

July 1st, 2021

Ministry of Finance issues US\$ 2.04 billion in social bonds with high participation of international investors

The Ministry of Finance issued local currency “social” Treasury bonds for a total of US\$2.04 billion (CLP\$1.500.000 million), through a book-building process, with simultaneous offering in local and international markets.

Results of the Operation

The local currency peso-denominated bonds issued today mature in the year 2028, and amounted to a total of US\$2.04 billion. The yield reached 4.60%. Demand reached approximately US\$3.6 billion, 1.8 times the issued amount. The operation was characterized by a high participation of international investors, which amounted to 47% of the issued amount, close to the record 48% reached in the book-building operation of November 2020. Chilean pension funds accounted for 28% of the allocated amount, with Chilean banks reaching 19%.

Considering this issuance, the Ministry of Finance has issued a total of US\$14.33 billion in Treasury bonds during 2021, of which US\$7.755 billion are foreign currency denominated bonds, and US\$6.575 billion are in local currency. Of the total issued this year, US\$11.919 billion use debt authorization.

The issuance of local currency bonds with simultaneous participation of domestic and international investors reflects the measures that the Ministry of Finance has taken to diversify the investor base in recent years. Other measures include adjustments that allowed for the direct participation of international investors in peso denominated issuances, the issuance of labelled bonds – which targeted ESG investors-, and the issuance of Formosa Bonds, listed in the Taipei Stock Exchange.

New Social Bond Issuance

This operation reaffirms Chile’s leadership in sustainable finance, reflected by thematic bond issuances. Chile is the only country in the Americas that has issued green bonds since 2019, social bonds since 2020, and sustainable bonds since 2021.

The bonds issued are “social”, according to the definition included in the Republic of Chile’s Sustainable Bond Framework, published by the Ministry of Finance earlier this month. The Framework established the guidelines to issue green, social and sustainable bonds, according to ICMA standards. According to the Framework, resources collected in this issuance will finance projects that support households, education, essential health services as well as programs to prevent and/or alleviate the effects derived from COVID-19, among others.

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Considering today's issuance, Chile has issued a total of US\$18.06 billion in thematic bonds, of which US\$8.9 billion are social, US\$7.7 billion are green, and US\$1.5 billion are sustainable. Thematic bonds represent 18.4% of the total stock of Central Government debt.

The Operational Process

The allocation of the bonds was executed through an OTC book-building process, with an order book with participation of local and international markets, according to the 144A Rule and Regulation S, issued under the Securities Exchange Act of the United States.

The portion allocated to International investors will be initially maintained in Euroclear Bank, in the Depósito Central de Valores, and could be traded in that platform.

In this occasion, the coordinating banks were Itau BBA and Scotia Capital (USA) Inc., and the international legal advisory was in charge of the firm Linklaters and the local legal advice of Morales y Besa.