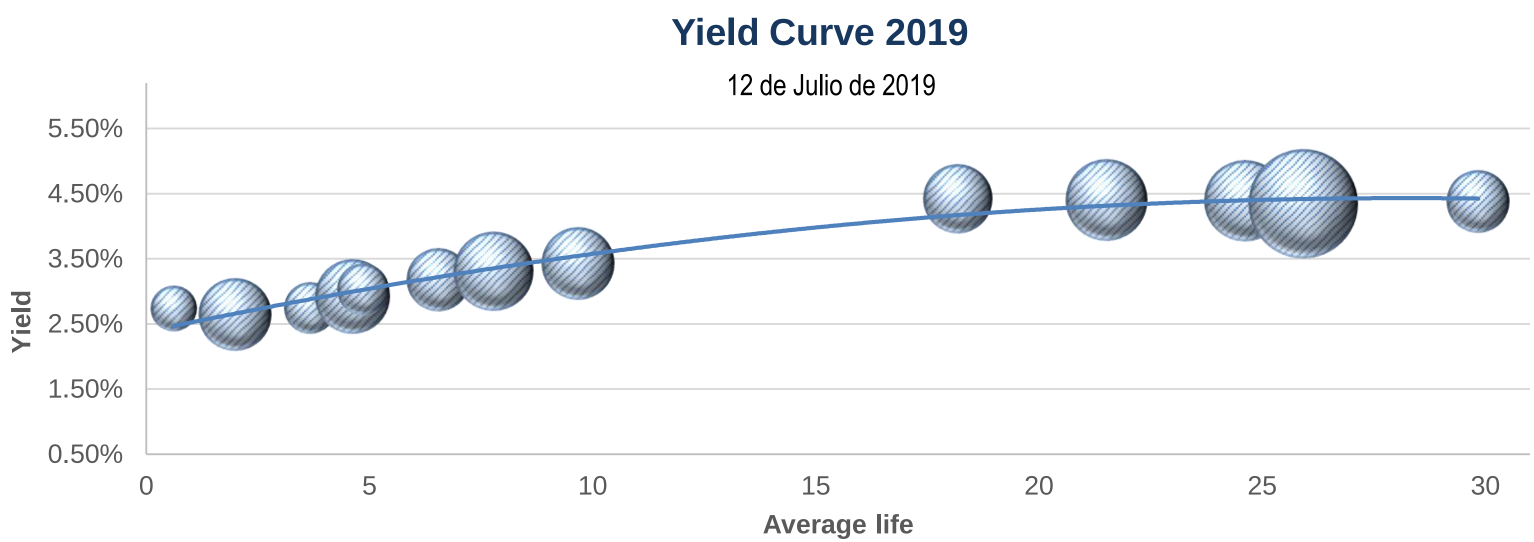
Price
100.429

Coupon
4.500%

Source: Ministry of Finance of Colombia, as of July 11th, 2019

Strong demand and good quality of the orderbooks





Source: Ministry of Finance of Colombia

Secondary market performance and peers comparison

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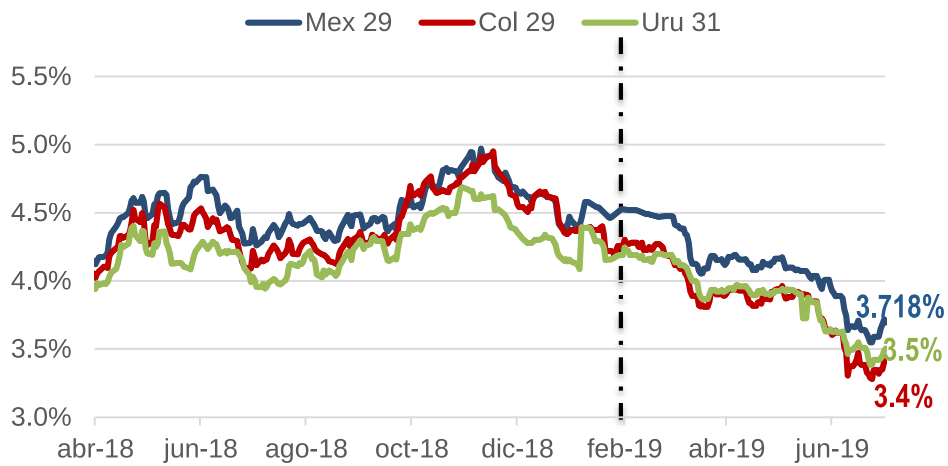
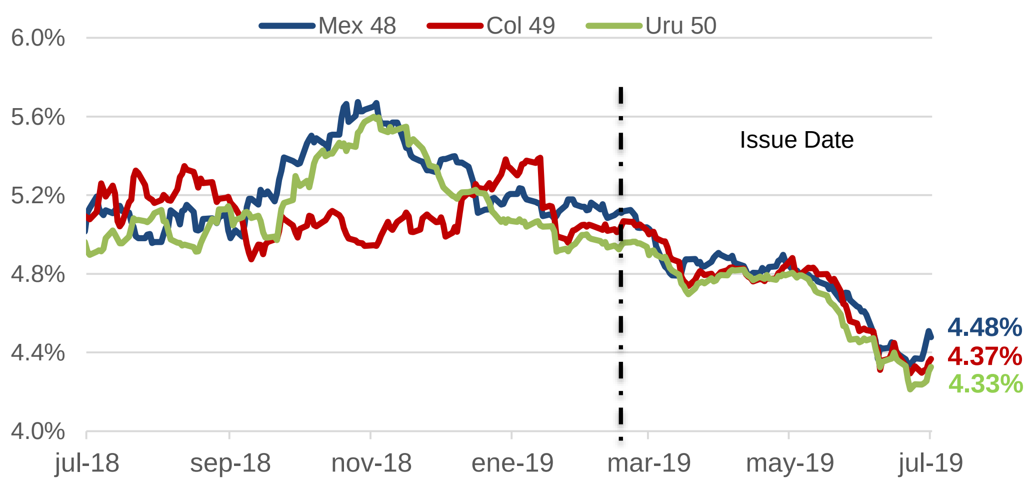
Yield 10Y - Peers



Yield 30Y - Peers



Source: Bloomberg. July 11, 2019

Terms and Conditions Colombia Vs Peers

Issuer	Uruguay	Mexico	Colombia
Date	Jan 15,2019	Jan 16, 2019	Jan 23, 2019
Size	USD 850 millones -	USD 2.000 millones -	USD 1.500 millones USD 500 millones
Maturity	- 11 years	- 10 year	30 years 10 year
Spread	- T+175	- T+185	T+ 215 **T+ 170**
NIP *	- 10 bps	- 15 bps	9 bps **5 bps**
Moody's	Baa2 (Est)	A3 (Neg)	Baa2 (Est)
Fitch	BBB- (Neg)	BBB (Est)	BBB (Neg)
S&P	BBB (Est)	BBB+ (Est)	BBB- (Est)

* Including extension cost: Uruguay: 5 bps, Mexico: 5 bps, Colombia: 4 bps

Ongoing initiatives

GREEN BONDS

National Development Plan 2018 - 2022

Objectives

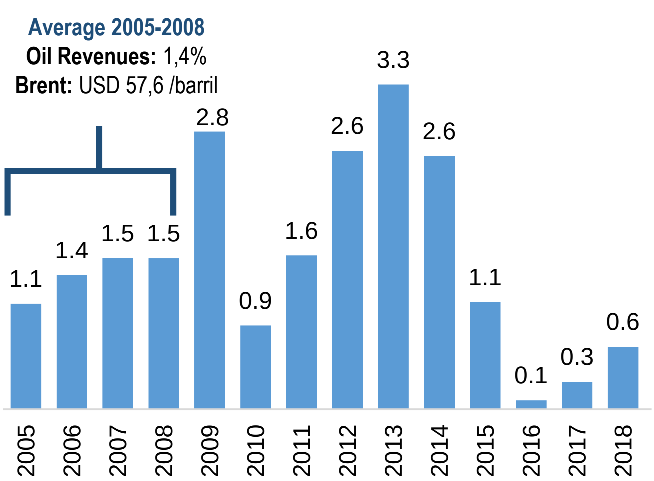
- Productive activities committed to sustainability and the mitigation of climate change.
- Improve the quality of air, water and ground
- Access the circular economy for the reduction, reuse and recycling of waste.
- **Develop new financial instruments** to promote activities committed to sustainability and mitigation of climate change.

Green Bonds Principles

OIL HEDGING PROGRAM

GOVERNMENT OIL REVENUES (TAXES AND DIVIDENDS)

Oil revenue (% GDP)



- Oil revenues have been a volatile source of income for the Republic
- Countries like Mexico have implemented successful oil hedging programs

The program is a longstanding part of the country’s strategy for safeguarding oil revenues from market volatility

Article 111 of Law 1943 of December 2018, created the Fiscal Income Stabilization Fund - *FEIF (Fondo de Estabilización de Ingreso Fiscal)*

Thank you

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